

# 20 Questions for Business Leaders



What's the most important idea to emerge from centuries of management thinking? What's the most pressing challenge for business leaders today? And what links the two?

The answers lie in these pages.

It turns out that the entire history of management ideas can be seen as a series of answers to a few pragmatic, and timeless, queries — 20 of them, in fact. In honor of the 20th anniversary of the founding of *strategy+business* magazine, the editors set out to catalog the milestones of management thinking. We collaborated with several prominent thought leaders to create a comprehensive inventory of ideas and to shape the results into this concise guide. Although the answers may change over time, the questions facing business leaders remain the same.

# 20 Questions for Business Leaders

**The entire history of  
management ideas can be  
seen as a series of answers  
to a few pragmatic queries.**

**by Art Kleiner and Nancy A. Nichols**



A person is looking out a window. The window is covered by white vertical blinds, and a string of small, dark beads hangs in the foreground, partially obscuring the view. The scene is brightly lit, suggesting daylight.

# One full day,





16  
participants,







728 Post-its,

## leading ideas

4 **Creating What Consumers Want**  
David Foray, David Foray and David Foray  
A new market can be created by identifying  
problems with the right topics, price, and packaging.

4 **Stop Wasting Your Employees' Time**  
David Foray  
Employees are not the problem—it's bad management.  
The new people support is the key.

4 **The Future of Health Is More, Better**  
David Foray  
The future of health is more, better.  
The new people support is the key.

4 **Making Sense of Globalization**  
David Foray  
The future of health is more, better.  
The new people support is the key.

4 **Full-Term Watch**  
David Foray  
The future of health is more, better.  
The new people support is the key.

4 **Primer and Conclusion**  
David Foray  
The future of health is more, better.  
The new people support is the key.

## essays

4 **The Gamified Self Goes Corporate**  
David Foray  
The future of health is more, better.  
The new people support is the key.

4 **A New To Lead's Ambiguous Times**  
David Foray  
The future of health is more, better.  
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4 **Creating What Consumers Want**  
David Foray  
The future of health is more, better.  
The new people support is the key.

32

6

44



# 400 distinct ideas,





love the leaf  
THE  
BRIGHT  
TEA CO.

PLATONIC  
BUREAUCRACY  
+ 6

111 answers,







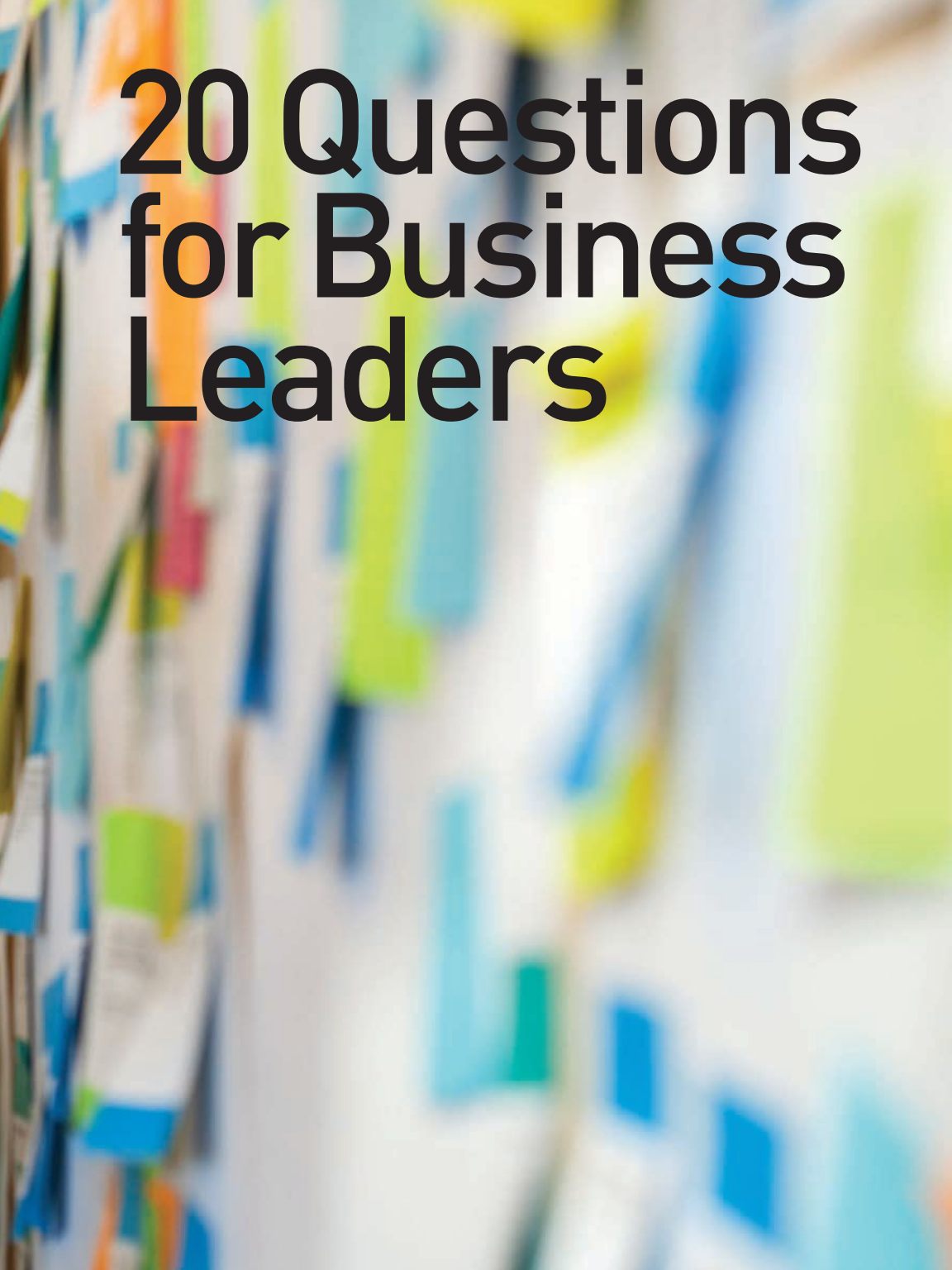
# resulting in...







