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Our 10 Most Enduring Ideas

For further information:
editors@strategy-business.com
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OUR 10 MOST ENDURING IDEAS

by Art Kleiner

To celebrate *s+b*'s 10th anniversary, we looked back at the conceptual breakthroughs that appeared in this magazine — and invited our readers to vote on which were most likely to last.

From its inception in 1995, *strategy+business* has been a magazine dedicated to the value and power of ideas. It has embodied the view that, as Victor Hugo once put it, "An invasion of armies can be resisted, but not an idea whose time has come." We like to think that our readers are real-world users of ideas, pragmatists who understand that a conceptual breakthrough can make enormous day-to-day difference.

Thus, for our 10th-anniversary issue, we took the question head-on: Of all the ideas *strategy+business* has covered, which are most likely to endure for (at least) another 10 years? After reviewing the magazine's back issues (all available free on our Web site, www.strategy-business.com), Deputy Editor Amy Bernstein and I winnowed out a manageable list of 35 key contenders. We invited two different groups to vote: the electronic subscribers to our e-mail newsletters *enews* and *Resilience Report* (also available free on the Web site); and the thought leaders — writers, subjects of profiles, and interviewees — who have been featured in our pages during the past 10 years. We set no limit on the number of votes any individual could cast. Voters were also given a chance to comment online, and many did. Additionally, we asked for contributions from two of *s+b*'s authors: Harvard Business School professor and author Rosabeth Moss Kanter (who wrote the first major "idea piece" for Issue 1 of *strategy+business,* in 1995), and MIT lecturer and contributing editor Michael Schrage (one of the most consistently cogent connoisseurs of management ideas we know).

Some comment writers took us to task for superficiality. "To be honest," Charles Handy wrote, "I think a lot of these are just glorified common sense." Others accused us of rehashing old concepts ("*That* chestnut again?") or carelessness with our categorization. "Some of these aren't 'ideas,'" noted Warren Bennis. "They're strategy or action steps." On the other hand, the survey enthralled many; as one anonymous voter put it, "There are a wealth of choices!" In the end, we were gratified that so many people (including Professors Handy and Bennis, who are keenly original and highly influential generators of management thinking in their own right) felt drawn to participate in our modest and informal, but ultimately thought-provoking, survey.

Here, then, are the winners — the ideas voted most likely to affect the way businesses, including your business, are conducted in the long run.

Top 10 Concepts

1 **EXECUTION** (1,911 votes; 49.3 percent of the voters chose this concept). It's not your strategic choices that drive success, but how well you implement them. As Larry Bossidy and Ram Charan pointed out in their book *Execution,* the most critical quality for managers is the ability to put ideas into action. Almost half the people who took the survey, in voting for this concept, explicitly affirmed the conceptual importance of a facility for well-disciplined action. "After 22 years in business," wrote one anonymous correspondent, "across a number of roles, it continues to amaze me how many businesses fail at the basics." To our readers, *execution* does not mean attention to numbers and metrics, but, as another correspondent wrote, "looking at your whole process, finding small ways to improve each part individually, really implementing the improvements, tracking the results to judge effective-

Art Kleiner (kleiner_art@strategy-business.com) is editor-in-chief of *strategy+business*.

ness, and then repeating the process." (See "Execution: The Un-Idea," by Rosabeth Moss Kanter, page 4.)

2 **THE LEARNING ORGANIZATION** (1,807; 46.6 percent). A learning organization is one that is deliberately designed to encourage everyone in it to keep thinking, innovating, collaborating, talking candidly, improving their capabilities, making personal commitments to their collective future, and thereby increasing the firm's long-term competitive advantage. In putting forth this idea, we invoked such influential authors as John Seely Brown (*The Social Life of Information, The Only Sustainable Edge*); Arie de Geus (*The Living Company*), and Peter Senge (*The Fifth Discipline, Presence*). The high ranking of this concept and many of the comments about it confirm something we see out in the world. Even the most hard-nosed managers are aware that they can gain sustained competitive advantage only by developing the learning capacity of their people, separately and together. This doesn't just mean sharing knowledge and skills; it means cultivating the habits of personal character that lead people, up and down the hierarchy, to become more capable. Organizations that help their people do that will reap enormous benefits in the future (or so almost half of the respondents seemed to feel).

