

Management Focus

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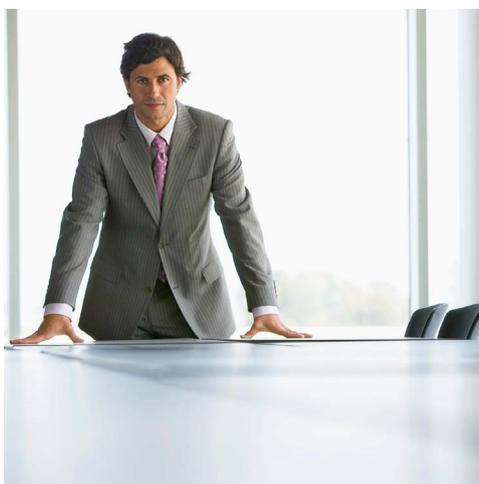
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Welcome to Management Focus

... and welcome to the January/February issue.

Our latest issue of *Management Matters* discusses the subject of managers as visionaries and asks: Can visionary management be learned?

Roger Martin is Dean of the Rotman School of Management, University of Toronto, where he is also a professor of strategic management. He is widely published, and his most recent books include *Fixing the Game: Bubbles, Crashes, and What Capitalism Can Learn from the NFL* (2011), *The*

Opposable Mind (2007) and *The Design of Business* (2009).

In 2010 Roger Martin was named one of the 27 most influential designers in the world by *Business Week*, and in 2009 he was cited by *Forbes* and *The Times* (London) as one of the world's 50 top management thinkers. In this interview he discusses customer capitalism, integrative thinking and design thinking – all at the heart of current executive concerns.

As organizations operate in an increasingly borderless world where work is performed across various cultures, geographies and time zones, modern strategies and approaches for effective, global leadership are a necessity. Yet, organizations continue to struggle to resolve a number of critical leadership challenges.

These challenges include; developing effective and agile leaders, anticipating and nurturing the necessary workforce skills and capabilities, and connecting people and ideas to foster global collaboration and knowledge sharing. Find out more in our featured article.

Remember, log on to our website at: <http://first.emeraldinsight.com> to expand on the topics highlighted in this issue of *Management Focus*.

We would like to take this opportunity to wish all our readers a happy and prosperous 2012.

Best wishes,

Debbie Hepton
<http://first.emeraldinsight.com>

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Management Matters

Incisive commentary on topical business issues

Managers as visionaries: a skill that can be learned

What does it mean to be visionary? In one respect, it is like seeing the horizon on a particularly clear day. It may also be compared with seeing a movie in your imagination or hearing unwritten music in your head. Functionally, it is the uncanny ability to overlay mental images from one familiar context to another unfamiliar context.

But true change agents, visionary leaders and managers, who recognize possibilities beyond the familiar and act upon them when most others do not, are rare. They know their business, but they also see in their mind's eye opportunities that make perfect sense to them, while others are clueless. They are examples of what George Bernard Shaw and Robert Kenney observed: most people see the world as it is and ask "Why?", while they see the world as it could be and ask "Why not?"

Can visionary management be learned? Yes, according to Erik Calonijs, a former editor for the *Wall Street Journal* and *Fortune* and the author of *Ten Steps Ahead: What Separates Successful Business Visionaries from the Rest of Us*. He argues that managers can develop skills associated with successful visionaries. He combines recent brain research and psychological experiments with business history and interviews with acclaimed visionaries to weave a portrait of visionary managers.

One particularly important aspect of visionary management is the use of intuition, which experts describe as unconscious pattern recognition. The pattern recognition of trends for futurists and visionaries needs to be based on high quality information and disciplined imagination as opposed to flights of fancy and wishful thinking.

