The CEO Who Sees Around Corners

How to Make the Right Reality-Based Strategic Decisions in a Fast-Moving World

Jay ABRAHAM and **Carlos DIAS**

Authors of ***The Strategy of Preeminence*** and ***Creative Leadership for Turbulent Times,*** the e-Learning Program for CEOs and Senior Executives

The CEO Who Sees Around Corners

How to Make the Right Reality-Based Strategic Decisions in a Fast-Moving World

Jay ABRAHAM and **Carlos DIAS**

Executive Learning Systems, Inc.

THE CEO WHO SEES AROUND CORNERS
How to Make the Right Reality-Based
Strategic Decisions in a Fast-Moving World

Published by Executive Learning Systems, Publishing Division
First edition, September 2013

For information and inquiries, address Executive Learning Systems, Inc., 8530 SW 166th Street, Palmetto Bay, FL 33157; email: carlos@carlosdias.com.

Cataloging-in-Publication data for this book
are available from the Library of Congress.

ISBN: 978-0-9895976-2-3

This book is available at special discounts for bulk purchases in the U.S. by corporations, institutions, and other organizations. For more information, please contact Executive Learning Systems, Inc. at the address above.

About the Authors

Jay Abraham

As founder and CEO of Abraham Group, Inc., in Los Angeles, California, Jay Abraham has spent the last forty years solving problems and significantly increasing the bottom lines for over 10,000 entrepreneurs, corporate business families, and multinational companies in more than 400 industries worldwide. He is also Chairman and partner of Executive Learning Systems, Inc., having actively collaborated with Carlos in the development of Creative Leadership for Turbulent Times.

Jay has more than $9 billion of wealth creation documented for his business clients, with over 12,000 stories on record, and something like 3,000 prominent authors and experts who quote him in their published work. The Strategy of Preeminence is a philosophy for operating a highly profitable and sustainable growth organization. This strategy is becoming the underpinning of a corporate culture; hiring, marketing, and client interaction – everything should flow from this powerful belief system and new world business view.

Jay has been acknowledged as a unique and distinctive authority in the field of business performance enhancement – and the maximizing and multiplying of business assets. He's been featured twice in *Investor's Business Daily* both on the front page and in the Leaders & Success

Section – saying Jay "[k]nows how to maximize results with minimum effort." *Forbes Magazine* listed Jay as one of the top five executive coaches in the country, saying jay's specialty is "[t]urning corporate under performers into marketing and sales whizzes."

In addition, Jay has won high praise as a world marketing genius in numerous publications such as *Forbes Magazine*, *The New York Times*, *Inc. Magazine*, and many others, and as a keynote speaker in the United States and all around the world, including in China, Japan, Russia, and Singapore, countries where he is considered the Marketing Genius $9.4 Billion Man.

Learn more about Jay Abraham at:

www.abraham.com
www.CreativeLeadershipForTurbulentTimes.com.

Carlos Dias

With forty-plus years of leading, mentoring, and consulting with corporate business families and multinational companies, Carlos is a successful, pragmatic, down-to-earth former CEO of American and European multinational and corporate family businesses.

Carlos has fine-tuned the Strategic Wealth Creator System™ – six system thinking processes that he created and developed over the last twenty years – to adjust to the changes in this new non-linear dynamic world.

The culmination of his career is the interactive eLearning program for CEOs and senior executives, *Creative Leadership for Turbulent Times*, in which the business ecosystem is described step-by-step, with Jay Abraham in active collaboration.

Carlos is CEO of Executive Learning Systems, devoted to the research and development of new tools and processes for CEOs and senior executives, in particular, to increase their strategic effectiveness, make their corporate family businesses resilient, enable them to continuously adjust to the changes in this new fast-moving world, and to gain competitive advantage and sustainable, profitable growth.

Learn more about Carlos Dias at:

www.carlosdias.com
www.CreativeLeadershipForTurbulentTimes.com.

This book is dedicated to all the mentors we have had throughout our careers – those who have taken the time and effort to challenge us to operate at our own maximum degree of greatness.

It's also our collaborative attempt to help nourish, grow, and fortify the performance of the corporate family-owned-business, which is – and will always be – the foundation of our economy here, and representative of the future foundation of dynamic economies in countless emerging countries today and for decades to come.

Turbulent change is the only constant we can now be certain will *always* be with us – no matter the industry or locale. Strategic, proactive, critical integrative response is the only certainty that can assure sustained success.

Jay Abraham & Carlos Dias

For Those Wanting A Quick Glance Before Reading…

We wrote this book to introduce you to proven and unique powerful theories, new beliefs and mental models, and new concepts and processes to succeed in the twenty-first century. It is, in particular, for those corporate family business CEOs and senior executives buffeted by tumultuous events – in their market, in their country, in their own companies. It is for those CEOs and senior executives who aren't sure just how to take their organizations onto a new path of success in a fast-moving turbulent world. It's for you that this book has been written!

For your family business, or any organization, to be triumphant tomorrow, you, as CEO, need to learn to craft distinctive business models and singular competitive strategies that will be unique in tomorrow's market, which will be quite different from today's. To do so, you first need to understand and learn unique underlying principles and mental models – in other words, the rationality or way of thinking of today. Why? In a fast-moving world, business models and strategies are built around important key assumptions about the external environment relevant today but that is rapidly irrelevant tomorrow. You can't depend anymore on experts alone to tell you what to do. The knowledge of experts is at risk of being outdated if they don't update their knowledge. We are living in an extraordinarily difficult world with no single competitor, and many dangers.

So this book isn't just about classical management concepts and techniques. It's introducing a new practical, proven way of thinking to reach greatness, this valuable quality of being effective, admired, and respected for business excellence in difficult and turbulent times.

Consequently, this is not a book that offers quick solutions or clever tips that will help you *instantly* become a successful CEO. This is not possible; true success takes work, time, and commitment. It takes learning and patience to become a "CEO who sees around corners." This book will not teach you *what* to think, either. **Its aim, instead, is to give you a framework for you to accelerate in learning *how* to think, to place you on a fast track to leadership, by sharing powerful research and practical concepts and processes that deal with success and failure in the twenty-first century.** You will learn to identify where you are going and how to reach your destination using the same proven map used by our clients and by us each day.

This book will encourage you to consider the key questions that you need to know to become a "CEO who sees around corners." It will provide you with the foundation from which you can propel your company into high, sustained profitability in today's fast-moving, unpredictable times.

This book is about the science of winning and losing for CEOs in the twenty-first century. Everything written herein is clearly expressed and summarized to help you understand the highly critical decisions you'll need to make to bring success, joy, and peace of mind in your life, instead of mediocrity, despair, and stress.

Therefore, in the course of putting this material together, we have been very careful to heed Russell Ackoff's view of the difference between teaching and learning, the former, according to Ackoff, a major obstruction to the latter. "The educational system," he has said, "is not dedicated to produce learning by students, but teaching by teachers."[1] Being taught something turns out to be a rather ineffective way of learning. Some of what is taught might be retained, but typically retention is for a brief time only. On the other hand, something is learned when it can be used practically and effectively to attain a desired end. **Effective education is training by doing.** In this

---

1 *Russell Ackoff*: A *Lifetime of Systems Thinking*, Pegasus Communications, Inc. Drawn from a speech at a Villanova University conference celebrating Ackoff's 80th birthday.

book, as in all our advice to our clients, we will not teach you what to do. Rather, and more importantly, **you will learn how to acquire mental acuity** – that rare ability to see, think, feel, and hear clearly, even – perhaps especially – in turbulent times such as exist today. You will learn powerful concepts that can lead to greatness. And through the Strategy of Preeminence, you'll learn how to find the mother lode – the million dollars within your organization that you never knew you had. You will learn, in short, how to be like a CEO who sees around corners.

We wrote this book because of two fundamental problems we kept finding with CEOs and senior executives throughout our global travels. The first is a lack of consistency or harmonious uniformity in their paradigms and mental models when it comes to what challenges need to be faced in the twenty-first century, and how to face them. The second is confusion between what to do strategically and how to execute operationally; in other words, too much emphasis being placed on short-term operational planning to the detriment of strategic discussion and long-term planning in these times of uncertainty. As a result, **failures abound since many different strategies emerge over time (often too late) rather than a process of deliberate formulation.**

As a result of these two fundamental problems, many organizations have a tendency to become dysfunctional, not leveraging their business ecosystems the way they should, making erratic decisions, and engaging in unpredictable behaviors – all a result of applying obsolete paradigms and mental models, concepts we will deal with comprehensively herein.