3 **CORPORATE VALUES** (1,555; 40.1 percent). Companies that care about ethics, trust, citizenship, and even meaning and spirituality in the workplace (or that simply articulate their values carefully) perform better in the marketplace than companies that care just about "making money." So goes the concept — but does it correspond with on-the-ground reality? Skeptics abounded: "After so many scandals," wrote one anonymously, "I doubt if this principle is really true!" But the concept ranked third in the vote, and our articles about normative ethics (such as "The Value of Corporate Values," by Reggie Van Lee, Lisa Fabish, and Nancy McGaw, *s+b,* Summer 2005) have consistently ranked among our most popular features. Respondents regarded scandals like those at Enron and Tyco as proof that "in the long run, corporate and social agendas must converge. Relationships matter." At the same time, many questions remain unanswered about the nature and role of values in corporations. For example, as one respondent wrote: "Given the ever smaller number of individuals with respect for ethics and values, how are corporations and governments expected to develop them in their DNA?"

4 **CUSTOMER RELATIONSHIP MANAGEMENT** (1,554; 40.1 percent). The cultivation of long-term relationships with customers, including awareness of their needs, leads to highly focused, capable companies that try to make consumers "part of the family." Over the last decade, *strategy+business* has singled out such customer-centric organizations as Snap-on Tools, Virgin Atlantic Airways, Apple Computer, Starbucks, and the Boston Red Sox (a mention of which cost this idea the vote of one Yankees fan). Readers added more exemplars to that list: Sonic, Petco, Medline, HSBC's First Direct division, and, with several mentions, Tesco. A large number of readers commented that despite 30 years of exhortations to "put the customer first," many companies don't manage to adequately meet their customers' needs (or these days, give them an experience that reinforces their ongoing relationship with the brand or company). One fascinating qualification came from correspondent Malcolm Wicks: "Being customer-centric is not the same as CRM, which is more likely to be sales-centric. Being customer-centric is all about doing things that most benefit your targeted customers, even when there is no direct benefit for your company. As everything gets more commoditized, companies that are most customer-centric will be the most successful."

5 **DISRUPTIVE TECHNOLOGY** (1,513; 39.0 percent). As Clayton Christensen noted in *The Innovator's Dilemma,* technological innovation radically alters markets by undermining incumbent companies — which are vulnera-

Execution: The Un-Idea

by Rosabeth Moss Kanter

Twenty-five years ago, management meant control. Managers put in controls, handed workers specifications, and established formal structures that ensured that people did what they were told. Companies operated alone, rather than being part of partner networks or plugging their people into informal relationships. It was an ineffective way to operate, especially after the information technology revolution took place, and to break out of it, companies needed management ideas. Innovation and intrapreneurship, Total Quality Management, Six Sigma, reengineering, networked organizations — these were all conceptual handles that allowed executives to justify and develop new breakthrough practices.

Today, companies don't need new ideas in the same way they did 25 years ago (although they still need new business strategies). They've been through the paradigm shift. They have sustained tremendous improvement in productivity, effectiveness, and attentiveness to opportunities. That doesn't mean they've been successful; indeed, as they've explored new ways of working, we have all learned how hard it is to put these ideas into practice. Executives routinely say that the hardest thing they do is improve people and corporate culture. It's still much easier to let such matters slip, to neglect them. And in the past few years we've seen what happens as a result: Ethical standards, and our ability to groom future leaders, inevitably decline.

That's why execution, or "making it happen," is so important. Execution is the un-idea; it means having the mental and organizational flexibility to put new business models into practice, even if they counter what you're currently doing. That ability is central to running a company right now. So rather than chasing another new management fad, or expecting still another "magic bullet" to come along, companies should focus on execution to effectively use the organizational tools we already have.

ble because their offerings are all tailored to the needs of their existing customers. Change feels like a betrayal of those customer relationships. Thus the makers of personal computers trumped Digital Equipment; Wal-Mart trumped Sears; and downloadable music is trumping the recording industry. "You can be doing *everything* for your customer," one reader wrote, "and not see a market shift while it is occurring." Professor Christensen's idea lives on, to an extent, because of its two-part form. First, there is a warning: Your most cherished policies and practices — in this case, the hallowed sanctity of a successful customer relationship — can include the seeds of your undoing. Second, there is a way out: Preempt your own comfort zone, adopting a disruptive technology yourself before others beat you to it.

