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).

Interview
Whitney Johnson: Applying the principles of disruptive entrepreneurship to talent management
Brian Leavy

Whitney Johnson, a long-time associate of disruptive innovation guru Clayton Christensen, applied the principles of disruption to career management in her 2015 book, *Disrupt Yourself: Putting the Power of Disruptive Innovation to Work*. While that book was aimed at the individual, her latest book, *Build an A-Team: Play to Their Strengths and Lead Them Up the Learning Curve*, 2018, extends her disruptive innovation perspective on career development into a talent management strategy for corporate leaders and their organizations.

Strategy & Leadership: Your previous book, *Disrupt Yourself,* showed how the principles of "disruptive innovation" can be harnessed to help accelerate personal career growth. How does this combination work in practice?

Whitney Johnson: Disruptive innovation, at its simplest, explains how low-end industry insurgents take on – and eventually outcompete – high-end incumbents, through the invention of new value propositions, unleashing new demand and profitable growth. The perils of incumbency can also threaten career progression. Individuals need to learn how to disrupt themselves repeatedly throughout their careers and the companies that are best able to enable and encourage this approach to talent management.

S&L: The "S Curve of Learning" is the primary conceptual tool underpinning your application of the principles of disruption to personal development. Guide us through the phases of development in the curve.

Johnson: The S curve is a visualization of a learning curve. The low end of the S curve is the entry level for whatever role we are taking on. There's a lot to learn, a relatively high level of discomfort while we get a handle on the new job. In time, we gain competency and shift into a higher gear that propels us up the steep back of the curve. This is a period of accelerating personal growth and productivity—the sweet spot.

S&L: In your latest book, you argue that "if we want our employees to keep working at a high level" an "S curve management strategy is key." What do you mean and what do you see as its primary benefits to organizations?

Johnson: Everyone is on a learning curve. The key to building an A Team is to balance the curves occupied by members of any given team using a talent management portfolio approach.

S&L: What's the key message you would like corporate leaders to take away from your latest book?

Johnson: I believe that low engagement is one of the greatest challenges managers and employers confront. Developing a strategy to manage people so that

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the natural human inclination to learn and confront challenge is satisfied is critical to improving employee engagement and with it productivity, retention and the bottom line.

Ten Agile axioms that make conventional managers anxious

Stephen Denning

Today, most managers have grasped the need to be agile: a recent Deloitte survey of more than 10,000 business revealed that 94 percent report that "agility and collaboration" are critical to their organization's success. Yet relatively few companies have fully integrated Agile management practices and insights into their firms' operations.

The three principles of Agile are simple:

- An obsession with continuously adding more value for customers.
- Small teams working on small tasks in short iterative work cycles delivering value to customers.
- Coordinating work in a fluid, interactive network.

But the implementation of the actual "Laws of Agile" is daunting to managers trained in the traditions and culture of hierarchical management.

First law of Agile: The Law of the Customer

1. **Firms make more money by not focusing on making money**
   A growing number of companies, including those that have embraced the Agile mindset, believe the true purpose of a firm is to create customers and establish a sustainable relationship with them.
2. **There are no internal customers or B2B organizations**
   There is no such thing as an internal customer who determines the purpose of work. The only purpose is to enhance the value of the offering to the ultimate customer or end-user of the product, service or experience.
3. **Product improvement may not make more money**
   Amid intense competition, customers with choices and access to reliable information are frequently able to demand that quality improvements be forthcoming at no cost, or even lower cost.

Second law of Agile: The Law of the Small Teams

4. **Forget economies of scale: your market is one person**
   Agile is about generating instant, intimate, frictionless, low-risk, incremental value at scale.
5. **Don't scale up: descale complexity down**
   Descaling work, a presumption that in a volatile, complex, uncertain and ambiguous world, big difficult problems need to be disaggregated into small batches.
6. **Control is enhanced by letting go of control**.
   Managers need to understand is that they are giving up the illusion of control, rather than the reality of control.
7. **Agile requires a new mindset, not just a process**
   Traditional managers say, "Show me the process," but Agile won't be successful if it is approached simply as a process by managers retaining their old mindset.

8. **Talent drives strategy.**
   In an Agile organization, talent discovers strategic opportunities.

The third law of Agile: The Law of the Network

9. **The organizational pyramid is finished**
   Success in today's marketplace requires nimbleness, flexibility, adaptability and agility.
10. **Lead like a gardener, not a commander**
   To succeed as an Agile network, leaders have to adapt to new realities and began viewing effective leadership in the new environment as more akin to gardening than chess.

