# 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).*

***Masterclass***
**Decoupling: customer-centric perspectives on disruption and competitive advantage**
*Brian Leavy*

The phenomenon of industry disruption, and the crucial role that business model innovation by late entrants so often plays in bringing it about, is an evolving feature of modern competitive strategy. This masterclass examines the insights of Harvard marketing expert Thales Teixeira in *Unlocking the Customer Value Chain: How Decoupling Drives Consumer Disruption.* Professor Teixeira warns that "Disruptors often posed a threat by breaking the links between some of the stages of the Customer Value Chain and then 'stealing' one or a few stages for themselves to fulfill."

Teixeira counts three waves of disruption and business model innovation in the digital economy to date: "unbundling," "disintermediation" and "decoupling." The first, unbundling, was most evident in the case of industries built around text, imaging and audio-visual content that easily adapted to digitization. The second wave was built around the disintermediation of value chains which disrupted travel agents in the airline industry and stock-brokers in financial services. The third major wave, decoupling, is one that Teixeira has uncovered through his own research.

## The Customer Value Chain (CVC)

The main analytical tool for making decoupling more systematically applicable is the Customer Value Chain. It maps out the main activities that customers undertake to "select, buy and consume a product or service."

## The ubiquity of disruption by decoupling

Not only is this "basic process of decoupling and its application to business-model innovation the same everywhere, but the primary force driving it – customer costs – is pervasive." But when analyzing costs, It is important to recognize that "customers always pay you with three 'currencies,' their money, their time and their effort."

## Identifying attractive disruptive opportunities

Teixeira's main advice to entrepreneurs is to "embrace the customer's vantage point" and "organize their thinking in terms of three layers."

- The first layer: identifying and deepening their understanding of the key elements of the conventional business model in the targeted sector, since the overall aim of the decoupling approach is to "pull customers away from existing businesses or activities."
- The second layer: planning how to develop "the digital equivalent" of this conventional model.

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- The third layer: figuring out how to innovate "on top of" this digital equivalent.

### Responding to disruption by decoupling

Pre-emptive decoupling involves the incumbent embracing the shift in customer behavior and rebalancing how it both creates and captures value to take advantage of it.

Last but not least, because disruption by decoupling is so pervasive and the basic mechanisms are similar across a variety of sectors, Teixeira strongly advises would-be disruptors and incumbents alike to broaden their perspectives and look beyond their own industries.

***Interview***
## How leadership teams can face and fix their "undiscussable" dysfunctions
*John Sterling*

In many corporate settings, leadership team dysfunctionality can undercut the process of applying a core ideology and core values to decision making. To address this, Professors Ginka Toegel and Jean-Louis Barsoux at the International Institute for Management Development (IMD) have identified four categories of "undiscussables," toxic team and leadership behaviors that subvert the performance of leadership teams.

*Strategy & Leadership*: What are "undiscussable" issues? What are the four categories you identified?

Professors Ginka Toegel and Jean-Louis Barsoux: "Undiscussables" is mostly taken to mean "issues we don't bring up in meetings." We find it helpful to distinguish between four varieties of undiscussables, each with its own drivers and solutions:

- "Things we think but don't say."
- "Things we say but don't mean."
- "Things we feel but can't name."
- "Things we do but don't realize."

With dysfunctional teams in organizations the root causes are always "undiscussables" of some kind – unexpressed thoughts and feelings that, if addressed effectively, could help the team work more productively. Differentiating undiscussables helps teams tackle them more effectively.

*S&L*: You note that leaders often underestimate the consequences of not addressing and confronting undiscussables issues.

Toegel and Barsoux: The consequences of ignoring undiscussables – especially in top teams – range from toxic cultures or a climate of frustration, to chronic underperformance, predictable surprises and botched successions. Team members are either unable or unwilling to express what ails them, which systematically distorts their formal and informal interactions. So, this is really central to corporate leadership – especially when the top team malfunctions – and the unreconciled tensions percolate down and are acted out throughout the organization.

*S&L*: What's your advice to practitioners about where to begin to break the logjam of undiscussables?

Toegel and Barsoux: Typically, teams are afflicted by undiscussables in all four categories. But it is very difficult to address all at once. We recommend starting with the two categories above the surface, namely "things we say but don't mean" and "things we think but don't say."

