

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).

Interview

Bill George: Guiding two decades of the authentic leadership movement
Brian Leavy

It has been twenty years since Bill George produced his best-selling book *Authentic Leadership: Rediscovering the Secrets to Creating Lasting Value*, which advocated for a radical, know-yourself-first business leadership model. He saw the command-and-control leadership model that then prevailed at the height of the shareholder value movement, which focused on maximizing share-price, as fundamentally flawed.

Over the last two decades he has been researching the basic ingredients of authentic leadership through one of the most extensive empirical studies of leadership ever undertaken. The central finding from his initial interviews with 125 US leaders was that their passion to lead was deeply rooted in their life stories. His latest book, *True North: Leading Authentically in Today's Workplace (Emerging Leader Edition)*, is co-authored with Zach Clayton, CEO of Three Ships, a digital marketplace maker.

Strategy & Leadership: Your authentic leadership development model revolves around three main processes – self-discovery, self-development and leading people. What does your process of self-discovery involve?

George: It starts with examining your life story and processing the most difficult episodes of your life, which we refer to as your crucibles. This is

essential to understand who you are at your core, and to gain self-awareness.

Developing yourself

S&L: Why do you see self-awareness as “the foundation of authenticity” and how best can you continue to deepen it in practice?

George: It is the *sine qua non* of knowing your values, discerning your passions, staying balanced and discovering your own personal sense of purpose and mission. If you don't know yourself, you cannot be an effective leader of others, as your ego needs are likely to hold them back from reaching their full potential.

S&L: What other major self-development practices does your leadership model encourage, and how might aspiring leaders try to follow them?

George: One is the value of identifying your Sweet Spot. This is where your strengths and intrinsic motivations intersect, and where you feel most inspired, energized and confident that you can do great things and can infuse others with your passion and vision.

S&L: Why is it never too late for leaders at any stage in their careers to keep searching for their personal and organizational North Stars?

George: For many of us, we need to have experience in several organizations before we can find our

Assessing value chain acquisitions that support differentiation innovation initiatives: lessons from Apple
Alistair Davidson

North Star – the purpose of our leadership. Defining your North Star is not as easy as it sounds. It's an ongoing self-discovery process not a

To adapt and thrive in dynamic markets driven by rapid paced technological innovation, successful companies must make decisions about acquisitions that could potentially enhance their value chain over time.

Apple's three-tiered approach to acquisitions

As an example of a company that has, over several decades, prospered mightily by acquiring many technologies to differentiate its products and to justify its premium pricing, Apple's acquisition history offers insights into what strategies are likely to be most successful. Perhaps the key insight about Apple is its recognition of the strategic criteria for choosing:

- Tier 1 external companies that own expertise and technologies that can be successfully integrated into Apple offerings.
- Apple also insightfully manages acquisitions in a second tier of technologies to ensure that its business is critical to the supplier.
- A third tier of potential targets includes suppliers that offer commodity products that are incorporated into Apple products.

A review of Apple's acquisition and innovation decisions, offers insights into how to manage a value chain, the differentiation process, how to ride technology and cost curves and control of distribution.

Six basic rules

The general rules that Apple follows for Tier 1, Tier 2 and Tier 3 value chain additions, based on the history of its acquisitions, are:

one-time-and-it's-done exercise, and you cannot do it in the abstract.

1. Acquire companies that will differentiate key products.
2. Use acquisitions to acquire expertise that Apple lacks.
3. Show a preference for acquiring companies that can benefit from Apple distribution channels.
4. Avoid investing in commodity technologies in areas where rapid change is occurring.
5. As Apple sales grow, replace widely available technologies with Apple differentiated technologies.
6. Invest in distribution activities that allow control of distribution and support, such as Apple stores.

Differentiation best practices

As one of the most successful companies in the world, over the past twenty years, Apple has acquired technologies that improve its brandings, its differentiation and its relative technology position. During this time, Apple has acquired 114 companies at a cost of more than \$8 billion.

The alternative differentiation investment: redesigning distribution

Apple is renowned for its retail network, which features highly skilled front-line employees working in ultra-modern buildings trained to deliver personal service to customers buying or learning how to use their digital devices.

The implications for strategy

Apple's successful approach to adding value suggests three rules of thumb for other companies:

1. A company's value adding strategy should be explicit.
2. Integration of the acquired company is tightly tied to an overall Apple product strategy.
3. Keeping an eye on complementary technologies is not a "sometime thing" for Apple.

Effective creativity: how to manage it to achieve extraordinary business value

Anthony Marshall, Jacob Dencik and Cindy Anderson

For organizations, continuing to adapt and thrive in a rapidly evolving environment is no small challenge. Tapping into ingenuity and creativity has been critical to navigating recent market disruption – and going forward, effective creativity is becoming even more central to business success.

