

Strategy, Leadership and the Soul

RESILIENCE, RESPONSIVENESS AND REFLECTION
FOR A GLOBAL ECONOMY

Jennifer Sertl and Koby Huberman

Synthesis

Strategy, Leadership and the Soul presents a new paradigm for organizations. In building their case, the authors present a unique analysis of the dynamics of organizational evolution since 1850 to the present day, reflecting on how the context of the changing nature of society over time has informed the necessary adjustments in structure and leadership, and how these have been vital to the sustainability of those organizations. The current quixotic context for both small and large organizations—the rapidly changing business landscape, global interconnectedness, technological innovation and the diversity of the needs of customers and employees alike—requires organizations to ‘be in a state of permanent transformation if they are to survive’, to become *transorganizations*.

In order for these *transorganizations* to, a new style of leader is required—a *transleader*. From their experience as consultants, the authors conclude that *transleaders* must transform themselves first rather than look to the outside for a solution. The qualities needed for this leadership style are:

- the ability to communicate with passion and clarity,
- to develop a shared language that can transform the thinking of everyone working in or with the organization,
- to inspire self-confidence and knowledge to strengthen teams,
- to share power, and give greater control to the workforce
- to behave like mentors rather than bosses,
- to welcome diversity,
- to have an exceptional level of self-awareness,
- to be able to transcend culture, age, and title as a means to arrive at what is relevant

Aligning the values and beliefs of the transorganisation and the transleader is a key feature of this new paradigm. Transorganizational strategy must be similarly aligned, with an agility and flexibility to allow for an unlimited number of possibilities. Without this, organizations become dysfunctional and will be subject to a very real chance of failure.

The soul of an organization is the intrinsic corporate identity that underlies all that it does, that informs its business practices, its aims and goals, its internal and external relationships and its intangible sense of direction—shared in an aligned way between its employees, its managers, its shareholders and its business partners. It is the extremely present and powerful set of beliefs that make the organization what it is. This is not the same as superficial PR or the ‘image’ on advertisements, nor is it just brand identity or corporate culture, but the identity that defines and aligns the relationship it has within the various sectors of the organization and in its interface with the global community.

Strategy, Leadership and the Soul provides a new paradigm and a practical guide to the personal and the organizational adaptation needed to meet the challenges of the future.

Foreword—by Napier Collyns

I first met Jennifer Sertl and Koby Huberman by chance at Forum 21 in 2005 at a beautiful resort on the French Riviera. With many others we were wondering what the new century would be like and what each of us would have to do to adapt to it. It was a wonderful intellectual feast. Koby was speaking about Open Space Technology as a means of Arabs and Israelis getting together on the only thing they have in common—not wanting their children to die in battle. And Jennifer and I were on a panel: If you Want to Change the World: Change Your Life! (Thank you, Paul Weinstein!) After we had gone home to Israel, Rochester and San Francisco, respectively, we began to correspond, and to listen to and learn from each other.

Our conversations, reinforced by the events we have witnessed in the last few years, brought to mind my arrival in America as a graduate history student at Brown. It was 1951, and Edmund S. Morgan and Donald Fleming were conducting a year-long seminar on the Gilded Age and the robber barons. We never thought such an age would ever be repeated, with all the wicked behavior of leading industrialists and bankers. But as we have seen, such lessons are not always learned or digested.

It is clearly time to rethink capitalism—both the good aspects and the bad. Despite all the efforts of business schools and the writings of eminent economists and historians, the ‘Enronization’ of America continues, and we need to find new Roosevelts, both Theodore and Franklin, to put a stop to it.

Now Jennifer and Koby have written a book that provides abundant guidance on how to create an atmosphere in which new, humane organizations can grow and flourish—organizations of all types and sizes with appropriate values, incentives and strategies that sustain and work for individuals, families, businesses, philanthropies, and governments. Many of the bad habits of modern capitalism can be overcome by paying attention to and applying the authors’ inspiring and rewarding ideas.

Back in 1987, I was one of a few friends who started Global Business Network, before the Internet and social media had begun to profoundly influence the way people think and share values. In those days, we brought together remarkable, visionary people from a variety of disciplines to meet with executives in major corporations in order to exchange and explore views about the future, using both early forms of electronic conversation and face-to-face interactions. This new book captures many of the lessons we learned on a daily basis about stimulating and adapting to change and gives them a universal applicability. It is a book to carry with you, to read on airplanes or the subway, a chapter or a paragraph at a time. But it is also a call to action. Its insights are applicable to so many aspects of life: to self development, family relationships, small and large businesses, and indeed to the future of all organizations in every sector and in every part of the world. Read the book—and change your life!

Napier Collyns worked in the international energy business for many years before joining Peter Schwartz, Stewart Brand, Jay Ogilvy and Lawrence Wilkinson in starting Global Business Network, now part of the Monitor Group, in 1987.

