CONFERENCE REPORTS

The 1992 Strategic Management Conference: The New Agenda for Corporate Leadership

By Bernard C. Reimann

Before his keynote address at the 1992 International Strategic Management Conference, former U.S. Secretary of State Henry A. Kissinger briefed a CEO Roundtable Forum. Attendees pictured are (left to right) Emmett Boyle, Chairman, President, and CEO of ORALCO Management Services, Inc., Wheeling, West Virginia; Secretary Kissinger; J. P. Donlon, Editor, *Chief Executive* magazine and facilitator of the forum; and Emmett Barker, President of the Equipment Manufacturers Institute, Chicago.

Appearing at The Planning Forum's 1992 International Conference, was a "faculty" that included many of America's most respected strategic thinkers. They urged attendees to take daring steps into strategic management's wild beyond:

- Beyond "hard," quantitative techniques to "soft" intangibles.
- Beyond competing on time alone to competition based on organizational capabilities.
- Beyond managing portfolios to leveraging competencies across businesses.
- Beyond total quality to process redesign.
- Beyond merely participative management to empowering leadership.
- Beyond cost accounting to target costing.
- Beyond the cold war mentality to the realities of a new world order.
- Beyond focusing on what worked in the past to scenarios of alternate futures.
- Beyond compensating executives for earnings to a focus on economic value added.

These were some of the provocative themes that highlighted TPF's "New Agenda of Corporate Leadership" conference held in picturesque New Orleans in May.

In order to get this brief overview into the July/August issue of *Planning Review,* I started this "Report" immediately after the annual conference concluded. At least my memories are still fresh, and I can still read my furiously scribbled notes. But what you will read here is not the product of leisurely professorial reflection. Think of it as a Just-In-Time academic's grab bag of new insights to help strategic managers add value to their organizations.

Two New Roles for Strategists

Fortunately, a coherent explanation of how strategists can put the assorted items in this grab bag to good use was provided by Robert L. Long, who recently retired as Eastman Kodak's Senior Vice President and Director of Corporate Planning. He redefined "The Changing Role of Corporate Planning in Diversified Corporations," and the first two of the four key roles he identified for corporate strategists provide a particularly useful perspective to readers of this "Conference Report":

- The "sower of seeds."
- The "leader of learning."
- The "purveyor of philosophies."
- The "doer of deals."

If you are to be a sower of seeds and a leader of learning among your firm's key decision makers, then this conference is an opportunity to gather potent ideas about the world beyond the SBU. You'll also be looking for tips on how to convince top management to take some of the daring steps into the wild beyond suggested by the experts.

Warnings of World Instability

The first horn of alarm from the wider world was sounded by keynoter Henry Kissinger who warned us that there's a worrisome lack of stability in the "new world order." He pointed out that two key stabilizers have very recently been eliminated. The first was the cold war, which had provided a balance of power in the world. The second was the centralized, authoritarian communist regime in the former U.S.S.R.

Peter Schwartz, President of the Global Business Network, also unsettled our hopes for post-cold-war world peace by sketching a scenario of our future that he called : "Global Incoherence." In this scenario—one of several he outlined—the world fragments into independent militaristic "mini-empires." An important sign of this possible future is the growing weapons proliferation among the republics of the former U.S.S.R., Pakistan, Iran, India, and other countries.

Seeding Your Corporation with "Scenarios"

A vital part of the strategist's seed-sowing function is to get line managers to examine and think about alternative strategies, rather than "business as usual." Schwartz also provided some valuable tips for achieving this difficult feat (see the May-June, 1992 *Planning Review*). He pointed out that managers' "mental maps" of the future are unavoidably tied to current maps (such as spreadsheets), based on historical data. However, "if you get the facts wrong, the map is wrong, and you'll do wrong!"

To illustrate this problem, he showed a map of California drawn by Spanish seafarers in the 17th century. It charted all of what is now California as an island! Guided by this map, the misguided missionaries landed on the western coast and hauled their boats all the way across California, only to find never-ending "beach!"

