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).*

The strategist's view needs to extend beyond planning to execution

Timothy J. Galpin

No matter how brilliant or elegant a strategy is, it is worthless until effectively implemented. John Trani, the former head of GE's medical systems business asserted "At best the [strategic] plan is 20 percent of the game. Execution is 80 percent of it." Supporting Trani's view, subsequent research has found that poor execution often significantly diminishes the value management projects from their strategic initiatives.

Although the value of effective strategy execution has been well documented for over five decades in academic and management practice literature, new research has found that most strategists are still short-sighted, viewing strategy as primarily planning with a limited focus on implementation.

Part One: *The Oxford Strategy Insights Project*

The *Oxford Strategy Insights Project* was designed to assess the current approaches, aims and focus of strategists across industries and geographies. The project received input from 167 executives and managers across twenty-six industries, spanning over thirty countries, regarding their firm's strategy process.

Planning process. Although a collaborative approach to strategic planning, involving at least some representatives of middle management and front-line employees, has been found to promote more effective strategy implementation, traditional, "top-down" planning is still by far the most prevalent approach.

Effective execution is severely lacking. As planning entails forecasting and setting targets for future value creation while implementation is where value creation occurs, it is concerning that the biggest gap in the strategy process is in execution.

Measurement is the bright spot. An effective component of many firms' strategy process is measurement, which has been found to facilitate effective strategy implementation.

Implementation needs to be managed, coordinated and accelerated

The biggest need highlighted by the *Oxford Strategy Insights Project* is effective strategy execution. An overwhelming majority of respondents indicated that their organization's strategy execution efforts are ineffective and slow, with accelerated implementation being the exception rather than the norm.

Part Two: Managing strategy execution

Prioritize. Before implementation can be effective, strategy execution

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needs to identify management priorities.

Coordinate. Most strategic initiatives require cross-functional management.

Plan. Implementation plans must include key activities, timelines, budgets and accountabilities.

Adjust. Unforeseeable events will create the need for continual adjustments.

Align. An actionable culture-management model is essential.

Build. Visible "quick wins" and continuous communication are two key activities that have a major impact on building and maintaining momentum.

Takeaway

Organizations that can execute their strategies increase the likelihood of realizing projected results. Strategists need to become more foresighted, with a much greater focus on implementation.

Masterclass

IBM's Ginni Rometty: portrait of a leader learning to use "Good power"

Brian Leavy

The eight-year tenure of Virginia Rometty as CEO of IBM over the 2012 to 2020 period is recounted in her new book about her life and career, *Good Power: Leading Positive Change in our Lives, Work, and World.* Not just a typical CEO autobiography, it is a portrait of an executive's authentic leadership development process.

> "I think the best way to describe what I've written is a memoir with purpose, about my life experiences and how can we drive meaningful change in positive ways for ourselves, our organizations, and for the many, not just the few. It's a concept I've come to call *good power*."

Good power is the organizing idea around which she structures her message into three main parts:

- The Power of Me: Changing a Life
- The Power of We: Changing Work
- The Power of Us: Changing Our World

Formative experiences – discovering "the power of me"

Rometty first examines the formative experiences of her childhood and early career. As she explains: "These years taught me I had the power to make a difference for myself and those I cared for."

Learning to lead – discovering the "power of we"

In 1985, she was promoted to an IBM regional role and two years later to her first management position. She learned that it was "a manager's duty to help people develop their careers."

From formative values to leadership principles

Over the course of her leadership journey, five principles "emerged" as her responsibilities grew. These are:

1. **Being in service of.** This she sees as foundational to the "good power" concept. It became "the lens through which I did my work."
2. **Building belief.** Delivering positive change requires bringing people along with you. So the "heart" of good power is "building belief."
3. **Knowing what must change, and what must endure.** When she took over as CEO in 2012 it was already clear that IBM would need to reinvent itself to survive and thrive against such agile rivals as Amazon and Google.
4. **Developing resilience.** All of this required resilience, her fourth principle, which she sees as good power's "unwavering spirit."
5. **Stewarding good tech and inclusion.** Her final principle, the challenge

of harnessing technology for effecting positive change, is not just an issue for the tech sector. "Even if we're not in tech, we all use technology," and this principle "is about driving trust and inclusion in our digital age so technology augments humanity."

A practical leadership guide

Ginni Rometty's "good power" concept and principles represent a practical guide for aspiring leaders seeking to become a positive force for change, and they make a valuable addition to the literature on authentic leadership.

The authentic leadership development process

Authentic leaders, as Bill George defines them, "know who they are and are true to themselves and their beliefs." Their leadership "is characterized by truth-telling, transparency and trust;" and they "engender trust and develop genuine connections," which enable them "to motivate people to achieve high levels of performance.

The *"I-to-We"* transition is "the biggest development challenge" when the work leading people "is now all about the members of our team, how motivated they are and how effective they are at achieving the team's objectives." This "flipping of the switch" from *"I-to-We"* can be a steep learning curve for many in their first leadership roles.