How this dysfunction manifests itself is all too predictable. As most companies play with the same rules in the same market, each player responds to and learns from the actions of the other players, benchmarking against their best obsolete practices. This, then, becomes the commonplace approach, as opposed to an approach that seeks unique strategies or, indeed, new rules altogether, even the creation of new markets. To be a CEO who sees around corners, you need to know how to craft strategies that emphasize differences inside the business ecosystem, not strategies based on similarities, the latter of which are quickly being rendered useless in today's dynamic world.

Against a backdrop of economic stagnation in the western world, the pressure is on the CEO to deliver a strategy for profitable growth. But as the sovereign debt in Western countries mounts, just what measures are going to revive profitable, healthy growth within the organization?

The question only can be answered by an accurate-thinking CEO leader. Such a leader makes decisions using both reason and emotion, finding that both are necessary for success. Emotion without reason can be disastrous because reason is a part of emotions. Without one, the other cannot function properly. Reason without emotion is blind, blind to personal values and the values of the corporation, leading to chaotic decisions that ironically become difficult to justify on the grounds of reason.

An accurate-thinking CEO thinks more logically, using insight based on foresight or the ability to predict what is likely to happen, and uses this to prepare for the future, all while keeping his or her values, and the values of the company, at the forefront. An accurate-thinking CEO takes advantage of a mastermind group, a necessary concept we will introduce in this book, as a means by which you can leverage the resources of your underdeveloped organization to seek out different points of view, recognizing a perspective that may help you better focus your plan and analyze your decisions. **Nothing a CEO can do, no matter how high and right-minded, can be accomplished alone!**

It all comes together as a systematic approach to thinking that works via a series of connected processes looking at the business ecosystem in which any company operates. The end result will help the CEO avoid the quick, "intuitive" means of making decisions, decisions that often end up being wrong in times of dramatic change. Intuition, after all, is typically sourced in past experience, experience that is frequently obsolete in a future that is markedly different from the past.

It's a reflective intellectual, but practical, method and consequently requires the ability to restrain oneself from an immediate payoff now for a much larger payoff later. But it enables careful methodic reflection that provides an ability to check one's answers and adjust accordingly. Thinking in this way is something you can learn only by doing, however. **Practice, not theory, makes (or breaks) the CEO.** Planned, reflective actions, not just ideas (however beautifully composed), lead to success. Creative thinking – in the way we will introduce in this book – will provide for you a means by which to break out of the mental box in which most CEOs are unknowingly trapped.

All the concepts and processes introduced in this book are fact-based, supported by proven theories and concepts, used by our clients around the world – corporate family businesses and large multinationals, too. What you won't learn herein are theories without the necessary tools to implement them. Nor will you learn the tools without the necessary theories, or theories based on dubious assumptions. Nor will you find case studies based on economic conditions that no longer apply, or that are based on obsolete market knowledge.

We also offer you a free test drive to judge the effectiveness of what you'll learn herein: over three hours of recorded webinars and ten online calculators taken from Module I of our step-by-step eLearning interactive program.[2] These webinars and calculators will allow you to test the soundness and practical concepts introduced in this book, yet another reason why this book is unique.

Finally, and no less important, this book and our program – based on our combined 80-plus years of practical, global experience – is our contribution and our legacy. We trust it will serve you well for years to come.

---

[2] *Creative Leadership for Turbulent Times*, published by Executive Learning Systems, *www.CreativeLeadershipforTurbulentTimes.com*

Contents

Foreword
by Helene Geiger

Don't bother checking for my name – you won't recognize it. I'm not a rock star business leader or a celebrity professor. But I am the CEO of a family business, like you. That's why Jay Abraham and Carlos Dias asked me to write a few words about their business philosophy, their eLearning program, and this book.

I came to know Jay and Carlos' work by accident. They hired my firm to build their eLearning system. I never expected to try the program – but as I saw it being built, my curiosity got the better of me.

You see, when Carlos and Jay described the state of business today, their timing was dead-on. This past recession had been a serious shock in my industry. I had managed to steer my business to safety, but so many others – long-time suppliers, competitors, even clients – had not. As the recession eased, I realized that my "safe harbor" was actually a dead end. My business had become stuck, but I wasn't sure how to get it unstuck.

Enter Jay and Carlos, with "The CEO Who Sees Around Corners." Right away, I could tell this was the real deal. Not a cheer-leading session from a professional motivator; not a brain-dump from the ivy-covered walls of academe; not a quick band-aid that would have no lasting effect. This book was practical, actionable, and 100 percent red meat – from two seasoned executives with a bad habit of speaking truth and not letting you feel sorry for yourself.

Jay and Carlos have no intention of letting you cower in your comfort zone and whine about the good old days. Their tough-love message is **if you want to change the fate of your business, you**

have to begin by changing yourself. Great turmoil means great opportunity, but only for organizations whose leaders have the courage, and the vision, to:

Get Your Head Screwed on Straight

"The CEO Who Sees around Corners" explains how. Its key message: as a CEO, you cannot go on living in denial. You cannot ignore that a new business landscape is emerging. You cannot pretend that you do not see the change that is roiling every market. If you insist on averting your eyes and "whistling past the graveyard," your business will soon be in the graveyard. Before you can lead your business to success in this new environment, it's essential that you change your personal paradigm. It's a new world, and you need a new mindset – a twenty-first century *strategic* mindset that prepares you to "see around corners" so you can profit from change, rather than be destroyed by it. Carlos and Jay explain how to make a multi-dimensional mental shift and become an accurate-thinking strategist, prepared to lead a business to reach its full profit potential.

Develop Strategic Acuity

The book previews many of the central concepts from Carlos and Jay's executive learning program, *Creative Leadership for Turbulent Times*. Their key message: you cannot afford to waste time and resources on quick-fix solutions. Instead, you need to address your business issues *systematically*, apply laser-sharp critical thinking skills in order to see your current reality accurately, and make sound strategic decisions that lead to a profitable future in this very competitive, very complicated world. Carlos and Jay cut right to the heart of the matter in their book, explaining precisely what needs to be done and why. They even give you free access to some of the tools and webinars from their executive learning program, so you can see not only how to make the right decisions, but also get those decisions implemented effectively in your organization.

Lead a Preeminent, Profitable Twenty-First Century Business

That's what you'll learn as you apply Carlos and Jay's concepts within your organization. Carlos and Jay have the real-world experience needed to understand that you cannot change your business unilaterally. They have seen how internal friction can sabotage your strategies. So they built into their processes a unique set of resistance-shattering tools and methods that will change your culture naturally, organically. The tools are designed to scale to organizations of any size and shape, and you can use them whether your executives are co-located or virtual. You'll be amazed at how quickly your team will be collaborating, communicating, and aligning around your new strategic realities.

So what is it like to put Carlos and Jay's concepts into action? What is it like to change your mindset, and allow yourself to reach for greatness? What is it like create new strategies, and then watch them unfold and take on reality? I think the best word to describe it is, "thrilling." You feel like you hold limitless opportunity in the palm of your hand. You'll find yourself falling in love with your business again. You may even catch yourself smiling on your way into work in the morning – it feels good to be associated with success! You'll look forward to speaking with your team, your customers, your Board, even the press – because you'll be proud to stand up and represent your business. Best of all, you'll feel the satisfaction of knowing that you have built a solid, secure future for yourself and your family – even in turbulent times.

Carlos and Jay, you rock!

Helene Geiger, CEO
Prometheus Training, LLC
www.ptrain.com

Introduction
by Carlos Dias

Greatness or Mediocrity – The Choice is All Yours!

The choice is all yours: become a twenty-first century CEO leader who exceeds goals and expectations and is admired by colleagues and team members who are inspired to perform their best and commit themselves to your goals. Or, hide in the disguise of yesterday's leaders – struggling to hold onto your position by following the conventional thinking and clichés of leadership. These "leaders" are often put on a pedestal by their followers, only to the extent that it is good for the followers' careers. Sooner or later, your disguise will be removed and you'll find yourself in a desperate scramble to know yourself, to find the clarity you need to guide you through the complexity of the times. Hopefully, you'll be able to do so in time to save your career, and your own company.

> "A *lobster when left high and dry among the rocks, has not instinct and energy enough to work his way back to the sea, but waits for the sea to come to him. If it does not come, he remains where he is and dies, although the slightest effort would enable him to reach the waves, which are perhaps within a yard of him. The world is full of human lobsters: men stranded on the rocks of indecision and procrastination, who, instead of putting forth their own energies, are waiting for some grand billow of good fortune to set them afloat.*"[3]

[3] Dr. Orrison Swett Marden (1850-1924) was an American spiritual author. He also held a degree in medicine.

