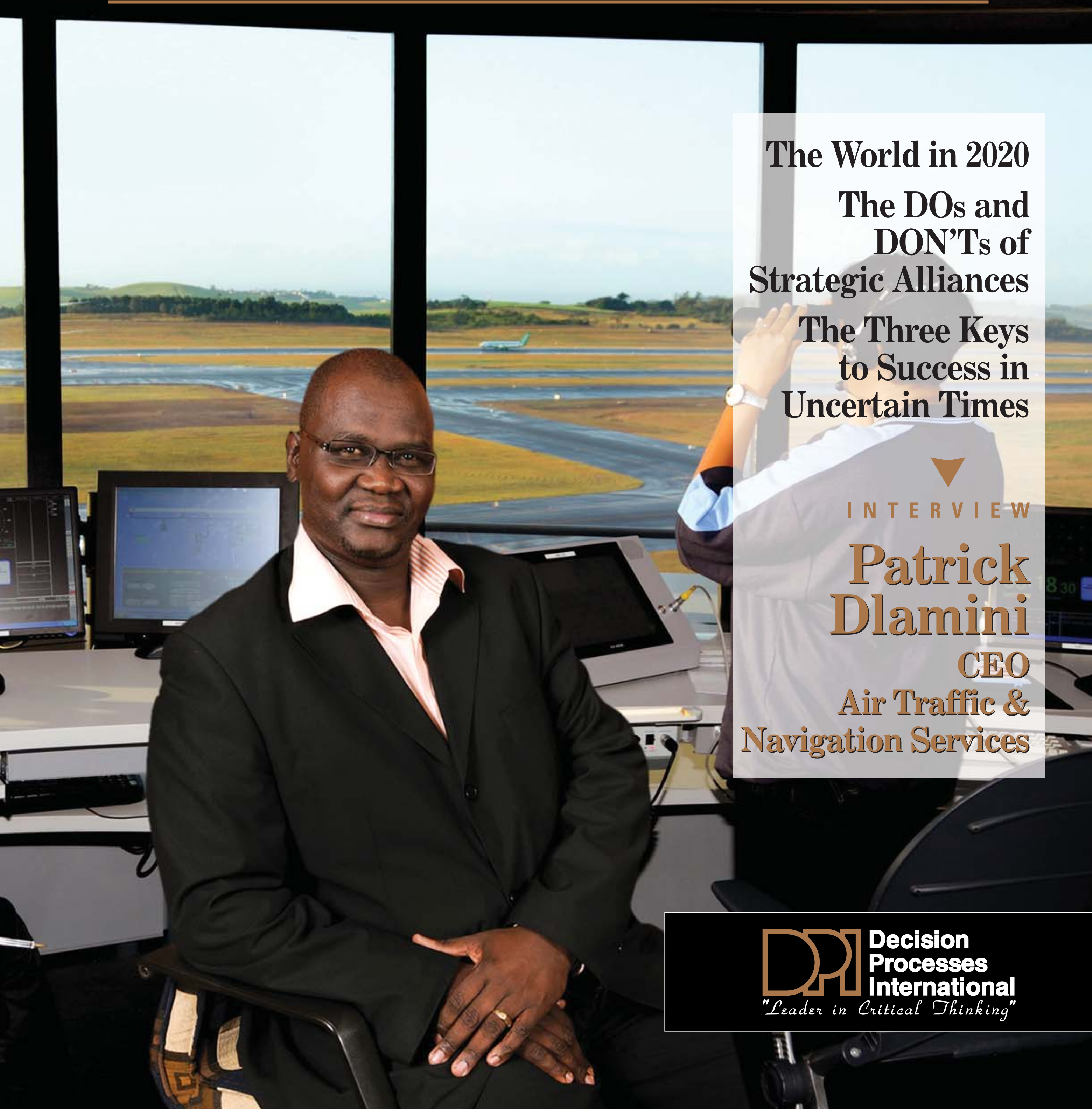
The Strategist™

THE CEOs GUIDE TO STRATEGIC THINKING VOL.26, NO.1



The World in 2020

The DOs and DON'Ts of Strategic Alliances

The Three Keys to Success in Uncertain Times

INTERVIEW

Patrick Dlamini

CEO

Air Traffic & Navigation Services

Decision Processes International
"Leader in Critical Thinking"

The Strategist
is a publication by Decision Processes International,
a worldwide consulting firm and originators of the

STRATEGIC THINKING PROCESS

Supremacy, not adequacy, is the goal of a successful strategy.

Does your current business strategy put you so far ahead of your competitors that you look over your shoulder to measure the widening distance between you and them? Or do you find yourself looking from side to side in a day-to-day battle to get ahead today, only to fall behind again tommorow? Is your biggest problem choosing between many opportunities to enhance growth, profits, and shareholder value, or are you simply struggling to find them? Do your managers, board, and shareholders understand, agree with, and support your strategy? Or do you find yourself having to explain it over and over again?

At DPI, we believe that a clearly stated, distinctive strategy will create a steady stream of unique opportunities, enabling you to continuously build value while you force competitors to play *your* game by *your* rules. In other words, the goal of any company's strategy should be *competitive supremacy* — not adequacy!

Strategic Thinking –The key to supremacy.

DPI's *Strategic Thinking Process* can be the catalyst to position you for supremacy in your industry, as it has for hundreds of winning companies around the world. *Strategic Thinking* will help you to unlock the hidden potential in your business as you discover your company's unique "Driving Force" — the one component of the business that is the "heartbeat" of your enterprise. Understanding that "Driving Force" will help you identify the crucial *strategic capabilities* that must be nurtured to gain insurmountable competitive advantage. *Strategic Thinking* will also enable you to uncover potential "stealth competitors" that could enter your markets, causing unforeseen and possibly disastrous disruption.

DPI's *Strategic Thinking Process* differs dramatically from other management consulting concepts. At DPI we believe that the answers to your company's strategic questions reside in the heads of you, the CEO, and your key management group. We bring a focused and disciplined approach—a *formal process* — that will enable you to *develop your own, not a consultant's, strategy.* Your management team brings the business knowledge and industry expertise. We bring you the right questions, providing the framework to debate the issues and make the critical strategic decisions yourselves. The results? Agreement and focus on a game-changing strategic direction and total commitment to effective deployment. Discover the power of having *one common* vision for the future of your business.

Discover the Power of Strategic Thinking.

We invite you to read this issue of *The Strategist* and consider beginning a relationship with DPI in the same way that most of our clients have. Read one of our books or, better still, arrange for a DPI partner to provide a ninety-minute executive overview of our process. Let's explore together how we may help your organization define a strategy that will bring lasting supremacy over your competitors.

Dear Executive:

Welcome to **The Strategist**, a publication which offers you articles by some of today's leading thinkers on the subject of corporate strategy.

