Quick takes

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).*

Roger Martin: The power of questioning conventional models in management practice

Brian Leavy

The need for a general management perspective that has been successfully practice tested and has outperformed other conventional approaches has never been more urgent in today's increasingly complex and dynamic business environment. Roger Martin's latest book, *A New Way to Think: Your Guide to Superior Management Effectiveness* brings together in one handy volume, many of his most influential insights to date.

Strategy & Leadership: *A New Way to Think* is more wide-ranging than any of your previous books. How do you see it fitting in with your overall sense of professional mission?

Roger Martin: My *Harvard Business Review* Senior Editor, David Champion, and I were reflecting back on the many articles we had written together to help managers abandon badly functioning models by explicitly challenging conventional thinking and offering them a newer, better model to latch onto.

Stakeholder priorities and customer preferences

S&L: Your counterintuitive argument is that to "actually create shareholder value, put your customers before your shareholders.

Martin: Determining what your customers value and focusing on always pleasing them is a better optimization formula. So companies should seek to maximize customer satisfaction while ensuring that shareholders earn acceptable risk-adjusted returns.

The strategy making process

S&L: In the area of strategy-making, you highlight the limitations of the conventional "problem-based" approach and advocate one that is more "possibility-based."

Martin: Strategy is always a bet on the future and assessing "what would have to be true" for each future possibility to succeed in this way, including the status quo, is what will enable an organization to choose which risks it is most comfortable assuming.

Change and innovation

S&L: Finally, do you have any overall wish for executives on what you would most like them to take away from your book?

Martin: I would hope that executives make sure that they own their models rather than letting their models own them. If instead, they reject a consistently failing model and adopt a new one, which will have to perform in order to keep its position of privilege, then they own their models.

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How measurement makes “Deep Purpose” work

Stephen Denning

A number of firms seeking to formulate a socially aware “purpose” for their businesses ended up with preachy purpose statements – such as, “To do good” – or self-regarding policy slogans. Other firms seeking to articulate a strategic defining purpose have crafted mission statements that delineate what business they want to be in but fail to address how their statement relates to most decision making.

Harvard Professor Ranjay Gulati’s new book, *Deep Purpose: The Heart And Soul Of High-Performance Companies* (Harper Business, 2022) introduces the impactful concept of “deep purpose” and offers a guide to its design. Firms effectively adopting this concept treat “purpose as an existential intention that informed every decision, practice, and process. As a result, they navigated the tumultuous terrain of multi-stakeholder capitalism far more adeptly than most, increasing value for all stakeholders, including investors, over the long-term,” according to Professor Gulati.

The most successful firms today—such as Amazon, Apple and Microsoft—have discovered that the secret to effective purpose is to give primacy to the noble goal of creating value for customers.

Amazon and Microsoft have shown how such a declared purpose can become an effective guiding principle when integrated into operations and measured.

Microsoft’s purpose

In the 20th century with Bill Gates as CEO of Microsoft, the firm’s mission was: “A computer on every desk and in every home.”

In 2013, Microsoft’s stated mission became wordier: “To create a family of devices and services for individuals and businesses that empower people around the globe at home, at work and on the go, for the activities they value most.”

In 2015, the current CEO, Satya Nadella, clarified and simplified the vision and mission statements

> VISION: to empower every person and every organization on the planet to achieve more.
>
> MISSION: to help people and businesses throughout the world realize their full potential.

The difference between the new mission statement and that of Nadella’s predecessor, Steve Ballmer, was not great. What made the difference was measurement.

How measurement makes the difference

By requiring metrics, Nadella gave operational substance to the abstract concept of empowering customers.

As Brad Anderson, Corporate Vice President of Enterprise Client and Mobility at Microsoft said, staff found that if they were having a meeting with Nadella, they had to begin with the numbers of customer usage, not technology, schedules, sales or profits.

So measurement at Microsoft wasn’t just dry numbers. Nadella’s concept of customer empathy brought the numbers to life.

How to prepare for ten process and content challenges of scenario planning

Paul J.H. Schoemaker

Scenario planners likely need to unshackle themselves from their current mindsets when trying to divine how consumers, media, rivals or political leaders might behave in the future. The role various biases might play will depend on the organizational settings, the stakeholders involved and the issues to be addressed. This is what makes scenario planning both an art and science, as well as a negotiated process along the way.

The distinction between process and content pitfalls is important because it highlights the fact that scenario planning entails a sequence of activities that can only deliver illuminating results if the input, process and output phases are each of high quality.

The list of pitfalls mostly concerns the initial scenario-building phase during which individuals or teams envisage a limited set of futures that bound the range of possible outcomes.

Process pitfalls in scenario planning

Pitfall 1: Failing to gain top management support early on.

Pitfall 2: Confusion about roles.

Pitfall 3: No clear road map.

Pitfall 4: An isolated endeavor without integration.

Pitfall 5: Not tracking the scenarios.

