

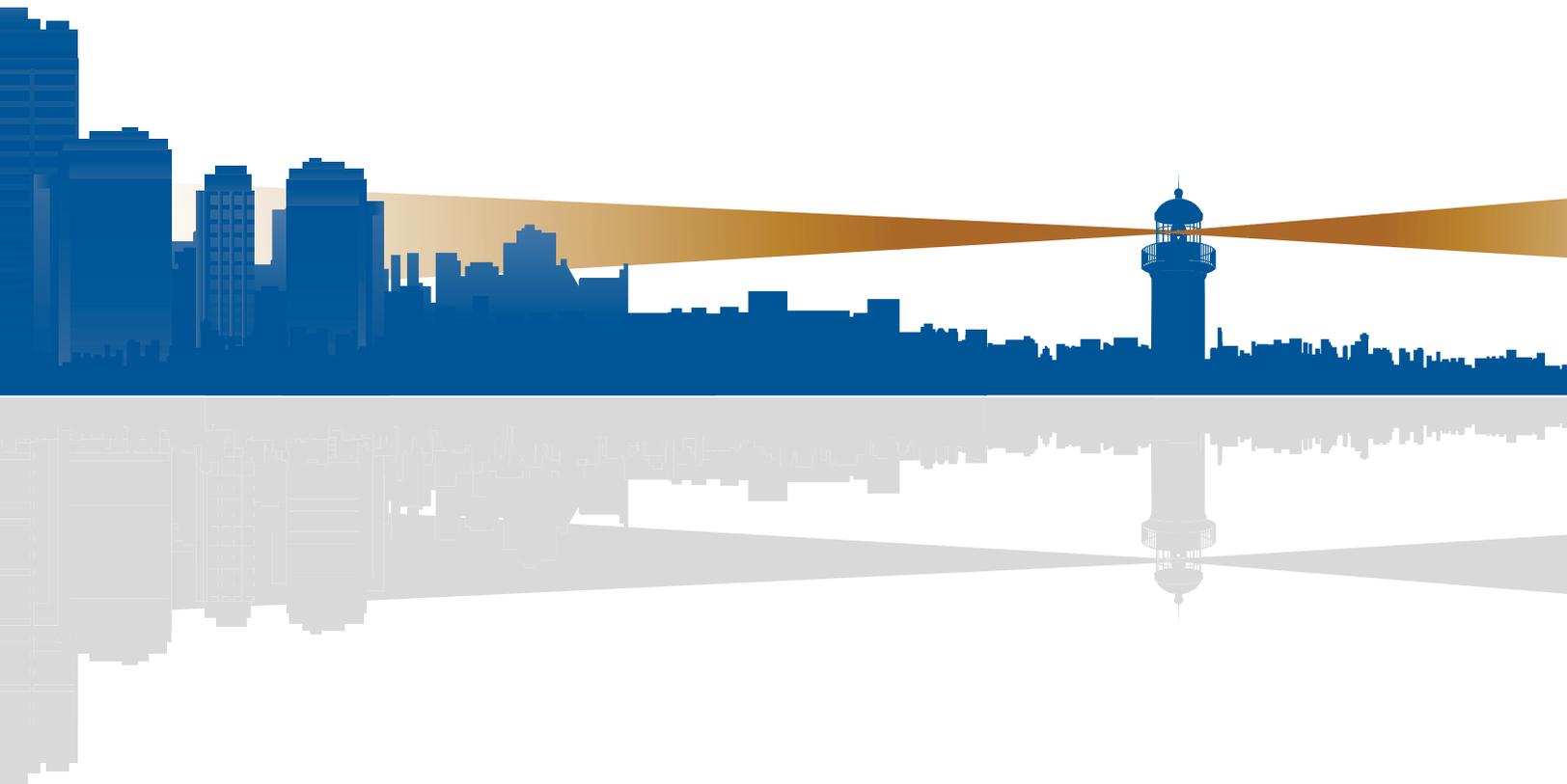


THE BEACON GROUP

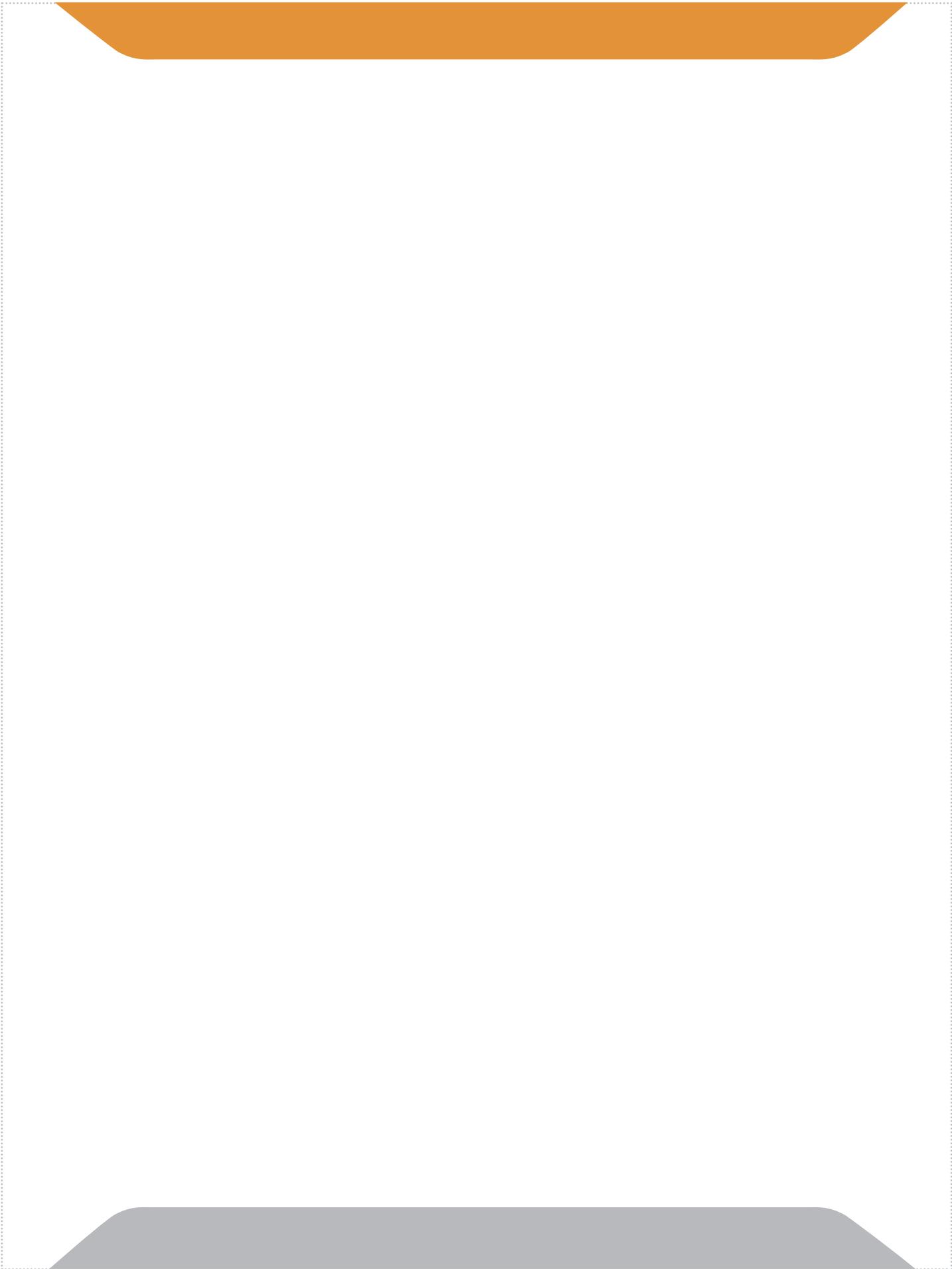
Navigate the Future™

"Deny, Defend, Disrupt – It's Your Choice!"

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Executive Report on Leadership & Business Strategy





In Our View ...

It does not seem as though we will be returning to the "good old days" of predictable growth and a reliable economy anytime soon. Experts from across the globe are pretty much aligned around a view which suggests turbulence will be the norm for as far ahead as we can reasonably see. As a result, leaders will need to rethink their approach, and develop a new set of coping mechanisms and business strategies. The good news is, this has been the subject of considerable study for years and we have a storehouse of knowledge with which to formulate our thinking and craft our responses.

The ideas shared in this paper have been shaped by several people, including Phillip Kotler and Edward Lorenz and their views on *Chaos Theory*, Clay Christensen and the work he has done on *Innovative Disruption* and Richard D'Aveni on the nature of *Hypercompetition*. The last two individuals were recently included in The Thinkers 50 list of the most important and influential thinkers of our times.

