

True North: Losing Direction

Bill George, most widely known as former president and CEO of Medtronic, the world's largest medical technology manufacturer, has authored a new book *True North* based on interviews with 125 successful leaders.

In the book, George identifies traits of leadership successes. He also characterizes leadership failures:

Imposters. These individuals, said George, are adept at identifying their competitors and then eliminating them one by one. This focus leads to poor corporate results.

Rationalizers. These individuals blame external forces or offer other answers when things fail to go their way.

Glory Seekers. They are "more concerned about their reputation among other leaders than they are about building organizations of lasting value," said George.

Loners. These individuals reject honest feedback and they refuse to try other paths. Consequently their organizations suffer.

Shooting Stars. These individuals focus exclusively on their careers. They rapidly advance, so rapidly that they never find the time to recognize the consequences of their wrong decisions.

True North, with exercises at the end of each chapter, is designed to help leaders discover their authentic leadership. Written by Bill George with Peter Sims, the book is published by Jossey-Bass (www.josseybass.com).



Cracking the Code on Profits and Growth

BY DAVID S. EVANS AND RICHARD SCHMALENSEE

At the Tu-Ba Café in Osaka, men and women seeking dates sit on opposite sides of a glass divider. A man can ask a waiter to carry a "love note" to a woman who strikes his fancy. If she's also interested, they can get together at the club or elsewhere.

The Tu-Ba is a *catalyst*, a business that adds value—and makes profits—by unlocking the hidden value that comes from bringing together two or more distinct customer groups who need each other. The catalyst makes it possible, or at least easier, for members of each group to interact in a physical or virtual meeting place.

Catalysts provide value in three ways:

- As a *matchmaker*, they help two distinct kinds of customers find each other.
- As an *audience builder*, they provide each customer with a number of other customers who may be interested and interesting.
- As a *cost minimizer*, they let customers share a facility for getting together.

Catalysts have been around for millennia, but this class of business was explicitly identified and defined only recently. Once you know what to look for, you can see catalysts all around. Auction houses, credit card businesses, financial exchanges, and shopping malls are catalysts. So are the many businesses powered by software platforms, such as Windows OS

and Sony PlayStation, and advertising-supported media such as the *Financial Times*, Yahoo!, and Telemundo.



A catalyst and its customers form a dynamic, nonlinear ecosystem in which changes in one customer group affect the other. The catalyst creates value by igniting a controlled but often

powerful reaction among them. Recent research shows that balance is key to successful catalysts' strategies. For instance, a newspaper must be attractive to both advertisers and readers. If editorial decisions drive away readers, advertisers will follow; and if advertisers leave, it is hard to pay for content that will attract readers.

Many successful catalysts have followed the +/0 business model: charge one group of customers and serve the other group for free or less than cost. Shopping malls don't charge customers to get in. Apple doesn't charge developers for using the extremely valuable code in Mac OS Tiger.

But getting that balance right—and sustaining it—is hard. Take the newspaper industry that makes its profits from advertisers who subsidize readers. Competition from online rivals, including user-generated sites, has reduced newspaper readership. Fewer readers beget fewer advertisers, and fewer ad

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Senior Management's Obligation for Customer Focus

BY MARTIN SELDMAN, PH.D.

In May 2005, my colleague Jovita Thomas-Williams, a human resources executive at MGM MIRAGE, took the last flight to O'Hare airport and arrived at midnight at her hotel in Chicago. She was road-weary and the only thoughts on her mind were getting her hotel key quickly and going to sleep.

A Customer Service Star

Jovita waited impatiently at the registration desk while the guest in front of her engaged in an animated conversation with the desk agent about many aspects of Chicago nightlife. Their voices were loud and full of excitement, which didn't at all match my colleague's mood. When the conversation ended, Jovita moved to the desk and braced for the same welcome. She was pleasantly surprised. The desk agent treated her differently. The agent was calm, informative, and even-tempered. What was even better is that the desk clerk quickly and professionally



checked her in, handed her the keys, and guided her to the elevators.

As tired as she was, Jovita was intrigued by this high level of customer service and stayed a little longer to ask the desk agent how she was able to shift her behavior so appropriately. She replied that she had noticed Jovita's facial expression and body language and these signals helped her gauge Jovita's mood.

The caliber of customer service that Jovita experienced is not common which is why it stood out in neon to her.

The Strategic Imperative

Collectively, corporations spend hundreds of billions of dollars every year on

activities designed to establish their brands. They undertake advertising campaigns, product placements, and celebrity endorsements to create positive impressions of their products and services. By developing this brand image and delivering on the brand "promise," they hope to solidify the loyalty of the customer. The ultimate achievement is to engender an emotional bond between the brand and the customer and to create a brand "ambassador."