Reap exceptional value from M&A: manage it as a core competence

Timothy J. Galpin

In his classic book *Competitive Strategy*, Harvard's Michael Porter observed, "It is difficult to win at the acquisition game." For example, a landmark analysis of 2,500 deals found that more than 60 percent destroyed shareholder value. In the current era of transient competitive advantage, digital transformation and disruptive innovation, M&A is certain to be increasingly challenging. While mergers and acquisitions are a multi-staged and cross-disciplinary process, too often corporate leaders approach M&A as a financial exercise to facilitate their growth strategy.

The foundation of an M&A core competence a comprehensive Deal Flow Model

Combining M&A experience with a systemized and documented M&A process has been found to improve success. Despite evidence of improved deal success, recent research found that almost 60 percent of surveyed executives indicated their firms do not have a comprehensive end-to-end M&A process model.

The Deal Flow Model

The Deal Flow Model (see Exhibit 1) offers a cross-disciplinary, end-to-end view of the M&A process consisting of ten stages across three phases. Key objectives and core activities were developed and refined through experience gained by applying the model and also by incorporating best practices found throughout empirical and practice M&A literature (see Exhibit 2: Ten stages of the Deal Flow Model – Key objectives and core activities). Lessons can also be learned from best practices applied by companies that have built an integrated end-to-end M&A expertise (see Exhibit 3: Seven steps to build the firm's M&A competence).

Addressing M&A as an integrated core competence provides competitive advantage. The concept of core competencies suggests that firms can differentiate themselves from their competition by developing an integrated set of unique and valuable capabilities that are difficult for other firms to imitate. The VRIO – Valuable, Rare, Inimitable, Organizational – framework can be used to judge a resource or capability to determine its competitive potential.

Takeaways

Now that mergers and acquisitions have become the preferred growth strategy, success depends on the realization that the most valuable deals are those that create a competitive advantage for their companies. Only focusing on M&A as a financial transaction is too narrow of an approach. Using an actionable, end-to-end process model and mobilizing the diverse talents of the organization and integrating its capabilities across the entire M&A process will provide a valuable, rare and inimitable advantage for firms, enabling them to "win at the acquisition game."

Navigating disruption with ecosystems, partners and platforms

Saul Berman, Steven Davidson, Kazuaki Ikeda and Anthony Marshall

The IBM Institute for Business Value recently published the 8th CEO study in the series. Previous studies reported ever increasing concerns about business and economic disruption. Indeed 50 percent of the CEOs in the latest research report that their current business model is being threatened by competitors using technology to create more compelling value propositions But surprisingly, in the 2018 study CEOs also indicate that the shock of disruption is waning. CEOs – particularly those leading more successful organizations - are raising their game and are utilizing the technological drivers of disruption to fundamentally transform and improve their organizations.

The view from the top

Many organizations today realize the importance of partnerships in pursuing successful innovations. Researchers examined the approaches of three groups of CEOs designated as:

- Reinventors – 20 percent of all CEOs surveyed, outperform competitors in both revenue growth and profitability.
- Practitioners – 34 percent of CEOs – while ambitious – have not been able to develop the full range of capabilities.
- Aspirationals – 43 percent of all CEOs, have fallen further behind. They are less motivated by technology and are slower to pursue new opportunities that require organizational change.

Propagating the platform

Study results also reveal the growing importance of the platform economy. Leaders – especially the high-performing organizations we surveyed – highlight near-term plans to reallocate capital to platform business models. Recent evidence suggests that platform business models grow revenues faster and generate more profit than other strategies.

By creating a common environment for collaboration, platforms promote a shared vision. They provide a place where economic activity might be more readily monetized and structures that generate and promote network effects, which in turn lead to even greater innovation.

Network effects

The power of platforms often is produced by their ability to generate and sustain network effects whereby the addition of one more participants to an ecosystem or platform generates a greater addition of value to the system.

Critical platform provider or essential platform participant?

While not every organization is likely to be a platform owner, that doesn't mean non-platform-owning organizations need be shut out from the value platforms create. Three roles in particular lend themselves to unique differentiation on platforms:

- Experience providers.
- Technology providers.
- Asset providers.

Achieving tomorrow today

CEOs of larger organizations in particular are looking to become operators of business platforms and most CEOs:

- See the emergence of platforms and the growing importance of network economics – both scale and scope – as the crucial drivers of future growth.
- Have learned to not only accommodate but embrace disruption.
- Recognize the necessity of working within platforms, playing new roles as essential participants in the platform economy.

A smarter process for managing and explaining organization design change
Herman Vantrappen and Frederic Wirtz

In his 1962 book *Strategy and Structure,* the late Alfred D. Chandler distilled an epigram: "structure follows strategy." That observation has since become part of generally accepted business wisdom: define the business strategy first and then redesign the organization.