A common theme emerges from their work, advocating the urgent need for a new framework to help guide business leaders. It goes well beyond the belief "innovation is at the core of all economic development", as first promoted by Joseph Schumpeter in the 1930's. It suggests we need to go much, much further and create a vibrant new marketplace, a marketplace for competing ideas, where new ideas challenge old ideas and disrupt our thinking in the process.

Yours truly,

R. Douglas Williamson
Chief Executive Officer



The Power of Purposeful Choice ...



We all have choices, although sometimes it may not feel that way. In fact, we usually have more breadth and variety in our choices than we allow ourselves to believe. It is during periods of significant change and turbulence that important new options most freely present themselves, but only if we allow ourselves to see them.

- A choice to defend - to shrink, go small or erect barricades to provide a feeling of safety is not likely to work very well. It is an illusion!
- A choice to deny - to ignore, dismiss or minimize the fundamental nature of the external change is the first step on a slow drift to irrelevance.
- A choice to disrupt - to meet like with like, and to meet change and uncertainty with even more change and uncertainty, is the choice of the truly competitive organization and its leader.

Consistency is not the answer in a world where inconsistency, chaos, turbulence and confusion have become the norm. Leaders must shift their view and come to realize there is no value in attempting to develop a sustainable competitive advantage. In a world of increased speed and ever shifting quicksand beneath our feet, the very idea of sustainable advantage is dead. The only viable strategy is one built on serial disruption, where organizations intentionally shift all the time and, in so doing, outmanoeuvre their competition by becoming more unpredictable themselves and, therefore, harder and harder to catch.

The Fear of Bold Choice ...

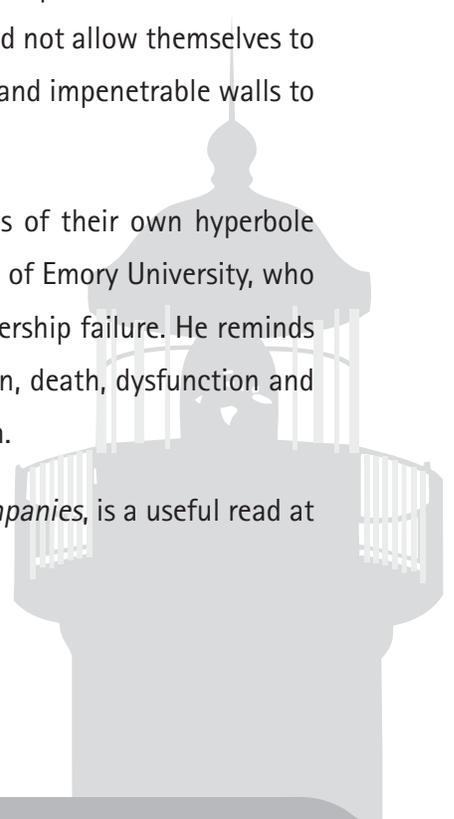
Not that many years ago, people like Michael Porter were arguing the very opposite of what now has become the only rational choice for crafting organizational strategy. There has been a huge and willing market, over the past twenty years or so, attracted to the undeniably comforting premise leaders could somehow put order and predictability into their business model to help defend against the forces of the free market.

Leaders everywhere were easily convinced that strongholds could be erected which would become barriers to intrusion by others. The problem was that while Porter was right about organizations having to make smart and intentional tradeoffs, he missed the part about the fact those tradeoffs were not static.

In the intervening period, we have come to learn the markets move in their own way, on their own schedule, and in directions we cannot very often predict. Leaders of the future must think about strategy in a much different way and not allow themselves to be seduced into believing they can erect strong, permanent and impenetrable walls to protect their organizations.

Organizations, and their leaders, can easily become victims of their own hyperbole but, thankfully, we have others, like Professor Jagdish Sheth of Emory University, who have made a career out of analyzing the root cause of leadership failure. He reminds us the devil rarely lies outside our gates, and that most pain, death, dysfunction and destruction comes from within the walls of the organization.

His excellent book, *The Self-Destructive Habits of Good Companies*, is a useful read at a time like this.



The Forces of Strategic Disruption ...

Strategy should never have been conceived of, nor promoted, as a "position" you can somehow carve out of granite, with your bare hands, and then defend forever and ever.

- Strategy is not static - *it is dynamic*
- Strategy is not wisdom - *it is intelligence*
- Strategy is not proprietary - *it is free market based*

Great strategy is all about intelligent opportunism and the ability to quickly identify and respond to emerging circumstances in real time. As such, strategy is best built in the heat of chaos and confusion and emerges from the forces of disequilibrium created by events outside of the organization.