Similarly, once maps of business issues are drawn, these "mental models" of reality are very hard to change, says Schwartz. He sees the challenge of altering these managerial mental maps as one of the most vital functions of strategic planners. For example, by developing alternative scenarios of the future, Royal Dutch/Shell planners helped to change firmly entrenched mental maps the company's senior executives had about the oil industry in 1986. One scenario Schwartz helped develop saw a "Fortress Russia," while another visualized a breakup of the Soviet Union.

Managers who are dismissive of a process that produces such conflicting signals and prefer to follow unequivocal predictions are missing Schwartz's point. "Did we get it wrong? Yes! Right? Also, yes!" The scenario process is not intended to get the future "right," Schwartz explained. Rather it identifies signals of the possible direction of change for alternative futures. For example, he noted that while Shell planners didn't exactly predict the emergence of OPEC in the early Seventies, the company's management was far better prepared to deal with this major discontinuity in their environment than any of their competitors because they had used scenarios to entertain such possibilities.

In the Nineties, the four key roles for corporate strategists are: the "sower of seeds," the "leader of learning," the "purveyor of philosophies," the "doer of deals."
—Robert L. Long

The Seeds of an Intangibles Strategy for the Year 2020

A particularly vital part of the strategist's seeding function is to give line executives some provocative views of the future of their businesses. Such a glimpse was provided in a dramatic as well as practical fashion by an effective duo of consultant and top executive implementer. Chris Meyer, Vice President of Temple Barker & Sloane teamed with John D. Foster, President of American Transtech (a wholly-owned subsidiary of AT&T), to show us their "2020 Vision" of how to win in the information economy.

Meyer kicked off the session by asking why companies like Wal-Mart, Banc One, and Lexus (Toyota) have been consistent winners. His answer: not merely I.T. (information technology), but I/T, the ratio of intangible to tangible value delivered. Wal-Mart, for example, does use I.T. in its electronic linkages to suppliers, such as P&G, resulting in 100 turns per year on its diapers.

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Banc One's secret for its many successful mergers is that it has "embedded" its whole management approach in its information system, so that it can be applied to its newly acquired banks. Apple's joint venture with IBM reflects the intrinsic value added by the operating system. What all these companies have in common is a focus on information-based intangibles.

Meyers' vision of the year 2020 is based on the work of Stanley Davis (see the Jan-Feb, 1992 *Planning Review*) as well as that of futurist Alvin Toffler. Both of these authorities agree that by the second decade of the 21st century, our smokestack industries will have finally been replaced by the new "information economy."

The expected life cycle curves of the industrial and information economies, measured in terms of value added, suggest that the industrial economy is well into its mature phase, while the information economy is just starting to take off. Therefore, Meyers exhorted us to waste no time in "informationalizing" our companies and their strategies, pointing out that some winning firms are informationalizing their basic business drivers.

The aim is to transform the actions of independent groups and to exploit information to maximize value added to users. Informationalized firms will exceed their customers' expectations to buy any time, any place, any style with a business system that operates in real time, makes products or services available everywhere, and is able to mass customize to suit individual customer preferences.

The Infomediary

While information systems can add value in a variety of ways to your current business, a particularly promising aspect is the almost unlimited opportunities for developing new businesses. Examples include selling directories of customers, products, or services; setting up information clearing houses; or even market-making, such as in real estate or in a new growth industry like recycling. Often these new "infomediary" businesses are more valuable than a firm's basic business. Good examples are American Airlines' Sable Reservation System and *TV Guide*.

AT&T's John Foster then gave us an interesting case study of a business that "could not have existed without the information economy." AT&T Transtech started out as a telemarketing service bureau. Its tangible business consisted of making phone calls to solicit business for insurance companies. Its early growth took the company into handling customer service for a consumer packaged goods company, employee information for savings plans, shareowner services for a variety of firms, and management of travel agent commissions.

The company talks to 5-6 million people a month for a total of some 15 million minutes. Might there not be a real opportunity here to mine the content of these many conversations? With the help of their information system, Transtech knows in advance who wants to be called, when, and on what subjects. This permits them to add value to current customer relationships as well as to be more efficient. They have, for example, been able to move from paper-based consumer information to real time. In fact, the firm's culture and mindset became so imbued with the new short cycles and fast response times, that the original shareowner services business no longer fit. That business had a much slower pace and was based on long-term contracts. It was recently sold.

