Leadership and the New Economy
Agenda

• Background and Motivation
• Some key elements of a successful enterprise
• Participation in key elements
• The New Economy
• Implications
• Strategies
Background and Motivation

• In the beginning ....
Strategy

• What is Strategy?
• Strategy is uniqueness – what can you do better than anyone in the world?
• Triple bottom line
  ➢ Supplier of choice
  ➢ Employer of choice
  ➢ Investment of choice
• Doesn’t change often – flywheel and the doom loop
• Most agree a strategy of lowest cost is difficult for U.S. companies
Strategy

• Steps
  ➢ Market and competitive landscape
  ➢ Competitor actions
  ➢ Your actions
  ➢ What’s around the corner
  ➢ What’s your winning move
  ➢ Challenges/Barriers
  ➢ Key milestones - operationalizing

• Some examples?
  ➢ GE
  ➢ Apple
Execution

• What is Execution?
• Execution is the operationalization of strategy
• Harder than strategy
• Resources used to achieve operational milestones
  ➢ Deliver product A by 1Q09
  ➢ Deliver product B upgrade by 2Q09
  ➢ Deliver productivity improvements of X% by 3Q09 …
• Execution is why companies fail, not strategy
  ➢ Employees don’t see link to execution outcomes
  ➢ Time and money wasted on bureaucracy
  ➢ Decisions take too long
  ➢ Company responds too slowly or inappropriately to competitive pressures
Keys to Execution

• Employee Empowerment
  ➢ Explain how work is aligned to goals
  ➢ Set expectations
  ➢ Give resources
  ➢ Teach broad process
  ➢ Let people determine how to get stuff done
  ➢ Engage people in decision making
  ➢ Maintain trust

• Managers
  ➢ Key to employee engagement
  ➢ Operational leaders - MBOs to pace tasks
  ➢ Leverage
  ➢ 1:1s critical - Need follow-up
  ➢ Insist in realism and candor
  ➢ Invest in best performers
  ➢ Right people in right roles
  ➢ Do not demotivate
  ➢ Implement ideas of front line workers
People Process

• What is the People Process?
• Building and computers without people don’t get much done
• Buildings, computers, and people don’t get much done either without coordination
• The people process is one that
  ➢ Encourages and rewards people for doing what has to be done for the business to succeed
  ➢ Builds individual and organizational capabilities in ways that benefit the business
People Process

• Most companies have a formal process

Components
  - Performance review
  - Development planning
  - Compensation

• Most authors and companies support differentiation through ratings as well as rewarding highest performers disproportionately – Demming disagrees

• Development planning more often than not does not get attention it deserves
  - Requires consistency
  - Requires investment and commitment by company and individual
Culture

• What is Organizational Culture?
• Shared “values, vision, or Credo that creates a propensity for individuals to act in certain ways”
• The mortar that holds together the bricks of Strategy, Execution, and People.
• There are sub-cultures
Culture

- Manifested as Behaviors in which people interact and do business
  - Congenial/transactional
  - Aggressive/confrontational
  - Supportive/political
  - Urgent/leisurely
  - Monetary/personal
- Often senior leadership has significant influence
- Culture difficult to change directly
- Changes made in behavior by modulating rewards and structure
Leadership

- Strategy
- Culture
- Execution
- People Process
Leadership

Strategy

Culture

Execution

People Process

Sets Strategy

Can we execute?

Corporate values, Leadership Actions

Candor
Accountability
Discipline
Subculture
Behaviors

Operationalize strategy

Heavy lifting, runs operations

Structure and Process

Coaching
Mentoring
1:1s
Reviews
Compensation

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What is the New Economy?

• Prior to mid 1800’s very few U.S. workers were employed by a company for a wage
  - Mostly craftsmen, trades, agriculture
  - Earnings were not predictable
  - Living arrangements were ever changing
  - Virtually everyone in a household worked for the good of the enterprise

• U.S. population doubled from 1870-1910
  - Scale of growing mills and factories needed workers
  - Innovations in machinery enabled unskilled workers to be productive
  - Number of wage workers quadrupled
  - First Ford factory opened 1915 – employed 15,000 workers
  - First large labor unions were the tradesmen formed to abolish the wage system – “Knight of Labor”
What is the New Economy?

• Industrial Growth – 1910-1940
  - Over 30% of U.S. workers in labor unions
  - Benefits such as pensions and health insurance common
  - Blue collar middle class
  - One wage earner per household
  - Steady and predictable pay and pay raises
  - Rise of the middle-class

• In 1930 Jack Maynard Keynes predicted that by 2030 England would be 8X better off and people would choose to work 15 hours per week – not likely to happen?
The New Economy 1990 - ?

- In 2000 only 10% in unions
- Americans work 350 hours per year more than typical European and even more than notoriously hardworking Japanese
- Only 8% of us would work less for less pay
- College graduates earn 70-80% more than high-school grads – Keynes would think these folks would not work as hard – WRONG!
- College grads 4X more likely to work > 50 hours per week
- Most of us are better off materially than our parents, so why is free time evaporating?
What Changed?

- The world is getting flatter – driven by technology
- Great deals available from anywhere at anytime – more choices
  - 1500 TV stations
  - 2.8M websites and 800M pages
  - Only 16% seen by best engines
  - Issue becomes finding the best deal
- Fierce global competition
  - Better, faster, cheaper
  - No longer can we ask customers to pick 2
  - Capitalism is quickly becoming the world’s way
- Sources of low-cost labor around the world easy to access
- More commerce is weightless
  - Music, video, news, designs, software, business services
  - In 2000 $1 worth of import/export weighed 30% of what it did in 1970
Impact on Business?