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by Art Kleiner and  
Nancy A. Nichols

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# Introduction

**Whether we're conscious of it** or not, every management decision is motivated by a desire to find universal answers to very specific questions. People who succeed in organizations tend to be pragmatic problem solvers. They have to be, because of the myriad challenges they face. How to grow the enterprise. How to get work done. How to find customers. How to be themselves in the workplace. And so on. Because there are no easy answers to these complex problems, they test the answers by starting a company, launching a project, or making a move. As they succeed and fail, the most attentive of them learn from the results. The history of business is thus the story of entrepreneurs, executives, leaders, and employees, lurching from one experimental answer to another. They gain expertise and acumen, and profits and revenues, and, along the way, add to the theory of management.

**For the 20th anniversary** of *strategy+business*, we, the editors and staff of this magazine, thought we'd celebrate this grand story of management thinking by holding, in effect, a grand party. We'd invite all the luminaries of management thought, from antiquity to today, to join us in spirit. Or at least to have their ideas in the room. And you're invited too.

This catalog will give you an initial taste of the result: a browsable, ever-increasing compilation of management ideas, recast and reframed as we think only *s+b* can do it. We could fit only some of it in print, of course. The complete catalog, in its evolving complexity and with links to supporting materials, can be found online at [strategy-business.com/managementhistory](http://strategy-business.com/managementhistory). It's a kind of genealogy chart of management ideas, showing their sources, their influences, and a little bit about how they are put into practice.

We started this catalog with a simple but grandiose idea: We'd celebrate our magazine's history by tracking the most influential business ideas throughout history. We invited some of the most insightful business historians and observers we know to a workshop. Participants came prepared with lists of what they considered the milestones of management history.

We spent the day posting ideas on a conference room wall, grouping them, and trying to get to the heart of each with an incisive phrase or reference.

We ended up with about 400 entries, more or less organized by theme. Then we refined them to the version you see here. We found that each group of ideas could be fairly well summed up in a single question and there happened to be about 20 of them — 20 questions for 20 years of *s+b*, a heartening coincidence.

Of course, this catalog of management thinking isn't the last word. There never will be a last word with practical philosophy; there is always more coming, because the problems are never fully solved. But that means there will always be another chapter, another issue. As we mark our 80th issue, we hope *strategy+business* will continue to be one of the primary places to find that next great management idea, and understand what it could mean for you and your organization.

ART KLEINER AND NANCY A. NICHOLS

COMPENSATION<sup>2</sup>  
WORTH &  
VALUE

Leadership  
Legitimacy &  
the Informal  
Organization  
(cont group)

SYSTEMS  
THEORIES  
(MULTIDISCIPLINARY)