However, Foster sees many other opportunities for growing his infomediary business. One that is still in the idea stage is real-time consumer product information. A customer planning to buy a VCR could dial up Transtech's "Consumer Reports" data base to get the latest information on the brands he's considering. The customer might even do this while in the store.

One of the key questions that occurred to many of us in the audience concerned privacy. According to Foster, privacy is the information industry's equivalent of pollution in the industrial economy. Each is a prime constraint on growth and has to be managed very carefully. Therefore, Transtech steers away from name-specific information and works hard to "insulate" customers from unauthorized access. The problem is that the infomediary business is ideal for small niche players who can afford to behave unethically because they don't have a big investment to protect. All they need is a PC, a modem, and a telephone. The bigger players, however, can help defuse the privacy issue through committing to give customers a choice—by giving them only what they want when they want it.

Seeding the Organization's Core Competencies

Another intriguing theme that ran through several different presentations concerned moving the focus of strategy away from products and markets toward the resources, capabilities, and processes available to generate the firm's outputs. Larry Bennigson, a Senior Vice President with the MAC Group/Gemini, teamed up with Peter Dachowski, Senior Vice President of CertainTeed Corp., to demonstrate how strategists must move beyond the resource-constrained view of the organization to one that focuses on achieving ambitions, or "strategic intents."

Strategists must look past existing businesses in terms of products and markets and toward innovative opportunities and discontinuities. This is accomplished by investing, not just in products or technologies, but also in core competencies and organizational capabilities—either internally or by acquisition. It also means moving away from independent SBU "silos" toward leveraging competencies across the corporation, or "managing the white spaces."

Furthermore, urgency must replace complacency—especially among market leaders. And empowerment must replace top-down control. The effect is to "turn loose" a completely new and far more competitive corporation—one that may even reshape its industry. Well-known examples of firms that have successfully transformed their businesses this way include mini-mills in steel production and Wal-Mart in retailing.

According to Dachowski, CertainTeed is another example. The company achieved a major turnaround from constant red ink in the early 1980s to being the most profitable company in the roofing products industry. How? By achieving a major transformation in the organization's "mindset, behavior, and strategy."

A new top management team, brought in by French parent Saint Gobain, refocused the Shelter Materials Group's organizational capabilities on four "strategic intents." Each of these achieved competitive positions different from the industry leader in several market segments. In each case, the company managed to position its products as specialty rather than commodity items.

What was the toughest thing to change at SMG? Dachowski found that it was not strategy, not behavior, but the mindset. "People have to feel a need to do things differently. So you have to look for early opportunities to achieve visible successes by doing things differently." This mindset change is also the most important, since without it, nothing will happen. As India's prophetic leader, Mahatma Gandhi, put it, "We must be the change we wish to see in the world."

Capabilities or Competencies?

Experts who write or talk about strategy often confuse us by using different terms that mean the same thing, or similar terms that mean different things. A case in point are the concepts of "competencies" as opposed to "capabilities." *Fortune* editor Walter Kiechel III, confided to his audience that he is quite confused about the distinction between these concepts, even after reading the recent *Harvard Business Review* article, "Competing on Capabilities: The New Rules of Corporate Strategy" (George Stalk, Jr., Philip Evans and Lawrence Shulman, March-April, 1992).

Wouldn't you like to be able to explain the subtle but important distinction between these concepts to your boss or colleagues? Even better, wouldn't you like to be able to spot one of Stalk's "capabilities predators" that may be getting ready to "eat your company's lunch," competitively speaking?

Well, George Stalk's presentation on "Time-based Management and Beyond—Competing on Capabilities" would have helped you on both these counts. According to Stalk, a Vice President of The Boston Consulting Group, Inc., capabilities and core competencies are different but complementary components of strategy. Core competencies encompass sets of technologies and organizational skills that produce a firm's various product lines or services. They explain how a firm can achieve competitive advantages in different and seemingly unrelated businesses. Sony's competence in miniaturization, for example, underlies its phenomenal success in products as diverse as its Walkman, videocameras, and notebook computers.