“One particularly important aspect of visionary management is the use of intuition, which experts describe as unconscious pattern recognition”

Most successful managers know well the few critically important trends of their own business, but they may be just vaguely aware of trends outside their organization – the multiple, interconnected trends of customers, competitors, technologies, economics and government policies and regulations. They may see the continuities, but miss the changes that go on all the time. Visionary managers, however, anticipate changes in trends, both the incremental and the dramatic, and make those changes work for them. They see in their heads the intricate patterns of trends and the possible outcomes and they jump at exciting possibilities that lie on the edge of the horizon.

Calonijs concludes from his research that business visionaries typically see an imaginary “perfect” product, service, or business model in the future and work backward to the present to assess what resources, investments and actions would be needed to reach this state. Visionaries are capable of running countless qualitative simulations in their minds. They can see an imaginary situation from various angles and move mentally back across past, present and future.

Visualizing an ideal future enables leaders to see both continuities and changes and how to take advantage of them. Exploring this ideal puts your head into the future and answers the question “How did things work out so well?”

Adapted from **“Managers as visionaries: a skill that can be learned”**, *Strategy & Leadership*, Volume 39 Number 5, 2011.



Critical leadership challenges: how to build a flexible and responsive organization

As organizations operate in an increasingly borderless world where work is performed across various cultures, geographies and time zones, modern strategies and approaches for effective, global leadership are a necessity. Yet, organizations continue to struggle to resolve a number of critical leadership challenges. These include:

1. Developing effective and agile leaders.
2. Anticipating and nurturing the necessary workforce skills and capabilities.
3. Connecting people and ideas to foster global collaboration and knowledge sharing.

Developing effective, agile leadership

Creative leaders who can easily adapt to a constantly changing environment are at the forefront of building flexible and responsive organizations. Today's leaders are constantly challenging existing business models to realize untapped opportunities and improve operational efficiency. They explore and follow through with innovative, often unconventional ideas to explore new markets. They leverage new collaboration and communication styles to motivate talent and reinvent relationships.

LAN Airlines' strong leaders

When Chilean flagship carrier LAN Airlines established an Argentinian subsidiary in 2005, it already had thriving operations in Ecuador and

Peru. But moving into Argentina was to prove a much bigger challenge.

The Argentinian airline industry was underdeveloped because of high tariffs, heavy regulation and a history of bankruptcies. LAN Argentina also needed to integrate 650 employees from Argentina's state carrier, LAFSA, which it had agreed to acquire from the government. And the executive team, though enthusiastic, was relatively inexperienced.

In May 2007, LAN decided to launch a leadership development programme. It began by asking all its Argentinian executives to define what they meant by leadership, given their personal beliefs and values, and identify role models within the organization. Then it clarified what it wanted from everyone, including what they were to do, and when and how they were to do it. Cultivating a new generation of leaders has paid off. Today, LAN is the world's eighth largest airline, with a market capitalization of US\$6.2 billion. It has also tripled employee satisfaction levels.

Synchronizing people, time and opportunity

As organizations balance efficiency and growth, we see a trend towards more flexible labour models. However, increasing organizational flexibility requires a number of important capabilities. Organizations need to be able to achieve the following:

- Predict fluctuations in demand for products and services and allocate resources to support those changes.
- Establish strong relationships with suppliers and partners that allow them to manage non-core activities and supplement their existing



Featured article

workforce to handle peak loads and demands.

- Invest limited learning resources to get individuals rapidly up to speed on new processes and technologies.

Leadership pipeline at Shell

Heading the downstream (manufacturing and marketing) operations of Shell, one of the world's largest petrochemicals companies, requires enormous expertise. But identifying those with the potential to become future leaders is difficult in an organization that employs 40,000 people.

In 2009, Shell decided to tackle this task systematically. The HR team collated the information it held on the 450 most senior executives to provide top management with a "talent book" of robust leadership pipeline data. This involved analyzing all the candidates by tenure and performance to identify which ones were still learning new roles, which were performing well, which were seasoned professionals and which were performing less strongly.

The HR team also examined the routes these executives had taken to see whether they were acquiring the skills required to run Shell's downstream business. It provided "stretch roles" for some executives, reviewed the potential of others and ascertained any "blockers" preventing people from rising up the ladder. It also identified "destination roles" for the executives with the greatest promise and created development paths to prepare them.