DPI's core technology is our Strategic Thinking Process which enables corporate management to create and implement strategy. A common sense approach to strategy, Strategic Thinking is making traditional strategic planning obsolete. This process enables a company's management team to reason out a strategy as a group, assuring thorough understanding, consensus, buy-in, and effective implementation. In the "war rooms" of more than 1,000 companies throughout the world, global companies such as 3M, FedEx Custom Critical, Caterpillar, Prudential, Lubrizol and Motorola as well as regional companies, such as Rand Merchant Bank, Ascendas, SATS Group, Cancer Treatment Centers of America, as well as hundreds of small to medium sized emerging companies—this methodology has been refined and validated by DPI for more than 30 years.

We hope you enjoy this issue of **The Strategist.**

Good reading,

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The Strategist™

INTERVIEW

As many companies have struggled in today's harsh economic environment, some, such as South Africa's ATNS, have thrived through smart, well-executed business strategies. In this interview with The Strategist, ATNS CEO Patrick Dlamini explains how he employed the DPI Strategic Thinking Process to forge a strategy that has transformed the company, enabling it to prosper despite seemingly overwhelming odds.

Patrick Dlamini

CEO | AIR TRAFFIC & NAVIGATION SERVICES

A few years ago, South Africa was gearing up for the largest sporting event in the nation's history, the 2010 World Cup football competition. The world watched as the country prepared for what was undoubtedly the largest infrastructure project in its history. One of the most crucial, but largely unseen, players in the massive preparations was an organization called Air Traffic and Navigation Services.

ATNS is the sole provider of air traffic control services to South African airports, directing flights arriving and departing from more than 20 aerodromes within the country. As such, their challenge was to build up their capabilities to assure the safety of the unprecedented number of air travelers, athletes and spectators alike.

"We are an air navigation service provider, primarily to the South African aviation industry," says CEO Patrick Dlamini. "We supply air traffic management for South Africa, as well as the oceanic airspace, covering all the way to Brazil, halfway to Australia, and down to the South Pole, which is the equivalent of about 10% of the world's airspace."

The company's main business is training, and managing air traffic, but ATNS also offers a strategically important range of related services throughout South Africa and more than two dozen other African nations. These ancillary services, such as air traffic control training, procedure design, consulting and sophisticated satellite communications technology, leverage their specialized expertise, and enable ATNS to generate important revenue both inside and outside South Africa. Because compensation for air traffic control services within South Africa is regulated in a manner similar to a utility, this additional, unregulated international business is essential to the company's growth. These services have also helped to position ATNS as a leading transnational supplier of air traffic expertise and technology.

Patrick Dlamini CEO, ATNS

When Dlamini joined ATNS as CEO in 2009, the firm was grappling with several major challenges. First, the world was in the throes of the infamous economic downturn. Add rapidly rising fuel prices, and the aviation industry was in turmoil, looking to control costs as air travel and revenues were diminishing globally.

To make matters worse, wealthier countries in the Middle East and Asia were luring away much of their top talent—controllers and technical staff—leaving them short of air traffic controllers.

“What I found most important was that their methodology has a unique way of downloading your own people’s thinking in such a way that there is nothing left unsaid.”

—Patrick Dlamini

As if that were not enough, the huge, anticipated jump in air traffic from the 2010 World Cup was approaching and a major new airport, King Shaka International Airport, was under construction. And to top it all off, the organization had been struggling to get its financial ship in order.

“ATNS was technically bankrupt and we had challenges in terms of keeping our staffing levels where we needed them to be,” Dlamini says. “We had in place the skills, the technology, our Aviation Training Academy, and important international partners, many of the things we needed to succeed. What we did not have was a strategy that everyone understood and *agreed to*, so we could decide on the issues we needed to resolve *as a group* and drive them relentlessly to success.”

In his former position as Executive Vice President and General Manager of South African Airways Cargo Division, Dlamini had used DPI’s Strategic Thinking Process to craft a strategy that turned out to be very successful. So he decided once again to use the DPI process to chart a new strategic direction for ATNS, to meet the immediate needs of the World Cup and the new airport, and also to assure sustainable progress in the long term. He also knew that the process would produce a new strategy and action plan in a matter of days, not weeks or months, which was essential given the urgency of the situation and the time demands already pressing on the executives.

“I found the DPI process to be quite unique and extremely successful,” Dlamini says. “At my previous company, South African Airways Cargo Division, we saw clear improvements for three years in a row after developing a strategy through this process. Companies that do this have a huge advantage. I can see the difference in the companies listed on the Stock Exchange that use the DPI process. They are very successful—it’s amazing.

“With DPI, it is the *organization* that puts the strategy together. It *comes from* the organization, not the facilitator or consultant. The wording comes from the *people who work* in the organization. It’s a highly sophisticated process that helps your people to think *strategically*, and to get everybody to *agree*. It makes sure that your people analyze all the issues that affect the organization. You can’t avoid tough questions. It is your problem to figure out. It makes sure that you cover the bases, and then move on from there. And the DPI facilitator, in this case Greg Carolin, keeps you on track.

“What I found most important is that their methodology has a unique way of downloading your own people’s thinking in such a way that there is nothing left unsaid. And when you leave the strategy session you are all in unity as to *why* you have chosen the particular route or trajectory you will take, and what *each* person is then expected to *do*. And then once you have done this process as a group from across your organization, you have all the units and regions with their own business strategies linking to what the whole group has agreed upon.”

This alignment between the main office and operations in other African nations would be essential to ATNS’ growth as an international player, and would enable the firm to better focus and synchronize activities involving its own people and many necessary partners—airlines, governments, technology providers, aviation regulating agencies and others.

Selecting The Driving Force—The Compass of The ATNS Strategy

A pivotal point in the DPI process is selecting the Driving Force the company will pursue in the future. The Driving Force, as defined by DPI, is a clear set of skills and capabilities which will guide future decisions on the products, customers and markets to be pursued and *not* pursued. Among the possible Driving Forces considered were Product/Service (Air Navigation S*ervice*), Technology (the development of Air Traffic Management *Technology*), and Market Category (meeting the diverse needs of the *Air Traffic Management community*).

“We had a hell of a debate over that,” Dlamini says. “We selected Market Category. We concluded that what drives us is meeting the diverse needs of the Air Traffic Management (ATM) industry and delivering on their expectations. How well we identify and meet those needs around safety, efficiency, cost effectiveness and other critical factors determines our successes. That goes well beyond training and managing air traffic, involving many other services and

Air Traffic & Navigation Services Radar Control Room

technologies, but all relate to the requirements of that specialized community."

Had ATNS opted for a *Service* Driving Force—limiting their business to training and managing air traffic—they would have had to de-emphasize a set of lucrative consulting and technology products and services that would enable them, importantly, to continue to grow internationally in unregulated areas as well as in their home market.