DATA-DRIVEN  
RATIONAL / IRRATIONAL

Loosening  
UP of  
Power -

material  $\times$  Cognitive

1. strict 1. Open

**Stakeholder Theory**  
 Stanford Research Institute  
 1982  
 C. O'Keefe

**William Lever**  
Baron Lever of Port Sunlight  
1869-1943  
The King of Soap  
O'Toole

**Anta Roddick**  
1960-2001  
Corporate Environmental  
Audit and Risk  
CTUW

**John Spurgeon Lewis**  
Emphasis: Learning  
John Lewis Partnership Global Dept. Head  
Chair  
1985-1989  
CT Tech

**Robert Wood Johnson**  
262 South  
1780-1850  
Last 200 Years  
1780-1850

**Confusion**  
 (continued)  
 (SOL 4786C)  
 Answer:  
 17/24

## THE VIZIER

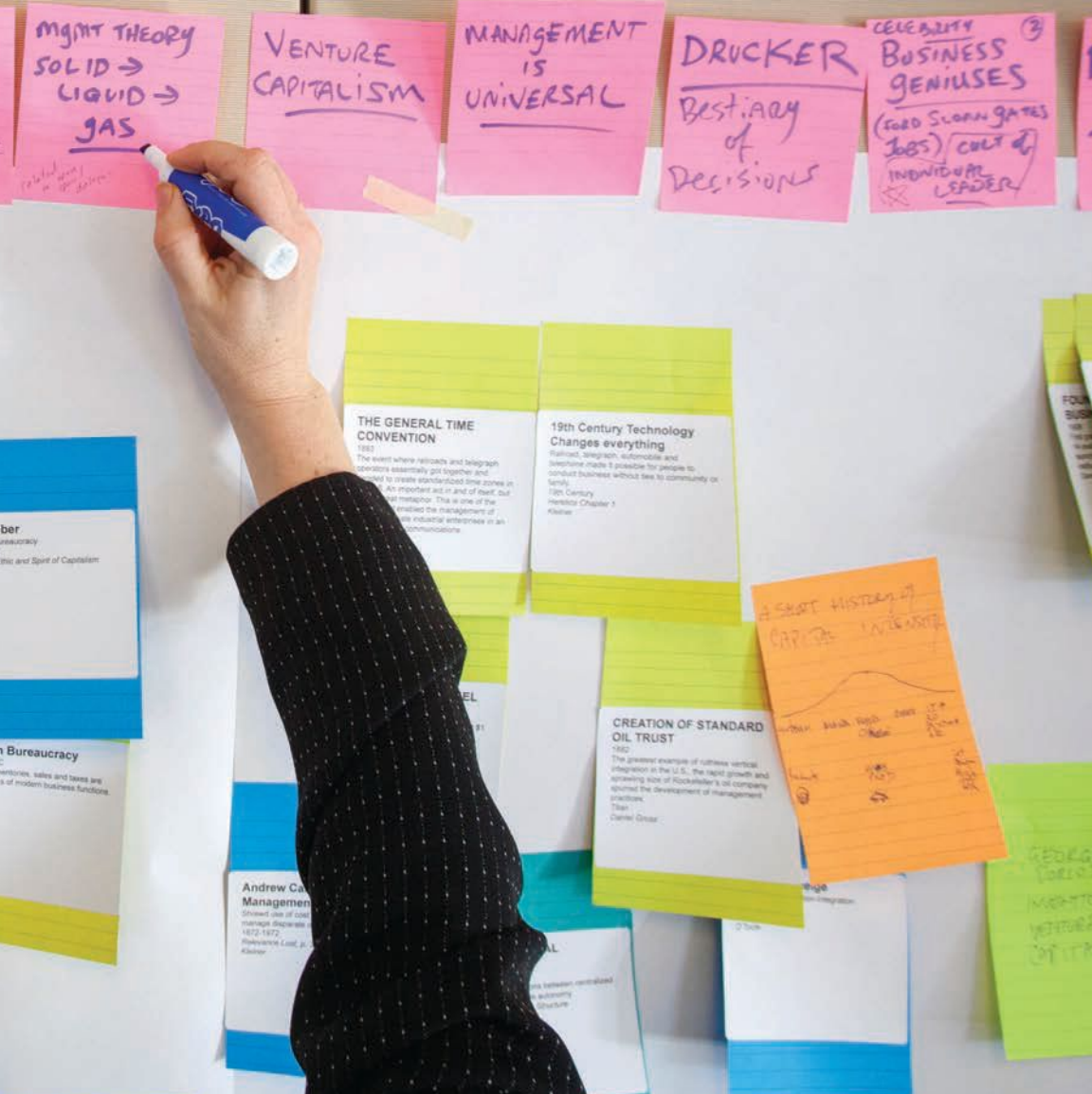
2000 B.C. and after  
Created division of labor between appointed  
position managing kingdom's operations,  
including building the Pyramids, and sacred  
ruling figure with other duties, c.f. Joseph and  
the Pharaoh  
Daniel White, *The History of Management  
Thought*  
Kuchel

**Max Weber**  
Theory of Bu  
(1864-1920)  
Protestant E  
O'Toole

**Egyptian**  
2000-1500 B.C.  
Recording in  
the beginning  
Wren, p. 15  
Klauser

**Plato**  
Org. Hierarchy/Division of Labor/Generalist  
Rural/Consumer Motivation  
(428-540 BC) The Republic  
C/Topic

# 20 Questions





# How do we win?

## Build your knowledge, appear weak while growing strong, and when you're ready, strike decisively.

"He will win who knows when to fight and when not to fight. He will win who knows how to handle both superior and inferior forces. He will win who, prepared himself, waits to take the enemy unprepared."

SUN TZU, *THE ART OF WAR*, 500 BC

## Plan for your plans to fail.

The "fog of war" means that strategists must continually contend with chance and emotion.

PRUSSIAN GENERAL CARL VON CLAUSEWITZ, *ON WAR*, 1832

## Become a monopoly.

American Telephone and Telegraph avoided competition for 75 years by guaranteeing the U.S. government universal telephone service in exchange for the sole right to a nationwide phone system.

THEODORE VAIL, FIRST PRESIDENT OF AT&T (AND ALEXANDER GRAHAM BELL'S PROTÉGÉ) (1913–1982)

## Build big strategic-planning operations.

Hire experts — the more, the better — put them in teams, and ask them to develop elaborate plans. It worked for major companies in the 1960s, didn't it?

KENNETH R. ANDREWS

## Diversify.

Hedge your exposure to the business cycle, combining diverse businesses and relying on your own expertise to hold them together.

GULF + WESTERN, HANSON, ITT, JARDINE MATHESON, MITSUBISHI, TATA GROUP, AND OTHERS

## Stake out a competitive position.

Choose a strategy defensible against "five forces": substitution, competition from established rivals, competition from new entrants, bargaining power of suppliers, and the bargaining power of customers.

MICHAEL PORTER, SEMINAL THEORIST OF THE POSITIONING SCHOOL OF STRATEGY AND AUTHOR OF *COMPETITIVE STRATEGY*, 1980

## Compete on core competencies.

Develop a "bundle of skills and technologies" for an edge.

C.K. PRAHALAD AND GARY HAMEL, "THE CORE COMPETENCE OF THE CORPORATION," *HARVARD BUSINESS REVIEW*, 1990

## Execute excellently.

Focus your top leaders' attention on operational prowess: Become a high-performance company.

WILLIAM ABERNATHY AND ROBERT HAYES, "MANAGING OUR WAY TO ECONOMIC DECLINE," *HARVARD BUSINESS REVIEW*, 1980

LARRY BOSSIDY AND RAM CHARAN, *EXECUTION*, 2002

## Let a thousand flowers bloom.

Try as many options as possible. Embrace those ventures that work, discard those that don't, and adjust your strategy rapidly as circumstances change.

HENRY MINTZBERG, *THE RISE AND FALL OF STRATEGIC PLANNING*, 1994

## Compete ruthlessly.

Make yourself stronger by taking advantage of your competitors' weaknesses.

GEORGE STALK AND ROB LACHENAUER, *HARDBALL*, 2004

## Keep asking, "Why does the world need this company?"

Leaders become better strategists by engaging in conversations about the purpose of the company.

CYNTHIA MONTGOMERY, *THE STRATEGIST: BE THE LEADER YOUR BUSINESS NEEDS*, 2013

## Close the gap between strategy and execution.

A truly winning company is coherent: It manages itself around a few differentiating capabilities — and integrates them with every aspect of strategy and execution, across everything they do.