**The quest for genuine business agility**
*Stephen Denning*

While surveys by Deloitte and McKinsey consultancies show that more than 90 percent of senior executives give high priority to achieving business agility, less than 10 percent of the executives polled see their own firm as currently highly agile. Executives often perceive more clearly the market imperatives to become more nimble than the requisite changes involved in meeting them. Three market imperatives are apparent:

- Huge premiums that Wall Street assigns to firms that investors view as capable of business agility.
- As power in the marketplace has shifted from the seller to the buyer, customers now insist on instant, frictionless, intimate, incremental value at scale–something that top-down command-and-control bureaucracies simply can't deliver.
- The need to recruit and retain top talent–high achievers who are drawn to firms where their skills are valued and they have the space and the authority to exercise them.

### Identifying firms with the right stuff

Many of the world's most dynamic businesses have found that operational agility, adopted company-wide, is the precursor to achieving strategic agility. Amazon and Microsoft, for example, have adapted their own versions of Agile management, a convergence of an operational concept and a strategic mindset embodying three core elements:

- An obsession with delivering value to customers.
- Work carried out by small self-organizing teams.
- An interacting network of teams.

### Toyota's journey toward agility

Many firms now in pursuit of both operational agility and strategic agility are designing innovative systems. For instance, Toyota is now in a transition towards greater business agility with an approach called "The Toyota Flow System. Toyota's journey towards agility, says Nigel Thurlow, Chief of Agile at Toyota Connected, has three main elements:

1. Value to customers through complexity thinking.
2. Team science.
3. Distributed leadership.

### The growth of "Agile in name only"

But Agile has also become a victim of its own success: "badly done Agile" has proliferated. The shadow of Agile management done too hastily or badly has fostered widespread cynicism, wrongly harming its brand. Fortunately, unlike many management concepts over recent decades that were adopted, corrupted, died quickly and were buried as "fads," Agile management already has hundreds of thousands of successful practitioners all around the world who have experienced the real thing and know that it's different from "Agile in name only."

**Disruptive technologies, "Black Swans" and corporate innovation strategy**
*Joseph Calandro, Jr. and Vivek Paharia*

Corporate leaders continue to be blind-sided by disruptive startup competitors that they should have seen coming. Some of the reasons they are caught unprepared are interwoven into the conventional processes of "good management." For example, two decades ago Clayton Christensen warned that the firms most at risk of disruptively innovative technologies are the firms with the greatest expertise in existing technologies. In effect, these firms' executives are so focused on the profitability of their current products and the state of their competitive marketplace that they are unable to recognize and effectively respond to disruptive technologies that are developing in their own or adjacent marketplaces. Such incumbent firms stay in business by servicing their existing customers via generally accepted processes and beliefs in an environment known as "Business-as-Usual" (BaU).

Another important insight into what causes firms to disregard potential disruptions was described in Nassim Nicholas Taleb's seminal 2004 book, *Fooled by Randomness.* He posited that corporate executives were wrongly assuming both the frequency and severity of extreme events can be ignored, and so executives often are unable to recognize and respond to extraordinary events that are developing in the economy.

Obviously, not every technological innovation will be strategically disruptive, but some will be. Similarly, not every ambiguous threat will generate extreme levels of financial volatility, but some will. Can the analytical loop between these two extremes be closed? Put another way, is there a practical method of being productive and profitable in "normal" environments while at the same time working to actively mitigate the potential impact of disruptively volatile environments?

### Two-phased approach

Our approach to navigating the different environments of BaU, disruptive innovation and other forms of Black Swan events involves two phases of activities.

First, the potential for disruption must be specifically evaluated. This requires the strategists undertaking the analysis to "think differently" than the "conventional wisdom" of BaU.

The second phase of our approach makes the above analyses managerially "real" by identifying financial or other investment alternatives for harvesting informational advantages over time.

### Perpetual uncertainty and strategic decision-making

Given the perpetual state of uncertainty which all leaders must navigate, executives should position their firms to, first, not be harmed by uncertain developments and, second, to benefit from such developments as they mature.

### Takeaway for leaders

A central insight of our approach is that the environments of BaU and disruption are different, which is why it is important to explicitly create organizational functions to account for each. To benefit from an information advantage, executives must selectively – that is, strategically – invest small amounts of money that could either payoff dynamically or financially mitigate the risk of extreme losses due to "Black Swan" events over time.

## Should leading emerging market companies chase globalization?

*Bala Chakravarthy, P.C. Abraham and Michael Sorell*

Leading local companies in emerging markets often aspire to global expansion as the ultimate affirmation of their success. The global journeys of Lenovo, Tata Motors, Cemex, Vale and Gazprom are inspiring examples for dynamic emerging market companies that have global aspirations. But there are some fundamental questions that emerging market companies should consider before they pursue globalization:

- Is globalization always a good strategy for emerging market companies?
- Does it usually lead to superior growth and profitability?
- Will globalization benefit the company's shareholders?
- How does the performance of companies that embark on global expansion stack up against similar companies that choose to stay in their home markets?
- What lessons can be learned from emerging market firms that have had exceptional financial success in global markets?