Capabilities are similar to competencies, in that both focus on what organizations do, rather than what they have. However, capabilities are more broadly based in that they encompass the whole value-delivery system, including such activities as distribution and supplier relations. According to Stalk, capabilities are also more visible to the customer than core competencies. Finally, capabilities are the mechanisms that produce core competencies.

K Mart did nothing wrong. It's just that Wal-Mart did something different — a difference that resulted in substantially higher revenues per store and inventory turns.
— George Stalk, Jr.

More precisely, useful strategic capabilities exhibit characteristics similar to an organization's valuable outputs, including the following:

- They are clearly identifiable.
- They are stable over time.
- They are differentiable, thus profitable.
- Dominance in capabilities creates value.
- The method of gaining dominance is straightforward.

"Stalking the Capabilities Predator"

What then, does Stalk mean by a "capabilities predator?" This is a firm whose unique capabilities could give it an advantage in competition with your company. You might not see the threat coming because the competitor operates in a different industry or the new capability is difficult to discern at first. While strategic capabilities can be identified and valued through careful study, they are usually not obvious. The problem is that a competitor firm's capabilities won't show up on your "industry structural screen," which is looking for outputs of products or services.

To illustrate the danger, Stalk compared the recent fortunes of two major retailers, Wal-Mart and K Mart. It's no secret that Wal-Mart has been able to outcompete its once-larger rival over the past decade. According to Stalk, "K Mart did nothing wrong. It's just that Wal-Mart did something different"—a difference that resulted in substantially higher revenues per store and inventory turns.

What Wal-Mart did was leverage its unique capabilities across its whole value-delivery system. With its "cross-docking" system, bolstered by state-of-the-art electronic data interchange between vendors, warehouses, and stores, Wal-Mart developed the capability of being able to execute the order-to-cash cycle much more rapidly than its lumbering giant of a rival.

Stalk emphasized that this is by no means an isolated case. Many other examples can be given of "capability-based competitors" who have outperformed the market—to the delight of customers, employees, and shareholders alike. These firms include Newell Co., Wausau Insurance, Rubbermaid, Sun Microsystems, and Banc One. These competitors have developed superior capabilities along at least five dimensions:

- **Speed.** This, of course, is the essence of the time-based competition that Stalk has espoused (see the Nov-Dec, 1990 *Planning Review*) and which he now urges us to move beyond.
- **Acuity.** The ability to perceive the competitive environment clearly, and to anticipate and respond to customers' ever-changing needs.
- **Multivalence.** The possession of a variety of capabilities that enables effective responses to many different business environments.
- **Innovativeness.** The capacity for constant learning and generation of new ideas and sources of value.
- **Consistency.** This is the essence of quality: the ability to unfailingly and constantly satisfy customer expectations.

In response to a question, Stalk indicated that few organizations have mastered all five of these capabilities, and he gave some tips for developing them. First, identify what values you're providing for customers. Then, define the processes or behaviors that lead to these values. Finally, try to "benchmark" these capabilities, by looking at other firms who do them particularly well (see Jan./Feb., 1990 *Planning Review*). If possible, he recommends focusing on companies that might also become "predators."

How then, can you spot a potential "capabilities predator?" With great difficulty, Stalk pointed out. But he suggested some distinguishing characteristics:

- Organizational structures are cross-functional rather than functional.
- Employee roles are clear and empowered, not opaque and bureaucratic.
- Managers focus on processes and enabling infrastructures, not control.
- Investments/returns are oriented toward the long term rather than the short term.
- Support functions are relatively unfocused.

Finally, he added, the best defense is a good offense. So, why not become a capabilities-based competitor yourself?

Leading the Organizational Learning Process

A successful application of these concepts of capabilities or core competencies to competitive strategy often requires major organizational transformation and re-education—as highlighted by the dramatic CertainTeed turnaround. If strategy professionals are going to play the role of "leaders of learning" identified at the beginning of this Conference Report, then they will have to master a number of other teaching assignments.