To better understand the role of creativity and its impact on business, IBM Institute for Business Value (IBM IBV) surveyed 400 United States-based CEOs across 11 industries. To be value generating for business, creativity needs to be embedded across the enterprise as a central tenet of an organization's operating model.

CEOs recognize the importance of creativity

For CEOs, the importance of creativity as business driver has quadrupled over the past half-decade. As many as 86 percent of CEOs in the survey believe that creativity will be very important to their business within three years, compared to only 20 percent of those surveyed by IBM IBV in 2019.

The CEOs surveyed rank creativity as one of the three most important employee characteristics, second only to analytical skills. Analytics, creativity and strategic thinking rank as the top three most desirable employee skills. But despite the importance CEOs place on employees demonstrating creativity in their work, many acknowledge that their employees spend only a small amount of their work time actually engaging in creativity.

Capturing the value of creativity

What is keeping organizations from realizing the business potential of creativity? CEOs identify fear of failure by potential innovators as the most significant barrier to creativity. More than half of CEOs surveyed believe that their employees are too risk averse to support creativity.

Creating a creativity-rich operating model

For creativity to flourish, organizations need to enable opportunities and space for creative thinking and collaboration. Some practices of the most successful firms:

- Creativity Leaders place especially high importance on nurturing and channeling creativity and embedding it in processes and operations.
- Creativity Leaders experience 22 percent higher rates of revenue growth over five years and are 49 percent more likely than others to outperform peers in terms of profitability.

Specifically, they differentiate themselves from the rest in the following seven creativity operating model dimensions:

1. Teamwork and integration.
2. Open communication.
3. Trust and risk.
4. Talent and leadership.
5. Resources and partners.
6. Measurement and metrics.
7. Technology enablement.

Seven critical steps of the strategic plan “launch” project

Kenneth D. Cory

Quiet heroes of creativity

As creativity becomes more important for business success it is less about sporadic encouragement of individual inspiration and more about how to

The “launch” process for announcing a major strategic initiative is an often overlooked step in the strategic plan that is critical to its successful implementation.

A model for launching a new strategic plan

A novel seven-step model for the formal launch of a newly created strategic plan or an important new business model provides practitioners with a clear framework for managing impactful strategy announcements and guidelines to the processes that make a plan’s launch more efficient and effective.

Effective management of the launch is particularly important for organizational stakeholders, some of whom may be losing their jobs as a result of the new plan. Other employees may see their budgets cut and their status reduced, while others will be publicly recognized as the foundational pillars upon which the company is betting its future success.

Three precursor steps

Prior to the launch, the initiative starts with:

- The confirmation of the budget.
- The designation of authorities.
- The final approval of the new base case plan by the board of directors.

As with any new major event, the launch should be treated as a distinct project with appropriate project planning, budgeting and training.

Step 1: Budgets

The model begins with an examination of resources. The main

professionalize and operationalize creativity throughout the organization for better business results.

problem that usually arises is how best to move the company from the existing annual budget to the financial targets in the longer-term financial forecast associated with the strategic plan.

The Step 2: Launch budgets

- When budgeting, it is critical to specifically set aside resources for the project launch itself. Implementation of the plan often requires consultants to provide additional training, provide ongoing counsel or lead department-level meetings, so it is usually helpful to budget for more expenses than might initially be expected.

Step 3: Designating authority

Prior to the launch companies need to be transparent and deliberate about specifying lines of authority.

Step 4: Board approval

The importance of maintaining a strong and supportive relationship with the board cannot be overstated.

Step 5: Preparing for dissemination pre-launch

Identify employees and board members who are likely to be the initial points of contact for key stakeholder groups and train them extensively to communicate the launch strategy message.

Step 6: Launch

Actions that help the launch succeed:

- Prepare local management representatives to address questions about operational

changes with consistent messaging.

- Begin communications with, and reinforce, the organization's Mission and Vision statements.

Step 7: Training and measurement

For employees, one of the most frustrating aspects of undertaking a new strategy is being asked to do new tasks or assume new responsibilities without receiving adequate training to accomplish them successfully. In addition to training, employees need objective and

transparent metrics to measure the ongoing success of their contributions to the new plan so that timely corrections can be identified and implemented.

A seven-step launch guide to being better prepared

This seven-step model of the launch process can serve as a guide to improve the likelihood of a successful implementation effort.

Build resilient enterprises with resilient people: the case of ASK Consulting

Nkosi Leary, Lorry Perkins, Umang Thakkar and Gregory Gimpel

Amid the Covid pandemic, war in Ukraine, supply chain disruptions and soaring inflation, business leaders throughout the world had to confront the management of organizations learning to be adaptable and resilient. While research and experience show the prudence of modeling known risks and possible disruptive scenarios such as floods, earthquakes and trade sanctions, it may be impossible to adequately prepare for the full range of once-in-a-century shocks and black swan events. Moreover, companies do not have relevant historical precedents to understand the effects such disruptive events will have on the modern enterprise or the global economy.