"In a lot of countries on the Continent we offer consultative services such as surveying airport procedure designs. We offer technologies, such as our satellite communications networks, in 28 countries. This technology supports our inter-connectivity which is very important if we want to be a leader across Africa," Dlamini says.

Yet, a *Technology* Driving Force would have similarly limited their business, although developing and adopting advanced technology is essential to their competitiveness.

"With a Technology Driving Force, we would have been less effective in making sure that competence, safety, efficiency, cost and other requirements are all driven to their highest level because we would be *too narrowly focused* on only technology and infrastructure, as opposed to saying we are bigger than that. The technology piece is very important, but that becomes one of the Critical Issues that support our Market—the ATM community as a whole," Dlamini says.

> *"We look very carefully at our customer relationships to make sure that we are arriving at a future that keeps us very close to the ATM community, as well as our employees. So we also identified the critical needs of our staff, our traffic controllers, all of our people, as they are quite a key element of what we do."*
>
> **—Patrick Dlamini**

Each Driving Force requires adoption of specific Areas of Excellence—capabilities that must be mastered and given resources above all others.

"We identified three Areas of Excellence. One is Market Excellence. Two is Customer Relationship Management. The third is Business Intelligence. We believe these are very, very critical, because they are what makes us competitive. We must understand what is going on in the market and when we do, give these areas our utmost, to be certain that the competence acquired, which underpins our service delivery, is driven by very highly competent staffing.

"We look very carefully at our customer relationships to make sure that we are arriving at a future that keeps us very close to the ATM community, as well as our employees. So we also identified the critical needs of our staff, our traffic controllers, all of our people, as they are quite a key element of what we do. And we must then manage our list of Critical Issues, to drive ATNS into the future, to maximize our opportunities in other markets, to make sure we are fully prepared to make the most of them and pursue them on a sustainable basis," Dlamini says.

Over the past 4 years, ATNS has pressed relentlessly forward to resolve its list of Critical Issues or Strategic Imperatives (see inset) with exceptional success. To further connect the various units with the corporate strategy, DPI conducted Operational Planning Sessions with each, assuring that their operational deliverables would match up with corporate objectives.

"To drive these Critical Issues we are making sure we link all the necessary areas, identifying the people responsible and identifying the contributors," says Dlamini. "For example, in the area of managing the pipeline that our air traffic controllers go through before they qualify as successfully validated air traffic controllers, we meet about twice a month to monitor progress and see how well we are getting people passing through. We are also developing systems that help us in the assessment, and making sure that the people that we accept are the right type to meet the demands of this profession."

The result of this laser-like focus on strategic objectives is an organization that now has the skills and renewed confidence needed to meet its toughest challenges. Among the important milestones were the seamless opening of King Shaka International Airport and the highly successful managing of the greatly increased air traffic resulting from the World Cup. Better recruitment and retention strategies, as well as extensive employee support programs, have led to record levels of essential staffing.

"We also now have very good financial performance," Dlamini states. "As I said, before DPI came to work with us, ATNS was technically bankrupt. And we were never able to envision having enough air traffic controllers in all of the sectors. After the DPI process, we are a solid and stable organization. And we can see a high level of happiness on the part of our employees. We are getting ahead of all our target numbers in all areas. People who had left ATNS have even asked me, 'How did you do this?' And I can say the DPI Strategic Thinking Process enabled us all to agree on our strategy. You need the right people to help you craft and deploy your strategy, get all your people in agreement, select the right people to follow through, and make sure you deploy it successfully."

The result of this laser-like focus on strategic objectives is an organization that now has the skills and renewed confidence needed to meet its toughest challenges.

FUTURE DIRECTION

- **Vision—**To be the preferred supplier of Air Traffic Management solutions and associated services to the African Continent and selected international markets.
- **Mission—**To provide safe, expeditious and efficient Air Traffic Management solutions and associated services.

STRATEGIC IMPERATIVES

- To deliver continuous improvement of our safety performance
- To become a transformative organization which invests in its people
- To provide efficient Air Traffic Management solutions and associated services which meets the needs and expectations of the Air Traffic Management Community
- To maintain long term financial sustainability
- To play a leading role in the development of Air Traffic Management solutions and associated services in Africa and selected international markets
- To deploy and use leading technologies to the benefit of the Air Traffic Management Community

To be sustainable, corporate strategies must anticipate changes in the business landscape far into the future. In this opening chapter of the "must-read" new book, *Leadership Pure and Simple*, the authors provide an overview of likely shifts in the global economy, energy, information management and other factors that will affect how—and where—business leaders drive their companies into the future.

The World in 2020

by David Wilkins & Greg Carolin

—Partners, Decision Processes International

From the new book, Leadership Pure & Simple

Confronted by change, the first question to be answered by any leader is, "Where are we going?" This question is becoming increasingly more difficult to answer. Or is it?

During one of his final lectures, Peter Drucker, the founder of modern management thinking, was asked, "Professor Drucker, you seem to have this incredible ability to predict the future. How do you do that?" To which he replied, "I cannot do that. What I do is to look out of the window and see things that others do not see."

So how can one gain more insight through one's own window into the future? Some research will help.

One trove of observations and foresight is the excellent Future Agenda open insight initiative led by Vodafone, the largest provider of mobile communications in Europe and Africa. This ambitious project convened collaborations of experts from a wide range of business, scientific, and economic disciplines to assemble a broad view of possible futures around the world. Many of the trends uncovered by the Future Agenda project and described in the organization's report, *The World in 2020*, have often cropped up during our client assignments. Here is some of what we see.

The Four Certainties

Peering out through the window of the future can be a daunting task if one doesn't know where to look. The first thing to look for are future certainties that can be clearly separated from speculative events. Future certainties are trends in which "the train has left the station" and the destination is known and is virtually certain. Obvious examples are the rise of China and India as political and economic powers. Other examples are changing demographics, such as developed nations getting "older" and developing nations getting "younger." According to Future Agenda, there will be four macro certainties developing in the next decade:

1. A continued imbalanced population growth
2. More key resource constraints
3. An accelerating Asian wealth shift
4. The achievement of universal data access

Ten Broad Trends

The next level of inquiry can be built around these certainties. In our view the following 10 broad trends will impact almost all industries and organizations on the planet.

Trend 1. Wealth Creation

Future Agenda has described it this way: "How wealth is created, valued, shared, and used over the next decade is subject to a number of possible changes."

