Relevance

By Mano Mahadeva, CPA, MBA | Column Editor

In their book, "Leadership on the Line," authors Ron Heifetz and Marty Linksy offer a practical solution to leaders – continually move back and forth between the "dance floor" and the "balcony," which suggests leaders take themselves out of the fray, at times, to understand what really goes on in their businesses. Why? Because there is too much happening on the "dance floor" – too many priorities, too much information, too many meetings and many other distractions. If leaders continue to stay on the dance floor without taking time for reflection, they will not be able to act expediently to stay relevant.

Dramatic changes in business conditions today and in the future make relevance an imperative. Globalization and technology has touched businesses of all kinds. The internet provides real-time capabilities across the world; cheap money has given rise to unexpected competition and new products; cheap labor markets and limited pricing power continue to add pressure on profits. Inaction and irrelevance mean a lesser chance for survival. Taking thoughtful action may lead to enormous rewards.

In the industrial age, it was much easier to succeed and carry on business by adhering to a "best practice" way of doing things. Today, due to a host of new challenges, innovations and many uncertainties, we may be operating in a dysfunctional or even counter-productive manner by using the practices of yesterday. No one disputes that companies must adapt if business conditions force a change or if a company is failing, but it is important to do so even if we are succeeding, as our present success may be due to a result of unrelated attributes.

To be successfully positioned, it is important that a company understands its capabilities, processes and beliefs relative to the new world. It is a step that precedes the annual rituals of strategic planning, budgeting and forecasting, which is a thorough and insightful exercise that helps answer, "do we know who we are," "are we making money" and "how are we making money?"

In 2002, the Oakland Athletics became competitive with larger market teams with one of the lowest payrolls in Major League Baseball. They did so by taking advantage of empirical gauges of player performance. Instead of competing head to head with larger market teams like the New York Yankees and Boston Red Sox, Oakland's General Manager Billy Beane went against conventional wisdom and undertook a contrarian, non-traditional approach to competing in the sport. He utilized a long short arbitrage technique of dumping overvalued players and signing undervalued players from other teams, which helped make the Athletics a very successful franchise. Today, many sports teams like the Los Angeles Dodgers and Chicago Cubs have emulated this approach.

In the late 1990s, IBM transformed itself from selling computer hardware to becoming a provider of information technology services to its customers. This change resulted in the building and management of its customer technology platforms. This was a major strategic change and a calculated risk, as in some instances, IBM customers purchased competitor hardware to be part of their technology platforms. Looking back, IBM's insight and resulting shift proved correct, as services have become IBM's core business today.

Staying relevant is not an easy task. It is difficult enough trying to deliver this year's results without having the need to stay ahead of the curve. Some companies have been successful at these efforts, while others have failed. As an example, Hewlett Packard, a company that played a significant role in the rise of Silicon Valley and at the time, ranked third in global technology sales could not pull off what had to be done because of conflicting and alternative directives. Chief executive terminations, claims of sexual harassment, board room spy scandals and controversial acquisitions added to the confusion, resulting in major questions about its outlook. Other examples of unsuccessful efforts include Kodak, which left the camera business, and Blockbuster, which failed to compete with Netflix.

Leaders of successful companies must be able to promote a vision and articulate it well. They need to have a sense of paranoia in that they assume that something will change and soon. They must exhibit urgency; i.e., a determination to move forward and do it now. They need to create companies that are agile and adaptive; agile in that they can do what it takes to get to their destination and adaptive in that they can rise above all the noise to make the correct interpretation and adjust to the new circumstances. In other words, the successful leaders will need to be equipped with these capabilities so that they can navigate uncertain circumstances or conditions.

Companies better at adapting to environments of increasing volatility will most likely replace those that are inert, complacent or that live off past successes. It is essential for survival and a way of carrying out business. Asking questions about who we are, what we do and if we are making money may lead to our relevance and survival.

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