CESARE MAINARDI AND PAUL LEINWAND, *THE ESSENTIAL ADVANTAGE*, 2011, AND *STRATEGY THAT WORKS*, FORTHCOMING, 2016

# How do we prepare for uncertainty?

## Watch out for mega-trends.

All of business is affected by great sweeping forces: demographic and social change, shifts in global economic power, rapid urbanization, climate change and resource scarcity, and technological breakthroughs.

ALVIN AND HEIDI TOFFLER,  
*FUTURE SHOCK*, 1970

JOHN NAISBITT, *MEGATRENDS*, 1982

PWC, "HOW TO SEIZE OPPORTUNITIES WHEN MEGATRENDS COLLIDE," *S+B*, 2015

## Anticipate black swans.

You can't predict or avoid impossible calamities, but you can develop your company's ability to cope.

NASSIM NICHOLAS TALEB,  
*BLACK SWAN*, 2007

## Invent your own certainties.

"The best way to predict the future is to create it."

ALAN KAY, XEROX PALO ALTO RESEARCH CENTER, 1971

## Pay attention to the way you pay attention.

"How can I know what I think until I see what I say?"

KARL WEICK, *SENSEMAKING IN ORGANIZATIONS*, 1995

## Imagine multiple scenarios.

Explore several possible futures to raise your awareness of the present and help you make better decisions by distinguishing predetermined events from critical uncertainties.

ROYAL DUTCH SHELL GROUP (HOME TO PIERRE WACK, TED NEWLAND, ARIE DE GEUS, PETER SCHWARTZ, AND OTHER BUSINESS THINKERS), 1971;  
"THE MAN WHO SAW THE FUTURE," *S+B*, 2003

What  
will help  
us make  
smarter  
decisions?



# Better industry data.

Harvard's Bureau of Business Research was created in 1911 to gather and aggregate general sales and operating data — the first of many such sources.

## Best practices.

Learn from the healthiest and most elite companies, using case studies and consulting experience — and the whole industry evolves.

HARVARD BUSINESS SCHOOL, 1924  
MANAGEMENT CONSULTANTS EVERYWHERE

WILLIAM P. BARNETT,  
*THE RED QUEEN AMONG ORGANIZATIONS*, 2008

# SWOT (strengths, weaknesses, opportunities, and threats).

Systematically plot the pros and cons of any decision before committing.

EDMUND LEARNED, C. ROLAND CHRISTENSEN, AND KEN ANDREWS, 1960s

# Better decision making.

Decision making must be sufficiently broad to take into account all the necessary information, but realistic enough to make progress.

HERBERT SIMON, *ADMINISTRATIVE BEHAVIOR*, 1947

# Game theory.

Analyze how your moves affect everyone else's options, and vice versa.

AVINASH K. DIXIT AND BARRY NALEBUFF, *THINKING STRATEGICALLY*, 1990; "THE GAME MAVEN OF NEW HAVEN," *S+B*, 2007

## Thinking slow.

"Nothing in life is quite as important as you think it is while you're thinking about it."

DANIEL KAHNEMAN, *THINKING, FAST AND SLOW*, 2011

# What do we know about change?

## Change works best in small groups.

In small groups, people learn collective self-awareness.

KURT LEWIN

NATIONAL TRAINING  
LABORATORIES

EDITH AND CHARLES SEASHORE,  
1930–46

## Your culture is your ally.

Identify and promote a critical few people, attributes, and behaviors that point in the right new direction.

JON R. KATZENBACH AND OTHERS, "STOP BLAMING YOUR CULTURE," *S+B*, 2011, AND "THE CRITICAL FEW," *S+B*, 2014

## Only the paranoid survive.

Disrupt your own success, or someone else will.

ANDY GROVE, *ONLY THE PARANOID SURVIVE*, 1996

## Systems change in nonlinear ways.

You have leverage if you recognize the accelerating and balancing feedback in system dynamics. Can you ride the waves of change around you?

JAY FORRESTER, *INDUSTRIAL DYNAMICS*, 1961; "THE PROPHET OF UNINTENDED CONSEQUENCES," *S+B*, 2005

## Changing a company is like running a campaign.

Articulate the urgency, set goals, organize a team to lead change, win hearts and minds, and roll out the new regime.

JOHN KOTTER, *LEADING CHANGE*, 1996

## Be agile.

Strategic responsiveness is the ability to sense new risks and new opportunities in the business environment and to quickly craft a response to those pressures.

USC'S CENTER FOR EFFECTIVE ORGANIZATIONS, "THE AGILITY FACTOR," *S+B*, 2013

PWC'S TECHNOLOGY INDUSTRY ADVISORY PRACTICE, "AGILITY IS WITHIN REACH," *S+B*, 2015

**What's  
the best  
way  
to  
do the  
work?**

## Build good master-apprentice relationships.

Arguably the first text on management was a tome on how to avoid waste and unnecessary severity in disciplining subordinates.

JAMES MONTGOMERY, *THE CARDING AND SPINNING MASTER'S ASSISTANT*, 1832

## Recognize that what gets measured gets managed.

Breaking down operations into tasks, performing time-and-motion analysis of each task by trained experts, and forcing conformity to the one best way of doing the work was a source of immense productivity gains at first, but soon led to authoritarian micromanagement.

FREDERICK TAYLOR, *THE PRINCIPLES OF SCIENTIFIC MANAGEMENT*, 1911

## Manage by walking around.

Hewlett-Packard founder and legendary leader David Packard argues that managers must be active and engaged.

DAVID PACKARD, *THE HP WAY*, 1995

## Aim for excellence.

Skillful management makes the most of people's talent, incorporates a bias for action, promotes simplicity, and fosters a passion for work.

TOM PETERS AND ROBERT WATERMAN, *IN SEARCH OF EXCELLENCE*, 1982

## Harness tacit knowledge by making it explicit.

It's critical to convert tacit knowledge (held in peoples' minds and conversations) into codified knowledge (captured in routines, documentation, and software), without losing vitality.

