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*).*

Purpose before profit: unleashing individual and collective "human magic"
Hubert Joly

I have learned that so much of what I had been taught about business at business school and as a consultant and young executive is either wrong, outdated or incomplete. Over the course of my leadership career I eventually learned that the old top-down approach to management—having a few smart executives first formulate a strategy and its implementation plan, then tell everybody else in the company what to do while crafting incentives to motivate them—rarely works. And I learned that the model of the leader as a smart, powerful superhero is outdated.

The limitations and dangers of financial incentives

While many of these ideas were already fermenting when I was invited to take on the leadership of Best Buy in 2012, I now believe that in today's economy, financial incentives at all levels are no longer the primary driver and motivator of performance, if indeed they ever were.

So if financial incentives do not motivate people to go the extra mile, then what does? In my experience, it starts with one fundamental change in perspective: to view people as a "source" rather than a resource.

Five drivers of exceptional motivation

Best Buy and its people have taught me much about the practical implications of this shift in perspective. I now believe that the

recipe for creating such an environment is made of up of five key ingredients:

1. Connecting dreams.
2. Developing human connections.
3. Fostering autonomy.
4. Achieving mastery.
5. Putting the wind at your back.

This environment fosters individual growth and drive, which in turn feeds back into innovation and further business expansion.

Putting purpose and human connections first

Through all my experiences, culminating in the years at Best Buy, I have come to believe—to know—that purpose and human connections constitute the very heart of business. I believe that business is fundamentally about purpose, people and human relationships—not profit, at least not primarily.

By creating an environment where everyone at the company is energized in support of a unifying sense of purpose and can see their role in its fulfillment, the five ingredients – connecting dreams, developing human connections, fostering autonomy, achieving mastery and putting the wind at your back – will drive engagement.

This is the human energy that can power corporations as purposeful human organizations. It is also an

essential element for the kind of reinvention of business and reinvigoration of the economic system around a model of stakeholder

capitalism that is so urgently needed today.

Mastering the challenge of business ecosystems
Stephen Denning

At the Global Peter Drucker Forum in 2019, Haier Group chairman, Zhang Ruimin, declared that "unless firms transform into ecosystems, they won't survive." Yet most big firms find that the challenge of building a successful ecosystem business model is daunting.

Business ecosystems, operating on digital platforms, further the continuing evolution of the relationship between firms and their customers – from purchaser to experienced commenter, to endorser, to product and service development partner.

The lure of business ecosystems

The primary advantage of platforms and ecosystems is that in the age of digital, they can potentially be scaled more quickly at lower costs and thus become more valuable than linear business models. Compared to ecosystems, the weakness of single-company platforms is that they are easy to copy by competitors.

The advantages of an ecosystem

As strategy consultant Erich Joachimsthaler explains in *The Interaction Field*, an ecosystem can solve a broader set of customer needs than a one-company platform. An ecosystem is "intentionally organized to generate, facilitate and benefit from interactions rather than transactions.

The question of trust

To promote a vigorous ecosystem, successful management must demonstrate an intense focus on adding value to customers. And to maintain comity among ecosystem partners, business school professor

Julian Birkinshaw advises, "Don't steal their business."

The question of management models

As Swiss-based author and consultant Raymond Hofmann points out, the current management model of most big firms is incompatible with the agility required to implement a business ecosystem. An inappropriate management model is often the invisible barrier to implementing well-intended ecosystem strategies.

An experimental approach

An experimental, step-by-step approach is recommended, that can lay more sound foundations for a future business ecosystem strategy that works for the bottom line. Key steps include:

1. **Spread your bets:** Rather than putting all your bets on one ecosystem initiative, develop two or three ecosystem scenarios, each one addressing a particular issue you are trying to solve.

2. **Test key assumptions:** For each scenario, make explicit the key underlying assumptions to test.

3. **Build trust:** Trust is the foundation upon which ecosystems are built. Development efforts must foster a spirit of collaboration, respect, listening, transparency and staying focused.

4. **Capture learnings:** Be willing to hit reset when necessary. Amazon's Marketplace failed several times before it was finally successful. Learning is a key element of every ecosystem experimentation.

Interview Designed to evolve: digital transformation the Infosys way
Brian Leavy

Nandan Nilekani, Co-founder and Chairman of Infosys, took a leave to take a senior post in the Indian national government to lead the ground breaking Aadhaar initiative to provide a digital identity to more than 1.2 billion Indian citizens. When Nilekani returned to Infosys in 2017, he began to apply the Aadhaar learnings on transformation to complex global enterprises.