Shaping true twenty-first century CEO leaders is the simple but profound challenge of this book. We aim to bring new, practical mental models based on new paradigms and skills to help you avoid becoming like a lobster – instead, becoming a CEO who sees around corners. **More than to teach you, our goal is to provide you with the conditions in which you can learn to become a twenty-first century CEO leader.** That is, you will come to know the importance of having the hindsight to learn from the past, the foresight to see the hazards and opportunities that the future is likely to present, and the insight to respond to current challenges. It's what we do in our program and it has helped hundreds of CEO leaders and executives make the transition. It can unleash your talent and energy in ways you may not have thought possible.

> Shaping true twenty-first century leaders is the simple but profound challenge of this book. We aim to bring new, practical mental models and tools to help you become a CEO who sees around corners.

It begins with a clear assessment of the conditions of our economy and markets. Six years after the start of a global recession in the Western world, we find ourselves at a turning point in business and economic history. What we're seeing in Europe and North America is the end of an economic strategy that confuses progress and productivity with indebtedness. This will present enormous difficulties that cannot be solved in hindsight with knowledge from the last century.

Unfortunately, the vast majority of CEOs and senior executives hide from this reality. Most of today's CEOs and executives entered into their professional life at the end of the 1980s and in the early '90s. Until recently, they have known nothing but growth. Success for them has meant graduating from prestigious universities and benefitting from a network of people with the same education and similar values and goals. Many of these executives, today in their forties, don't fully understand what a severe recession means, much less what the emerging economic dynamic is going to mean for them.

The trends remaking their markets and businesses are quite real, but hard to imagine through their late-1990s, MBA-program mindsets. Too many CEOs and senior executives operate in a state of denial; too many hope that the hierarchy and "stability" of a corporation will excuse them from thinking and acting with a deep commitment to knowledge and continuous self-education. These views are very wrong.

Many CEOs and senior executives don't read enough. Many don't listen, either. They remain focused instead on multitasking through their immediate operational agenda. Reading and listening would mean they'd have to slow down and take the time to learn what someone else has to say. More than committing time, it would mean they'd have to step outside of their own world, a world they see through their own personal filters, influenced by their education and network of people. These are defense mechanisms that give executives a sense of security. If they would slow down to listen and remove their filters, they would find new insights and knowledge that would often lead to better solutions and fewer wrong decisions. But these inputs would be confusing and unsettling, disruptive to the sense of security of these CEOs and senior executives.

This state of affairs is, of course, dangerous; ignorance generates arrogance and arrogance typically leads to failure. "You can ignore reality, but you cannot ignore the consequences of ignoring reality," author Ayn Rand wrote.

The alternatives are clear. We adapt to the characteristics of the new world in which we find ourselves, or we remain mired in our erroneous, outdated ideas of what the world is and suffer the brutal consequences.

The alternatives are clear. We adapt to the characteristics of the new world in which we find ourselves, or we remain mired in our erroneous, outdated ideas of what the world is and suffer the brutal consequences.

Let's consider some key events that are happening in the world as this book is being edited, events that are even now prefiguring the challenges that CEOs and executives will need to overcome by way of new business models and strategies. These are not events that *could* happen in the future. These are current realities. You, as CEO or senior executive, can't afford to be blind to this gigantic paradigm shift from west to east.

"This still-worsening debt crisis is merely a warm-up act," writes Jamil Baz. "Yet after the financial maelstrom of the past five years, debt ballooned to a weighted average of 417 percent of gross domestic product, from 381 percent in June 2007, in 11 economies under the market microscope."[4] Baz is referring to the Western world. Deleveraging is proving impossible to execute for at least five reasons, he adds. First, "all the perceived unpleasantness of the past few years is merely a warm-up act for a greater crisis still to come." Second, Baz explains, because debt levels need to come down by at least 150 percent of GDP in most countries, and history suggests that you cannot reduce debt by more than 10 percentage points a year without social and political dislocation. Baz thinks it will take a minimum of fifteen years to reach escape velocity and to attain a level consistent with healthy growth. Third, according to Baz, when we finally start cutting debt, the economic impact will be massive and unpredictable. Fourth, corporate profitability is highly correlated with changes in leverage; reduce debt to meaningful levels and profitability will fall. Baz's fifth point is no magic bullet. "Even inflation, long touted as a backdoor solution to debt reduction, will not help."

What the above adds up to for you is a series of positive, and negative, events that you, as CEO, can't ignore. Your first responsibility is to embrace a plan for any uncertain future. That is why we would like you to be aware of the circumstances in which you, and everyone, should contemplate the reality today for leveraging all the positive events at your advantage; in doing so, you will be able to

---

4 *Financial Times*, July 12, 2012. Jamil Baz is chief investment strategist at GLG Partners, part of the MAN Group.

limit in an important way the negative consequences of these events in your family business organization.

Emerging Markets Increase Their Competitive Level … and Global Power

According to figures from the International Monetary Fund (IMF), emerging companies *now* serve as the world's economic growth engine.[5] Overall growth in emerging markets will continue to outstrip that of developed economies between 2012 and 2020, with developing countries forecast to grow by an average of 59.5% in real terms and developed countries expected to grow by 21.9%.[6] As the emerging markets rise, so do their companies. Many companies that had previously posed no competitive threat to multinational corporations now do so.

Having experienced the dangers of mismanaged economies in the past, most emerging countries recognize the dangers of getting into debt, at both the public and private levels. Many, as in the case of Brazil (ranked sixth in the world economy by GDP in 2012), have been able to increase the standard of living with their neighboring countries. The emergence of these countries on the world economic stage can be explained by demographically strong growth at the same time that many of the developed countries are seeing their populations getting older or decreasing, and by the rapid dwindling of the breach that has historically separated them from the Western world on an educational and competitive level.

Here is a good example: "Performance management practices in Brazil and Russia differ from those in the U.S. in some surprising ways," according to research done by the Institute for Corporate Productivity (i4cp), research that was focused on the people practices that make high-performance organizations unique.[7] Their 2012 study,

---

5 World Economic Outlook, IMF.

6 *Euromonitor*, May 2012 Special Report "Rebalancing Power to Emerging Markets."

7 *Talent Management* magazine, February 2013.

A Comparison of Brazil, Russia and the U.S., found U.S. organizations lag in performance management prowess when compared to those in Brazil and Russia. The study of 1,472 respondents, representing firms in the three countries, examined organizational performance management practices and discovered vast differences. According to the study, "[a]bout 70 percent of respondents in Brazil and Russia applied Performance Management (PM) principles and practices to executives, while fewer than half of the U.S. firms did so." In the same way, the study concluded, "Only 10 percent of the U.S. respondents reported their organizations applied PM to their board members, while three times as many in Russia and more than four times as many in Brazil reported doing so."

What does this mean for companies of any size, including family businesses? It means Brazilian and Russian companies, and companies from other emerging countries as well, are catching up to Western countries in practices and performance management. Is this dangerous? Of course. It's why finding skilled workers is, for 46 percent of family businesses in the U.S., the top reported challenge affecting them in 2013 (we think it will be in the future, too).[8]

It is certain competition will be more aggressive in the future; thus, performance and talent management will be key to thriving and surviving in this new world. Consequently, **talent development will make the difference between companies thriving, surviving, and disappearing in this dynamic turbulent world.**

Is your organization investing enough in developing your talent? Are you developing operational or tactical skills alone, and not strategic skills? If so, you'll need to consider developing strategic skills, too. Otherwise, how will you be able to effectively handle your new competitors? Lower pricing? We doubt it.

You'll be able to effectively handle your competition only by being a smarter and better accurate-thinker, as you'll discover later in

8 Price Waterhouse Cooper – PWC Business Survey, 2012/2013 – U.S. findings.

this book. The fact is, BRICS markets[9] and other emerging markets will be propelling global growth but, in their own markets, internal competition. What does this mean? It means they'll need to develop their expertise in marketing, strategies, and systems thinking – where your strengths are, or where they should be. If your strengths are not there, you need to hurry to develop new strategic skills.