While clearly our frontline people are critical to the level of customer focus, the responsibility rests on senior management to ensure that they get the training essential to provide top service. Senior management has an obligation to its employees to ensure that they have the customer service skills they need.

Seeing that customer service staff are trained isn't sufficient. Senior leaders play a key role by linking customer service excellence to key corporate strategies. More specifically:

Inspect what you expect. Employees and their supervisors need to see that the follow up, measurement, and consequences are commensurate with the importance of customer service.

Modeling Golden Rule and Platinum Rule skills. If senior leaders demonstrate these skills, learning and credibility increase while employees experience the power of the skills.

Marty Seldman, Ph.D., is an organizational psychologist and one of the most experienced executive coaches in the U.S., having had in-depth one-on-one assignments with over 1,300 top executives.

Creating a Customer Focus

There are various types of skills necessary to consistently meet and exceed customer expectations. The first set of skills is called "Golden Rule" skills, coinciding with the goal "treat people the way you want to be treated." This means that every customer expects to be listened to and treated with respect. They want to deal with someone with a positive attitude who is responsive to questions and requests and has the skills to resolve conflicts and problems. These are the fundamentals.

To extend the world-class level of service that Jovita experienced, employees need another set of skills, which I call the "Platinum Rule" skills. The Platinum Rule states, "Treat others the way they want to be treated." To accomplish this, we need to expand our range of approaches and move away from the "one size fits all" school of human relationships. It is good to remember the quotation, "If the only tool you have is a hammer, the whole world looks like a nail."

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dollars force cutbacks in editorial staff. Sub-par content further erodes the subscriber base. Newspapers instinctively understand the catalyst formula for success, but must now reassess their business model to determine who their platform should serve and how they can make money in this new world.

Catalysts are the new powerbrokers. Much of the value created in mod-

ern economies comes from catalysts, and many of today's most influential companies—including Amazon.com, Microsoft, and Google—wouldn't exist if they hadn't figured out the code to catalyst success. As advances in technology make it easier than ever to connect multiple customer groups, the 21st Century could well be called the Catalyst Age. The payoff to creatively applying the strategic

principles that successful catalysts have employed is the opportunity to unlock hidden sources of value and to reap new sources of profits.

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The Age of Accountability

What is the “Age of Accountability” and what does the “Triple Bottom Line” mean to today’s companies and their executives?

To answer that question, we turned to Andrew W. Savitz, author of the book *The Triple Bottom Line: How the Best-Run Companies are Achieving Economic, Social and Environmental Success—and How You Can Too* (Jossey-Bass, 2006).

According to Savitz, corporations are now being held accountable not only to their shareholders for financial success, but to an increasingly wide range of stakeholders for their environmental and social performance—hence the triple bottom line.

As he explained, “In the age of accountability, corporations are being held responsible not only by investors and shareholders but by politicians, the media, employees, community groups, environmentalists, and social justice organizations, not to mention regulators and customers.”

As Savitz explains it, the Age of Accountability isn’t a problem for the best-run companies: “these companies are finding ways to turn responsibility into opportunity,” says Savitz, formerly one of the lead partners in the Sustainability Business Services practice at PricewaterhouseCoopers, where he helped firms, both large and small, increase their profitability and responsiveness to environmental and social issues.



According to Savitz, sustainability is about how companies can find the intersection between their business interests and the needs of society like global warming, workers’ rights, consumer protection, and corporate governance, as well as broader social concerns like hunger, poverty, education, and human rights. Thus sustainability “is about how to run, grow, and protect your business in the age of accountability,” according to Savitz.

Savitz points to the concept of the Triple Bottom Line, originally proposed by sustainability guru John Elkington. The Triple Bottom Line is like a balanced scorecard that captures in numbers and words the degree to which any company is or is not creating value for the public, including shareholders. Analysis is made not only of environmental and social benefits but economic, including man-

agement, sales, monetary flow, profits, and corporate growth.

In his book, Savitz points to a “sustainability sweet spot,” where business interests and social issues come together. Companies that focus on finding their sweet spots often get highly innovative, creating new products and services, streamlining business processes and discovering new markets, or other ways to grow.

During an interview with AMA, Savitz mentioned GE’s investment in clean-technologies such as wind-power and water purification that will enable GE to more than double its revenues yet also contribute to protection of the environment. PepsiCo’s purchase of Tropicana and Quaker Oats has “made the healthy-product sweet spot the fastest-growing segment of PepsiCo’s North American product portfolio,” said Savitz, who disclosed that he is a consultant to the company “although they found this sweet spot long before I got involved.” Besides the rapid sales growth, the purchase helps the company to respond to the obesity issue to provide alternatives to sugary sodas and salty snacks.