His insight has resulted in the development of the Infosys Live Enterprise model, a digital-enabled, human-centric, designed-to-evolve model of the modern enterprise based on the principles of adaptive, living systems. Jeff Kavanaugh Vice President and Global Head of Infosys Knowledge Institute, and Rafee Tarafdar Chief Technology Officer of the Strategic Technology Group at Infosys describe the inner workings of this model in their new book *The Live Enterprise: Create a Continuously Evolving and Learning Organization.*

Strategy & Leadership: How and why did you decide to reinvent the company along "live enterprise" line?

Jeff Kavanaugh: As we undertook this transformation journey, we stayed focused on the fundamental question: How can large complex enterprises behave like start-ups with nonlinear moves while maintaining resilience?

S&L: Can you give us an overview of your live enterprise operating model and the strategic objectives?

Kavanaugh: The idea behind the Live Enterprise is to enable mature companies to transform into a business with digital native agility, with many small teams innovating while leveraging shared digital Infrastructure.

We took a page from the Agile playbook and focused on guiding principles over rigid structures, and we started with six strategic objectives:

- The agility of a startup.
- Responsive to customer needs.
- A networked, connected and sentient ecosystem.
- Velocity of ideas and innovations.
- Competitive advantage through platforms and shared digital infrastructure.
- Extreme automation in everything the enterprise does, with mobile-first and AI-first solutions.

These objectives are designed to work in concert to accomplish four outcomes:

- Quantum organization.
- Perceptive experiences.
- Responsive value chains.
- Intuitive decisions.

These outcomes are made possible by four capabilities: hybrid talent, a design-to-evolve mindset, a digital runway and a "micro is the new mega" approach to transformational change

Some overarching implications for company leaders

S&L: For CEOs and their C-suite colleagues, what are the two or three overarching messages that you would like them to take away from your book?

Kavanaugh: Three main messages would be:

- The Live Enterprise operating model is a combination of many small entrepreneurial teams that drive innovation and the scaled power of shared digital infrastructure; it's designed to evolve, all in a culture of lifelong learning.
- "Micro is the new mega," where big change can be accomplished through a series of small nudges that build momentum and change behavior.

- Employee experience (EX) is as important as customer experience (CX) in the live enterprise, and to view your workforce as a hybrid talent value driver composed of employee plus gig worker plus machine.

How "Dynamic CEOs" outperformed by adopting a transformation mindset

Haynes Cooney, Peter Korsten and Anthony Marshall

Evidence of accelerated business transformation during the COVID-19 pandemic has been significant and sustained. Successive surveys conducted at the IBM Institute for Business Value have confirmed that enterprises around the world are completing significant digital initiatives in months that had been expected to last years. Specific underlying technologies such as AI and hybrid cloud have been identified as driving the greatest value across industries.

The recent IBM Institute for Business Value CEO survey of 3,000 chief executives globally offers insight into CEO attitudes and behaviors in order to discern the strategies and actions most highly correlated to successful digital transformation and performance.

Dynamic outperforming CEOs

The surveyed asked CEOs about many of the strategies they have put in place. It also explored many organizational key metrics of past, present and projected future investments and financial outcomes. These CEOs, who represent 38 percent of all commercial (non-public sector) leaders in our research, shared two crucial insights:

1. This elite group of CEOs believes that traditional business models no longer differentiate their organizations.

2. They resolve that their organization's digital transformation journey will never be complete.

The three years prior to COVID, the organizations led by these CEOs outperformed their competition in terms of both revenue growth and profitability. They reported 2019 revenue growth approximately 15 percent higher than their peers and exceeded their competitors' profitability more than twice as frequently.

Technology everywhere

Ninety-three percent of Dynamic CEOs report that disruptive emerging technologies are driving competition in their industry, a rate nearly twice that of other CEOs surveyed.

Recognizing the criticality of flexible and agile systems to support new technologies effectively, 70 percent of Dynamic CEOs maintain a focus on addressing technology infrastructure – or application modernization, compared to only 36 percent of other CEOs

Forty-four percent of Dynamic CEOs are also preparing for challenges stemming from cyber risk – a topic never far from the headlines – a percentage far outpacing other CEOs. Almost 90 percent of Dynamic CEOs expect their business and IT investments to deliver a material improvement in business performance over the next three years, with the greatest emphasis on investments in customer experience improvement, decision-making processes and business agility.