Shell's downstream leaders now have a clear picture of the calibre and coverage of the leadership pipeline, and how best to improve coverage in the future. They also have robust short- and medium-term succession plans, which are helping to ensure business continuity for critical leadership roles.

Collaboration and knowledge sharing

The sum of an enterprise's resources, experiences and institutional knowledge is a critical element in driving efficiency and matching capabilities with opportunities. Collective intelligence enables companies to build on experience and avoid reinventing processes and procedures.

Intelligence creates the ability to adapt and apply innovations across new markets and opportunities. And it facilitates the discovery of new avenues of improvement through communicating with customers and other external sources, evaluating feedback and leveraging what they learn. Tapping into a broad base of institutional knowledge is critical to developing and maintaining an innovative culture.

Creativity at Maxis Communications

Maxis Communications is Malaysia's leading mobile communications service provider. It has attracted over 12 million customers, thanks to a corporate ethos that combines simplicity, trustworthiness and creativity "in everything we do and everything we say".

“Instilling creativity, flexibility and speed within both the organization and the workforce will require creative leaders with the capabilities to solve old problems and capitalize on new possibilities.”

But, with the need to step up the game in the telecommunications industry, Maxis wanted to refresh its pioneering spirit. In December 2009, the company sent 18 of its senior personnel on a business trip to San Francisco, Silicon Valley and Los Angeles. The team interacted with entrepreneurs to obtain in-depth clarity on the culture of start-ups, visited Paramount for first-hand exposure to the latest technologies for distributing multimedia content and attended lectures by management gurus.

To further broaden the team's horizons on technological creativity, all 18 members used Twitter and Foursquare on their iPhones to share real-time experiences with their 8,300 colleagues in Malaysia and India. Employees could tweet back with questions, which the

team then raised to the people they were meeting. At the end of the tour the 18 personnel had bonded, and were brimming with ideas for reinvigorating the corporate culture. Their enthusiasm was also shared by those who had participated virtually.

Creativity and collaboration are key to the future

Successful leaders do the following:

1. *Look beyond headquarters to identify and cultivate talent.* In an increasingly virtual work environment, people strategies need to be adjusted to allow talent to grow, regardless of location.
2. *Apply unconventional and innovative leadership styles.* For example, using social media for new ways of employee engagement and participation.
3. *Accelerate response to opportunity.* For example, leverage internal marketplaces where individuals and managers can get access to new opportunities and needed skills.
4. *Weave collaboration into the way their employees work.* They encourage the formation and use of cross-organization communities on issues that tap into the passion of employees, while at the same time serving a critical need of the organization.
5. *Raise the visibility of ideas and insights.* For example, by sponsoring online collaborative events to source and refine ideas as well as providing funding and focus for the best ideas identified.

Instilling creativity, flexibility and speed within both the organization and the workforce will require creative leaders with the capabilities to solve old problems and capitalize on new possibilities. Rapid skill acquisition, on-target deployment of top talent and the ability to up- or downscale quickly will become critical to mobilizing the workforce for speed and flexibility.

Collective intelligence and the sharing of an organization's sum of knowledge and experience will be necessary in order to remain ahead of the competition in an increasingly changing business environment.

This is a shortened version of "[Leading beyond borders: insights and case studies from IBM's Global Chief Human Resource Officer study](#)", which originally appeared in *Strategic HR Review*, Volume 10 Number 4, 2011.

The authors are Andi Britt and Nina Kreyer.

To find out more about the findings from the Global CHRO study, you can download the full report via: www.ibm.com/workingbeyondborders

An Interview with

Roger Martin

Interview by *Strategy & Leadership*



Customer capitalism, integrative thinking and design thinking

Roger Martin is Dean of the Rotman School of Management, University of Toronto, where he is also a professor of strategic management and holds the Premier's Research Chair in Productivity and Competitiveness.