"Empowered and well-educated knowledge workers, armed with technology" will not follow yesterday's leaders.
—James R. Houghton

By way of example, James R. Houghton, CEO of Corning Inc., offered some practical advice about the importance of teaching employee empowerment to organizations, now that the Industrial Age is giving way to the Information Age. "Empowered and well-educated knowledge workers, armed with technology" will not follow yesterday's leaders, according to Houghton. The traditional model of the "leader as hero" assumes powerless followers. Tomorrow's leaders must be excellent listeners as well as generous sharers of information. "Are such empowering leaders born? Maybe. Can they be trained? Absolutely!"

At Corning, Houghton practices what he preaches. Total quality is the heart of a new system, which has flattened its traditional vertical organization, even "turned it upside down." One example is Corning's plant in Blacksburg, Virginia, where six levels of management were replaced by one general manager who oversees a set of empowered teams. Even though this plant is unionized, individual teams make their own hiring and firing decisions!

At Corning, Houghton's goal is to have "quality define all relationships." All employees should feel as if they were running their own businesses. This means, of course, that they must be given power equivalent to their responsibilities. To be avoided at all cost is any employee skepticism about this empowerment.

Crafting a Strategic Transformation in an Oil Giant

So, how do you take a large, bureaucratic organization and turn its structure and culture upside down? This very practical question was tackled by a dueling duo: Richard Pascale, author, consultant, and lecturer at Stanford University, versus Rodney Chase, Chairman and CEO of the oil company, BP America.

This session illustrated quite dramatically why real organizational change requires so much time, effort, and extensive participation by "sowers of seeds," "leaders of learning," and top management. Chase admitted that, initially, he was the chief skeptic and "vocal critic" of what Pascale "was trying to do." But by the middle of the effort, Chase and his managers adopted the change process as their own and told the dismayed consultant, "Thank you very much, we'll take over now." (This occurred at BP Exploration Inc., the global BP unit where Chase was a member of the top management team at the time).

The lively verbal joust between the two actors in this session dramatically illustrated the perennial conflict between the consultant dedicated to change and the manager opposed to disruption of operations. (Some of Pascale's change theories are summarized in the July/August 1990 *Planning Review.*)

Perhaps the most astonishing evidence of how fundamentally the BP culture has changed is the new focus on upward evaluation. Yes, subordinates now get to evaluate their bosses! During the phase-in, these evaluations were "decoupled" from pay—however, they will be used in determining raises and promotions in the future! Now that they "own" it, managers no longer see the new process as a threat. So, if you really want to get your boss's attention, why not suggest this avant garde method of upward performance evaluation—starting with his, of course! Chase took the lead in this process, and to his chagrin his evaluations wound up in the *Plain Dealer* (the leading newspaper in BP America's headquarters city of Cleveland, Ohio). Despite this personal embarrassment, he still champions the upward evaluation process.

The ACE Versus the COP

Every leader of learning needs to know what characteristics differentiate the most successful firms from the also-rans. And few authorities know more about this subject than Warren Bennis, Stanford professor, former president of the University of Cincinnati, and prolific author. Bennis' initial presentation was followed an hour later by an innovative exchange with the audience in which he answered questions prepared by teams during their lunch meetings.

Bennis feels that "leadership is the key determinant of the success of any institution." How often have you seen the stock price of a company leap upward on the news that its boss had been ousted and replaced by a new one!

On the other hand, Bennis believes that leadership is often shaped by events. Tolstoy has suggested, for example, that Napoleon might have remained an obscure peasant without the French Revolution. Furthermore, times are more chaotic than ever, and so is the importance of leadership.

Here, Bennis quoted two highly successful corporate leaders. GE's Jack Welsh: "If you're not confused, you don't know what's going on!" And Coca-Cola's Roberto Goizueta: "To succeed you have to disturb the present!"