With this new window of opportunities, your family business not only can survive, but will have an excellent opportunity for growth through strategic alliances, transferring your marketing and knowledge of your market. This isn't utopian thinking; it's what I did between 1978 and 1987, helping to close more than fifty technology transfers and joint ventures from European to Latin American companies (Brazil, Argentina, and Mexico, in particular). They were all win-win deals: new profit centers from royalties for the European companies and success for the Latin American companies. Here's why:

BRICS Markets Will Continue to Drive Global Growth … and Power

Estimates show that 70 percent of world growth over the next few years will come from emerging markets, with China and India accounting for 40 percent of that growth, according to Ernst & Young. "The forecasts suggest that investors will continue to invest in emerging markets for some time to come. The emerging markets already attract almost 50% of foreign direct investment (FDI) global inflows and account for 25% of FDI outflows," they concluded.[10]

Brazil, Russia, India, China, and South Africa decided at their 2012 BRICS Summit in New Delhi, India on March 29, 2012 what would have been unimaginable just six years ago at the start of the crisis: to get rid of the dollar as the single currency for the exchange

9 Brazil, Russia, India, China, and South Africa are the so-called "BRICS countries."

10 Emerging Markets Increase their Global Power, source: www.ey.com.

of their commodities.[11] This was announced along with plans for these countries to create their own development bank with capital provided by them. This decision will allow them in the near future to avoid using the IMF and World Bank.

This latest development clearly follows a plan; in fact, it began in 2009 when China signed a series of financial exchange swap agreements, initially with its regional partners, and then with Brazil, Argentina, and in time, other countries including Russia, United Arab Emirates, and Japan. These agreements may be replaced before the end of the current decade by the creation of a strong currency backed by gold, of which China, South Africa, and Russia are large world producers.

The importance of these currency swap agreements is this: at the present time the U.S. dollar is the currency with which most countries pay for their imports, such as dollars and other commodities. This means that when two countries exchange commodities or any other product or service, they have to buy dollars, thus requiring them to possess extensive reserves of dollars in their central banks to be able to import the things that are essential for them to survive. Since the agreement between BRICS *excludes* the dollar, this creates the potential for something that no CEO or senior executive should ignore: most likely, the dollar will gradually lose its privilege as a new BRICS (or Chinese) currency gains value.

"China's currency is rising in America's backyard," wrote Arvind Subramanian and Martin Kessler, senior fellows and research analysts at the Peterson Institute for International Economics.[12] East Asia is now a renminbi (the currency of China) bloc because the currencies of seven out of ten countries in the region track this currency more closely than the U.S. dollar. Write Subramanian and Kessler, "Not only is China, by some measures, the world's largest economy in purchasing power parity terms, the world's largest

---

[11] 2012 BRICS Summit from Wikipedia and the *Indian Express* newspaper, March 29, 2012.

[12] *Wall Street Journal*, October 12, 2013.

exporter and the world's largest net creditor, but the renminbi bloc has now displaced the dollar bloc in Asia."[13] The gravitational forces of economics, trade, and now currency are drawing most Asian countries closer to China.

Tesco, a leading supermarket chain in the U.K., is part of this trend.[14] Like many multinationals, it buys a lot of goods from China, and, like most foreign firms, it pays its Chinese suppliers in dollars. But now it wants to pay them in China's own currency. The government has allowed Chinese importers and exporters to settle their trades in yuan (the main unit of renminbi currency), and for Chinese firms to make direct investments with the currency.

What might the BRICS countries, particularly China and Russia, do to make new currency attractive in the world market? Make it convertible and backed with gold. This is not mere speculation. It's happening even now. China has been, since 2007, the number one producer of gold in the world. Despite this, they are also big importers of gold: forty-five tons in 2009, 209 tons in 2010, and 500 tons in 2012.[15] These are large quantities, not to be ignored. What do they know that we don't?

"Emerging markets will be not only a source of significant revenue growth for companies but also a source of talent, true innovation, and ground-breaking approaches to business, which they will leverage on a global scale." – Emmanuelle Roman, Global Consumer Products Markets Leader, Ernst & Young

The Russian economy, meanwhile, grew more than 4 percent in 2011. What data show, writes Mark Adomanis, contributor to *Forbes Magazine*, is "something that, by this point in time, should be glaringly obvious: that Russia has been growing much more rapidly than the other G7 countries ever since its economy bottomed out in 1998 and has also recovered much more rapidly from the global

13 Ibid.

14 *The Economist*, February 9, 2013.

15 Source: *www.chartus.com*.

financial crisis and the 'great recession.' This doesn't mean 'Putin is great!' or 'Russia is the future!' but it *does* mean that anyone who suggests that Russia is chronically underperforming in comparison with the West, or that its economy is incapable of growing, ought not to be taken very seriously."[16]

This growth, combined with a foreign public debt less than 10 percent of GDP and high prices for oil exports, places Russia in an enviable position when compared to the economies of the Western world. Also, Russia is a big producer of oil and gas, together making up 60 percent of what Russia exports. We have not, of course, found a substitute for either.

It should be clear that BRICS are already getting ready for a new world, I think. Just as it was with the U.S. post-WWII, soon the BRICS will be shaping the world's direction. "Despite the global economic slowdown, Asia's cities are continuing to widen the perceived technological gap between their American counterparts," writes Joshua Berlinger in *Business Insider*.[17] "The juxtaposition is visible from the moment your feet leave the plane. Many of the airports in Asia's biggest cities are stunning, engineering marvels – and make those in the U.S. seem outdated. Has America's early leadership in technology and engineering evaporated?"

Here, I point out a host of examples, summarized from an article in *Business Insider*.[18] The Shanghai Magnetic Levitation (Maglev) train floats on magnets and is the world's fastest commercially operated train, travelling at speeds of up to 268 miles per hour. Seoul's local government has launched a $44 million plan to blanket the city with free Wi-Fi. Some Japanese street signs have heat maps to relay congestion information to drivers and directly influence traffic patterns. Dubai is home to the world's longest fully-automated metro system. Beijing uses cloud seeding technology to

---

16 *Forbes*, July 26, 2012.

17 Business Insider – *www.businessinsider.com*, February 1, 2013.

18 Ibid.

alter weather patterns. Osaka's Kansai International Airport is built on an earthquake and tidal surge-proofed human-made island. Sanyo's MIRAI SANZO "communication robot" voice-control function allows homeowners to switch on and off floor heating, automatically fill the bathtub with hot water, send out an email to one's cell phone when the fire alarm is triggered, and perform others tasks. "Green Kites" in Beijing are used to measure the wind, gauge distance, and test for pollution.

What does this mean? It means Asia is not just manufacturing cheap products anymore.

Emerging Countries May Be Your Competitors, but They Could Also Be Your Partners

China, the BRICS, and all the emerging markets may be your competitors, but it would be wrong to say they are your enemies. The rise of foreign companies seeking to enter Western markets can be looked at as a problem, or, as we suggest, an opportunity. Some CEOs feel threatened in much the same way that, one might recall, people felt thirty or so years ago when the Japanese entered certain United States markets. Gregg Easterbrook, writing for Reuters, remembers what was said about Japan in the 1980s: "Japan's GDP growth was rapid, Japanese investors were snapping up New York City real estate, Sony just bought CBS Records. Japan's Ministry of International Trade and Industry was whispered about as possessing near supernatural prowess. Commentators said only 'industrial policy' – direct government control of business decision-making – could save America from becoming a vassal to Tokyo's super-ultra-unstoppable economy."[19]

Those who remember those days, and I include myself among them, recall the predictions of gloom, as though U.S. business could not, somehow, compete or adapt to the newly-emerging "threat." But U.S. business did both. The fact is that any company entering a foreign market will initially have one distinct disadvantage: a lack of

[19] "China as number one? Remember Japan in the 80s," Reuters, August 18, 2010.

knowledge of the marketplace. But for smart, rolling-in-money companies, this won't remain a disadvantage for long and it's not wise in the long term to depend on this as your means for outcompeting the foreign company. In time, they *will* learn your market. So you have to rebalance. If one of your levers is weakened (e.g., the slow growth in the Western markets), then your role as CEO is to focus your organization's efforts elsewhere. A Western world that is weighted down by debt simply won't grow fast enough for your family business to thrive in the future. The trick, then, is to keep expanding the pie. How can one accomplish this? How can one best deal with the emergent threat?

The answer, as with most threats, is to get out in front of it. If the foreign company will learn your market eventually, anyway, then why not be the one to help them, or – more to the point – provide them with the market knowledge they need? Shift your way of thinking, in other words, from "competitor" to "partner" and you might just find a wealth of opportunity awaits you.

The smart, strategic way to create a win-win solution to what most consider an uncontrollable problem is found in building alliances and joint ventures. This is what Brazil did with large European companies in the 1970s. It's what China has done in the past twenty years with American and European large multinationals. It's what allowed China to acquire, for free, precious high technology. Consider General Motors and Volkswagen and how they were able to leverage the fantastic growth of the Chinese market, hitting 20 million vehicles in 2013. "Volkswagen Group plans to increase production 60 percent by 2018 in China, where the German company's earnings last year rose by more than 40 percent. Capacity in China will rise to 4 million vehicles a year by 2018 from about 2.5 million currently."[20] For its part, General Motors was able to use its profits from China to float its North American operations.