The frequency of organization change

But some companies change their organization's structural design much more frequently than they alter their strategies. Clearly an organization's design needs to adapt to a dynamic operating environment. As adaptations to operational conditions occur, structural change fosters subsequent experiments in structural design. But any change must align with a company's distinct organizational philosophies and culture.

Premise 1: Though the primary purpose of an organizational redesign is to more effectively support company strategy, it must also be compatible with the company's culture and philosophy.

What is a suitable design choice for company A may be totally inappropriate for company B even if the two companies are otherwise very similar.

Conducting an organizational health check

In order to identify the need for and the nature of potential organization changes, it may be useful to conduct an organizational health check that examines two issues:

- Do developments in the company's environment or shifts of strategic priorities require improved organizational capabilities?
- Does the current organization suffer from "pain points" related to its effectiveness, efficiency or robustness?

Premise 2: There are usually good reasons why an organization has adopted "the least bad structure."

To an outsider, certain features of a company's organization design may look odd or useless. But probably there is some reason for their existence. Before undertaking redesign, take account of what you may lose, in particular the invisible part of the organization: the networks, the culture and the traditions. Organization design is a means to an end, ideally delivering both customer value and business value efficiently.

Premise 3: Organization is more than structure.

A.G. Lafley, who became P&G's new CEO in June 2000, reflected on the bungled organization change: "We built this new house, then moved in before the plumbing and wiring were connected. You cannot change organization with structure alone." The implication of his insight: isolated, simple-minded changes usually don't work.

Organizational maturity: rationalizing impact versus risk

So, assuming that continual organization change is unavoidable and often desirable, how can managers make better decisions about which changes should be made at what moment? To answer, it helps to ask two questions when considering an organization change:

- What is the desired time to see the impact of the change?
- What is the risk that the change will produce organizational chaos?

For example, the impact of a change of the structural organization dimensions can quickly become apparent. But the risk of chaos is high. To manage that risk, it is important to involve all senior executives early in the re-design so that the switch at D-day runs as planned.

In contrast, a change of culture takes much longer to have an effect, but the risk of disruption is minimal.

Whether an organization change is small or large, its managers' ability to explain the need and benefits of the change convincingly, and employees' acceptance of it, requires practicing a broad range of skills, including leadership, talent management and championing organizational change.

Case study: From an "*Underperforming 80's bank*" to one of Oman's best – the transformation of Bankdhofar

Babicci Kris and Wongsurawat Winal

In 2009, one year after the subprime crisis rocked the global financial system, BankDhofar won the "Number One Bank in Oman" prize from *Business Today* and Ernst and Young. In 2010, after becoming the country's second largest bank, it was the *Oman Economic Review* and *Euromoney*'s Best Bank in Oman, a nation on the Arabian Peninsula.

These accomplishments were remarkable, considering that only two years earlier, BankDhofar was rapidly losing ground, slipping to number five in market share.

A set of strategic initiatives set a foundation for this notable turnaround.

A new CEO, a veteran banker who held senior positions in the Australia and New Zealand Banking Group and Standard Chartered Bank, was appointed to lead the change. Together with a team of external consultants, the management was tasked with drawing up a growth strategy for the next five years

The strategy

The taskforce's findings, released in mid-2007, confirmed the Board's concerns that BankDhofar was underperforming against its peers. The taskforce identified the following three areas of weakness:

1. There were people and performance gaps: staff motivation was low, attrition rates were increasing.
2. Market research identified capability issues: including limited market visibility, inconsistent branding, ineffective product development and slow response to the competition and had legacy computer systems.
3. BankDhofar was seen as having a lack of customer focus, no service differentiation, no retail segments or Government business products.

To address these issues, the strategic initiative focused on three drivers of the business – people, processes and products:

People

It was important to fix the people issues quickly. Revised salary scales were implemented. The formula for paying bonuses was rethought so that all staff could participate; individual bonuses were based on achievements. The management also improved communications with the staff.

Processes

BankDhofar's existing computer systems were outdated and holding back progress.

A company-wide, two-year changeover project was put in place. The new system enabled the bank to provide better products and quicker service to customers.

Products

The first new product was a revised credit card also offered to non-customers and to different market segments. The energetic staff and modernized computer system enabled the second product, new housing loans, to become successful and also used its new system to develop a modern internet banking product.

The results

In the first half of 2008, the efforts produced remarkable results. The exodus of talent had just about stopped and management now could turn their attention to training resulting in improved customer satisfaction levels.

An independent study by Omani academic researchers concluded that between 2009 and 2013, BankDhofar was, based on observed inputs and outputs, Oman's most efficiently-run bank.