He is widely published, and his most recent books include *Fixing the Game: Bubbles, Crashes, and What Capitalism Can Learn from the NFL* (2011) *The Opposable Mind* (2007) and *The Design of Business* (2009), all published by Harvard Business Press.

In 2010 he was named one of the 27 most influential designers in the world by *Business Week*, and in 2009 he was cited by *Forbes* and *The Times* (London) as one of the world's 50 top management thinkers. Earlier in his career he spent 13 years as a director of Monitor, the global strategy consulting company, including two years as co-head of the firm.

Q In the context of the current global crisis, you argue that we need to “reinvent the purpose of the firm” to achieve what you call “customer capitalism.” Can you tell us what you mean by this and why you think the time is ripe?

I believe that the business world has adopted the notion of shareholder value maximization as the singular goal of the firm to an unhelpful extent. While it is important that shareholders earn a return on their investment that is higher than their risk-adjusted cost, it is important to ask whether that theory of the firm best produces such a return. A firm

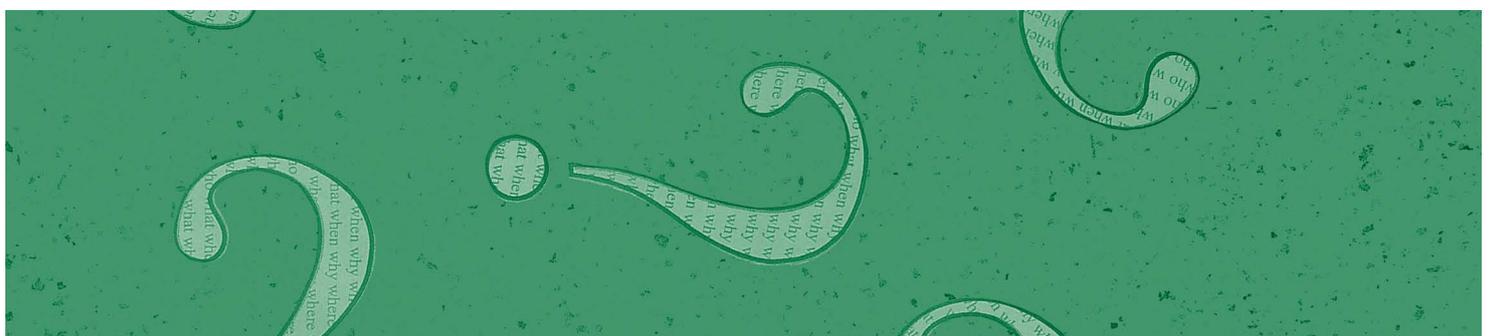
actually maximizes shareholder value by focusing on customers. If customers are not delighted, shareholders will do fine. If customers aren't delighted – because the firm is spending its efforts hyping its stock, using aggressive accounting approaches or making lots of silly acquisitions, all to promote increases in the stock price, then all those attempts will have at best short-term effectiveness. So I believe that, if a firm wants to do well with its shareholders, it should focus on delighting customers – and that is what I mean by customer capitalism.

“Over a five-year period I interviewed over 50 highly successful leaders about how they had thought through their most difficult and consequential decisions”

Why now? The shareholder value maximization era began in 1976 and it has taken several decades for the various key actors – management, stock analysts, and hedge funds – to perfect their ability to exploit the theory of shareholder value maximization for their own benefit, in direct opposition to the interests of shareholders. In essence, they have all figured out how to game the game. The result is that shareholders now experience the unattractive combination of lower returns and higher volatility. That is why it is time to change.

Q What changes would this bring to the working lives of corporate managers? What are the potential benefits?

It would help them lead more authentic lives. Rather than doing the impossible, that is, trying to keep expectations of future performance rising forever, and serving faceless, nameless masters – the modern shareholder, they would have a doable and fulfilling job – delighting their customers – better motivation for all employees. Who wants to go to work each day saying: “I am dedicating my working life to maximizing



Featured interview

the value of my shareholders, whoever they happen to be this week”? It is an abstract, unhelpful goal.