We agree. Powered by globalization, an unstoppable yet not fully understood force, previously unseen methods and centers of wealth creation will emerge. One could argue that the wealth creators of recent history were the Europeans (Industrial Revolution) followed by the United States (the American Century). There are clear signs that this is changing. China, India, and other emerging markets are operating on new definitions of capitalism that make hefty research and development investment more palatable. So-called state capitalism is characterized by state-owned or family-controlled firms that don't have the short-term, "beat the analyst forecasts" mentality of their Western counterparts. In the future, leaders will no longer be able to plan without considering the longer-term global marketplace.

Trend 2. Wealth Distribution

The wealth gap between the rich and poor will continue to expand, fueled by widening differences in wealth between and within urban and rural communities. But, Future Agenda predicts that the rich and poor will still need each other: In recent years the gap between richer and poorer households has widened in most parts of the world despite strong economic growth that has created millions of jobs. This has applied not only in the gaps between some rich countries and some poor ones but also within many nations. The rich-poor gap in the United States has increased, just as it has in Brazil, India, and Africa.

We would agree with many in saying that urbanization is perhaps the most significant issue. However, there are no clear signs of governments making significant changes to taxation and spending policies to redress the imbalance. Access to good education will remain the catalyst to breaking through the divide.

One analyst put it bluntly: "If it was simply a matter of robbing Peter to give to Paul, humanity would have solved it [wealth redistribution] years ago."

According to Future Agenda, "Over the next decade, the gap between the "haves" and the "have-nots" will grow, even though there will be ever more interdependence, in some areas, between wealth-generation across the social spectrum."

Which raises the question: What effects will this richer-poorer trend bring for your particular industry and company?

Trend 3. The Future of Globalization and the Myth of a Single Market

Accelerated globalization will have impacts and consequences on all organizations and therefore must be an input into leaders' strategic thinking and planning. Decisions affecting product design, manufacturing sites, marketing approaches, distribution systems, and customer service will vary greatly from one market to another. The reason is simple. Although the marketplace will be global in scope, it is not now, nor will it be, homogeneous in character. In Europe, language and culture differ in each country. Customs and traditions vary greatly from one Asian nation to the next. Yet local market strategies, while adapting to the nuances of individual markets, must also ensure that the underlying basis of a corporate strategy remains the gyroscope that keeps the various units in sync.

The need for executives to become global strategists, able to work as deftly in Beijing as in Toledo, Cape Town or Singapore will accelerate exponentially. Businesses will have to learn global strategies and tactics in order to compete successfully.

The need for executives to become global strategists, able to work as deftly in Beijing as in Toledo, Cape Town or Singapore will accelerate exponentially. Businesses will have to learn global strategies and tactics in order to compete successfully. In the light of global expansion, leaders will need to compete with new international rivals, many of whom play to a different set of rules.

Which raises the question: How will you and other leaders within your organization craft agile strategies and business models that are built around a central core yet are reflective of local strategic variables?

Trend 4. The Future of Differentiated Knowledge

We couldn't put it better than Thomas Friedman, the Pulitzer Prize-winning author of *The World Is Flat*, in which he said: "As information is shared globally and insight is commoditized, the best returns go to those who can produce nonstandard, differentiated knowledge." This is the essence of innovation and can be generated only by finely tuned critical thinking skills that enhance the ability of managers to synthesize information—many leaders may stare at the same set of facts but not all are equipped to draw "winning" conclusions. Friedman has made a convincing case that quicker and easier knowledge sharing has flattened the world. Through his multiple examples from India and China, in particular, he has highlighted how the alignment of increasing globalization, high-speed Internet connections, and new business models have all helped the likes of Infosys, Wipro, and Tata to become knowledge engines.

He makes the point that the steady transfer of know-how from the developed to the developing world has given rise to a greater need for innovation than has ever before existed in industrialized history.

Which raises the question: How will you harness the insights of leaders within your organization and channel these insights toward greater degrees of innovation?

Trend 5. The Innovation Race

3M has a standard by which it measures the performance of all its business units. Twenty-five percent of each unit's sales must come from products that did not exist five years before. This criterion has caused 3M to introduce some 200 new products each year and has given it a reputation as one of America's most innovative companies. Unfortunately, the same cannot be said for many companies in the United States. In general, U.S. companies are losing their innovative edge.

Many of these firms' market losses can be attributed to a lack of emphasis on product and process innovations. Product innovations create new market opportunities, and in many industries are the catalyst behind growth and profitability. Process innovations, on the other hand, enable firms to produce existing products more efficiently. As such, process innovations are among the main determinants of productivity growth. In this technologically dynamic era, without a continual stream of product and process innovations, firms soon lose their ability to compete effectively.

Which raises the question: How will innovation change competitive behavior in your particular industry?

Trend 6. The Information Explosion

"Data, data everywhere … information has gone from scarce to superabundant. That brings huge new benefits, but also big headaches," says Kenneth Cukier in a recent article in the *Economist*: When the Sloan Digital Sky Survey started work in 2000, its telescope in New Mexico collected more data in its first few weeks than had been amassed in the entire history of astronomy. Now, a decade later, its archive contains a whopping 140 terabytes of information. A successor, the Large Synoptic Survey Telescope, due to come on stream in Chile in 2016, will acquire that quantity of data every five days.

Such astronomical amounts of information can be found closer to Earth too. Walmart, the retail giant, handles more than 1 million customer transactions every hour, feeding databases estimated at more than 2.5 petabytes—the equivalent of 167 times the books in America's Library of Congress. Facebook, the social networking website, is home to 40 billion photos. And decoding the human genome involves analyzing 3 billion base pairs—which took 10 years the first time it was done in 2003 but can now be achieved in one week.

So what are the implications of this information explosion? There is no doubt that more accurate information contributes to better decision making. It is also true that too much information can paralyze decision making. Waiting for more, or perfect, information can delay a decision and cause the decision maker to "miss the boat." In this decade, people will require more acute skills and thinking processes to be able to separate relevant from irrelevant information more quickly and thus make better and timelier decisions. There will also be less room for error since most wrong decisions will have greater and more far-reaching negative consequences. A minor decision gone wrong may have repercussions around the globe.

Which raises the question: What are the implications of the information explosion and real-time communications in your company and industry, and how best can you use this universe of information to your advantage?

Trend 7. The Future of Energy

As defined by Future Agenda, one of the implications of the aforementioned "certainty," key resource constraints, is its impact on energy, and in particular, our over-dependency on fossil fuels.

The Future Agenda report states: [With] the increasing global susceptibility to the impacts of climate change, momentum for change is building. However, we are not yet at a stage where either global agreement will take effect or where technological breakthroughs will provide new solutions; nor are there credible alternative pathways on the table for developing economies.

Despite the lack of global consensus on climate change, legislation is fast being introduced in local jurisdictions, driving a need for companies to accept the reality and adopt programs that if properly conceived and implemented can deliver real benefits to their businesses. The most impactful will be programs where the revenue benefits will substantially exceed the costs, with the overwhelming benefit of preserving our beautiful world for the future.