IKUJIRO NONAKA, "THE KNOWLEDGE-CREATING COMPANY," *HBR*, 1991; "THE PRACTICAL WISDOM OF IKUJIRO NONAKA," *S+B*, 2008

## "Improve constantly and forever" with quality, lean, and *kaizen*.

Team-based methods for seeing the system, using statistics to identify significant issues, eliminating waste, and continuously improving production, ingrained into day-to-day habits and attitudes.

THE TOYOTA PRODUCTION SYSTEM, TAIICHI OHNO, W. EDWARDS DEMING, JAMES WOMACK AND DANIEL JONES, AND MANY MORE, "SEEING YOUR COMPANY AS A SYSTEM," *S+B*, 2010

## Execute, execute, execute.

"Execution is making things happen. There are so many things in the world that are postured in terms of theory or strategy that don't translate into action."

LARRY BOSSIDY, *S+B* THOUGHT LEADER INTERVIEW, 2002



How  
can I  
possibly  
get  
everything  
done?

# You won't. Get used to it.

"The pressures of [the] job drive the manager to be superficial in his actions — to overload himself with work, encourage interruption, respond quickly to every stimulus, seek the tangible and avoid the abstract, make decisions in small increments, and do everything abruptly."

HENRY MINTZBERG, "THE MANAGER'S JOB: FOLKLORE AND FACT," *HBR*, 1975

# Make lists.

Capture everything you're thinking about, and then do it now, delegate it, or put it on a list. Be sure to manage the lists so you get the right things done right.

DAVID ALLEN, *GETTING THINGS DONE*, 2001

# Do less.

Every day, remove one undone item from your to-do list — deciding never to tackle it.

TASHA EURICH, *BANKABLE LEADERSHIP: HAPPY PEOPLE, BOTTOM-LINE RESULTS, AND THE POWER TO DELIVER BOTH*, 2015

# Begin with the end in mind.

Be proactive; prioritize the important over the urgent.

STEPHEN COVEY, *THE 7 HABITS OF HIGHLY EFFECTIVE PEOPLE*, 1989

# Know fewer people.

Before about 1870, no one in the middle classes complained about being busy; then, everyone did, after trains and telegrams brought more people together.

ADAM GOPNIK, "BUMPING INTO MR. RAVIOLI," *NEW YORKER*, 2002

What  
systems  
should  
we use to  
track  
how we're  
doing?

# Double-entry book-keeping.

Match debits against credits, and assets against liabilities.

FLORENTINE AND GENOAN MERCHANTS, CODIFIED BY LUCA PACIOLI, A FRANCISCAN FRIAR AND COLLABORATOR OF LEONARDO DA VINCI, 14TH AND 15TH CENTURIES

## Activity-based costing and the balanced scorecard.

Integrate accounting with operations, assigning metrics to every activity, illuminating hidden costs and opportunities for improvement.

ROBERT S. KAPLAN AND DAVID P. NORTON, 1992

## Chartered accounting.

Track asset depreciation, inventory valuation, and other business results, meeting standards of certification and accuracy.

INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND, QUEEN VICTORIA, 1854

# Return on investment and related metrics.

Estimate expected revenues and profits against the invested capital, and track the difference with actuals.

DONALDSON BROWN, CFO OF DUPONT AND GENERAL MOTORS, *SOME REMINISCENCES OF AN INDUSTRIALIST*, 1920

## Accounting.

Keep track of inventories, sales, and, always, taxes.

ANCIENT SOCIETIES (BABYLON, ASSYRIA, SUMERIA, EGYPT), 7000–1000 BC

## Ingrained awareness instead of numbers.

Emulate the Toyota Production System, in which people gain direct awareness of the flow of work without data-driven controls.

H. THOMAS JOHNSON AND ANDERS BROM, *PROFIT BEYOND MEASURE*, 2000

# What's our ideal organizational design?



## A family of companies.

Japan's *keiretsu* and Korea's chaebol systems pool enterprises to share resources, consolidate financial activity, and dominate their markets.

KEIRETSU ORIGINATED IN THE 1940s AND INCLUDE FUYO, SANWA, SUMITOMO, MITSUBISHI, MITSUI, AND DAI-ICHI KANGYO. THE CHAEBOL FORM WAS ESTABLISHED IN THE 1960s AND INCLUDES SAMSUNG, LG, HYUNDAI, SK, GS, LOTTE, AND DAEWOO.

## A federalist shamrock organization.

A small central core and multiple branches in which decision making is pushed to the most local feasible level.

CHARLES HANDY, *THE AGE OF UNREASON*, 1989; "THE PARADOX OF CHARLES HANDY," *S+B*, 2003

## Fit for purpose.

A company, with a unique strategy, capabilities, and culture, can combine four formal building blocks (structures, decision rights, motivators, and information flows) and four informal ones (norms, commitments, mind-sets, and networks) in a tailored way that yields high performance.

GARY NEILSON AND THE ORGANIZATIONAL DNA TEAM (2004–PRESENT); "HOW TO DESIGN A WINNING COMPANY," *S+B*, 2013

## A reengineered company.

The ability to heavily automate business processes brings forth a new way of organizing companies.

MICHAEL HAMMER AND JAMES CHAMPY, *REENGINEERING THE CORPORATION*, 1993

## A portfolio of companies.

Modern portfolio theory suggests organizing a company as if each division were a separate profit center.

HARRY MARKOWITZ, 1952

## Platforms open to the world at large.

Authority goes to the person who can best use it at that moment. The structure depends on peer-to-peer relationships among participants.

ZHANG RUIMIN, *S+B* THOUGHT LEADER INTERVIEW, 2014  
MILA BAKER, *PEER-TO-PEER LEADERSHIP*, 2013

# How shall we grow?

## Move into adjacencies.

Bring your existing products and services to related sectors.