CIO and CTO critical top influencers

Dynamic CEOs see a competitive landscape which is defined by emerging technologies, recognize the value of investing in technology to seize growth opportunities.

Action guide

Dynamic CEOs have built on successful performance and, even in

the face of the COVID-19 pandemic, maintained a focus on the essential value and vision of their organizations – while embracing flexibility and agility. Based on these insights we offer the following recommendations for organizations looking to share their journey.

- Assess how emerging technologies are reshaping the competitive landscape.

- Invest in core technologies, such as Cloud, IoT and AI, that will create a springboard for growth.

- Give technology leaders a seat at the strategy table.

The Land Rover "Guest experience" marketing concept
John Lloyd

The test drive, the staple of "experience marketing" in the auto industry, has a long and storied history.

For several decades, Land Rover Ltd. has used off-road training courses to transform the test drive into a personal learning and loyalty experience for their customers and potential customer "Guests" at a global network of Land Rover Experience Centers.

Learning about loyalty at a barbecue

In 1997, I began working with Land Rover's National Sales Company in South Africa (LRSA) as Retailer Development Manager. Land Rover vehicle owners who had been customers of this retailer were invited to a casual barbecue. Socializing with these Land Rover enthusiasts, it became apparent that owners considered themselves "Land Rover people." Surprisingly, very few of this "clan" of owners fully understood what their vehicle's true off-road capabilities were. The LRSA Managing Director recognized that conditions were ripe for a program of off-road classes that could make a positive impact upon Land Rover brand reputation and customer loyalty.

The approach taken

After exploring a few possible approaches, the one chosen was to establish a franchised network of "approved" Land Rover Off-Road Driving operations, staffed with skilled driving teams, in key locations in South Africa. I visited each of them to assess which ones could potentially meet our requirements.

Operating Standards were developed to reflect the business goals and address the business needs of all parties and provide Guests with safe and memorable driving experiences.

Lessons learned

In 2019, when I retired, there were over 65 experience operations in place with more than one million Guests a year actively participating in Jaguar and Land Rover experience programs around the world.

Key learnings:

- Constant measurement of activities, Guest numbers, satisfaction levels and good news stories have all helped in widening awareness of the value of the experience program within the business.

- Guest experiences, when compared with the traditional approaches to marketing, have proved to be a more interactive and rewarding means of doing business and creating customer loyalty.

A five-step experience design ideation lesson for corporate leaders
Kevin M. Dulle

Ask a customer about the last experience he or she paid for and notice how they invariably begin their response with the place it happened. Then they usually go on to describe the actions or activities associated with the experience. The recall or memory of such an experience has three significant elements: emotion, place and action.

A core challenge for executives

Experience design has become a key skill for executives now that the competitive advantage and the economic value experiences create has become a critical success factor for corporations in many markets.

As Ross Freedman, co-founder and CEO of the digital commerce strategy firm Rightpoint, notes. "The most successful companies right now are those that have figured out how to re-imagine every touchpoint a consumer has with their brand, delivering an experience-based, emotional connection."

How to creatively design experiences

Creative ideation is a tool for developing the initial idea, experimenting with possibilities and discovering the early stages of what an experience could become. The creative use of wordplay can aid the early stages of design ideation by generating a set of unique or unusual names for the service or product. One five-step ideation process that has proven effective, called the "ERY method," uses a mix of wordplay – by adding the suffix ERY to a service action verb – and elementary market analysis to revisit a company's service and product offerings. A simple example is a chain of bake shops. The verb "bake" becomes "bakERY." Creative thinking about a new business model and the customer's experience visiting a bakery generates the verb "kneadERY," a store concept that would connect with customers' senses and could offer baking courses, customized bake goods and nutritional advice. Each phase of the five-step ERY method expands from this intentional action to the identification of the physical or virtual place where a business process can be turned into an experience that sparks a memory.

The process provides an opportunity to think more expansively about the business, about the core job it does for the world, resulting in a purpose statement that highly differentiates itself. The ERY method expands the thinking around the core idea of a business' basic function and turns it into something different, which ideally translate into a place or virtual experience that is new and unique in the world.

Change the action, change the experience

The five-step "ERY method" has the potential to generate a unique idea around the business transaction that exceeds expectations. To accomplish this, the action verb must be creatively distinct from the normal description or expectations of the service in question. Use the elements of memory – place, action and emotion – as the starting point for making the move from the making of goods or the delivering of services to succeeding in the Experience Economy.