That's why many CEOs are no longer looking at the topic as an operational headache to be managed but as a strategic opportunity to be exploited.

Which raises the question: What implications will climate change and energy constraints have in your particular industry and company?

Trend 8. The Future of Human Health

The tiny state of Singapore—unlike Great Britain, its former colonial ruler, which seems to view health costs as an economic millstone—is one of many countries that has bet significant sums on human health as a major driver of economic growth. The Singapore government has invested hundreds of millions of dollars to establish a dedicated, built-from-scratch biomedical research community, known as Biopolis, and it has enticed the best and the brightest researchers and research organizations in the field to the country. Due to its renowned efficiency and highly developed health sector, Singapore is also a major beneficiary of "medical tourism" in Asia.

As we move toward 2020, the generally larger, older, more overweight population, at least in developed countries, will necessitate a number of major policy decisions around food supply, health funding, and even end-of-life management. Admittedly, some of these will be more relevant to certain countries than others, yet at the same time, we must not lose sight of the fact that some health issues connect us all. Fears over new global pandemics, such as bird flu, are good examples. In response, new business models will also move rapidly around the world to make healthcare more efficient.

Which raises the question: What are the implications of changes in the healthcare arena for your particular industry and company?

Trend 9. Economic Downturns and Uncertainty

Unfortunately the mantra "History repeats itself" applies to economic trends, especially downturns. The majority of DPI clients worldwide, even those in Asia, foresee shorter and more unpredictable economic cycles. Sadly, recessions are here to stay and will probably raise their ugly heads more often.

Savvy leaders realize that every cloud has a silver lining. Rex Glanville, Chairman, DPI Africa, recently said in exploring what it takes to survive and thrive in hard times: "While the discussions on how the world may look over the next decade are interesting and valid, many CEOs' major concern right now is survival in the worst local and global economic conditions since the Great Depression." However, CEOs should consider that economic downturns are often opportunities to launch unique new products while their competitors are in retreat. What do successes such as MTV (launched in 1981), the iPod (2001), and Google's Android (2008) all have in common? Well, they were all launched in the midst of recessions.

Successful companies such as Sony, 3M, Canon, Microsoft, Johnson & Johnson, Caterpillar, and Schwab maintain their control of their turf not by introducing "me-too" products but rather by focusing their resources on the creation of new-to-the-market products and/or improved processes.

Spending needs to be carefully planned and targeted, of course. The key is to do more with less and to do it creatively, thoroughly examining market strategies and revising messages if need be.

Which raises the question: How are you avoiding a batten-down-the-hatches mode and looking ahead to take actions now to exploit new opportunities when economic conditions improve?

Trend 10. The Battle for Human Capital

Many of our clients (including ATNS CEO Patrick Dlamini in our cover story) talk of a "war for talent" in their industries. Good employees have always been a scarce resource, and with the ever-increasing mobility of labor—especially highly skilled labor—HR managers face a challenging future. Yet hiring is not the sole responsibility of the HR function. The list of "best companies to work for" frequently lists the usual suspects, such as Apple, Google, Marriott, Allianz, and Accenture. It is not a coincidence that these companies are among the world's most successful, meaning that they have excellent business strategies in place. As Mike Robert, DPI's founder, has put it: "The best employees want to work for the best companies, those with distinct game-winning strategies. After all, who would have followed Alexander the Average or Frederick the Mediocre?"

Furthermore, as the world gets "flatter," it is common to find smart people working for companies that can enable them to move to more prosperous geographic regions. For example, many Indian workers in the IT sector see the Association of Southeast Asian Nations (ASEAN) as a stepping stone to Silicon Valley. How long until they step to China instead?

Which raises the question: What strategy and business model will enable you to attract, retain, and most effectively deploy the right people?

The One Thing That Won't Change!

Amid all the changes facing leaders, there is one thing that will remain constant: formulating and executing strategies and plans that will ensure survival and generate future sustainable growth and wealth for organizations have always been, and always will be, the primary and most important tasks of C-level leadership. A vital input into this process is obtaining the best available view of what the future social, political, and economic global environment will look like in relation to the specific sandbox the organization intends to compete in. Only then can the leader be confident that plans are relevant to the anticipated conditions. Developing the best possible understanding of the various possible future playing field scenarios demands the leaders' attention so they can achieve the following:

- *Protect their organizations from future threats*
- *Pursue future opportunities*
- *Attain that desired but elusive goal of sustainable organizational growth*

In a business context, therefore, the first task of the leadership team is to define the particular shape and nature of their industry's future playing field, what we at DPI call the Future Business Arena. Once this is defined, various game plans can be constructed.

Savvy leaders realize that every cloud has a silver lining.

Summary

What do these trends mean for corporations everywhere as they head for 2020? What will it take to answer the resultant questions?

In our view this environment will require strong leadership. It will be very good for people and organizations that develop and practice leadership skills. Proactive leadership will require the ability to detect, assess, and exploit these trends for an organization's greatest benefit. Leadership, however, is an elusive word that has different meanings to different people.

To us, leadership has a very specific meaning and requires the mastery of very discrete and deliberate skills and management processes—the processes of Strategic Thinking, Innovative Thinking and Situation Management.

As Peter Drucker put it: "Effective leadership is not only about making speeches or being liked; leadership is defined by results, not by personal attributes." Note: We would encourage our readers to visit the Future Agenda website for more detail: www.futureagenda.org.

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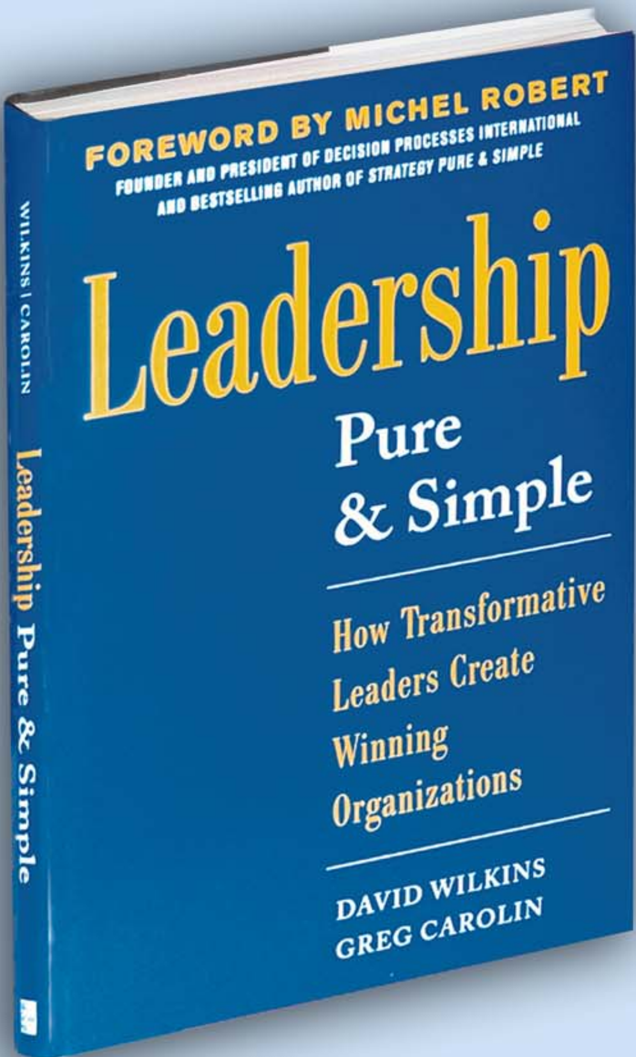
Seize control of your company's future — even in times of business disruption and market turmoil!