CHRIS ZOOK, *PROFIT FROM THE CORE*, 2001

## Sail to blue oceans.

Look for open markets where there are no serious competitors.

W. CHAN KIM AND RENÉE MAUBORGNE, *BLUE OCEAN STRATEGY*, 2005

## Give it away.

If marginal costs are low, offer nonpaying customers a “freemium” model, in which they get basic services gratis but have to pay for premium services.

JARID LUKIN OF ALACRA;  
CHRIS ANDERSON, *FREE*, 2009

## Seek headroom.

Expand within your current markets by finding new offerings for the same customers.

KEN FAVARO, DAVID MEER, AND SAMRAT SHARMA, “CREATING AN ORGANIC GROWTH MACHINE,” *HBR*, 2012

## Use your capabilities.

Look for in-market and near-market growth where your strengths make a difference.

GERALD ADOLPH AND KIM DAVID GREENWOOD, “GROW FROM YOUR STRENGTHS,” *S+B*, 2015

# What do we know about global expansion?

# There's a fortune at the bottom of the pyramid.

Huge business opportunities exist in elevating the world's poorest people to a post-subsistence life. But "doing business with the world's 4 billion poorest people will require radical innovations in technology and business models."

C.K. PRAHALAD AND STUART HART, "THE FORTUNE AT THE BOTTOM OF THE PYRAMID," *S+B*, 2002

## The world is semi-globalized.

For business strategy, regional differences matter as much as they ever did.

PANKAJ GHEMAWAT, *REDEFINING GLOBAL STRATEGY*, 2007, AND *S+B* THOUGHT LEADER INTERVIEW, 2008

## Time differences can be overcome.

Prompted by the creation of railroads, global time zones enabled the management of large, multistate industrial enterprises.

THE INTERNATIONAL MERIDIAN CONFERENCE, 1884

# The world is flat.

The global economy is so interconnected that regional differences matter less and less.

THOMAS FRIEDMAN, *THE WORLD IS FLAT*, 2005

## Emerging markets evolve in predictable ways.

For every phase of a market's life cycle, an ideal mix of products and services exists.

ALONSO MARTINEZ AND RONALD HADDOCK, "THE FLATBREAD FACTOR," *S+B*, 2007



# How do we attract customers?

# Give them what they really want and need, whether or not it's in your business category.

"People actually do not buy gasoline.... What they buy is the right to continue driving their cars."

THEODORE LEVITT, "MARKETING MYOPIA," *HBR*, 1960

## Segment your customers with sophistication.

Seek customers not just with demographic data but with many criteria, including value, aesthetics, and functionality.

DANIEL YANKELOVICH, "NEW CRITERIA FOR MARKET SEGMENTATION," *HBR*, 1964, AND *S+B* THOUGHT LEADER INTERVIEW, 2005

## Use analytics to gain in-depth awareness of your customers.

Measure your way to market insight.

THOMAS DAVENPORT, *COMPETING ON ANALYTICS* (2007) AND DAVID MEER, "THE ABCs OF ANALYTICS," *S+B*, 2013

What's  
the best  
way to  
innovate?

# Steal and steal again, only better.

The American textile industry took off when an English apprentice named Samuel Slater memorized the design of Richard Arkwright's textile-making machine, illegally emigrated to the U.S., and built his own copy in Rhode Island. Chinese *shan zhai* companies do the same today.

SAMUEL SLATER, 1790

## Disrupt your own business.

Focus on your future customer's needs. Bypass your existing customer's needs.

CLAYTON CHRISTENSEN, *THE INNOVATOR'S DILEMMA*, 1997, AND *S+B* THOUGHT LEADER INTERVIEW, 2001

# Sprint and scrum.

Free-floating teams come together for concentrated effort and postmortems.

ZOPE CORPORATION AND OTHER AGILE SOFTWARE DEVELOPERS; AL KENT, "WARFARE, SOFTWARE, AND INDUSTRIAL DESIGN," *S+B*, 2014

## Open the doors.

Collaborate with people outside your company.

"THE THOUGHT LEADER INTERVIEW: HENRY CHESBROUGH," *S+B*, 2011

A.G. LAFLEY, "P&G'S INNOVATION CULTURE," *S+B*, 2008

BILL FISCHER, UMBERTO LAGO, AND FANG LIU, "THE HAIER ROAD TO GROWTH," *S+B*, 2015

# Build a skunk works.

Create a safe, funded place where innovators can work without restrictions. Such an environment led Lockheed Aircraft to produce the first jet fighter in 1943.

# Align innovation to strategy.

Instead of spending more on R&D, spend in line with your business priorities.

BARRY JARUZELSKI, VOLKER STAACK, AND BRAD GOEHLE, "PROVEN PATHS TO INNOVATION SUCCESS," *S+B*, 2014, AND GLOBAL INNOVATION 1000, 2005–PRESENT

# Be green.

Design sustainability into your business model and your production processes, not just into your products.

WILLIAM MCDONOUGH AND MICHAEL BRAUNGART, *CRADLE TO CRADLE*, 2010

What  
should we  
do for our  
employees?



# Respect and empower them.

Seek power *with* people — giving them autonomy to make decisions on the company's behalf — rather than power over them.

MARY PARKER FOLLETT, *DYNAMIC ADMINISTRATION*, 1920s

## Reward them with meaning, not just money.

Money is a hygiene factor. Not having enough of it causes distress, but job satisfaction matters just as much.

FREDERICK HERZBERG, "ONE MORE TIME: HOW DO YOU MOTIVATE EMPLOYEES?" *HBR*, 1968

# Motivate them using the carrot or the stick.

It's one or the other: People are motivated by fear or by their own ambition. Douglas McGregor called it Theory X or Theory Y.

