

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

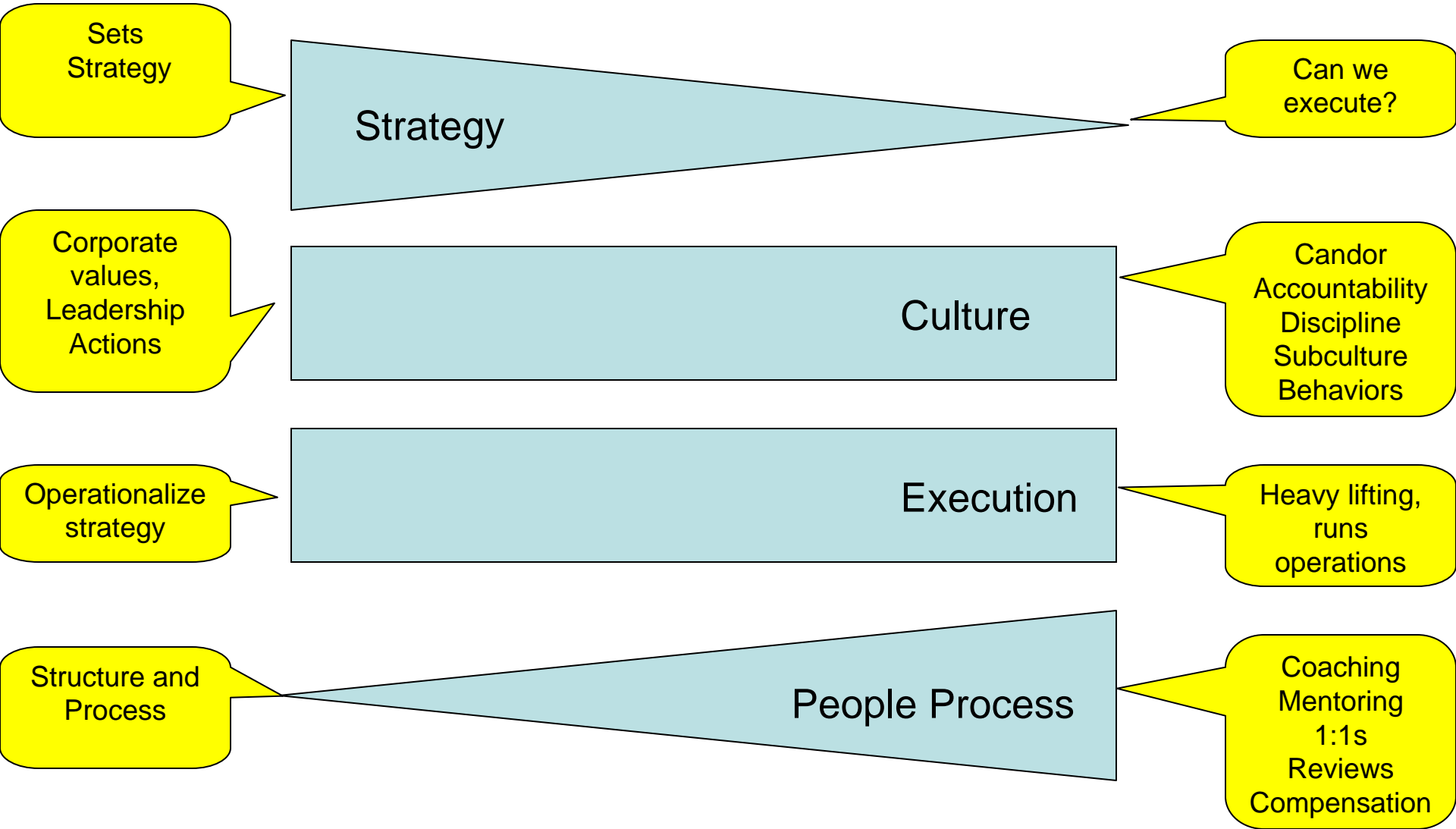
Strategy

Culture

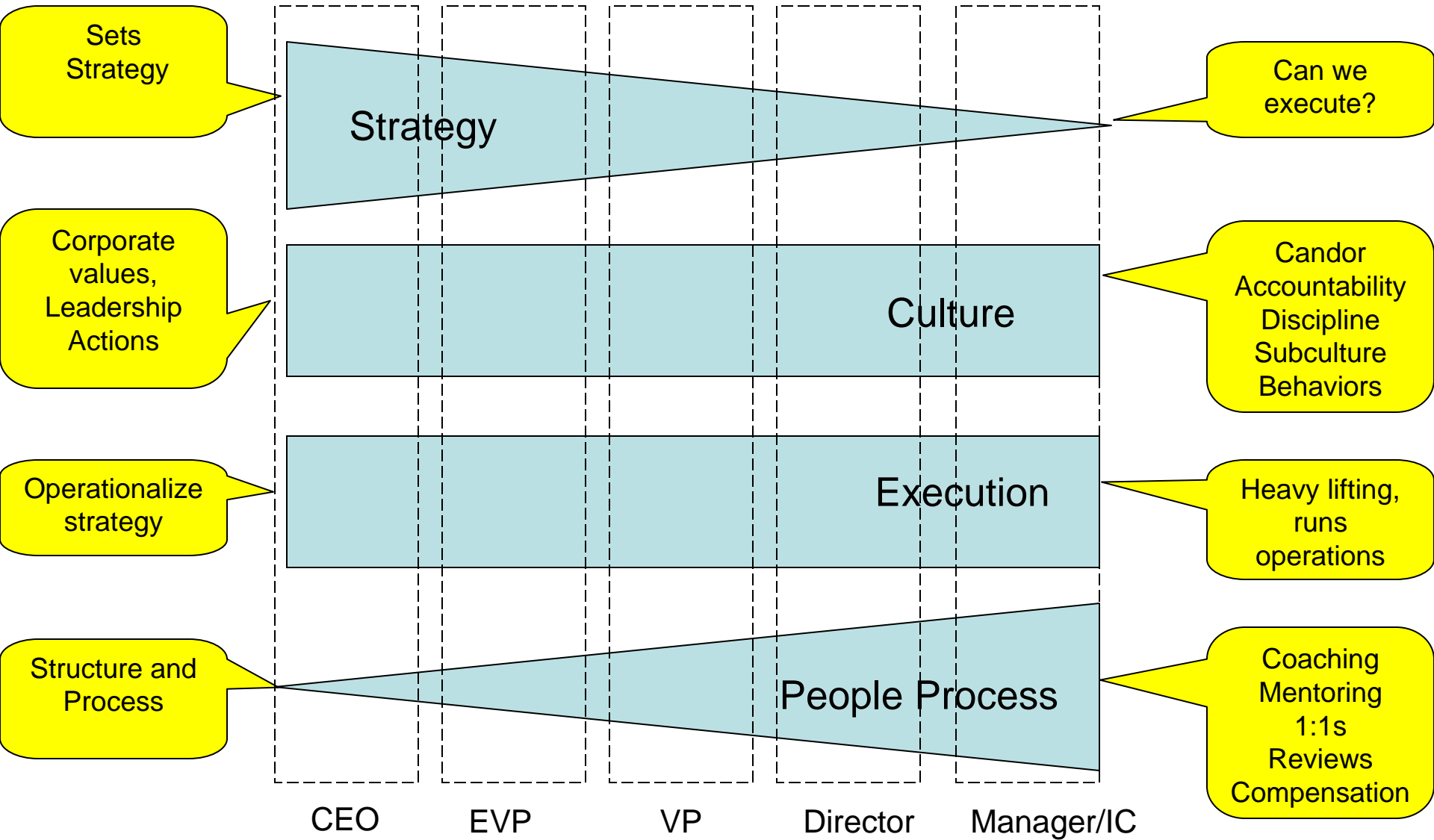
Execution

People Process

Leadership



Leadership



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?

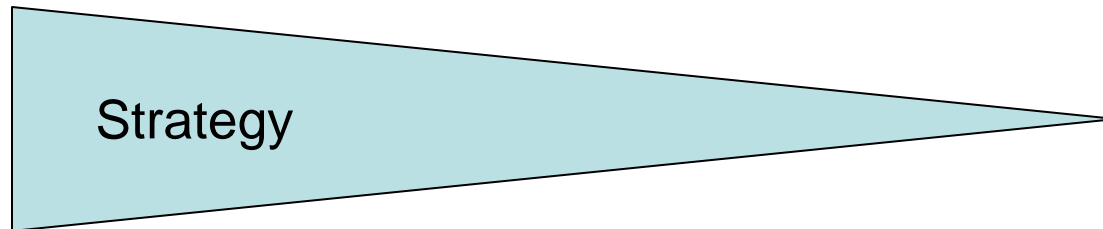
- **Careers**
 - Bidding wars for top technical and marketing talent
 - Layoffs for more routine work
 - Layoffs prior to 1990 – people got rehired, not now
 - Networking is key to being found
 - Branding as top talent is key
- **Strategies**
 - Financial buffer 6-12 months
 - Multiple earners