In *Leadership Pure and Simple* you and your management team will learn how to adapt your company to the upheaval going on around it and lead it to ultimate, sustainable success.



By approaching leadership in a number of ways—as a strategist, innovator, decision maker, and process manager—you can lead your company to profitability and growth *no matter what the global economy throws your way.*

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In an age when organic growth appears to be hard to come by, many firms are turning to mergers and alliances to boost top and bottom lines. Yet, any executive can rattle off numerous failed alliances. In this article, Andrew Sng explores the key ingredients behind a successful strategic alliance.

The DOs & DON'Ts of Strategic Alliances

by Andrew Sng —SENIOR PARTNER, DECISION PROCESSES INTERNATIONAL (ASIA)

Strategic alliance involves two or more firms coming together to work towards certain common objectives.

The worlds of academia, finance and law have very specific definitions for strategic alliances, mergers and acquisitions. However, in this article we are using an all-embracing definition of the term as in our work with clients around the world. The list of "Dos & Don'ts" has proven to be a useful guide regardless of whether you are going for a time-definite, short-term alliance or an all-out acquisition.

Following the global economic crisis of 2008, *Thomson Reuters and Freeman Consulting Services* in a joint study predicted that M&A activities would surge by 36% to some $3 trillion. *Forbes* also predicted in an article written by Hilary Kramer in December 2010 that, "2011 Will Be The Year Of M&A." The *Nanyang Business School* of the Nanyang Technological University in Singapore opined in an overview of a program that it promoted on M&A for 2012 that "the level of Mergers and Acquisitions activities in Asia is expected to increase substantially with the economic recovery and return of Asian economies to their pre-financial crisis growth paths." Figures on broad trends relating to the narrower form of strategic alliances involving "looser" arrangements are harder to come by given that such alliances can take many, many forms—with competitors, customers and suppliers.

Regardless, management gurus are on the bandwagon espousing the need to form strategic alliances in order to survive. The concept is simple enough—if you can't or won't fight them, join them. In other words, it's easier to form an alliance with a competitor than to fight that competitor. In some industries, such as pharmaceuticals, where research and development into a potential new product could run into billions with no guarantee of ending up with a winner, it makes rational sense to work with others to spread the risk. In Asia, one sees more of such multi-billion investments in large infrastructure and real estate deals.

Many of these alliances will fail, we believe, because they are being formed for the wrong reasons. Failure rates in excess of 50% have consistently been cited by many researchers. (An aside observation, if I may: there are some who do not favor alliances. Alliances generally reduce competition, and reduced competition is not good for the consumer or the companies involved. Alliances usually produce higher prices for the consumer and breed complacency in the joined companies.)

However, if you feel your company must enter into such a venture, here are some dos and don'ts drawn from years of experience in our strategy consulting work.

Let's start with the DON'TS . . .

- **DON'T Form an Alliance to Correct a Weakness**

Many companies form alliances to correct a weakness they possess. This is not a good start. The reason is simple. The party that brings a weakness to the alliance will be, from that day forward, at the mercy of the other partner and subservient to that other party. Even though the alliance may be 50-50, the weak partner will never be an equal partner because weaknesses don't bring leverage in the marketplace.

- **DON'T Form an Alliance With a Partner That Is Trying to Correct a Weakness of Its Own**

The rationale, again, is simple. Your company will inherit that weakness! You may end up worse off than you were before if you became the dominant partner in the alliance.

The worst of all worlds is an alliance of two partners, each of which is trying to correct a weakness. This type of marriage is doomed to failure from the start. After all, tying two non-swimmers together will not yield a Michael Phelps.

Two plus two sometimes equals three or less!

- **DON'T License Proprietary Technology**

One only needs to look at what has happened to the United States over the last several decades to understand this rule. Sony acquired its transistor technology from Bell Laboratories for $25,000. A few years later, there were no more manufacturers of radios in the United States. Unless you have very tight control of its use, licensing proprietary technology will always come back to haunt you!

We may be in 2012, but it might be useful to go back to an article "Use a Long Spoon" written by *C.K. Prahalad (Forbes,* 1986), who studied eight such alliances and concluded that Western companies had too easily given up control of key technologies to the Japanese. Prahalad suggested that Western companies should think of these deals not as "strategic alliances" but as "competitive collaboration." (The new word that has been coined since then is "Co-opetition"). He explained, "That would alert the organization to what they should protect." He also suggested, "Don't let your partner *underwork your core technology and skills."* If you do so, "Japanese companies will build an ever more complex *competency* base and Western companies will surrender ever more control over their own competitiveness." One might add that what Prahalad observed in Japanese companies has since been repeated in companies in South Korea, Mainland China, Taiwan and elsewhere.

We would certainly agree with Prahalad. While working with owner-managed companies, we have noticed that these companies *never* license their *key skills* or *expertise* to anyone. Much more than publicly run companies, the CEO strategist in these organizations has a very clear understanding as to what area of the business drives the organization's strategy and what Areas of Excellence make that strategy work. And control over this strategic weapon is never relinquished!

Many multinationals are currently losing sight of that notion. The latest fad is to embark on "strategic alliances" with, in particular, emerging Asian companies in an attempt to improve their competitiveness and access the booming "middle class." Unfortunately, many of these companies are losing sight of their Driving Force and are entering into alliances where they are giving up control of their strategic weapon.

- **DON'T Form Alliances Around Products or Markets**

Most alliances fail because companies form alliances in order to exploit the similarity of certain products or markets. This rarely works. As proof, one only needs to review the multitude of broken alliances between companies that have attempted this, whether these be car companies or telephone handset firms.

Let's now look at the DOs . . .

Looking to build a relationship by combining the synergy of strengths that are unique to each partner represents a venture with the highest probability of success.