Spurred on by the government, Chinese companies are looking

[20] Europe Autonews, March 14, 2013.

to invest, more and more, in a wide range of sectors abroad – close to $23 billion invested in 593 deals between 2000 and the third quarter of 2012 in the U.S., as China was willing to tell us in a two-page advertising section in the prestigious *Financial Times*. "There is a lot of room for Chinese companies to help the U.S. economy grow if they are allowed more investment opportunities," writes Yasheng Huang, professor of International Management, MIT Sloan School of Management, Founder of China and India Labs.[21]

Many smart companies are already building alliances and joint ventures. Witness JBS, the largest Brazilian multinational food processing company, with $35 billion annual sales. The company has established itself as the world's largest company in the beef sector with the acquisition of overseas firms such as, in 2007, the $225-million Swift and Company, which was the third-largest U.S. beef and pork processor, renamed now as JBS USA.

Or, more recently, consider Warren Buffett and 3G Capital with a $28 billion move for Heinz. "The deal – the fourth-largest food and beverage acquisition of all time – underscores the rising tide of deal making and has raised the hopes of bankers that mergers and acquisitions activity will accelerate."[22] 3G Capital is a private equity firm backed by Brazilian billionaire Jorge Paulo Lemann, which led the leveraged buyout of Burger King. "The Heinz offer is the result of three decades of careful investing, from their (Brazilian) role in the creation in 2008 of the world's biggest brewer, AB InBev, to the formation of 3G Capital in 2004 and its $3.3 billion investment in U.S. fast-food chain Burger King in 2010."[23]

More and more companies from places like China and Brazil are seeking to establish footholds in Western markets, not just as suppliers of technology but as their own brands. Rather than remain content to be subcontractors to Western corporations, many BRICS

21 *Financial Times*, January 9, 2013.

22 *Financial Times*, February 15, 2013.

23 *Financial Times*, February 20, 2013.

companies want to sell to Western end-users. Many are already doing so, and the trend will continue. Waves of BRICS companies will be hitting the Western markets with their own products. But of course they will be in need of market know-how and are therefore in need of strategic partners, and it's worth seriously considering whether you want to think of these companies as potential competitors or potential joint venture partners. Your strength – your marketplace knowledge – can go hand-in-hand with their strength – the technology they desire to introduce through their product(s) and their brand.

Although you may not feel it in the Western world, the global economy will expand at a faster rate this decade than in the past thirty years, writes John Thornhill in *Financial Times*. "What is changing with exhilarating speed is the source of that growth. In 2011, Brazil, Russia, India, and China (the original BRIC countries) created the equivalent of a new Italy in terms of economic input."[24] Thornhill quoted (in the same article) Jim O'Neill, the top Goldman Sachs economist. "China creates a Greece in 12½ weeks. Since 2010, China has created an India."

What does this mean? It means the future high growth and large possibilities for your family business are there, in the BRICS countries. However, don't spend too much time thinking about your move. Others family businesses, including multinational companies, are eyeing BRICS countries too.

Eyeing countries like Brazil is what, for example, Chinese tech titans are doing. "The Chinese like emerging markets because, for a change, they don't have to start way behind established American companies. By moving into Brazil aggressively, Chinese personal computer maker Lenovo Group and Internet search company Baidu hope to gain an edge over companies like Hewlett-Packard and Google. In addition, some U.S. companies that are leaders at home and in Europe have a smaller footprint here because of Brazil's long

---

[24] *Financial Times*, March 11, 2013.

history of protectionism and red tape and its high cost of labor, particularly compared with Asia," according to the Wall Street Journal.[25]

Skepticism and denial are, unfortunately, blinding many Western CEOs to these new realities. It is our goal to open your world to the new possibilities. This, after all, is your job as a CEO. By allowing your world to open, you can overcome the denial and pessimism that is so pervasive today. Your organization can close the gap between what's being done today and the potential offered by the new world that is rapidly emerging.

It might not be easy. One needs to be aware, nevertheless, of just how much of a mess the Western world is in.

"The Magnitude of the Mess We're In"

This was the title of an article published by the *Wall Street Journal* on September 17, 2012.[26] "The problems are close to being unmanageable now," George Schultz, Michael Boskin, John Cogan, Allan Meltzer, and John Taylor write. Their conclusion: "If we stay on the current path, they will wind up being completely unmanageable, culminating in an unwelcome explosion and crisis." Let's try to summarize using different official sources, the "magnitude of the mess we're in."

Since of the beginning of the financial market turmoil in 2007, the Federal Reserve's balance sheet has increased significantly from $869 billion on August 8, 2007, to close to $3 trillion at the end of 2012.[27] That is close to Germany, with the world's fifth largest GDP!

25 January 8, 2013.

26 The authors were senior fellows at Standford University's Hoover Institution. They have served in various federal government policy positions in the Treasury Department, the Office of Management and Budget, and the Council of Economic Advisers.

27 Source: Board of Governors of the Federal Reserve System, Recent Balance Sheet Trends.

The European Central Bank (ECB) follows the same path: lending to Euro area credit institutions was, at the end 2012, €1,130,000.[28] Thus, the Federal Reserve and the ECB had close to $5 trillion on their balance sheets, created from thin air, not economic wealth creation. Central banks can only create liquidity, not wealth. Indeed, it is mathematically impossible to stimulate the economy out of the actual mess because stimulus (debt) is the problem and it is logically impossible for the problem and the solution to be the same.

Money, it must be remembered, must never be confused with wealth. Money is nothing but current currency, with a legal value but without the necessary means by which to provide for us the prosperity that wealth can provide. If it were possible to *print* our way to prosperity, we already would have done so. Governments have tried this and have always failed. Printing currency can help in the short term only in so much as it buys a government time.

We should not forget, first, the counter derivative market and, second, the risks of a rise in interest rates. Derivatives include credit default swaps (CDSs) and collateral debt obligations (CDOs), where an investor takes over risk from another. The process has sped up because one can now instruct one's computer to use algorithms that make deals in a fraction of a second. **Banks have invented derivatives for making money out of money, which cannot be done in the real world.** These banks are now running a shadow parallel economy at least four to five times larger than the real economy! Currently, 82 percent of the $248 trillion (over thirteen times the U.S. GDP) in derivatives is sitting on U.S. commercial bank balance sheets – what's called *shadow banking*.[29]

Second, any rise in interest rates, particularly on the short end of the curve, will mean that U.S. corporations will see a massive increase in interest payments due on the $7.3 trillion in debt they currently owe.[30]

---

28 Source: European Central Bank – Eurosystem.

29 Source: Phoenix Capital Research, February 13, 2012.

30 Phoenix Capital Research, February 13, 2012.

"Where does credit go when it dies? It goes back to where it came from," writes Bill Gross, PIMCO's CEO, in his newsletter on February 13, 2012. "It de-levers, it slows and inhibits economic growth, and it turns economic theory upside down, ultimately challenging the wisdom of policymakers."

Turning Challenges into Opportunities through a New Mindset

For every challenge there are multiple solutions. Different definitions of "problems" result in differing attitudes, some proactive, some passive. The proactive accurate-thinking CEO sees difficulties as challenges, opportunities, and even games. The problem (and therefore the opportunity) of our world today is that it has ceased to be a predictable continuation of the past. Ironically, one's business experience can actually make one more stupid. Accurate, strategic thinkers see the new and different world and understand that old ways of thinking are no longer useful. They are able to step outside of the mental models that other business leaders continue, to their detriment, to use.