Part One: The Evolution of the Organization

*In the middle of the road of my life, I awoke in a dark wood,
Where the true way was wholly lost.*

Dante

To the casual observer, it might seem that small-to-medium-sized companies haven't changed all that much since the Industrial Revolution—bigger, yes, more mechanized, automated and computerized, certainly, more spread out geographically, of course, but nonetheless, basically the same.

This is a misconception. Corporations and other organizations have changed dramatically over the years, in parallel with human culture and society. They've changed and grown, or they've disappeared because they are no longer relevant. And they haven't stopped changing and probably never will, just as society never stops changing.

If the past is any indication, nothing is more essential to an organization—almost any kind of organization, public or private, profit-making or non-profit—than to detect the advent and the character of the next round of changes, if it is to have any chance to thrive, or even survive.

What will organizations look like five or ten years from now? How will their structure and organization differ from those of today's organizations? What differences will there be in their behavior, both internally and externally? How can CEOs make sure their organizations respond and adjust to change, or better yet stay ahead of it?

This evolution of the organization has been almost Darwinian. Each new iteration has succeeded the previous for a very good reason: it has generated more wealth, on an annual basis. Outmoded organizations have either changed, or been absorbed by the new kinds of companies, or have simply disappeared.

Organizational changes have been accelerating, and the alterations have become more and more profound. And each new organizational generation has dominated the marketplace for a shorter period than its

predecessor. How long the next one will last is anyone's guess, but the odds are it will be superseded even more quickly than it sped past its predecessor.

Prior to the Industrial Revolution, which began in the mid 1800s in Great Britain, companies were organized in simple and, from today's viewpoint, primitive ways. The entire hierarchy consisted, at most, of owners, managers, foremen and laborers. Then came the Industrial Revolution and the birth of what we call the "F-Organization".

The F-Organization (1850-1940): Founders, Families and Fortunes

The Industrial Age gave birth to the first corporate organizations, companies built around factories involved in turning raw materials into products and distributing these products over increasingly wider areas.

These progenitors of the modern corporation were almost always the creation of single individuals or partnerships: men who had developed new products or found ways to employ the early industrial technology to mass produce products that were formerly the sole province of artisans.

We call these F-Organizations because they were managed and driven by their founder or the family members that succeeded him. They created textiles, china, farm implements, pig iron, processed foods, armaments and other manufactured goods.

F-Organizations were highly entrepreneurial, with single core competencies and a patriarchal management style. The work force was not considered a partner in the enterprise; it was merely a resource. Employees could expect lifetime employment, but without significant bargaining power this meant long hours, subsistence wages, strict adherence to company dictates and practically no chance for advancement.

As technology evolved and the marketplace expanded, F-Organizations grew larger and larger and more and more complex and their power and wealth expanded in kind.

By the end of the last great economic contraction in about 1940 and during World War II, a new generation of organizations emerged, which we would recognize as modern organizations. Since then, according to our analysis, organizational evolutions have come faster and faster. We believe that the world has seen no less than four organizational generations in the last 70 years, and that a fifth is on the way.

The S-Organization (1940-1970): Structure and Security

The immediate successor to the F-Organization was the S-Organization. The modern organization was born at a critical moment, at the end of a depression and the beginning of the most horrendous war in history. Not surprisingly, business leaders sought to enlist and reassure employees by building companies that were based on providing a stable structure, in which every employee had a clear space, an assigned job and workplace. This organizational change dovetailed nicely with the way society was structuring itself, creating a clear separation of responsibility and identity between its various sectors: government, manufacturing, services, utilities, transportation and households.

Internally, S-Organizations were built around seniority. Those with experience and long years of service generally received the promotions to higher positions. This was in the best interest of the organization because their experiences remained useful for decades—for their entire working careers. Thanks to these experienced and knowledgeable people, these organizations owned practically all the skills they needed to run the business, and in their operations, they emphasized self-reliance and self-sufficiency.

This era was marked by a scientific approach towards individual and team behavior. Management style was a key issue and the subject of many books and seminars. Efficiency was the watchword, and it trumped almost every other aspect of management.

S-Organizations, those that survived, evolved into a new generation of organizations, the P-Organization, leaving remnants and traces of their former selves. The elements of “structuralism” that can be found in today’s organizations are the genetic leftovers from S-Organizations, in

much the same way human beings carry genetic fragments of previous evolutionary stages. And, in the organization, these fragmented leftovers often have considerable power—usually of the counter-productive variety.

The P-Organization (1970-1995): Products, Performance and Profits

The P-age is the organizational environment in which many of today's business leaders went to business school. There they were introduced to the 4P or 7P marketing model. This was designed to guide organizations in a more intensely competitive period. Marketing became the essence of business—marketing with the power of promotional tools, creative pricing and the art of positioning products.