As an organization that successfully adapted to market turmoil, ASK Consulting, a medium-size, entrepreneurial enterprise, provides a how-to lesson on building a resilient enterprise. During the pandemic, ASK's primary workforce was slashed 68 percent by attrition and layoffs. The company found and pursued new opportunities that arose during the pandemic, and grew its revenue by 32 percent.

ASK Consulting's story

ASK Consulting is a staffing firm that recruits IT, engineering, finance and accounting professionals to place in

long-term positions within other firms. Its structure consists of three main parts: business development, recruitment and back-office operations.

When COVID-19 began making headlines in early 2020, ASK executives relied on past health scares, such as SARS and MERS to make their plans. As the disease rapidly spread world-wide, ASK's executives raised internal alarms within the company about the potential consequences of lock-downs within the United States.

During the lockdown, ASK swiftly shifted from a company built around in-office work to a completely virtual office with the help of information technology and process automation tools. ASK's new business dropped 97 percent, but after short-lived crash in demand, the company experienced an unexpected surge in business.

The first half year, as shutdowns spread, the way people worked changed dramatically.

Executives and line level employees who remained with ASK and performed their jobs effectively and creatively during the most turbulent time of the pandemic were found to share three common traits: discipline, open-mindedness to change and a

sense of service to the team rather than to themselves.

Resilience trait 1: discipline – A key trait of resilient people is discipline, which is the capacity to continue to perform their duties and roles when faced with radical change or demotivating circumstances.

Resilience trait 2: open-mindedness to change – During a time of discontinuity at ASK Consulting, employees had to cope with significant changes to the way they conducted their business.

Resilience trait 3: serve the team – Rather than serving themselves, as

The credit cycle and corporate strategy: challenges and solutions
Joseph Calandro, Jr. and Vivek Paharia

Credit – or debt – moves in cycles that are characterized by waves of higher levels of inflation followed by much lower levels of inflation, higher interest rates – or yields – followed by much lower interest rates, and rapid business growth followed by intense business contraction. The causes of cyclical credit behavior range from so-called “animal spirits” to acts of governmental regulatory over reaction or under reaction. Whatever the causes, alternating waves of U.S. credit “boom and bust” have been repeatedly witnessed.

One practical way to address the potential impact of sustained inflation/higher yields is to utilize inflation scenarios in annual strategic planning processes, which could be regularly tracked to guide operations as the inflationary environment – historically average inflation/yields, higher than average inflation, hyper-inflation – develops over time.

Corporate financing and higher interest rates

A key outcome of strategic planning is a determination of how the strategy will be funded. Given the current reversal of the credit cycle and the anticipated additional interest rate increases by the Federal Reserve,

one might expect in an earnings-driven industry, ASK’s resilient employees placed a high priority on helping their colleagues.

Takeaways for business leaders

The adversity faced by ASK during the COVID-19 pandemic, followed by the firm’s immense success due to the resilience of its team, provides an important lesson for business leaders. While strong risk management and contingency planning are important, they may not be effective preparation for black swan-type events.

capital in general will likely become progressively more expensive – from both an interest rate and terms/conditions perspective.

Firms that are more strategically proactive, however, will likely seek to increasingly fund initiatives internally. To enable this, an appropriate strategy is to plan to zealously “bank” a portion of realized savings from efficiency and expense reduction initiatives to ensure their firms are “fit for growth.”

The credit cycle and M&A

The dynamics of the prior cyclical wave of progressively easy money policies and resulting declining interest rates, generated progressively higher enterprise values, which helped to fuel an M&A boom. However, acquisition decisions based primarily on the merits of financial strategies, may not add long-term value.

Active value realization management

There are many causes of M&A failure, but a key one—along with overpaying—is failed value realization. One reason for this is likely that the dynamics of the credit cycle wave. When consistently easy money

policies fuel frenzied business activity and ever increasing enterprise values, it provides lucrative incentives to “do deals” for short term financial wins.

The strategic advantage: Adopting the mindset and practices of a value investor

By extending the traditional definition of corporate strategy to include cost-effective resource allocation and employing the principles and behaviors of leading value investors, corporate executives can be better prepared to meet the ever-expanding array of risks head on, and exploit the

advantages that a strong balance sheet provides acquisition seekers.

Additionally, it is important for executives to keep track of how their competitors are addressing the challenges of the new cyclical wave, and to identify those competitors that are either ignoring a challenge, or addressing it ineffectively.

Such competitors could be at-risk of distress when market volatility spikes, as it undoubtedly will at some point in this cyclical wave, and as such they could become a corporate development opportunity, so long as executives are able to timely and efficiently identify and act on it.