 - Personal 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



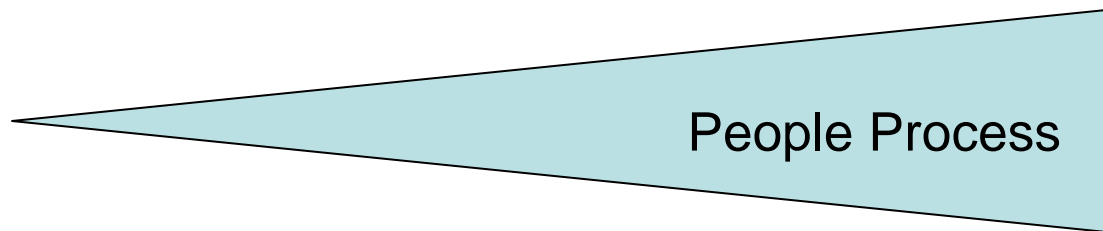
The New Execution

- 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 marketers
- 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



Culture

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

- Execution - Larry Bossidy and Ram Charan
- Making Strategy Work - Larry Hrebiniak
- Winning - Jack and Suzy Welch
- When Things Go Wrong – Gary Fellers
- **Good to Great – Jim Collins**
- The Oz Principle – Roger Connors, Tom Smith, Craig Hickman
- 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**