Rule 1: FORM an Alliance to Exploit a Unique Strength

When forming an alliance, bring to the table a strength that you possess that is *unique* to you. In other words, no other competitor has this unique characteristic. The rationale? Only unique strengths can be sustained and defended over time. Even relative strengths—those that you have to a greater extent than a competitor but share with that competitor—are not the best upon which to build a successful alliance. Relative strengths can be acquired or duplicated but cannot be sustained over time.

Rule 2: FORM an Alliance With a Partner That Has a Unique Strength of Its Own

The marriage of unique strengths is the ideal. Looking to build a relationship by combining the synergy of strengths that are unique to each partner represents a venture with the highest probability of success.

Rule 3: FORM an Alliance When Neither Partner Has the Ability nor the Desire to Acquire the Other Party's Unique Strength

This is the key rule of successful alliances. If one of the parties has the intention of acquiring the other partner's unique strength, there will be no trust in the relationship from the beginning!

A good example of one such successful alliance is 3M's venture with Squibb. 3M brings some polymer chemistry technology that can be applied to the development of drugs that Squibb cannot duplicate, and Squibb brings a distribution system to doctors and drugstores that 3M has no intention of replicating.

Corning is a premier example of a company that has engineered a series of successful alliances over the last few decades. The formula it has followed is the one just described. To each alliance, Corning brings its unique strength – its technology – and then seeks a partner that has a unique strength of its own. The other party is not usually in a position to duplicate Corning's technology, and Corning does not intend to acquire or duplicate the other party's unique contribution to the venture. The result? A string of successful ventures.

At Corning, alliances are an integral part of its strategy and its culture and not something out of the mainstream of business, which is usually the case in most other companies.

Yet another example of what has turned out to be a winning combination—the 1989 merger of Bristol-Myers and Squibb. Squibb's strength lies in its ability to develop and market ethical drugs, whereas Bristol-Myers' strength is in over-the-counter, non-prescription drugs. The combination of these two firms' research budget might just prove that sometimes two plus two equals five!

Rule 4: FORM Alliances around Capabilities

Rather than seeking a marriage around products and markets, it is much wiser to form alliances around unique skills, capabilities, know-how, or technologies. Let the alliance develop products and markets later. The probability of success will increase many times.

Profit Is No Replacement for Strategic Fit

Sometimes an alliance might even turn out to be extremely profitable, but still these don't necessarily represent sound strategic fits. R. J. Reynolds, the cigarette giant, once had that experience. In an era when diversification was a corporate craze, Reynolds purchased Aminoil, an oil exploration firm, and Sea-Land Industries, an ocean shipper. Although both purchases turned out to be extremely profitable for Reynolds, the company decided to sell these investments. T. J. Wilson, Reynolds' ex-CEO, explained to *Business Week* subsequently that Reynolds was "consumer-driven" and did not understand these two businesses nor could it transfer the expertise it had to these industries. "A marketing orientation is the common thread running through our business," said Wilson. As a result, Wilson decided to return to "consumer-driven" businesses where Reynolds' area of excellence—marketing skills—can be applied even though these businesses may be more competitive. Wilson obviously felt that Reynolds' marketing excellence is the edge that the company brings to the market.

Lesson: Diversification is not necessarily good for everyone, and profit alone should not be the driving force!

As the world moves uncertainly forward in some of the worst economic conditions of our times, companies must make tough strategic choices which may be the difference between survival and disaster.

In this article, the authors provide guidance on how to appraise potential future scenarios and what to consider in crafting strategies to take advantage of new opportunities created by changing conditions.

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The Three Keys to Success in Uncertain Times:

Business Flexibility, Awareness and Resilience

The future belongs to companies whose senior executives remain calm, carefully assess their options and nurture the flexibility, awareness and resilience needed to deal with whatever the world throws at them.

Organisations need greater flexibility to create strategic and tactical options they can proactively and reactively use as their conditions change; they need a sharper awareness of their own and their competitors' positions, and they need to become more resilient.

This is according to Lowell Bryan and Diana Farrell, the authors of a McKinsey Quarterly report entitled, *Leading Through Uncertainty, urging business leaders to overcome the paralysis that dooms any business and start shaping the future.*

Bryan and Farrell say that taking stock of what senior executives know about the business environment is a good starting point that will likely require changes in strategy. Even then, many leaders will remain lost in the fog of enormous uncertainty.

To avoid impulsive, uncoordinated and ultimately ineffective responses, companies must first evaluate a broad set of macro-economic outcomes and strategic responses; then act to become more aware, flexible and resilient.

Strengthening these business areas will not just ensure survival, but allow companies to seize the extraordinary opportunities that arise in periods of great uncertainty.

Although executives won't have any real answers in the short- or medium-term, the decisions they make now are critical as they will determine how well organisations perform now and their long-term competitiveness. The winners will be those that—despite the complexity, confusion and uncertainty—make careful decisions, honestly assess the different scenarios, consider their implications and prepare accordingly.

In particular, companies must think expansively about the possible outcomes. The range of potential outcomes regarding the uncertainty surrounding the global recession is so large that many companies may not survive.

Bryan and Farrell outline the issues executives need to consider in terms of flexibility, awareness and resilience.

Greater flexibility improves strategic and tactical options

Companies must now take a more flexible approach to planning. And each should develop not just one, but several, coherent, multipronged strategic action plans. Every plan should embrace all the functions, business units and geographies of a company and show how it can adapt in a specific economic environment.

"The plans cannot be academic exercises. As the future unfolds, executives must be prepared to pursue any of them quickly."

In fact, the plausible range of outcomes in today's business environment calls for senior executives to adopt a "just in time" approach to strategy setting, risk taking and resource allocation.

A company's 10 to 20 top managers could, for example, have weekly or even daily 'all hands on deck' meetings to exchange information and make fast operational decisions.