Adapted from *True North: Leading Authentically in Today's Workplace* by Bill George and Zach Clayton, Harvard Business Review Press, 2022.

Opportunity mapping: locating the upside of risk through visual mapping

Tyler Case

In the current uncertain and often surprising global economy, the commonly used processes of enterprise risk management – "the alignment of risk management with corporate governance and strategy" – can benefit from the introduction of a novel model that integrates risk with opportunity mapping. This innovative process promotes the identification and assessment of unrecognized opportunities revealed during the analysis of potentially threatening discontinuities.

The novel 5-by-5 opportunity mapping matrix is designed to be an interactive framework to link the standard practice of business risk mapping matrices with the innovative method of opportunity mapping. It is designed to incorporate the upside of risk – such as a potential market disruption that only could be successfully served by a redesigned business model – into a firm's strategic alternatives. The visual mapping model assists strategists as they identify and quantify opportunities according to three most consequential variables that could potentially alleviate firm's risks in a competitive context:

- "Impact" measures the improvement gains of opportunity execution.
- "Prevalence" accounts for the uniqueness of the opportunity in relation to industry competitors.
- "Barriers to adoption" adjusts the opportunity score to account for implementation obstacles.

As a strategic approach, an integrated risk/opportunity mapping process can be especially beneficial for firms that conduct risk management and competitive analyses intuitively or informally. In practice, this novel opportunity mapping method has been well accepted by managers because it is visual and transparent and can be a catalyst for enhancing individual participant's perceptions of the tradeoffs between risks and opportunities.

Logistics: the three-stage approach to practicing opportunity mapping

Opportunity mapping is most effective when guided by a knowledgeable facilitator such as a firm executive, board member or experienced management consultant. With this guidance and preparation, opportunity mapping can be effectively implemented in a number of iterative sessions with a cohort of senior managers, a board of directors or a broader group of stakeholders enlisted to promote inclusive adaptive engagement.

Training the team

In the training process, before the team is introduced to the opportunity mapping methodology it first revisits risk assessment:

- Revisit risk mapping and identify participant risk tolerance and scoring methods in the context of risk management.
- The team then learns to use the novel method of opportunity mapping, its competitive consideration and its linkage to risk management.
- The group then uses opportunity mapping to identify and quantify the risks and opportunities of the business.

Integrating opportunity mapping with planning

Undertaking the process of opportunity mapping adds the most value when managers are engaged in the analysis of their ongoing company strategic planning and are beginning to consider and decide upon strategic alternatives. It may also be appropriate to use the process to identify specific types of risks and opportunities – such as financial, operational or environmental issues so that the business can focus on developing clear strategies for action.

Determining which CEO candidates will lead growth through innovation

John Oliver

As board members and executive search agencies undertake the process of identifying and assessing a potential new CEO, it's becoming increasing expected that the candidate will need to be able to drive firm performance by developing long-term, innovation-led, growth strategies. This raises an important question for companies seeking a new CEO hire or evaluating incumbent CEOs: do they have the skills to take advantage of the unique opportunities presented by a profoundly changing competitive landscape?

The CEOs role in driving an innovation-led growth strategy

While a firm's innovation-led R&D expenditure is primarily determined by its corporate strategy and influenced by issues such as country norms and industry benchmarks, some firms are more "culturally orientated" toward R&D led innovation. This orientation toward R&D led innovation is largely determined by CEOs who set organizational vision, drive investment decisions and strategic actions toward innovation.

Four CEO characteristics that influence R&D spending and innovation

Though the role of the CEO is of paramount importance in terms of determining organizational vision and direction, some executives are better able to frame market opportunities, evaluate risk and make subsequent investments in resources more effectively than others.

1. **CEO age is the most significant predictor of firm innovation**

   Essentially, younger CEOs are generally better at perceiving and understanding emerging technologies and trends and are more willing to take risks and adopt.

   Arguably, older CEOs are less likely to be able to accurately assess the potential of unanticipated market opportunities and emerging technologies.

2. **CEO education is an indicator of cognitive ability and futures thinking**

   Numerous studies in general management literature found that more educated executives demonstrated greater levels of cognitive ability in terms of futures thinking, abstract reasoning, comprehending complex ideas and problem solving.

3. **CEO career experience influences adoption of innovation-led growth strategies**

   CEOs with significant career experience in "output" functions such as sales and marketing, R&D and product development are more market orientated and aim to drive revenue and gain competitive advantage by investing in R&D activities that can deliver new products and services.

4. **The influence of CEO tenure on firm innovation is inconclusive, but provocative**

   As tenure increases, CEOs tend to exert greater power over decision-making and take strategic investment decisions that are underpinned by higher levels of R&D spending to drive firm performance. Older CEOs understand that their tenure would come to an end sooner rather than later, and they tend to focus on short-term goals and organizational stability rather than on long-term R&D investments that would drive innovation and firm performance.