> "The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger – but recognize the opportunity."
>
> – John F. Kennedy

Challenging economic times such as exist today present extraordinary opportunities for proactive organizations to grow and be successful. "The first one gets the oyster, the second one gets the shell," wrote Andrew Carnegie. Be first. Get the oyster. Better still, get the pearl. As an oyster builds a unique relationship with an irritant by coating it with layer upon layer of crystalline substance, forming a beautiful pearl, so should you be looking for new opportunities to build a unique relationship with reality as it is, not as you wish it to be. It is only in this way that you can design a unique, profitable strategy fitting reality, not fantasy, while at the same time acquiring the foresight needed to search for such strategies on an ongoing basis. **This is what leading organizations are doing today.**

CEOs of leading organizations learn to be accurate, strategic thinkers and become able to apply new concepts and new rules that can be confusing to the competition. Unable to grasp the new rules and the effectiveness of the consequent new strategies, the competition might even find itself ridiculing the game changers. When Apple released the iPhone in 2007, the CEO of Blackberry wasn't threatened at all, asserting that it was an already crowded market and Blackberry had no reason for concern.[31] Mid-2012, just five years later, the iPhone generated revenue of $25 billion per quarter, $100 billion per year.[32] In terms of sheer revenue, Apple's iPhone business has become bigger than Microsoft! Single-handedly, the iPhone has, for all intents and purposes, effectively destroyed the substantial companies – Palm, Nokia, and of course, Blackberry. Microsoft, meanwhile, has been sent reeling, as have Hewlett-Packard and Dell.[33]

Examples like these are all too common. In free markets, people will invariably come along with revolutionary ideas. As a result, the rules will change and business leaders must either change their thinking and embrace their new world with new mental models, or die out with the old ways and their old obsolete thinking. In turbulent times such as exist today, the rules change often. **To succeed – and even to thrive – one must change one's paradigms just as often.** Experience, used in the wrong context, can prove fatal. Linear thinking must give way to non-linear thinking. If you cling to the past and operate in denial, you will fail to see the meaning of Rand's truism: you can ignore reality, but you cannot ignore the consequences of ignoring reality.

---

31 *Business Insider*, June 29, 2012.

32 *Business Insider*, February 4, 2012.

33 *Business Insider*, June 29, 2012.

> *"Each problem has hidden in it an opportunity so powerful that it literally dwarfs the problem. The greatest success stories were created by people who recognized a problem and turned it into an opportunity."*
>
> —JOSEPH SUGARMAN

These books fail in that they stop short of showing the reader how to take the incidents of success and *apply* them to one's own business. They particularly fail to provide the practical tools necessary to reproduce the success for one's own distinctive situation, especially in a world that didn't even exist at the time of the recounted success story or case study.

This, then, is the purpose of the book you are now reading. It will differ from others in two key respects. First, it will go beyond the management business book that offers one theory, many times, based on dubious assumptions, and reinterprets case studies and anecdotes from successful businesses to prove the book's thesis. These books fail in that they stop short of showing the reader how to take the incidents of success and *apply* them to one's own business. They particularly fail to provide the practical tools necessary to reproduce the success for one's own distinctive situation, especially in a world that didn't even exist at the time of the recounted success story.

Second, this book will go beyond the standard business books that attempt to provide the tools, but fail to provide the theory behind them. It's the theory, after all, that paves the way for real-world applicability. There's one thing in fact worse – a theory without a true fact, using invented facts instead. A theory based on true facts, if properly understood, can be applied to your situation regardless of circumstance.

In both types of books, books that provide tools with no theories and books that provide theories with no tools, dead ends are often reached right at the point at which you try to take the knowledge that is offered and apply it to your own world.

As you'll learn in this book, there are three kinds of CEOs and senior executives: talkers, doers, and thinkers. Talkers talk, doers do, and thinkers think. But until the thinkers do, the doers think, and the talkers walk, no one can thrive, or even survive, in turbulent times such as exist today. This book, as well as our eLearning program, are unique in the way they have been designed for all three kinds of CEOs and executives to achieve the proper balance. All three types can become accurate, divergent thinkers and twenty-first century leaders.

Our objective is to break through the standard dead-end with the introduction of five new paradigms that we have developed for real-world success in this fast moving world. These paradigms or principles are grounded in lifetimes of business success. They don't represent static business ideas or obsolete models. They are principles that have been proven to work, and that allow – that demand – new ways of looking at the world. We offer them to you here as a means by which you can successfully navigate the unchartered waters before you. The past is of little help in today's world. But the future is ready to be made by those who understand, and are ready to make the commitment to embrace whole new ways of thinking.

I wish you a good ride reading, taking notes, and putting into action the powerful principles and practical concepts in this book.

Enjoy the ride!

Carlos Dias
October 2013

Preface
by Jay Abraham

Prepare for a mind-rattling challenge to your current sense of business reality!

My partner, Carlos Dias, and I are on a mission. No, make that a crusade! We want to profoundly "shift" and permanently transform the thinking, actions, and transactional focus of CEOs and key executives of corporate family-owned businesses—one CEO or executive at a time.

Thus, this book we've painstakingly collaborated on for the last two years is the Power Tool that we're using to reach you in the two places that matter most – your brain and your business bottom line. This book is the prelude to our executive program, and explains why changing paradigms and mental models is key to succeed in the *new world*.

We see the future, and it's not a pretty picture for the CEO who continues following the status quo methods of thinking (or doing) that got his or her business to where it is today.

The world is changing. Competition is changing. The consumers are constantly changing. Yet most CEOs and executives haven't changed what they do, and how they do it. Why not? Typically the problem is denial, often covered up by arrogance.

Arrogance leads to myopia which results in an inability to see what happens in the world around you today.

Yet you *must* change, in decisive ways, because there are tectonic shifts that severely threaten your long-term continuation as a viable enterprise. This means that things will not be what they used to be. Thus, what you do is *not* what you should do. Not anymore.

Think of reading this book as traveling on a richly rewarding, prize journey.

Your business is not merely a mechanism for generating commerce. It's your ultimate investment asset (or at least it should be). It's the most satisfying and fulfilling expression of purpose-driven, marketplace value contribution and economic performance recognition you could possibly have access.

It's the ultimate creator of value (and talent) you'll ever hold the reins of. It's a way to impact the lives of enormous quantities of people—all your team members and all the clients and prospects you ever reach. Moreover, it will directly impact your own shareholders (your own family), whose assets you have a duty to protect.

Yet, most CEOs and executives in privately-held businesses underperform their potential—underachieve the capability of their company's marketplace opportunity, under produce the economic yield of their profit opportunity and the growth potential of their talent maximization opportunity.

Most CEOs and executives unknowingly, unintentionally, undeservedly limit, restrict, impede, and constrain the financial return/results their assets end up delivering to them and their stakeholders.

You underperform the earnings capability your assets (both tangible and intangible) represent. You fall back to outdated, linear ways of thinking, doing – coping. Is it any wonder that most private businesses underperform their return on assets by a factor so dramatic that it makes staying in business a questionable decision (when the capital tied up in the enterprise could return far higher yield invested in other asset classes)?

It's not an easy task, but you can rebirth an organization that might be otherwise doomed to mediocrity, or worse, destruction. You can build a new breed of greatness into your family-owned business.

This book is our attempt to challenge your thinking, to shift your paradigm, to hurdle your vision (and your grasp of the game your company now plays)—into rarified strata, capable of producing quantum increases in how your enterprise performs.

How and why?

Let's start with the "why" first. It's disarmingly simple: without changing strategy, or your business model, or competitive positioning, or approach to collaborative leadership – your company cannot/will not maintain enough growth, profitability, momentum, velocity, or distinction to remain viable in the long term.

We know this thought is offensive (and shocking) and more than a little unpleasant to read at the beginning stages of embracing our startling but invaluable book. But facts *are* facts. Without being brash or disrespectful, **what got your business to where it's at today cannot continue propelling it to where you need to be going tomorrow.**

We need you to learn how to master "multiplied growth," increased profitability, preemptive/preeminent marketplace positioning, and higher return-on-asset thinking (that dwarfs the kind of financial yield you'd get from any other investment alternative you could put the resources and time into) to reach a higher return on assets.

Are we saying your company is trapped in a toxic, downward spiral it cannot possibly extricate itself from? Maybe, maybe not. Only you can know for certain, *after* you've carefully reflected on the well-documented/well-supported business belief system (and newfound operating perspective) we unveil in this book. In chapters 1 to 3, we deliver what you need to change yourself inside (and your own staff). In chapters 4 to 6, we introduce what you should do, how to execute, and what you need to succeed in turbulent times such as exist today.

We're going to introduce you to some potent new distinctions like divergent thinking versus convergent thinking. We'll explore, explain, and carefully examine the far-to-little understood concept of return on assets, and help you quickly assess how your company *really* stacks up – right now. How? You do it by looking at your organization as part of a business ecosystem, and not as a simple organism isolated from the environment. Furthermore, you do it by leveraging the knowledge of your staff, and all your people, through our unique concept of a "mastermind group alliance."

This is why this is also a book about cultivating the skills, abilities, and power to see around corners—meaning to perceive/assess/project where your industry and marketplace are headed and what your market is asking for.

You'll also see what technological/economic/psychological factors will most positively (or negatively) impact your current business situation—and what looming dangers you need to protect against (or navigate your company away from)—at each heightened/critical step of the ultra-faster paced, competitive game you're playing now and into the future.