DOUGLAS MCGREGOR, *THE HUMAN SIDE OF ENTERPRISE*, 1960

# Pay attention to them.

Turn down the lights, and workers work harder. Turn up the lights, and workers work harder.

ELTON MAYO AND THE HAWTHORNE EXPERIMENTS, 1927–32

# Provide them with five things people crave: status, certainty, autonomy, relatedness, and fairness.

Increase the perceptible levels of status, certainty, autonomy, relatedness, and fairness, and you'll trigger productive neurological responses.

DAVID ROCK, "MANAGING WITH THE BRAIN IN MIND," *S+B*, 2009

# What is honorable?

## Charging others as we would have them charge us.

The golden rule in commerce: Set fair prices that cover the costs of production, but don't take advantage of people in desperate need.

ST. THOMAS AQUINAS, *SUMMA THEOLOGICA*, 1265–73

## Making work a calling.

The world of work and enterprise should be an ennobling way to devote one's energies. This aspect of Protestant theology may have laid the groundwork for capitalism.

MAX WEBER, *THE PROTESTANT ETHIC AND THE SPIRIT OF CAPITALISM*, 1904

## Building it to last.

Companies with enduring visions and values win.

JIM COLLINS AND JERRY PORRAS, *BUILT TO LAST*, 1994

ART KLEINER, "CLIMBING TO GREATNESS WITH JIM COLLINS," *S+B*, 2001

## Embracing sustainable enterprise.

Transformative changes are needed if businesses expect to contribute to social and environmental health.

MARK MOODY-STUART, JOHN HOPE BRYANT, ANDREW S. WINSTON, AND JON ELKINGTON, 2010S

## Being a giver, not a taker.

Help others — even when there is nothing in it for you.

ADAM GRANT, "TURNING THE TABLES ON SUCCESS," *S+B*, 2013

# How can we fulfill our potential?

## Self-actualize.

Ascend the hierarchy of needs — attain survival, safety, security, love and belonging, esteem, and ultimately accomplishment and transcendence — to make a contribution larger than oneself.

ABRAHAM MASLOW, "A THEORY OF HUMAN MOTIVATION," 1943, AND *EUPSYCHIAN MANAGEMENT: A JOURNAL*, 1965

## Become skilled at reflection and inquiry.

Learn to talk openly about your team's espoused theories (what you say and think you mean) and your theories in use (what you really believe).

CHRIS ARGYRIS AND DONALD SCHON, *THE REFLECTIVE PRACTITIONER*, 1960

## Cultivate the "learning disciplines" of understanding, complexity, aspiration, and reflective conversation.

Learning is a full-time job.

PETER SENGE, *THE FIFTH DISCIPLINE*, 1990

## Understand the dynamics that underlie conflict.

Confront conflict head-on.

EDITH AND CHARLES SEASHORE, 1930–46

## Get another person's perspective on your progress.

Listen — really listen — to someone else for a change.

MARSHALL GOLDSMITH, "LEADERSHIP IS A CONTACT SPORT," *S+B*, 2004

How can  
I work  
here and  
still be me?

## Find ways to overcome obstacles to success.

Women should find their own path to the top, making the most of their leadership talent and playing the game in their own way.

SHERYL SANDBERG, *LEAN IN*, 2013

## Step across the divide of privilege.

Most business professionals are still too unaware of the gaps that exist among people of different backgrounds and status levels.

BARBARA WAUGH AND STACY CUSULOS, *AMERICAN FAMILY*, 2010

## Find a parenting-friendly company culture.

The belief persists that women can't be great executives because of the potential distractions of motherhood. Only full support for family commitments can overcome that bias.

FELICE SCHWARTZ, "MANAGEMENT WOMEN AND THE NEW FACTS OF LIFE," *HBR*, 1989

## Confront rankism: the tendency to ignore, abuse, and exploit other people.

Racism and sexism are manifestations of a deeper problem: the ingrained human tendency to ignore, abuse, and exploit other people.

ROBERT FULLER, *SOMEBODIES AND NOBODIES*, 2003

ART KLEINER, "DIVERSITY AND ITS DISCONTENTS," *S+B*, 2004

## Declare your identity in a way that promotes change.

Coming out of the closet is good for business.

JOHN BROWNE, *THE GLASS CLOSET*, 2007

CHRISTINE BADER, "THE BUSINESS OF COMING OUT AT WORK," *S+B*, 2014



# Why do business enterprises exist?

## To take risks governments won't or can't.

Corporate charters were issued by Renaissance royalty to allow entrepreneurs to undertake risky new ventures, like sailing to the New World.

JOINT STOCK COMPANIES,  
17th AND 18th CENTURIES

## To reduce transaction costs.

Putting business activity inside a single enterprise avoids the friction involved in building and managing external relationships.

RONALD COASE, *THE NATURE OF THE FIRM*, 1937

## For the people who buy their goods and services.

"There is only one valid definition of business purpose: to create a customer."

PETER DRUCKER,  
*MANAGEMENT*, 1973

## For the shareholders.

"A corporate executive is an employee of the owners of the business. [His or her primary] responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society."

MILTON FRIEDMAN, "THE SOCIAL RESPONSIBILITY OF BUSINESS IS TO INCREASE ITS PROFITS," *NEW YORK TIMES MAGAZINE*, 1970

# What the hell is leadership?

**“A prince ought to inspire fear in such a way that, if he does not win love, he avoids hatred.”**

Leaders read Machiavelli's famous work to learn how to gain power, but might it be a guide for redeemers?

NICCOLO MACHIAVELLI,  
*THE PRINCE*, 1513

**It's the tangible but invisible empowerment of the enterprise.**

“The highest type of ruler is one of whose existence the people are barely aware.”

THE *TAO TE CHING*, 570 BC

**It's ethically driven influence.**

“The endurance of organization depends upon the quality of leadership; and that quality derives from the breadth of the morality upon which it rests.”