6 **LEADERSHIP DEVELOPMENT** (1,432; 37.0 percent): You don't have to rely on "putting the right people in place." You can train all employees to be better choosers, better strategists, better managers, and in the end, better leaders. More than a third of the respondents were drawn to this because they saw leverage here: Companies can be both more effective and more responsible with smart leadership development practices in place (several people referred to emotional intelligence in this vein). Leadership is important, not because of the leaders' actions in themselves, but because of the actions that everyone else takes on their behalf. (For an extended view of this argument, see "The Realist's Guide to Moral Purpose," by Nikos Mourkogiannis, *s+b*, Winter 2005.) Skeptics protested that leadership development, as a concept, represented a veneer masking the dog-eat-dog realities of corporate life: "The person at the top doesn't want an organization full of leaders and enthusiastic achievers. This puts too much strain on the CEO and his or her ability to control." And some, like Michael Schrage, pointed out the dangers of leadership as a concept. (See "Leadership: Its Time Has Gone," by Michael Schrage, page 5.)

7 **ORGANIZATIONAL DNA** (1,315; 33.9 percent): Leaders can design an organization's structures — incentives, decision rights, reporting relationships, and information flows — to induce high performance by aligning them with one another and the strategic goals of the enterprise. Elucidated in the book *Results*, by Gary L. Neilson and Bruce A. Pasternack, this idea attracted people who wanted to design organizational change without "sermonizing about behavior," as one reader put it.

Leadership: Its Time Has Gone

by Michael Schrage

The bitterest business rivalry over the past decade hasn't been the struggle between free trade and protectionism, between capital and labor, or between Microsoft and everyone else; the bitterest rivalry has been leadership versus management. Leadership won — but it's been a Pyrrhic victory at best.

Harvard Business School's Abraham Zaleznik articulated the difference in his classic 1977 essay "Managers and Leaders: Are They Different?" Proclaimed Professor Zaleznik, "Managers and leaders are two very different types of people. Managers' goals arise out of necessities rather than desires; they excel at defusing conflicts between individuals or departments, placating all sides while ensuring that an organization's day-to-day business gets done. Leaders, on the other hand, adopt personal, active attitudes toward goals. They look for the opportunities and rewards that lie around the corner, inspiring subordinates and firing up the creative process with their own energy. Their relationships with employees and coworkers are intense, and their working environment is often chaotic."

With artfully hedged neutrality, Professor Zaleznik declared both management and leadership essential for organizational success. And thus he raised the critical business question: Which offered the superior return on investment?

Global markets provided an unambiguously clear opinion: They craved leadership. The Lord John Brownes, Jack Welches, Percy Barneviks, Carlos Ghosns, Andy Groves, and Bill Gateses are celebrated far more as innovative global leaders than as operational management exemplars. The leadership "brand" has become so powerful and compelling that successful managers are inherently considered "great leaders." Ironically, however, people tagged as great leaders don't have to be great business managers. Leadership is the value added; management is what gets automated, rightsized, or outsourced to Bangalore or Guangzhou.

Yet the bursting of the dot-com/telecom bubbles and the disgraceful collapses of Enron, Arthur Andersen, WorldCom, Tyco, Parmalat, etc., have cruelly constrained the brand trajectory of the leadership label. Where governance was once the longest and most elastic of leashes that let leadership stray with minimal attention, it is now a beautifully upholstered cage with 24-hour surveillance and legal advisors on call worldwide.

In other words, the global rise of governance as a business concern reflects the pathological failure of leaders to manage. *Accountability, transparency,* and *oversight* will mean something very different to CEOs and the boardroom over the next 10 years than they did in the past. A new ecology of interdependent management, leadership, and governance is arising. Striking a balance among these three imperatives will be a greater challenge in years to come. Will those who meet that challenge emerge with better leadership, better management, and better governance? Today's "leaders" have lost the right to be the only ones with the authority and legitimacy to answer those questions.

8 **STRATEGY-BASED TRANSFORMATION** (1,277; 33.0 percent): Beyond the "blank page" of reengineering, this is the redesign of processes and organizational structures, and the consequent cultural change, to fulfill the strategic goals of the enterprise. In an ideal universe, this would not even be a management concept, because, as one correspondent put it, "*All* company activities should be aligned to the enterprise strategy."