Learning to see around corners means not just seeing/perceiving what's ahead—before any of your competitors see it. It refers to seeing what shifts in leadership, management, communication, collaboration, vision are needed by you and your executives as our world constantly shifts, evolves, and morphs.

This book takes a number of liberties in ascribing to you and your company certain "givens." We assume, for example, that you're not as content as most CEOs today to operate in a cloud/shroud of mediocrity.

So we focus much of this book on how to achieve magnificence––meaning maximizing your greatness as a leader, a company, and as a prized, high-yielding rapidly-appreciating business asset. We focus on constantly improving the greatness in everything that your management people and company do. We do it based on over eighty years of combined experience in dealing with hundreds of family business organizations such as yours around the world.

We move your focus away from the abstract (or macro issues) and laser-in on a far more granular view of all the "high leverage" impact points: forces, factors, and performance-enhancing (or impeding) elements that can positively – or negatively – afflict and affect the bottom-line results your business delivers.

Strategies, business models, belief systems, ideologies, communications – all are filaments we weave together in the fabric of visionary, high-performance thinking we present here.

We introduce the science of strategic optimization—the gaining of the highest-and-best return on all your (and your teams') time, effort, actions, activities, investments, assets, and opportunities. We define "why and how" you as a leader and your people and company must become preeminent – as well as how to transform each one of your team members into preeminent forces to reckon with as well.

We teach you how to harness, then harvest, for you, your organization, and your family. Also, we will show you the wonderful world of relational capital that exists both inside and outside your business to double or triple your actual return on assets, and the true measure to value the performance of your decisions in your organization.

We want to give you the confidence, certainty, and drive to more aggressively (and relentlessly) look at your business with a three dimensional pair of glasses.

Carlos has a deep and richly successful background in the corporate world. I come at everything with the eyes of the street-smart, non-theoretical, no-nonsense performance and results-based true entrepreneur. Carlos has known me for over twenty-five years and has applied my powerful concepts such as optimization, the Parthenon principle, and strategy of preeminence, which helped lead to his success as senior executive and CEO of different multinational European companies.

Together, we're able to help you gain a practical integrated and exponentially-expanded set of eyes to see with, and a heightened worldview from which to view your situation.

We wrote this book for you, your executives, your team stakeholders because nothing remotely like it exists.

A word about our style of writing: it is purposely designed to shift your perspective and thinking, by substantiating, validating, and verifying *every* idea, stratagem, or concept we introduce here. Because of the citations/prestigious references and near-sovereign acknowledgments we incorporate, we believe you'll find it difficult to deny the veracity or logic and proof herein – the truths in this book. We purposely use this style (and empirical-based proof) to help substantiate (and document) our position – to help you come to the same conclusion for yourself. In addition, we revisit a number of concepts you may have heard of before but never, ever knew of them with the practical implications/applications and meaning we imbue them each with herein.

Our purpose is straightforward. We want to respectfully provoke you as the leader, CEO, key executive—to look at your family business world differently—more expansively, more objectively, more externally, more transactionally, and more reflectively.

We want you to better understand or ask, "*What's really going on here?*" We've tried to provide a fresh set of eyes and a vastly expanded paradigm of perspective and possibility for you to evaluate or re-evaluate – from a vantage point of renewed understanding so that, hopefully, you'll embrace our ideas full-on!

This book is a unique integration of thinking, expertise, and decisive growth and performance lessons we've separately discovered (then validated) on a worldwide basis – for both multinational corporations and entrepreneurial enterprises alike.

The CEO or executive who completes this book will, absolutely, be a far more evolved, perceptive, externally-focused, masterful leader and stimulator of greater performance than when he or she first begins reading these pages. That is our full promise to you.

In order to fully grasp all the distinctions and discoveries you will gain from reading this book, we respectfully request that you read it the way it was written—meaning one chapter after another (without skipping chapters). **Each chapter is connected to the next, so it will be difficult for you to grasp any particular concept herein without having read each one of the preceding chapters.**

Do that and I promise you're going to learn the cure for the common way of thinking about doing business in the twenty-first century. We're betting that will cause a permanent shift in your brain—for the better! It should have you "rethinking" everything you ever did—everything you ever do as a leader, to create greater business success, greater corporate profits, and increased asset value from this day forward.

I wrote a forward for someone else's book recently and the opening line read, "You are paid to think!"

I realized long ago that your ability as a leader to outthink your competitors—in terms of strategy, leadership, and market place positioning—is the distinction that wins in business today.

There are certainly a lot of books in the business field now, explaining the "new-new" concept du jour or the "distinction of the day." They're probably all fine – for what they do!

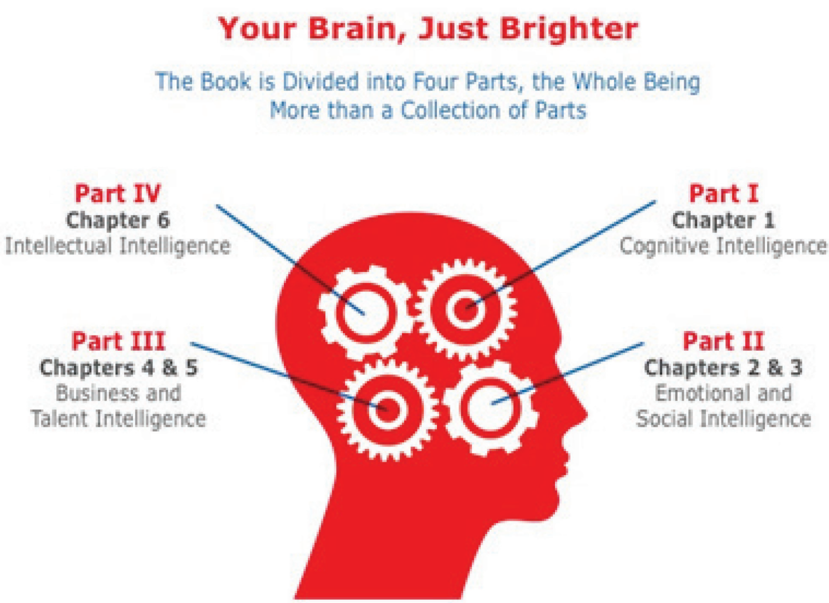
But *this* book you're about to embrace approaches the entire concept of forward thinking, proactive thinking, perceptive critical thinking – from a decisively distinctive point of view.

Carlos Dias and I sincerely hope we've provoked you to think about every facet of your company more critically, logically, and more powerfully from this day forward.

Enjoy the chapters that follow. Let us know your thoughts too. We will thank you!

Jay Abraham
October 2013

This Book is Divided into Four Parts



PART I: Cognitive Intelligence

Cognitive intelligence is thinking, the ability of our brain to process, store, retrieve and retain information.

Stumbling Block: Many CEOs are confused and anxious to see a world moving faster and faster, making it difficult to make right decisions with too much information.

True Reality: A CEO can't afford to deal with a new world using yesterday's tools.

Chapter 1: Describes the new key abilities for leaders to perceive and select new *"facts and factual-based information"* to update knowledge, making the right decisions to successfully lead in a fast-moving world.

PART II: Emotional and Social Intelligence

Emotional and social intelligence are the ability to identify, assess, and control the emotions of oneself, of others, and of groups, and the ability to understand and manage others.

Stumbling Block: Many CEOs are stressed, unable to recognize emotions before responding appropriately to successfully lead in turbulent times.

True Reality: As CEO you can master all the skills but fail as a leader for lack of one key, often overlooked skill: the inability to control your emotions.

Chapters 2 and 3: Describe the new key abilities for a leader to manage self-emotions and the emotions of others effectively.

PART III: Business and Talent Intelligence

Business and talent intelligence are a set of theories, methodologies, and processes that transform raw data into useful information and effective strategy, providing a unique market advantage; talent intelligence is a special aptitude in business that can be improved through self-development.

Stumbling Block: Return on assets in most organizations today is lower, at best equal to the cost of weighted capital. Many business models and competitive strategies are obsolete; as a result, wealth destruction becomes the norm in many organizations.

True Reality: Without wealth creation, no one organization can thrive in an uncertain, inflationary world.

Chapters 4 and 5: Explain why today more than ever an organization is embedded in a business environment where it coexists in and is challenged by an ecosystem with other stakeholders. Unfold the principles to thrive in a fast-moving world; companies need to be proactive in developing mutually beneficial relationships, leveraging all the skills available through system-thinking processes.

PART IV: Intellectual Intelligence

Intellectual intelligence is the total intelligence, the power of thought or mind, available in an organization, one of the keys to competitive advantage.