Bennis identified the three biggest challenges to tomorrow's leaders: technology, globalization, and diversity. In the face of these challenges, most organizations are struggling because they are "caught between two paradigms." One is the old Weberian, machine-like bureaucracy. Bennis had predicted the death of this model years ago, and although it still survives, it is now under heavy attack. Of course, Weber couldn't have imagined eloquent stakeholders or today's environmental problems.

What is the new metaphor? Some call it the network organization, others the spider web. Bennis' acronym is the "ACE," for the Active, Creative, Enlightened organization. This replaces the "COP"—the Controlling, Organizing, and Planning corporation. He believes that most progressive firms today are gradually "slouching" toward the ACE form. The process is slow because it is exceedingly difficult to unlearn behaviors that have made you successful in the past—even if they are now "dead wrong."

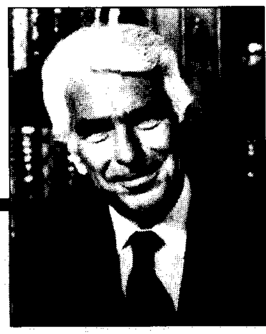
Characteristics of Successful Leaders

What are the qualities that enable a leader to transform an organization? And, are successful leaders born, or are they made? Is leadership a matter of basic characteristics or learned behaviors? In his answer, Bennis weighed in heavily on the side of what he called "character" rather than "role behaviors." And while he didn't rule out the possibility of leaders being made as well as born, he suggested that it is extremely difficult to teach someone to be an effective leader.

For example, he identified five "implicit" criteria that people use in evaluating leadership capabilities: people skills, technical expertise, conceptual abilities, judgment and taste, and character. Usually, when someone is not chosen for a leadership position it is due to the last three, which also happen to be the least measurable and the least learnable.

What key characteristics, then, do the most effective of the 150 or so leaders Bennis has studied over the years have in common? The first is "a strong, deep sense of purpose, backed by firm beliefs." He feels that "a strong point of view always wins and is worth at least 80 IQ points."

The second key characteristic is the "trust factor." Especially during times of "roiling change" it is difficult for people to trust authority figures. Unfortunately, trust, like leadership itself, is tough to define, although you know it when you see it. To generate trust, the leader must focus on the three C's of Caring, Constancy, and Congruity in such areas as visions, beliefs, actions, and statements.



"In a leadership struggle, a strong point of view always wins and is worth at least 80 IQ points."
—Warren Bennis

Bennis also sees a "tripod" of forces that shape a leader's character and trustworthiness: Ambition or drive; competence or expertise; and ethics or integrity. Effective leaders have a good balance when the three forces temper one another. Too much of any one (or two) can create serious character flaws. For example, a "demagogue" is a leader with ambition unchecked by the other two forces. A "technocrat," such as ITT's Harold Geneen, is dominated by the force of competence. However, a combination of ambition and competence minus the integrity factor leads to a "destructive achiever" (a Michael Milken, perhaps?)

The third major characteristic is a "sense of optimism," along with a good sense of humor and curiosity. Such a leader can give people a "Pygmalion lift" and "can do" attitude, no matter how daunting the task. One of the best examples of this important characteristic was demonstrated by Ronald Reagan when he was told that his approval ratings had dropped to an all-time low of 32 percent: "Maybe," he quipped, "I should get shot again!" Then there's the indomitable George Burns: "I can't die, I'm booked!"

Bennis concluded by emphasizing that leaders are really "social architects." As such, they must build self-esteem among their followers, uphold the dignity of work, create a sense of community, sharing, and constructive dissent, and establish a reward system that encourages constant learning.

Bennis had some unusually well-considered questions to deal with after lunch, since each table of six to eight was responsible, as a "working team," to come up with two of them. Perhaps the best question (generated by my table, of course) was: Can a traditional leader who has made it to the top with a "street thug" style change to become the new empowering type of leader needed in the 1990s? Bennis certainly thinks so and gave the example of GE's Jack Welsh, who once earned the nickname "Neutron Jack" for his purge of people, while leaving buildings intact. Now the whole basis of the corporation is an empowered organization. Leaders who "make the numbers," and who formerly would have been on the fast track, are now on the endangered list if they don't share the new values.