CHESTER BARNARD, *THE FUNCTIONS OF THE EXECUTIVE*, 1938

**It's doing the right thing.**

“Managers are people who do things right and leaders are people who do the right thing.”

WARREN BENNIS, *ON BECOMING A LEADER*, 1989, AND *S+B* THOUGHT LEADER INTERVIEW, 1997

# Who is the best CEO?

## **An adventurous leader.**

Pay “at all times rigid attention to order and economy,” while embracing a high degree of risk.

JEAN BAPTISTE SAY, *A TREATISE ON POLITICAL ECONOMY*, 1803, AND DANIEL WREN, *THE EVOLUTION OF MANAGEMENT THOUGHT*, 1972

## **A well-compensated executive.**

The first CEO compensation study, done by McKinsey for General Motors, made GM’s CEOs the highest-paid in the U.S. [earning US\$900,000/year in 1967].

MCKINSEY; GRAEF CRYSTAL, *IN SEARCH OF EXCESS*, 1991+

# **Someone carefully chosen for the role.**

The better the CEO succession plan, the more likely the company’s overall success. Companies that plan well for CEO turnover gain significant financial performance.

KEN FAVARO, PER-OLA KARLSSON, AND GARY NEILSON, “THE \$112 BILLION CEO SUCCESSION PROBLEM”, *S+B*, 2015

## **Someone fit for the future.**

CEOs today seek “good growth,” aligned with ethics and sustainability.

DENNIS NALLY, “THE TRUST AGENDA,” *S+B*, 2014

# **Part of a duo.**

A great top team is a producer paired with a performer, such as Lynda and Stewart Resnick.

JOHN SVIOKLA AND MITCH COHEN, *THE SELF-MADE BILLIONAIRE EFFECT*, 2015

How  
does the  
world  
really work?

# The invisible hand of the market organizes the economy.

Specialization and the division of labor act in systemic fashion without interference.

ADAM SMITH, *AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS*, 1776

# The industrial revolution turns in predictable, 80-year, long-wave cycles.

These cycles have three stages: installation (frenzied growth led by speculative investment), crisis, and a broad golden age of expansion.

CARLOTA PEREZ, *S+B THOUGHT LEADER INTERVIEW*, 2005

# Economic forces are set in motion by choices people make (and not always rationally).

Individuals consistently behave in ways that traditional economic theory, predicated on the optimization of individual self-interest, would not predict.

DANIEL KAHNEMAN AND AMOS TVERSKY AND THE FIELD OF BEHAVIOR ECONOMICS, 1990s

# Innovation sparks creative destruction.

Capitalism limits the scope for government interference with individual choice, and thus adds reward and risk to the life of the commons.

JOSEPH SCHUMPETER, *CAPITALISM, SOCIALISM, AND DEMOCRACY*, 1942

# “When the rate of return of capital exceeds the rate of economic growth, capitalism generates arbitrary and unsustainable inequalities.”

Research, especially the work of Joseph Ellis and of Thomas Piketty, shows a direct link between the spread of financial equity and economic health.

JOSEPH ELLIS, *S+B THOUGHT LEADER INTERVIEW*, 2007, AND THOMAS PIKETTY, *CAPITAL IN THE 21st CENTURY*, 2015



# The Participants



**Napier Collins**, member of the group planning scenario team at Royal Dutch Shell, cofounder of Global Business Network, and management historian



**Andrea Gabor**, author of *The Capitalist Philosophers: The Geniuses of Modern Business — Their Lives, Times, and Ideas* (Three Rivers Press, 2000), and chair of business journalism at Baruch College, City University of New York



**Walter Kiechel**, author of *The Lords of Strategy: The Secret Intellectual History of the New Corporate World* (Harvard Business Press, 2010)



**Duff McDonald**, author of *The Firm: The Story of McKinsey & Its Secret Influence on American Business* (Simon & Schuster, 2013); and of a forthcoming book on Harvard Business School



**Jim O'Toole**, research professor at the University of Southern California Center for Effective Organizations and author of *Creating the Good Life: Applying Aristotle's Wisdom to Find Meaning and Happiness* (Rodale, 2005)



**Lex Schroeder**, editor and community manager at the Lean Enterprise Institute; researcher on changes in work and leadership



**Jennifer Sertl**, coauthor of *Strategy, Leadership, and the Soul* (Triarchy Press, 2010), advisor to the Center for Policy and Emerging Technology



**Thomas A. Stewart**, author of *Intellectual Capital: The New Wealth of Organizations* (Doubleday, 1997), former chief marketing and knowledge officer at Booz & Company and editor of Harvard Business Review

# And from *strategy+business*

**Art Kleiner,**  
*editor-in-chief and  
author of The Age of  
Heretics: A History of  
the Radical Thinkers  
Who Reinvented  
Corporate Management  
(Jossey-Bass, rev'd  
ed., 2008)*

**Daniel Gross,**  
*executive editor and  
author of Better,  
Stronger, Faster: The  
Myth of American  
Decline...and the Rise  
of a New Economy  
(Free Press, 2012)*

**Laura W. Geller,**  
*senior editor*

**Elizabeth Johnson,**  
*managing editor*

**Gretchen Hall,**  
*publisher*

**Bevan Ruland,**  
*business operations  
manager*

**John Klotnia,**  
*art director*

**Linda Eckstein,**  
*information graphics  
specialist*

*Photographs by  
Matthew Septimus*

*References in this  
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# Add Your Voice

**Do you have your own answers to these questions?  
Or more questions that you think leaders need to be able to answer?**

**Join the conversation at:  
#stratandbiz20th**

**Art Kleiner**

*kleiner\_art@strategy-business.com*  
is editor-in-chief of *strategy+business*.

**Nancy A. Nichols**

*nancy@greatideasstudio.com*  
is a former senior editor of *Harvard Business Review* and founder of the Great Ideas Studio.