• Harder and harder to attain stickiness and uniqueness

• Example
  ➢ Make Y for $X and are successful
  ➢ Competition flocks to market – info is cheap
  ➢ Legal recourse to protect uniqueness
  ➢ Cannot protect the most important info – Market Viability
  ➢ Solution is to stay ahead in innovation (at low cost)!

• Previously M&A to gain scale – now to get speed and cleverness

• Costs – more fickle markets
  ➢ Greater percentage of contingent workers to control fixed costs
  ➢ Variable compensation more popular – stock, commissions, bonuses
Implication for Us?

• More being demanded of companies
  ➢ More demand on us
  ➢ People working longer hours and harder
  ➢ 40 hour weeks obsolete
  ➢ 21% increase in business trips 1991 to 1996

• Personal earnings
  ➢ Less predictability of personal and company earnings
  ➢ More contingent workers
  ➢ Layoffs common
  ➢ Small businesses providing majority of new jobs – shorter tenure than large companies (8 vs. 4 years)
  ➢ Making hay while sun shines
  ➢ Growing multiple earner households

• Growing service economy
  ➢ Support outsourcing by busy people
  ➢ Unemployment had been low, but people not making as much
Implication for Us?

• Growing disparity in compensation – elongated ladder
  - 1940-1980 top 20% made 40%, middle 60% made 54%, poorest 20% made 6%
  - In 1980-1990 top 20% made 50%, middle 60% made 48%, and poorest 20% made 2%
  - When you make more working less involves greater sacrifice

• Acceleration of sorting
  - Schools, communities, risk
  - Increases pressure to earn as much as you can
  - 1968 41% of freshmen listed being financially well off as being very important
  - 1998 74% of freshmen listed being financially well off as being very important
Implications for Us?

• Careers
  ➢ Bidding wars for top technical and marketing talent
  ➢ Layoffs for more routine work
  ➢ Layoffs prior to 1990 – people got rehired, not now
  ➢ Networking is key to being found
  ➢ Branding as top talent is key

• Strategies
  ➢ Financial buffer 6-12 months
  ➢ Multiple earners
  ➢ Personal branding and networking
Interesting Implications

• What’s the implication on strategy in the New Economy?
• What’s the implication on execution?
• What is the implication on the people process?
• What is the implication on Culture?
• What’s the implication on career?
The New Strategy

• Strategy remains just as critical as before
• Strategy is still uniqueness
• Challenge is rate of change is faster
• Challenge is to keep momentum of the flywheel through market and people changes
The New Execution

• Execution is becoming harder
• Competition willing to do whatever it takes
• Customers growing expectations
• Shorter schedules, lower costs, higher quality – choice of only 2 no longer good enough
• Must continue to find ways to improve, or not survive
The New People Process

• Competing for the best talent globally
• Geeks and Shrinks drive innovative products
  ➢ Geeks – product inventors
  ➢ Shrinks – product marketeers
• People are aware of their value
• Fine balance of keeping the top contributors, while not de-motivating the majority
• Shorter tenures and high rate of change make employee development a challenge
• Smaller companies who plan to grow need one
• Right people in the right place + at the right time
The New Culture

• Heterogeneous cultures from M&A
• Cultures tolerant to change
• Cultures tolerant to internal competition
• Cultures adaptive to geographic dispersion
• Cultures that are demanding
The New Career Expectation
• Can expect less reliable earnings
• Can expect to work longer hours
• Can expect to compete globally
• Can expect choices for you and employers to continue to grow – problem becomes finding connection
• Companies looking to trusted referrals for hiring
• Can expect companies to get scrappier and more globally distributed
• Alliances becoming more important
The New Career Strategies

• Networking is key
  ➢ NoCoNet
  ➢ IEEE
  ➢ Linked-In

• Develop expert capability in an area

• Understand your talents and build on them
  ➢ What are you passionate about?
  ➢ What can you become best in the world at?

• Invest in yourself

• Develop better ways of doing things
The New Career Strategies

• Know your business impact and be able to articulate it
• Be able to work through people inside and outside the company in any location
• Plan for unpredictable earnings
  ➢ Savings buffer
  ➢ Multiple income streams
• Develop your personal Brand
Personal Branding

• Unique Selling Proposition – what makes you unique and valuable?
• What are your assets?
• Some strategies
  ➢ First
  ➢ Leader
  ➢ Anti-leader
  ➢ Own an attribute
  ➢ Magic ingredient or process
  ➢ Expert
  ➢ Preferred
  ➢ High price tag
  ➢ Special heritage
  ➢ Own a cause

• What things can you do to strengthen your brand?
Summary

• Reviewed Strategy, Execution, People Process, Culture
• Reviewed some economic trends and implications
• Suggested strategies
Discussion

• Any insights into your experiences?
• Any questions?
Reference List

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- Making Strategy Work - Larry Hrebiniak
- Winning - Jack and Suzy Welch
- When Things Go Wrong – Gary Fellers
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- Principle Centered Leadership – Stephen Covey
- **Leading at a Higher Level** – Ken Blanchard
- High Output Management – Andy Grove
- **First, Break All The Rules** – Marcus Buckingham and Curt Coffman
- The 360 Degree Leader – John Maxwell
- UR Brand – Catherine Kaputa
- **The Future of Success** – Robert Reich
- The World is Flat – Thomas Friedman