The Least Desirable Leaders

What about the least desirable characteristics of leaders? Bennis has found that leaders whose careers are most likely to get derailed tend to have:

- Total self-absorption or lack of empathy.
- "Lousy" interpersonal skills—not knowing how they affect others.
- Training as "hyper-specialists" rather than as generalists with a broad understanding of the organization.

Are successful leadership qualities transferable? Bennis thought so at one time; but he's now beginning to question this popular assumption. For example, a leader needs "business literacy" to run a business. Thus a General Norman Schwartzkopf might not succeed as head of GM, and a Ross Perot might not have the organizational literacy needed by a President of the U.S.

Did women make up a significant part of Bennis' sample? In his first study there were only six women out of ninety respondents. But in his latest work over forty percent were women. Moreover, he found no basic differences in successful characteristics between male and female leaders. Bennis is convinced that the "glass ceiling" is soon to be shattered by the sheer number of high-caliber women leaders coming along. In politics we can already see this happening at every level.

How can a leader maintain trust and optimism in the face of drastic downsizing? This is where these characteristics are especially crucial. If the company is demoralized, nothing good can happen. First, you need a history of trust, and then you have to keep working hard to maintain it. You have to manage by walking around and communicating. And above all you must be totally open and candid.

Do these successful characteristics of leadership change with different national cultures? Bennis feels that his message was very clearly understood in Europe, but isn't so sure about Asia. In Asia what leaders do is basically the same, but how they do it is different. Thus, there may be some subtle differences in the successful qualities.

Finally, what is the relationship between corporate leadership and strategy? Bennis is convinced that the CEO should take the lead in plotting strategy. For example, D.M. Alstadt, the Chairman of the Lord Corporation in Erie, Pennsylvania is one who has made this official—he calls himself the "CEO of Strategy!"

Is Strategy "Going Soft?"

At this point you may have noticed that all the sessions that I've described tended to deal with the "softer" side of strategy—organizational learning and transformation, empowerment, culture, leadership, competencies, intangibles, and the like. Perhaps the single most pervasive message that I got from this conference is that strategic management professionals are, slowly but surely, being dragged away from their traditional preoccupation with the harder, more tangible and measurable side of organizational phenomena toward the softer, more intangible side.

Strategic planners have long played a central role in teaching their organizations about some of the latest "hard" techniques, such as portfolio planning, competitor analysis, financial and value-based planning, mergers and acquisitions, and activity-based costing. Many of these techniques are based on mathematical models. This conference still had its share of sessions devoted to these traditional concerns. Yet, the conference also differed from previous ones primarily in its increased concern with "softer," people issues.

Apparently, leading managers agree with the conference organizers. Melvyn Goetz, who recently retired as Director of Corporate Development at Westinghouse, clearly identified an important shift toward a greater interest in such soft issues among corporate planners. He pointed out that planners have long been primarily involved with analytical, harder concepts, becoming particularly enamored of financially oriented methods in the 1980s. But now the corporate planning function is focusing more on the softer side—corporate culture, visions, dreams, realities, strategic intent. This trend is reflected by today's "corporate chieftains," such as Corning's Jamie Houghton, who "talks like a philosopher," emphasizing issues like quality, participation, and empowerment. According to Goetz, "we planners may have to learn how to become cultural anthropologists!"

Some Real Challenges for Tomorrow's Strategists

Fortune's Walter Kiechel had a similar message during his provocative wrap-up session. He identified five significant issues tomorrow's strategists should be grappling with. First of all, we have to broaden our focus to take into account the people who will have to carry out our strategies. Whether we call it capabilities, competencies, or processes, behavioral issues are taking a more central role. He even went so far as to suggest that The Planning Forum might have to reconstitute its mission to include organization development.

Second, strategists must "make peace" with the quality movement. He feels that this movement has had a far greater impact on organizational change than has strategy. "Where were the corporate planners when the quality movement first got going?" he asked. The problem is that strategic planners and consultants were primarily concerned with strategy formulation, and most of their strategies were never implemented. The quality movement, on the other hand was spearheaded by engineers and focused primarily on implementation. In effect, the quality movement of the 1980s was the analog of today's core competence or capabilities process redesign.