One target cohort for a study to answer these questions was the short list of a hundred emerging market multinationals (EMNCs) that the Boston Consulting Group (BCG) published from 2006 to 2016. For this study, these EMNCs were divided into three categories:

1. Global Leaders
2. Persistent. Challengers
3. Challengers

### Leaders that stayed home

Another goal of our study was to compare the financial performance of all Global Leaders and both groups of challengers with that of leading emerging market companies that have remained local – Local Leaders.

### The best performers: Local Leaders

Our research found no consistent financial performance advantage from globalization. In fact, Global Leaders have underperformed for their shareholders when compared with similarly sized emerging market companies that have remained local.

### Globalization does not produce superior returns for EMNC shareholders

A key finding of the study: global challengers and leaders did not outperform their industry mean. Local Leaders show superior financial performance when compared to Global Leaders:

- Global Leaders underperformed Local Leaders on Total Return to Shareholders (TSR).
- Similarly, Global Leaders underperformed Local Leaders on sales growth as well.

### Four strategy lessons for EMNCs planning globalization

**Lesson 1:** Being a global leader or challenger should not be a primary goal.

**Lesson 2:** In the rush to globalize do not forget the home market.

**Lesson 3:** Make incremental rather than transformational acquisitions.

**Lesson 4:** Integrate acquisitions differently based on purpose.

### A smarter approach to globalization

Globalization is a means to an end. The goal of top management of emerging market companies should be to stick to the harder task of defining the company's strategy first and then pursue globalization if it is the right means to execute the chosen strategy. Superior financial performance is the result of smart globalization – designing a comprehensive plan that defends the home market first, pursues incremental expansion, avoids problematic transformational acquisitions and integrates acquisitions differently based on strategic purpose.

## Benefits and pitfalls of a CEO's personal Twitter messaging

*Russell Craig and Joel Amernic*

Social media platforms such as Twitter represent a new and potentially potent corporate communication technology. For a CEO there are benefits and pitfalls to communicating via a personal Twitter feed. Tweeting can facilitate direct, "unfiltered" communication, enable faster and more immediate lines of communication and provide access to larger audiences.

### Twitter in the corporate realm

Twitter is now an accepted form of CEO-speak and is increasingly pervasive in modern business because of its potential to influence our view of corporations and their leaders. Given the accelerating pace of change that business leaders must adapt to, Twitter addresses the increasing need for CEOs to quickly and effectively "lead through language."

### There at least four reasons why a CEO should have his or her own personal Twitter feed:

- To help "humanize" the CEO in the eyes of employees.
- To enable CEOs to communicate their message authentically.
- To allow the CEO to "test the waters" on some issues.
- To help a CEO establish a unique image or "brand."

### The rise of the "Social CEO"

The use of social media has given rise to "social CEOs"– those "who connect with investors directly, personally, and in real time through social media."

### Benefits

Twitter provides an almost real-time, personal connection directly between a CEO and a network of followers. Clearly Twitter provides an opportunity for a CEO to "initiate and influence online conversations" and to shape a company's public image as being socially progressive.

### Managing reputation and trust

Tweets can help CEOs promote their company's reputation, attract investor attention and respond directly to consumer concerns.

### Pitfalls

Beware restless Twitter fingers. While driving himself to the airport in 2018, Tesla's CEO, Elon Musk, sent a tweet to his 22 million followers. The upshot of this tweet and others that followed was that the Securities and Exchange Commission (SEC) accused Musk of violating U.S. securities legislation.

### A forum for rant, sneer and negativity

Twitter has been cited for encouraging "trolls," that is, persons who anonymously respond to tweets by engaging in abusive commentary. Social media has become "an environment where authenticity is simultaneously promised, demanded and disputed.

### Twitter: leadership through language

CEOs' use of Twitter has altered the public's expectation of CEO-speak. Some CEOs are avid tweeters, seemingly untethered by corporate communication minders and lawyers; some are more cautious in their tweets; and others seem to avoid Twitter studiously.

Twitter should be viewed as a communication medium that enables the exercise of leadership through language, a powerful influencing tool for the "social CEO" who learns how to use it effectively and to avoid its pitfalls.