We live in exceptionally turbulent times which means, by definition, we are subject to violent, random and agitated events that are totally unpredictable and often not even rational. This is, no doubt, a scary prognosis for those who live in a bubble formed around the essential belief great leaders can build a fortress to keep the enemy at bay.

On the other hand, this is a thrilling and totally brilliant moment for those leaders who understand the times in which we live and are not handcuffed by the mindsets of the past and the false glory of rules which have become outdated, if not irrelevant. In a world of relentless, recurring and perhaps permanent disruption, the prize will go to those who can ride the wave of opportunity and develop strategy based on the ability of their organizations to change course as the moment dictates.

Institutional Complacency ...

In a world spinning faster and faster, the perils and risks of complacency, at both the personal and organizational levels, have been multiplied. While it is hard to imagine any period of time in which lethargy and laziness were ever the right approach in business, they are certainly a tonic for failure today. The cost of institutional complacency is often well hidden and, yet, it eats away every day at the very fibre of an organization and serves to reduce its effectiveness, agility and performance.

In the organizational context, the forces of inertia and gravity are everywhere, and they are insidious. The leader of any organization with an ambition to be relevant, must be on constant and vigilant patrol for the signs of this self-inflicted institutional disease. Of course, if the source of complacency sits at the very top of the organization chart, then we have an even more serious challenge.

The forces of strategic disruption, and fleet-footed opportunism, take full advantage of the complacency of others. They feed generously off of its fat, and savour any chance to devour the competition. To some, it is like shooting fish in a barrel.

As counterintuitive as it might seem, leaders have to initiate their own chaos and disruption internally, if they want to have any hope at all of honing the skills required to do battle, on the outside, with the real competition. The modern leader knows that bracing against attack is not the best tactic, and so fueling the organization with the courage and ability to disrupt becomes the number one priority.



Dynamic Resilience ...



In a world of intelligent opportunism, the high performing organization of the future needs to be able to sort through, choose and then act on, those opportunities most worthy of pursuit. This begs a nimble leadership team with an ability to galvanize action. This capability is, in part, what Peter Schwartz spoke of in his book *Inevitable Surprises* and which his colleague Arie de Geus has preached for years, since his time as the head of Shell Oil Company's Strategic Planning Group.

More recently, this theme was picked up and expanded upon at the World Economic Forum in Davos in a keynote address by its founder and Executive Chairman, Klaus Schwab. He used the term "dynamic resilience", and explained the theme was chosen because resilience is the ability to adapt to changing contexts and withstand sudden shocks, both of which are increasingly common occurrences.

This capability is needed more than ever if for no other reason than the fact the four traditional elements of unique competitive advantage have been levelled.

- Price - *has been diminished, as higher quality has intensified everywhere*
- Timing - *has been diminished, as proprietary know-how expands more quickly*
- Entry Barriers - *have been reduced, through a rapid shift to disintermediation*
- Deep Pockets - *are less important, as risk capital is more readily available*

Shaping the Opportunity Architecture ...

Uncertainty rules the planet, and it creates opportunity in the cracks and chasms which appear as we shift from one place to another, or from one business model to another. Opportunity breeds in these cracks.

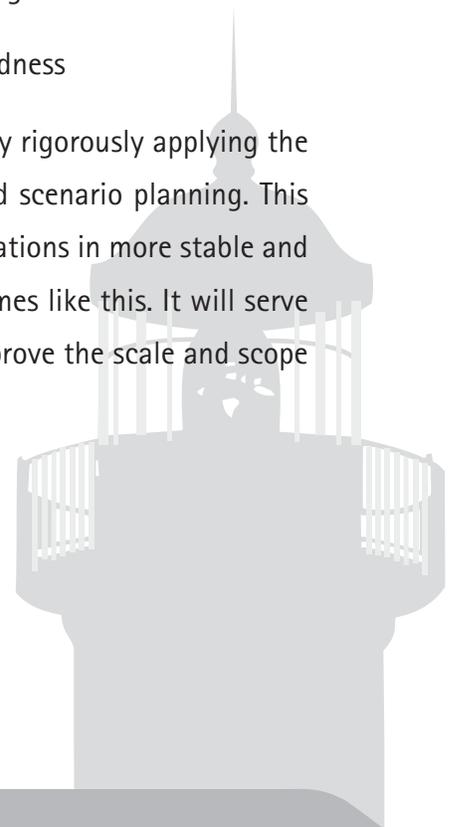
- The more uncertainty we have, the more cracks we have
- The more cracks we have, the more opportunity we have

In order to remain relevant in the midst of wave after wave of uncontrollable disruptive threats, and to seize the advantage resident in the disruptive shifts we are seeing, leaders need to focus on two of the very important things which they can, in fact, control.