Q Can you give us some examples of companies that benefited over the longer run by putting customers before shareholders and explain why it has worked so well for them?

Johnson & Johnson and Procter & Gamble are two examples. Both explicitly put customer delight before shareholder value maximization and both have created as much shareholder value as virtually every other company on the planet. So shareholder value maximization as the singular goal is not necessary for creating massive levels of shareholder value.

Q How did they successfully make this change? What were the risks? What about their competition?

In the case of J&J, it did not have to make the change. This was its philosophy from inception as a public company. In the case of P&G, CEO A.G. Lafley had to reorient the company when he took over in 2000. He declared that “the consumer is boss,” removed the stock tickers that had been placed all over headquarters by his predecessor and changed compensation metrics to reward performance focused more directly on customer value creation.

There are no risks to customer capitalism. The actual risk is to maintain a singular focus on shareholder value maximization. And, fortunately for both J&J and P&G, most of their other competitors continued to focus assiduously on shareholder value maximization.

Q One of the longest-running quests in the management field is the search for the “essence” of outstanding leadership. For you, this quest led to “integrative thinking.” How did this come about?

I attempted to figure out what highly successful leaders did and found out to my chagrin that there was no discernible pattern. So I stopped focusing on what they did and started asking whether there was a pattern to how they thought. Over a five-year period I interviewed over 50 highly successful leaders about how they had thought through their most difficult and consequential decisions.

It turned out that there was a remarkable consistency in one aspect of their thinking. When these outstanding leaders faced opposing models where it appeared they had to choose one or the other, and neither was satisfactory, rather than see their job as choosing, as most of us tend to do, they saw it as harnessing the tension creatively to try to

evolve a better model that is superior to either. I call that pattern “integrative thinking.”

Q You are one of the most prominent advocates for what “design thinking” has to offer to business management. Why?

Companies have competed successfully for a long time by building design into their business. Many would argue that General Motors was most successful decades ago when design was integral to everything it did. Apple has been using design to amaze consumers and distance itself from competitors since its inception. So has Herman Miller.

I think design has gotten more important recently because competitive cycles are shortening in many industries. This means that depending entirely on honing and refining one’s current competitive positioning is going to be less effective than it used to be. Competitors, both new and existing, will be creating new ways to leapfrog rivals.

To a greater extent, the requirement will be to create ways of competing that do not now exist – a better way of meeting the customers’ desires, a new channel, or a different economic model. All of these things require design thinking – going beyond the rigorous analysis and refinement of the past to the creation of a future that does not now exist.

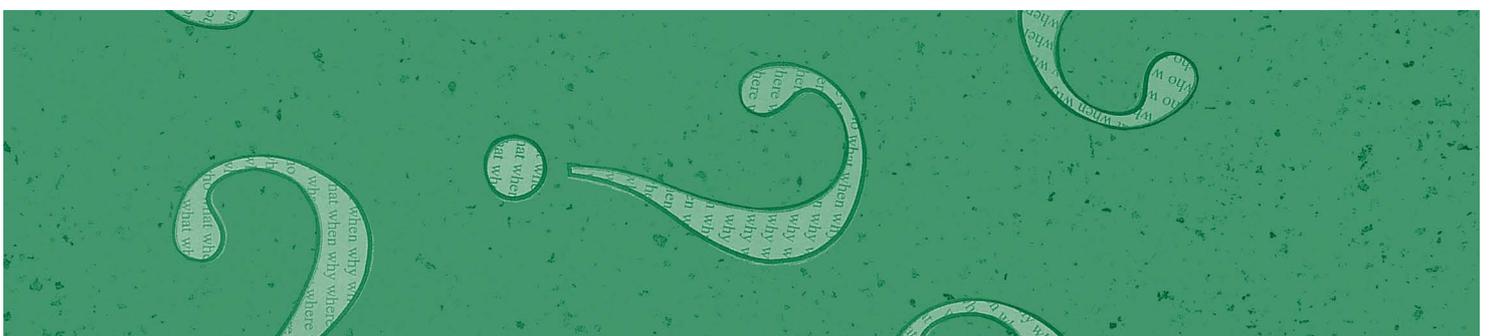
Q How can traditional firms with a built-in bias for reliability and organizational excellence go about trying to transform themselves into design-thinking organizations?