Organizations were now focusing on the practical side of management. Structure was still important, but the new keywords were performance, profitability and productivity, and the implementation of policies, processes, procedures and priorities. Organizations operated according to the unity paradigm, everyone in the company looking and acting the same.

Combined with increased urbanization and large-scale manufacturing, the P-age provided a new potential for business growth. Instead of just building infrastructure and meeting customers' basic needs, new products created new needs. Technological progress became the driving force in the competitive marketplace. It enabled corporations not only to provide solutions and meet customer needs, and to push products to new levels of performance and productivity, but also to find new ways to attract and please the consumer. The result: demands that simply did not exist before.

In order to manage these changes, to properly interact with their customers, to protect their turf and the market position they had captured, corporations had to develop new public relations and advertising practices. But the product was the key. The intangibles were few and of lesser importance to management.

It was an age of power building, power use and powerful leadership. The personality of the leader became more and more important to the organization's ultimate success, and CEOs dominated their corporate culture, becoming business celebrities and stars, both within the corporation and externally. Among the examples of this phenomenon, Jack Welch, the former head of General Electric, and Bill Gates of Microsoft. Typically, the CEOs of P-Organizations were experienced, knowledgeable and sometimes heroic.

The P-age was characterized by other p-words as well, not all of which were positive: for instance, perfectionism, pressure, paranoia, patronizing and paternalistic. The combination made companies inflexible, afraid of failure, and unable to change quickly. They operated reactively, making changes when they felt they had no choice. These major changes often took 18-24 months to implement and were often already outdated by the time they were put into place.

The E-Organization (1995-2002): An Exceptional Electronic Evolutionary Episode

On one afternoon in September 1999, the market cap of eToys.inc surpassed that of Toys-R-Us—although eToys was losing money on a revenue volume which was a fraction of Toys-R-Us, while Toys-R-Us was a profitable business.

How did that happen?

We believe that the business world was attacked by an e-virus, which led to the emergence of a new kind of enterprise. The enterprise was a business that looked at earnings in a different way—not the GAAP way, not the cash way, but through the eyeballs.

During the seven short years between 1995 and 2002, you could take almost any business model, decorate it with “e-something” lingo and put it out on the marketplace— and the venture capitalists (VCs) would begin to circle, money in their hands.

Businessmodels? No one cared. Conventional profit and loss calculations? No longer applicable. The world was no longer in the P-age of the last 25

years, it had e-evolved into the e-world, in which everything—especially products and profits—would be delivered with the help of that most miraculous highway, the Internet. Or so everyone thought.

And the E-Organization leader was very different from previous corporate leaders. He (or she) was young, anti-authoritarian, informal, a risk-taker, inexperienced, experimental and, sometimes unfortunately, wildly over-optimistic.

As a result, the organization itself was haphazard and ad hoc, a collection of freelancers with various levels of commitment to the organizational goal, and sharing many of the leader's characteristics.

The e-world was real enough, but the conclusions everybody had drawn about it were an illusion, and the illusion didn't last long. eToys, for instance, turned into a pumpkin in the year 2000, after the 1999-2000 holiday season. It was easy enough to order toys via the Internet, but not so easy to provide enough customer service to deal with erroneous shipments, broken boxes, and other product problems, or enough operational knowledge to deal with surging demands. Before long, VCs realized that before they invested in e-companies, they had to weigh business plans and make rational measurements of the possibilities.

And so the e-bubble burst, leaving many casualties, among them the VCs that allowed themselves to be drawn into the fantasy that conventional ways of doing business had gone the way of the dodo. The E-Organization was a necessary, if not inevitable, step in the evolution of the organization, and it lasted only until its flaws and limitations became obvious.

Nonetheless, the E-Organization had many useful elements. It showed the world that some important and profitable operations can be and should be delivered as technology-driven interactions (web, contact center, etc.), and consequently, in the past decade, organizations have developed great infrastructure systems to enable such interactions.

Some of the stronger E-Organizations were able to survive the bursting bubble, in part because their business models fit the parameters better, and in part because they were able to combine elements of e-thinking with the paradigm of profitable performance.

Companies such as eBay and Amazon showed that e-businesses could become prodigiously profitable and, in a few instances, even better at value-building than some of largest and most powerful P-Organizations. In terms of percentage increase in stock value, Google and e-Bay consistently outperformed GE and IBM from early 1999 to late 2009.

The vast majority of E-Organizations simply evaporated when the bubble burst, taking with them the investors’ money, as well as their founders’ over-optimistic dreams. E-Organizations turned out to be an anomaly in the evolution of organizations, and a brief one at that.