They need to:

- Improve the depth, breadth and quality of their insight
- Improve the overall level of organizational preparedness

The best approach for leaders is to "rehearse the future" by rigorously applying the best practices embedded in the science of future oriented scenario planning. This discipline, which has largely been ignored by most organizations in more stable and predictable times, becomes the only viable approach in times like this. It will serve to pressure test the resilience of the organization, and improve the scale and scope of opportunity.



Sustaining Performance vs. Disruption ...

We have already noted how important free choice is in determining the success and viability of any enterprise. One of the most important choices a leadership team must make is whether their strategy will be framed as a defensive posture, to sustain current levels of performance, or whether it will be more aggressive, in an effort to improve performance through disruption. These are starkly different options.

Canadian author and business expert Michael E. Raynor has addressed this choice in his excellent book *The Innovator's Manifesto: Deliberate Disruption for Transformational Growth*, in which he reminds us of some crucially important factors in dealing with disruption. Not surprisingly, they are very different from those applied in stable times.

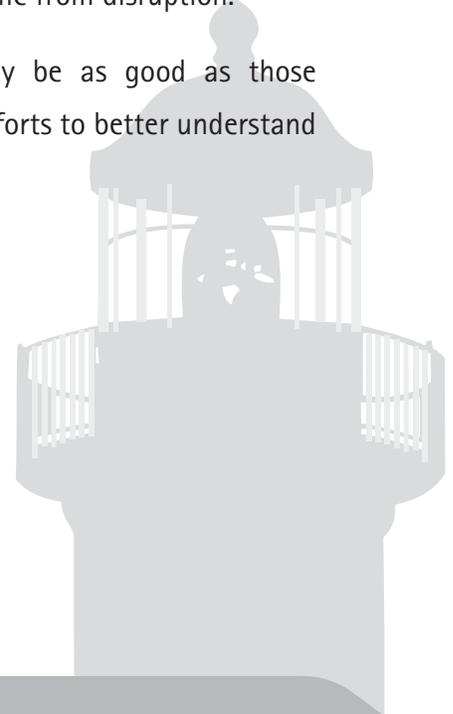
- In the early stages of any new phenomenon or change, our knowledge is limited and is little more than astute observations.
- As a result, the more unknowns we face, the more complex the work and the more our intuition comes into play.
- The objective is to identify the concepts that have the seeds of sustainable success, and then pursue them.
- Based on a changing context, the leader must be willing to come to new conclusions that clash with those of the past.

Watch Who You Hang With ...

In a world with an ever more vibrant free market in which people exchange ideas and bring a greater and greater variety of experiences, there is a real need to pay attention to those you surround yourself with and listen to. Our social media addicted world makes it easier than ever before to tap into this market, but leaders still have to build their "communities" in a smart manner.

- Leaders who only tune into the frequency of their closest business colleagues and like minded friends are putting themselves, and their organizations, at serious risk.
- Leaders who only spend time in their own industries are unlikely to have the receptors necessary to pick up new signals identifying mega shifts that cross industrial or product borders.
- Leaders who do not broaden their networks to include those living at the fringe of new ideas and new thinking will deprive their organizations of the insight needed to seize the opportunities which come from disruption.

In today's world, more than ever before, you will only be as good as those you surround yourself with, listen to and include in your efforts to better understand the environment.



Steps to Take :: Actions to Consider

We are not hostages to the random forces of the free market.

We are not prisoners of the change monster who chases us every day.

We are not powerless in the midst of forces that may, at times, overwhelm us.

We have free choice, and we deserve to be judged by the choices we make. In our view, no one has done a better job of describing this than Phillip Kotler and John Caslione in their book *Chaotics: The Business of Managing and Marketing in the Age of Turbulence*.

They have done a brilliant job of summarizing the characteristics of companies that have lived a long and healthy life.

We have shared them below as a recipe for leaders who wish to seize the opportunity this moment presents, the opportunity embedded in disruption.