Takeaways for executive search committees

The is no doubt that the knowledge and technical skills required to successfully operate in a post-pandemic and digitally transformative competitive environment, combined with the strategic foresight to identify and take advantage of new market opportunities, means that the bar for a new CEO hire has been significantly raised in recent years.

CEO characteristics are a significant predictor of relative firm R&D spending and innovation, and executive boards need to carefully consider them when judging a CEO candidate's potential to drive innovation-led growth strategies.

Using "CEO-speak" to prioritize a safety culture

Russell Craig and Joel Amernic

After a major safety incident involving their company, many CEOs dutifully express their commitment to safety and to nurturing a strong safety culture. But speaking publicly only after the fact overtly signals that management wasn't proactively leading in a way that establishes a strong safety culture. CEOs lead mainly by the language they use. They should act on the power that their language, their "*CEO-speak*," possesses to build a commitment to safety.

There are five actions *CEOs* should adopt to help build a robust safety culture. Each provides an opportunity for influential *CEO-speak*:

1. **Use the word “safety” and mean it.**

   CEOs of companies have a primary responsibility to establish a shared concern with employees for safety. They should not be cautious about talking openly about safety risks, even if the company has some unresolved accident prevention issues. They need to vigorously embrace a “vocabulary of safe leading” and support both top-down and bottom-up risk reduction initiatives.

2. **Avoid platitudes about safety.**

   CEOs should not use safety words as platitudes: that is, as imperious, sanctimonious clichés. The discourse of CEOs should create a climate in which a safety mindset and “tone at the top” can develop and reinforce trustworthy safety consciousness.

3. **Evidence genuine commitment to safety.**

   If CEOs are perceived to be overly cautious about mentioning safety issues, perhaps because of their concerns of accident liability, their words and urgings about safety will lack credibility. CEOs can also demonstrate their commitment to safety through their “body language.” Through their personal physical behavior they can affirm their commitment by wearing helmets and a high-visibility vest when visiting a work site.

4. **Cite meaningful safety performance measures.**

   Claims about safety should not be based on short-term anecdotal data but on rigorous long-term analyses that consider trends in the total expenditures on safety enhancements and training and the expenditures per employee.

5. **Do not ignore operating risks.**

   Part of a CEO’s discourse on safety must be a penetrating and introspective analysis of the risks of operational and financial distress that would arise from a safety-related mishap. CEOs should encourage consequential dialogue between operational safety auditors and financial safety auditors and financial auditors about the contingent risks posed by potential safety incidents and poor safety performance.

Takeaways

Safety as a strategic issue and a driver of corporate reputation should be a central concern for CEOs, especially those whose companies are engaged in high-risk activities. CEOs can provide sustained and meaningful leadership on safety through the language they use and their support for risk reduction programs and training.

Building threat resilience into ecosystem strategy

Jacob Dencik, Anthony Marshall and Gerald Parham

As businesses in a wide range of industries increasingly adopt digital ecosystems the benefits include opening up new and untapped customer segments and channels, enabling access to new and untapped talent pools and expanding previously unexplored modes of innovation. Ecosystems – defined as digitally enabled networks that enhance value propositions by linking business functions, suppliers, distributors, partners, customers and other stakeholders – are now a major driver of corporate performance.

IBM Institute of Business Value's recent research has found that revenue growth of ecosystem leaders outpaces others by a five-to-one ratio. But while large ecosystems have become central to business strategy, too little attention has been paid to the potential for cyber threats.

Vulnerabilities have increased

As a result of the rush to adopt connected services amid the ecosystem economy the number of vulnerabilities introduced has dramatically increased. It's time for business leaders to recognize security as the essential common thread that runs throughout their business, technology and ecosystem strategy.

The costs of cybersecurity threats

A recent data breach study reported that the average cost of each breach around the world is $4.35 million, and double that in advanced economies like the United States. Over the past three years, supply chain and transportation risks have led to some of the most impactful cyber incidents in history. Examples include the Solar Winds' software distribution attack, the Colonial Pipeline ransomware attack and the compromise of widely-used enterprise technologies like Microsoft Exchange Server.

Sharing responsibility becomes a key tenet of ecosystem engagement

Successful ecosystems are based on sharing responsibility more efficiently and cyber security is key to fostering more communicable forms of trust that expedite creation and exchange of value. While shared responsibility was originally oriented around shared risk and accountability, it is evolving into something more fundamental: shared value, shared investments, shared outcomes and shared resilience are now the *raison d'être* for ecosystems.

Actions to mitigate cybercrime through ecosystem engagement

What business leaders can do differently to capitalize on this new ecosystem security paradigm:

Step 1: Leaders need to better understand security risks already in evidence, and then calculate expanded risk exposure resulting from expanded ecosystem engagement.

Step 2: Leaders can supplement their own capabilities by engaging ecosystem partners whose strategy, risk approach and ability to execute are complementary.

Step 3: Leaders and their teams need to reconceive investments in security as a revenue driver and not a cost center.

Step 4: Leaders can translate security investments into transformation accelerators.