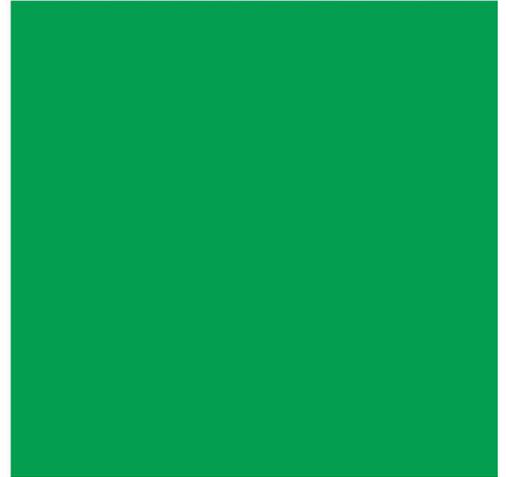
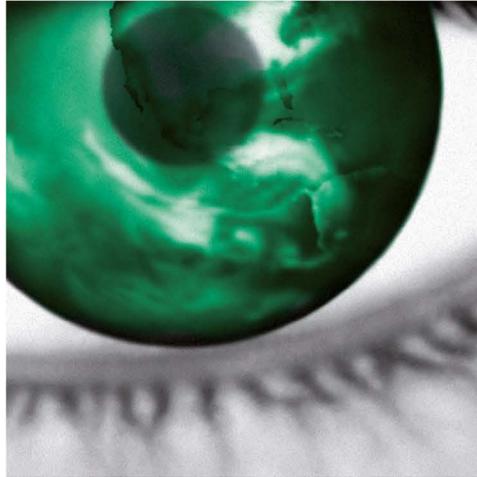
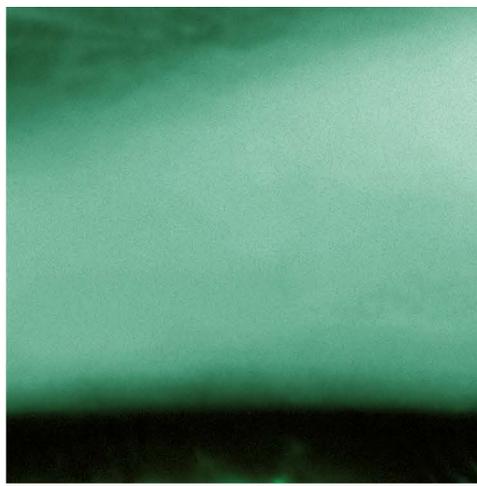
Established organizations have to come to grips with the limitations of analytical thinking. As long as they think that better analysis is the primary route to better performance, then they will not be able to embrace design thinking.

This is a real dilemma for highly successful organizations. In their past some leader solved a mystery and built a business by developing a heuristic or algorithm. Over time managers forget how that all happened and think that current success is based on their analytical prowess. So, when problems surface, they strive for higher and higher levels of reliability, while competitors pursue greater validity by returning to the mystery stage in the search for exciting new value propositions.

This is a shortened version of “Roger Martin explores three big ideas: customer capitalism, integrative thinking and design thinking”, which originally appeared in *Strategy & Leadership*, Volume 39 Number 4, 2011. The author is Brian Leavy.

“Established organizations have to come to grips with the limitations of analytical thinking. As long as they think that better analysis is the primary route to better performance, then they won’t be able to embrace design thinking.”





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Final thought ...

“**Really successful people don't live in the present. They imagine the future and visualize what their customers want.**”

Robin Rowland

<http://first.emeraldinsight.com>