The bottom line to *The Triple Bottom Line* is this: “In the Age of Accountability, sustainability may represent a major new source of revenue and business opportunities for many companies and executives.” The book is available on Amazon or at your local bookstore.

Words of Wisdom on Destructive Politics

“It’s clear from most of our everyday experience that some organizations have more of the negative behavior we think of as ‘political’ than do others. There are several reasons for the difference.

“First is the attitude that most at the top of the organization often have. If they practice the destructive form of politics, they set the tone and standard for the rest of the organization...

“Second is the specific issue or objective at stake. When people feel passionately about one side or another of an issue, they tend to tug those in the middle



toward one extreme or another. When the situation becomes polarized enough, communication begins to break down and the political environment turns progressively nasty.

“Third has to do not with the size of the stakes but rather about the difficulty of measurement... In fact, one way to determine how negatively political a situation is likely to become is to ask the question: How do we recognize high-quality performance? ...If there is only a subjective answer possible, negative political behavior tends to run rampant.”

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Here's what you'll find on the
AMA Members-only Website www.amamember.org

LEADERSHIP

Real Leaders Pay It Forward. We've certainly heard plenty lately about CEOs who act badly. Sander Flaum focuses on the good guys, leaders who are more interested in making a big difference than in earning a bigger paycheck. Here are some inspiring examples of people who know the value of "paying it forward."

MANAGEMENT

Avoiding the Commitment Dip: Seven Ways to Keep Your Employees Committed to Change. During any change initiative, there's a point when employee focus and commitment falls off. A new survey reveals the steps high-performing leaders take to get things back on track—before it's too late.

SALES & MARKETING

Telling Your Brand Story. Every member of your sales staff should be a "brand ambassador" who can explain the company's brand story in 30 seconds. That story will differentiate your products and services from those of competitors, engage the customer, and help close more sales.

HR/TRAINING

Making Employee Orientation Count. Some companies try to "wow" new employees with a t-shirt or other branded memorabilia. But innovative firms are developing programs to take new employee orientation programs way beyond the usual explanations of benefits and mission statements.

Book of the Month:

Coolhunting: Chasing Down the Next Big Thing by Peter Gloor and Scott Cooper. The art of "coolhunting" involves identifying emerging and cutting-edge trends—whether it's the next hot band or the next MySpace. The authors explain how to coolhunt and explore how the most innovative companies use coolhunting to their advantage.



For more information about this book and AMACOM's extensive catalog of business titles, visit www.amanet.org/books

AMA Conferences/Special Events Calendar

JUNE 13, FREE WEBCAST • Using Talent Management to Build a Culture of Excellence. This Webcast examines the building blocks of becoming an employer of choice. Lance A. Berger, author of the *Talent Management Handbook*, will describe the nuts and bolts of developing an effective TMS within your organization.

JUNE 20, FREE WEBCAST • Rebuilding Brand America. Other nations and cultures have singled out American businesses, government and way of life for harsh scorn, widespread resentment, even violence. Join author Dick Martin in this Webcast as he explores the roots of this anti-American sentiment and offers some practical advice on what American business can and must do about it.

JUNE 24-26, LAKE BUENA VISTA, FL • Consulting World: Grande Conference of the Americas. Developed with the Institute of Management Consultants (IMC USA), this conference focuses on the tools and techniques of managing the consultant-client relationship. It provides the perfect opportunity to learn from, network with, and share practical knowledge with consultants at all stages of practice development. Visit www.Consulting-World.org for complete details and to register.

JULY 11, FREE WEBCAST • Wake-Up Call: Aggressively Develop Your Talents or Disappear. It's already the middle of 2007 and you've been scrambling just to get your job done. Whatever happened to those New Year's Resolutions and development goals about becoming better at some role, skill, or

competency? Spend one hour with a world-class, talent development coach for ideas on jump-starting your personal action plan.

JULY 25, FREE WEBCAST • 8 Secrets to Building Win-Win Alliances and Partnerships. This Webcast will focus on crucial elements that anyone entering into or managing a strategic alliance should know.

AUGUST 1, FREE WEBCAST • Handling Problem Employees: Avoiding Lawsuits and Investigation Disasters. Managers are often called upon to investigate allegations of employee misconduct. This Webcast will explain the steps required to conduct a proper investigation of a problem employee to assure that the investigation is both fair and has the appearance of fairness.

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