Sensitivity to the World Around Them

The best leaders in the world have an acute and finely tuned radar for sensing and identifying shifts in both the business and the social context. They appreciate the need to be vigilant in continuously scanning the environment and interpreting the signals.

Awareness of their Identity

The best organizations in the world know who they are and what they stand for. They are confident in their own skin and are not easily tempted to jump on fads that pass in the night. They place the importance of culture right alongside that of strategy.



Tolerance to New Ideas

The best thinkers in the world are broad minded, curious and open to the new and the different. They embrace new ideas and concepts, and resist the cocoon of complacency and the illusion of the status quo. The pioneers of the future will be those who seek out new knowledge and understanding in an effort to make sense of the world.

Valuing People Not Assets

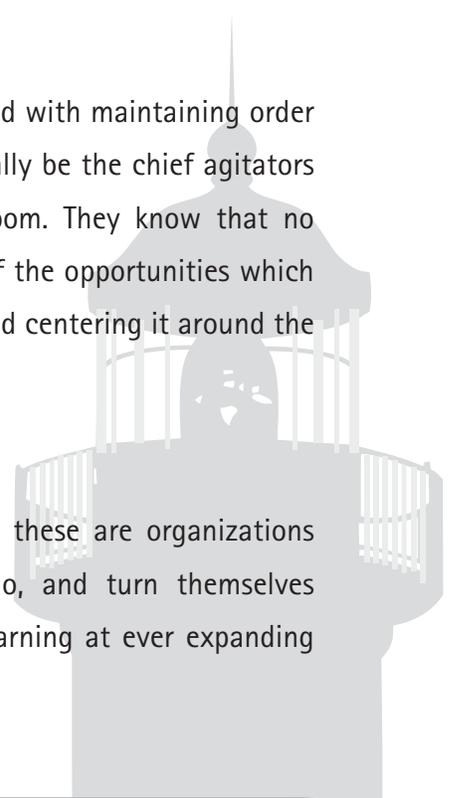
The best run companies in the world place people first, even before customers. They know and understand that it is people who create value through their insight, ingenuity and passion. They appreciate that machines and buildings and systems are only there to enable human capability to be leveraged.

Loosening Steering and Control

The best leadership teams in the world are not obsessed with maintaining order and enforcing control. They are more inclined to actually be the chief agitators for freedom, experimentation and more breathing room. They know that no one leader, or group of leaders, can get the best out of the opportunities which present themselves by tightening the vice of control and centering it around the executive table.

Organizing for Learning

The organizations that thrive and excel in times like these are organizations that see learning opportunity in everything they do, and turn themselves into lean, mean learning machines, producing new learning at ever expanding rates of return.





The Beacon Group is ...

We are a Canadian-based professional services firm supporting clients throughout North America and around the world. We work with organizations in all sectors and industries in the development of their business strategies and in helping them leverage their investment in human capital.

Our goal is to support senior leadership teams in their efforts to:

Optimize - strategic positioning and market opportunities

Maximize - long-term organizational effectiveness

Develop - leadership competency and fitness

Create - superior levels of performance

Our practice is divided into four main areas of expertise:

Strategy | Culture | Talent | Leadership

When integrated, this broadly based expertise provides our clients with a comprehensive Organizational Health and Business Performance System.



Our Core Values

We believe ... mindset, attitude, character and behaviour matter. It is vitally important to be clear, consistent and authentic. This is especially true when serving as a "trusted partner" to the organizations who work with us.

We commit ... in all aspects of our client relationships, to being:

Progressive - forward thinking, ambitious and pragmatically radical

Thought Leaders - innovative, audacious and imaginatively bold

Passionate - loving what we do and creating passion in others

Customer Driven - dedicated, involved and fully committed

Responsive - fast acting, intense and able to anticipate

Agile - enthusiastic, nimble, adaptive and courageous

Our Approach

We support ... progressive leaders and ambitious organizations in developing relevant Business Performance and Human Capital strategies that have an immediate impact.

We partner ... with them to create and implement robust strategies, solid frameworks and pragmatic solutions, allowing them to lead with confidence and deliver results.

We achieve ... this through a commitment to:

Providing - a comprehensive, integrated set of organizational effectiveness tools

Focusing - on building customized solutions to meet performance challenges

Supporting - mission-driven leaders with their transformational agendas

Appealing - to those with a pragmatic, no nonsense approach

Executing - our work with punch, panache and know-how

Delivering - results that make a difference



Strategy | Culture | Talent | Leadership



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