According to Kiechel, the processes you master determine your capabilities (or core competencies, he doesn't see any real distinction). How you apply process redesign concepts to other business opportunities—that's strategy! He

"The processes you master determine your capabilities. How you apply process redesign concepts to other business opportunities—that's strategy!"
—Walter Kiechel

can visualize the "capabilities predator, like a dinosaur stalking the corporate landscape!" So, he advised his audience: "Don't miss the process redesign bus!"

Kiechel's third warning was: "Woe to the strategist who neglects strategic alliances!" Today more than half of IBM's people are working in some sort of alliance or joint venture. How can we make these special organizational forms work? We must look beyond financial considerations to such things as corporate culture and competencies. We should be "stealing ideas" from experts in negotiations or organizational development. If we don't do something, we'll leave the field open to the "deal people" or to marketing mavens.

Fourth, we must figure out how to help U.S. firms get over their lack of interest in globalization. *Fortune* magazine can't get people to read articles about international issues—with the exception of Japan. The general lack of interest is reflected in the fact that only 7 percent of Americans have a passport. With the slow growth predicted for the U.S. economy, international is "where the money is," so much so that Sarah Lee, for example is "giving up on the U.S." and focusing, instead, on Europe. Kiechel urged us not to miss this opportunity and not to dichotomize along domestic/international lines. All business has become global.

Shortage of Labor or of Jobs?

Finally, Kiechel urged strategists to become actively involved in advocating job creation. [Yes, he seems to want us to be just about all things to all people!] He foresees a significant shortfall of jobs by the year 2000. This came as a bit of a surprise, since many experts have been forecasting a serious labor shortage (especially for skilled workers).

How does Kiechel come up with his contrarian prediction? First, he asked the audience whether their firms had gone through a restructuring. Nearly all raised their hands. How many of these resulted in an increase in employment? No hands. Yes, the *Fortune* 500 alone had shed about a half a million jobs in 1991 alone. What's more, Kiechel feels that the other shoe is about to drop. The service sector has yet to go through its own major restructuring. So far, only financial services has seen any significant downsizing. This does not bode well for total jobs, because services account for 70 percent of U.S. employment.

Moreover, Kiechel is not optimistic about the possibility that job creation by small businesses could compensate for the losses in larger corporations. First of all, a high proportion of small businesses in the U.S. are related to construction, and the current real estate situation will have a depressing effect on this industry. Second, the firms that have been downsizing tend to be large manufacturers with many employees. Most growth in employment is likely to be in service or high-tech industries with fewer workers per firm. Just compare the largest manufacturer, GM, with 750,000 employees to the largest software firm, Microsoft, with just 20,000. Our only hope is that mid-size firms (like Germany's "Mittlestand," or middle-sized companies) might take up some of the slack.

Kiechel realizes that most strategists are expecting a shortage of labor, not of jobs. For example, the growing diversity of our work force predicted by Corning's Houghton and others is based on an expected labor shortage and the resultant "desperation" on the part of employers to hire qualified people. Of course, the job shortage will hit the uneducated and untrained the hardest. But he still predicts an unemployment rate of 20 percent for high school graduates and 10 percent for college graduates. He fears that all this is a "direct road to South L.A.," and sees the "terrifying prospect of the upper middle class in walled enclaves" to protect them from the growing hordes of have-nots.

One of the realities of a "global labor pool" is the glaring differences in wage scales between developed and developing countries. Should I build my labor-intensive plant in Waltham, Massachusetts, and pay $11 per hour plus fringes, when I can pay $1 per hour in Mexico or 38 cents per day for hard-working young women in China?

On the other hand, if you're trying to build a capabilities-based organization, you need to establish trust among employees and this requires long-term job stability. Kiechel pointed out that, increasingly, a key criterion for buying from a company is whether it is one you would want to work for.

In conclusion, Kiechel told us that we strategists are "custodians of the future" and so it is incumbent on us to warn our organizations about these dire threats, but also to help them identify the "terrific opportunities." □