Content pitfalls in scenario planning

Pitfall 6: Too much focus on trends.

Pitfall 7: Lack of coherence in the scenarios.

Pitfall 8: Not breaking out of the paradigm.

Pitfall 9: Poor connection with key strategic concerns.

Pitfall 10: Paucity of innovative strategic options.

Lessons learned

Scenario planning can help managers and leaders move beyond their comfort zones and motivate the organization to reassess conventional wisdom about the future. It is in the act of learning that emotional and intellectual acceptance or rejection of the scenario themes occurs. The most important use of scenario planning, however, is to foster new insights about the future business environment and then to re-align mental maps in the organization to thrive in such different futures.

Making the responsibility for practicing sustainability a company-wide strategic priority

Haynes Cooney, Jacob Dencik and Anthony Marshall

Nearly all major companies now publish some form of sustainability report on their energy use and materials cycling and a growing number have made public commitments, such as net zero targets. Recent research conducted by the IBM Institute for Business Value found that 53 percent of organizations will position environmental sustainability as top business priority by 2024, up from 39 percent that considered it a top priority in 2021. In our recent global survey of C-suite executives, 86 percent said their organization now has a sustainability strategy in place.

But while most organizations now have a sustainability strategy, only 37 percent have aligned sustainability objectives with their business strategies. Worse still, only 35 percent have actually taken any actions as a consequence of their sustainability strategy.

Responding to these pressures and translating corporate sustainability intentions into action and meaningful change is easier said than done – as borne out by the data. Fewer than 40 percent of companies have identified either the initiatives needed to close their sustainability gaps or the sustainability drivers for change. At the CEO level, the most important barrier to advancing sustainability initiatives is the unclear ROI and business benefits associated with sustainability investments.

Addressing stakeholder concerns

The 3000 CEOs in our 2022 CEO study report that the greatest pressure they experience for improved sustainability and transparency now comes from their board, investors and ecosystem partners. The CEOs indicate that they are five times more likely to report experiencing pressure for sustainability from board members than customers.

How successful leaders address the challenge

Business leaders who are successfully addressing the sustainability challenge stand out in several ways. While success starts with a changed mind set, the effort must be extended within operations and core activities of organizations. Five actions have proved to be key elements of their success.

Action #1: Embrace sustainability as a central business opportunity.

Action #2: Embed sustainability within organization structures and processes.

Action #3: Activate sustainability across the organization.

Action #4: Engage ecosystem partners and suppliers around sustainability.

Action #5: Tap the potential of data and digital technologies for sustainability.

Next steps

Realizing sustainability's potential requires concerted action across the enterprise. It means reconceiving how value is created, marketplace or ecosystem engagement occurs and technologies are embraced. Those that do not embrace the necessity of effectively adopting more sustainable practices may face not only withering public scrutiny, but increasing regulations and dramatically intensifying competition.

Why CEOs need to make supplier strategy and procurement leadership imperatives

Christian Schuh,
Wolfgang Schnellbaercher,
Alenka Triplat and Daniel Weise

If anything will persuade CEOs that suppliers and procurement should be leadership imperatives, it is surely the double whammy of a global supply chain crisis and the highest inflation in 40 years. There are three strategic reasons why CEOs should reprioritize their time and make suppliers and procurement a key part of the strategic decision making process:

Product materials are a strategic expense. Spending on suppliers—the job of procurement—can account for more than half of a typical company's total budget.

Product development costs need to be strategically managed. When CEOs let the procurement function play a central role in the product lifecycle—from the moment when the first product ideas are developed to when the last product rolls off the factory production line—it can potentially achieve far more savings year after year.

Strategic advantages beyond cost savings. When CEOs use their procurement capability wisely to develop lasting relationships with suppliers, they can master five mission-critical sources of competitive advantage.

Tapping five mission-critical sources of competitive advantage beyond cost-savings

1. **Suppliers can support innovation advances.**
2. **Suppliers can support quality enhancements.**
3. **Suppliers can enhance sustainability.**
4. **Accelerating delivery.**
5. **Better uncertainty management.**

How CEOs can elevate supplier and procurement management to leadership imperatives

If the procurement function is to be able to bolster a company's innovativeness and foster the quality and sustainability of a company's products and services, it needs to have the wholehearted support of the CEO and senior leaders. First, CEOs should cultivate a new corporate mindset, one that helps the whole company see the most important suppliers as vital partners.

Second, CEOs should elevate the role of the Chief Procurement Officer, giving them a seat at the table. To truly elevate the procurement function, CEOs should give the CPO a new mandate that empowers them to participate in shaping the corporate strategy, rather than just supporting it, and focus on profitable growth, rather than just on cost reduction.

Lessons learned

By empowering their CPO and procurement function, CEOs can extract extraordinary value from their suppliers, drive ample new bottom-line and top-line growth and ensure that their companies will be ready to weather the next value chain storm.