However, the failure of E-Organizations did not reverse the evolution of the organization. P-Organizations persisted, and the most forward-thinking among them adopted some of the characteristics of the E-Organization. The era that had given birth to the P-Organization, however, was quickly passing. The world was undergoing profound social, economic and technological changes, and at a rate unprecedented in human history.

Corporate Organizational Structure Eras

Era	Time Period	Key Characteristics
F-Organization	1850-1940	Farmers, Families, Fortunes <ul style="list-style-type: none">• single core competence• patriarchy as management style• lifetime employment
S-Organization	1940-1970	Structure & Security <ul style="list-style-type: none">• stability was the key target• leadership became hierarchical• seniority was valued• focus was efficiency
P-Organization	1970-1995	Products, Performance, Profits <ul style="list-style-type: none">• policies and procedures• rise of the MBA• systems became more important than people
E-Organization	1995-2002	Electronic Evolution <ul style="list-style-type: none">• e-business and dot.com• e-commerce• everybody can play

Afterword

We have an imperfect, positive duty to seek our own perfection and the happiness of others.

Immanuel Kant

Some of the people who read this book—especially younger people—will find it an affirmation of their instincts and beliefs. Some will find much of what we’ve discussed new, but sensible. And, we suspect, another group—especially those who have decades of leadership under their belts—may find it radical, and in direct conflict with what they’ve learned over the years, or what think they’ve learned.

To all of these groups, we’d like to say that we’ve seen the ideas espoused here put to work in a wide variety of SMBs, government agencies and NGOs. They work. They can improve efficiency, productivity and profits. They can also improve job satisfaction and working relationships. They can make a positive impact on everyone, from the organization’s leadership to its lowest level employees.

Strategy, Leadership and the Soul, at its core, asks you to think about your organization, your people and yourself in new and deeper ways.

It is a call to thoroughly perceiving both the outer world and the inner world, and to unite these understandings.

It is a call to consciousness.

It is a call to personal responsibility.

It is a call to harmonize your organization.

It is a call to elevate your people.

It is a call to know your soul and the soul of the organization, and to see that it is at the heart of everything you do.

It is a call to embrace diversity and encourage it.

It is a call to use your energy wisely.

It is also a call to make flexibility and adaptability a core competence.

It is a call to share power in order to multiply organizational strength.

Finally, it is a call to consider your possibilities unlimited.

Once upon a time, if you were the strongest beast, you could be pretty sure of winning. Later, you won by dominating through wealth. After that, in the age of international corporations and conglomerates, size meant victory. Today, whoever has the most information or customer knowledge will come out ahead.

But this paradigm is undergoing another change. Tomorrow, we are convinced, the organizations with the clearest understanding of reality and with the highest consciousness will be the winners because they will be able to see signs that are invisible to others.

This is your challenge.

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I love this book! It bursts with fresh ideas and redefines what a true leader is today - and more importantly tomorrow. This book is pure gold for any business wanting enduring success.

Daniel C. Barnett, CEO, The Primavera Company Speaker,
Vistage International, Inc.

As you read this book you realize that this is a new paradigm for business leadership ... The three anchors in the book – Strategy, Leadership and the Soul – provide the coordinates to understand the new organizational dimensions. Beyond intellectually enjoying the original analyses in the book, I gained a new “GPS”, which helps me “recalculate a new route” in any dynamically changing situation.

Ofer Levy, Chairman of the Lotem Group

The world needs leaders that understand and thrive on diversity and constant change. Most of us fall into the trap of looking for solutions for our companies; few of us look for ways of transforming ourselves first, so we can continually transform our businesses ... This is a book for everybody who believes that business sustainability, in the uncertain times we live in, is possible.

Carl R Luttig, Managing Director of the ZEAL Group Pty Ltd.,
Melbourne, Australia

Strategy, Leadership and the Soul presents an insightful view of the future that will be embraced by transleaders and create bewilderment for those that cannot make the transition to a world where customer knowledge and desires set the pace for value creation.

Rick Plympton, CEO, Optimax Systems Inc.

Humbleness and leadership – two words seemingly from different sides of personality. Can they be at peace with one another, or better still, can they create a harmonious combination? ... This book shows you how to do this. Let it also drive you to self reflect on who YOU are and who YOU want to be as you prepare for your next challenge.

Gabi Seligsohn, CEO of Nova Measurement Instruments Ltd.

In today's world the 'business book of the week' usually espouses a new quick solution to problems or better ways to restructure your business in 90 minutes or less. This is a refreshing new book ... it makes us think differently. It makes us answer tough questions. Read it twice!

Peter Parts, Peter Parts Electronics

It is often difficult to understand the complexities and subtleties of the changing business environment while struggling to cope with our own internal operations and preconceived mental models. This book clarifies the factors causing dramatic transformation in the economy and society, and provides a guide for both the personal and the organizational adaptation needed to meet the challenges of the future.

Dale Ewing, CEO/President, InstallNet

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