9 **COMPLEXITY THEORY** (1,187; 30.6 percent): Markets and businesses are complex systems that can't be controlled mechanistically, but their emergent order can sometimes be anticipated. An understanding of the ways that complex systems evolve can help managers intervene and act more effectively. Over the years, *complexity theory* has come to mean a family of related, but sometimes contradictory, theories — including chaos theory, artificial life, probability theory, and even system dynamics — of intricate and nonlinear systems in which so many elements interrelate that the effects appear random and unpredictable, even though it is possible to trace patterns of causality and probability. This topic garnered several comments from enthusiasts ("The most profound thing to hit management science since the invention of money") and at least one denigrator, who claimed that managers will never make a business decision based on statistical models. If the comments we read are true, then today's practitioners of complexity

theory are working behind the scenes, acting as computer-aided *consiglieri,* giving decision makers a more nuanced view of the potential hurricanes caused by the butterfly wings they flap.

10

LEAN THINKING (1,183; 30.5 percent): This type of process and management innovation is exemplified by the Toyota production system. Employees use a heightened awareness of work flow and demand to cut waste, eliminate cost, boost quality, and customize mass production. Said one anonymous correspondent, "It combines with complexity theory, emergent behavior, wisdom of crowds, disruption, and agile thinking to extend into areas like R&D to redefine innovation practices. Management thinking will need to change to address these fertile intersections."

The Value of Ideas

And the ideas that didn't make it into the top 10? (See Exhibit 1.) They are also noteworthy, in part because many of them are more specific, more technology oriented, and more closely related to management functions. It's as if ideas and concepts aren't deemed truly enduring unless they transcend mere functions, like R&D, IT, finance, corporate governance, marketing, and manufacturing.

Only one group seemed to disagree: the thought leaders. Their list of most enduring ideas looked like this:

The Thought Leaders' Top 10

1. Disruptive Technology
2. China Inc.
3. Corporate Governance Reform
4. Corporate Values
5. Format Competition
6. The Learning Organization
7. Advantaged Supply Chain Management
8. Complexity Theory
9. Glocalization
10. Enterprise Resilience

Perhaps readers of *strategy+business* turn to management ideas for diagnosis: for help coming to terms with the problems that keep their companies from acting effectively. Thought leaders, on the other hand, seem more interested in prognosis; the future trend–gazing that makes people much better strategists. Our contributors look outward; our readers look inward, it seems.

Exhibit 1: **The 25 That Got Away**

Ideas ranked below the top 10 in the *strategy+business* survey of "most enduring ideas," in order.

11. China Inc.
12. Advantaged Supply Chain Management
13. Emerging Markets
14. Glocalization
15. Innovation Incubators
16. Corporate Governance Reform
17. Format Competition
18. Channel Champions
19. Intangible Assets
20. Zealots (High-Performance Line Managers)
21. ROI Marketing
22. Game Theory
23. Global Human Resources
24. Enterprise Resilience
25. Social Network Analysis
26. Open Source Business
27. Open-Book Management
28. Post-Merger Integration
29. Public–Private Partnership
30. The New CFO Agenda
31. Increasing Returns
32. Reintegrating Work
33. Wisdom of Crowds
34. Software as a Decision-Making Tool
35. Leapfrogging Industrialization

In the end, a really good business idea has five key qualities. (1) It is timely: It addresses, in a new, compelling way, an issue that is important to people right now. (It's no coincidence, for example, that supply chain management became an important concept just as manufacturing became much more global.) (2) It has explanatory power: It reveals the hidden patterns and interrelationships that shape the phenomena we see, and that other theories or disciplines have not fully explained. (3) It has pragmatic value: It can be put into practice to produce replicable results. (Even relatively "soft" concepts like organizational learning have a nuts-and-bolts edge, helping to build human capabilities.) (4) It has a robust empirical foundation: It can be tested with real-world experience, and ideally with measurable data, and can survive theoretical challenge. (5) It has a natural constituency: A group of key people are ready to hear it.

I think all the ideas listed in our top 10 have those qualities. Or at least I hope so, because the stakes are high. Ideas about business, from the invention of accounting to the "invisible hand" of Adam Smith to the thinking of present-day economists, have had impact not just in the business world, but beyond. If these are the most enduring business ideas, then the rest of the world will be shaped accordingly. +

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