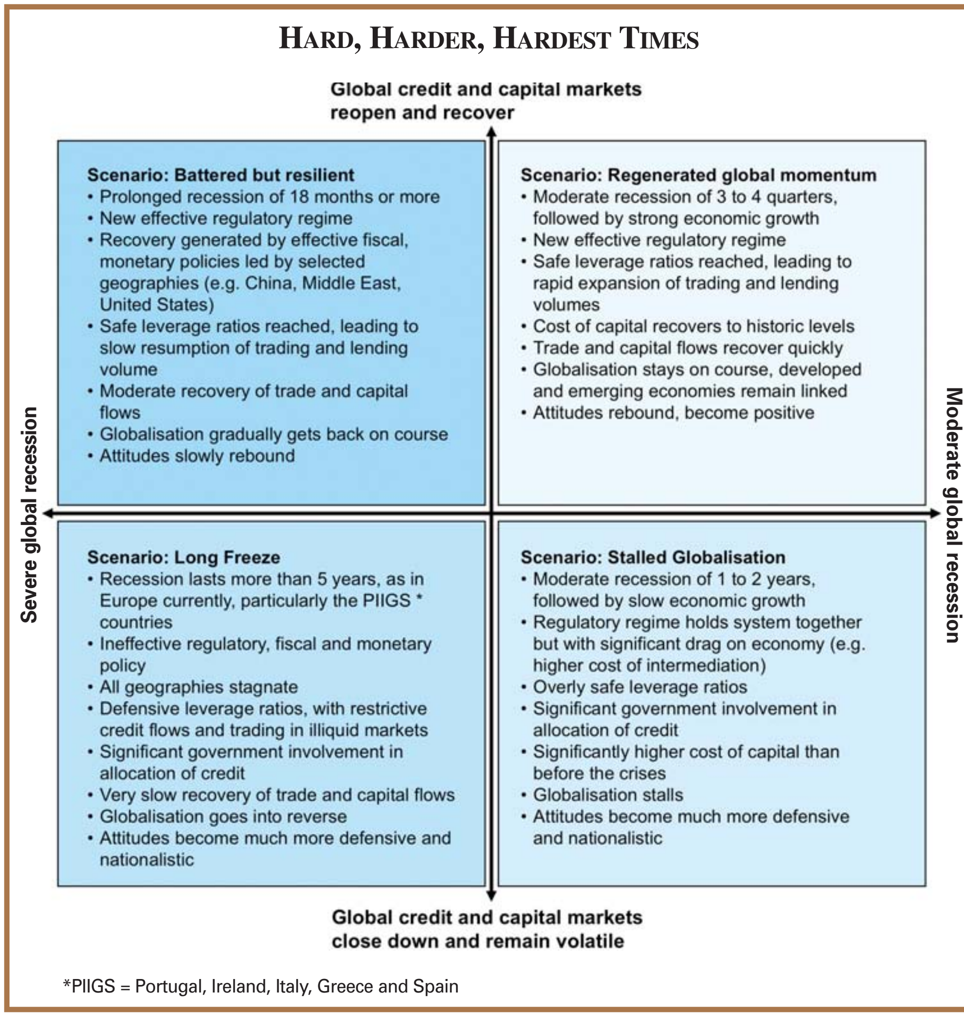
Greater flexibility also means developing as many options as possible that can be exercised when trigger events happen or when the future becomes more certain.

The options companies consider will often be proactive moves. For example:

- Which acquisitions are attractive and on what terms?
- How much capital and management capacity would be required?
- What new products best fit different scenarios?
- If one or more competitors should falter, how will the company react?
- In which markets can the company gain market share?

"Any company that does not take all four scenarios into account, is flying blind."

The Broad Grid of Possible Macro-economic Scenarios



As companies prepare for such opportunities, they should also create options to maintain good health under difficult circumstances. If capital market breakdowns make global sourcing too risky, for example, companies that restructure their supply chains quickly will be in a much better position.

If changes in the global economy could possibly make a specific business unit obsolete, it is critical to finish the preparatory work necessary to dispose of it, before every company with the same kind of business unit catches on.

A crisis tends to surface options. Slashing structural costs while minimising damage to long-term competitiveness is one of many options organisations wouldn't consider under normal circumstances.

Unless executives evaluate their options early on, they could later find themselves moving with too little information or preparation and therefore make the wrong decisions, delay action or forego options altogether.

More aware through informed business intelligence

As problems with credit destroy and reinvent business models, and market volatility whipsaws valuations, companies desperately need to understand how their revenues, costs, profits, cash flows, risks and balance sheets will fare under different scenarios.

This information will allow executives to plan for the worst, while hoping for the best. Be prepared to answer questions like:

- If the recession lasted more than five years could the company survive?
- Is it prepared for the bankruptcy of major customers?
- Could it halve capital spending quickly?

The answers to these questions could help companies better prepare for and help them recognise, as early as possible, which scenario unfolds. This is critical knowledge in a crisis. When lead times disappear quickly, companies can seize the opportunity; but only if they act before the entire world catches on to the probable outcome.

Better business intelligence also promotes faster, more effective decision-making. Companies often gain insights into potential competitor moves by weighing news reports about competitors' activities, stock analyst reports, and information gathered by talking to customers and suppliers. Without this kind of intelligence, especially in a crisis, companies could miss opportunities to snare assets in distress.

To get this kind of business intelligence, companies need a network typically led by someone with strong support from the top.

This executive's mandate should include creating "eyes and ears" across businesses and geographies in specific focus areas like, for example, competitors' responses to the crisis as well as gathering and exchanging information.

A network is critical, because information is most useful if it moves vertically as well as horizontally. Salespeople should exchange knowledge about what is working in economically distressed regions, so that employees can help each other.

Experience shows that streamlining an organisation to define roles and the way those who hold them collaborate, can greatly improve its effectiveness and decision-making.

Assembling bits of information, facts and anecdotes helps companies make sense of what's happening in an industry.

For example, a supplier says it has no difficulties with funding, but first-hand knowledge from other sources indicates that the company is struggling to meet its payroll. Such warnings allow executives to get a full picture much more quickly than they could by sitting in their offices and interacting only with direct subordinates.

Being more resilient means losing energy-sapping structures and behaviours

A crisis is a chance to break ingrained structures and behaviours that sap the productivity and effectiveness of many organisations.

Although such moves often take a year or more to pay dividends, they are valuable in any scenario and, if hard times persist, can help companies survive.

Employees may dislike this approach, but most will understand management's aim to make the organisation more effective.

These structures often burden professionals with several competing bosses. Internecine battles and unclear decisions are common. Turf wars between product, sales and geographic managers kill promising projects. Searches for information aren't productive and countless hours are wasted on pointless e-mails, telephone calls and meetings.

Experience shows that streamlining an organisation to define roles and the way those who hold them collaborate, can greatly improve its effectiveness and decision-making.

When jobs must be eliminated, the cuts mostly reduce unproductive complexity rather than valuable work.

McKinsey's report highlights Cisco's approach in shedding 8,500 jobs in 2001. When the company redesigned roles and responsibilities to improve co-operation among functions and reduce duplication of effort, talented employees were more satisfied in a more collaborative workplace.

Many functional areas offer big opportunities: greater effectiveness, lower fixed costs, freed-up capital and reduced risk. This could be the time to redefine and reprioritise the use of IT to increase its impact and cut its cost.

Other companies could seize the moment to control inventory, to re-examine their cash flow management, including payments and receivables or to change the mix of marketing vehicles and sales models in response to the rising cost of traditional media and the growing effectiveness of new ones.

As customer preferences change, competitors falter, opportunities to gain distressed assets emerge and governments shift from crisis control to economic stimulus, the new industry dynamics that will develop in the next year or two will produce new leaders and laggards.

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