Stumbling Block: As CEO, you have access to human resources that you no doubt consider to be limited in nature. But even as you read this, there are – within the walls of your own company – a multitude of unexploited assets. From your presumed limited human resources, there is unlimited and sustainable profitable progress available to you.

True Reality: The intellectual assets of most companies are probably worth three to four times the company's tangible book value. Yet few CEOs are using more than 20 percent of their intellectual capital base. Why does this happen? CEOs are educated and trained to manage the tangible, never the intangible assets of an organization. It's rather like the owner of a winery being more concerned with the bottle than with the quality of the wine.

Chapter 6: Explains the approach and exact process that leading companies use today as they leverage their intellectual capital to outperform their competitors, and explains the concept to break down internal silos to develop and share intelligence across the enterprise.

PART I

Cognitive Intelligence

CHAPTER 1

The Accurate, Creative Thinker

There's a certain amount of laziness inherent in leadership in the second decade of the twenty-first century. Many executives, always in need of time (or perhaps time management skills), are continuously trying to get what they want with the least amount of time and effort. Because they're always searching for easier ways to learn new skills, these executives often pass up opportunities for learning, opportunities that challenge their preconceptions, their established mindsets—their assumptions about what works and what doesn't work to achieve results. As a result, they stop learning just when changes in the market necessitate new abilities.

> Leadership is driven by our ability to understand the past with accuracy and clarity (hindsight); to evaluate present experiences and information (insight), and to understand where your decisions and external events are leading in the future (foresight).

Leadership is driven by our ability to understand the past with accuracy and clarity (hindsight); to evaluate present experiences and information (insight), and to understand where your decisions and external events are leading you in the future (foresight). That's why the title of this book references executives who can see around corners: the role of foresight in leading teams and organizations is at a higher premium than at any time in modern business history. Accurate-thinking leaders possess strategic acuity—the ability to evaluate these three layers of thinking and to re-conceptualize their businesses accordingly.

This book is about the preeminent role of strategic acuity in business management and leadership, the necessity of which has been brought about by a mega shift in the global marketplace and social environment. The lifespan of knowledge acquired in this day and age of rapid change is getting shorter and shorter. Consequently, success in nearly every area requires *continuous learning*. If you want to be a creative, accurate thinker, you must continue to study and practice business over the course of your professional career.

Continuous thinking/learning must not be confused with the attempts by those executives who get their knowledge in sound bites and bullet-pointed executive summaries. There is no executive summary for learning how to become a leader or a great executive. There is no shortcut for becoming a creative, accurate, thinker-leader. You need high self-esteem and commitment, and the willingness to devote your time and energy. Only then will you be able to make a *paradigm shift* to change from one way of thinking to another. This is what executives who see around corners do.

> Wealth and success can be built only by continuous learning, which is the result of commitment and self-esteem. Financial security does not come about without it.

Wealth and success can be built only by continuous learning, which, as we will see in chapter 4, is the result of commitment and self-esteem. Financial security does not come about without these. But we have learned in our own experience that learning is a form of wealth in and of itself. You can lose all your property and all your money, but you cannot lose all your learning. As American radio host Bernard Meltzer put it, "The real measure of your wealth is how much you would be worth if you lost all your money."

The challenges in the '80s didn't require a level of knowledge and skill different from the '70s. The challenges in the '90s, however, went a degree higher, with the development of the global economy and new technologies such as the Internet. Still, the executive mindset needed to confront the challenges of the '90s was not so much different than what was needed in the '80s.

In the second decade of the twenty-first century, the challenges we need to face are far different. There should be little doubt in your mind that running a business is becoming harder than it was even a few years ago. We are in the midst of a massive reshaping of the global economy that will probably continue for the next 10 to 20 years. The executives who prosper will be those who make the changes necessary to gain foresight and the ability to see around corners. Today's era is marked by major forces described in the introduction to this book and that collectively are creating a business climate that is more competitive and requires a new, mentally-agile executive mindset.

In the face of these forces, most executives find themselves in a state of denial or apprehension, even fear, often to a degree that begins to impair their physical and psychological functioning. As the challenges grow, the anxiety and stress levels get even higher. Thus, it's not a surprise to see most senior executives in desperate need of a relevant and effective ability to clearly think, feel, see, and hear in a dark world!

According to a 2010 IBM study, over 1,500 CEOs from 60 countries and 33 industries worldwide agreed that – more than rigor, management, discipline, integrity, or even vision – successfully navigating an increasingly complex world will require creative acuity.[34] Not surprisingly for us, CEOs identify creative acuity as the number one leadership competency of the successful enterprise of the future. The solution, according to the study, is "instilling creativity

34 "Capitalizing on Complexity – Insights from the Global Chief Executive Officer Study," completed between September 2009 and January 2010, IBM Corporation, *http://public.dhe.ibm.com/common/ssi/ecm/en/gbe03297usen/GBE03297USEN.PDF*.

throughout an organization."[35] "Acuity" is the ability for a creative, accurate, thinker-leader to think, see, and hear clearly. Acuity, and foresight – the ability to predict what is likely to happen and to use this knowledge to prepare for the future – are, for us, the two key cognitive skills people in business must develop and strengthen to succeed in turbulent times. According to the study, they are the skills with the highest potential for taking an executive to a leadership position in an organization in the twenty-first century. Yet, these are the skills in shortest supply today.

By understanding the essential role of creative acuity discussed here, we can put in perspective the obsession among business experts in recent years with operational competence, data, and analytics. While keeping the trains on track and on time is vital (as is having software to run analyses of the performance of various trains and crews), it won't matter if the train is running in the wrong direction.

> What does "continuous learning" mean to each of us? It means that, to become creative accurate thinker-leaders, there is always something new to learn and we need to take every opportunity to find new and better ways to update our skills and knowledge throughout our careers.

What Continuous Learning Really Means Today

The indispensable role of creative acuity places a premium on continuous learning. We need to take every opportunity to find innovative, superior ways to update our skills and knowledge throughout our careers. Whether you regularly consult Amazon, read books and articles, participate in seminars or webinars, subscribe to development programs, practice your skills, listen to leaders, and/or talk to other personal-growth-committed executives, we believe that finding new knowledge, ways to improve, and ways

35 Ibid.

to analyze data are the first steps in the process of continuous learning.

Many of us have been in the business world for a long time and may be even viewed as "experts," but how many of us are continuously improving? We all know how complacency sets in. We reach a certain level in our careers and begin to believe that we know everything we need to know. In fact, most executives have a tendency to consider their knowledge as an investment that is paid off once they achieve a senior position, failing to recognize changes in the environment that have made their knowledge partially obsolete. This becomes dangerous. The strategic abilities and talents you need in the second and third decades of the twenty-first century are considerable. If you don't decide to learn the new skills required for our fast-moving, non-linear world, those skills won't be available when you need them on a moment's notice. No matter how old you are, no matter your experience level, and no matter the state of your industry, there is always something new, vital, and relevant to learn and practice. There is always some piece of indispensable information that is waiting to be discovered. Don't allow your competition to discover it first.

What Should You Do about Continuous Learning?

Making a new commitment to continuous learning is an imperative when we recognize the changing demographics of our customers and the workforce. As Tammy Erickson wrote in *Harvard Business Review* in 2009, "Business leaders face markets with finite limits, no easy answers, and the sobering realization that there are significant, seemingly intractable problems on multiple fronts. Perhaps the biggest change from the past is that there will be no single dominant voice. Leaders will have to listen and respond to diverse points of view."[36]

---

[36] Tammy Erickson, "What's Next, Gen X?" *Harvard Business Review*, December 2009.

So ask yourself this: when was the last time you de-learned? One of Carlos's favorite questions when lecturing or mentoring executives is: "How many books, related to your business, do you read on average each year?" Of 500-plus people Carlos has individually mentored in the past six years, no one has ever answered "more than five." "I don't have time," a few say, while others say, "I don't need to read so much; we have our networks, relationships, and colleagues to exchange our ideas and to acquire new insights." But if one doesn't read enough, nor take the time to acquire new skills, how can one become a leader for turbulent times?

Every one of us, educators as well as executives, needs to accept that we cannot always have all the answers. Computer scientist, venture capitalist, and author Jacques Vallee has argued that the world's information is now doubling *every 18 months*. We must therefore continuously re-program ourselves for a difficult world, but a world that, at the same time, is one of infinite opportunities.

Like any other important discipline, learning must be planned and you need to develop and follow through on the plan. Business coach Daniel Murphy has recommended putting aside a certain amount of time every day to read. A half hour a day can mean four or more books a month – perhaps fifty a year. "Imagine what you can learn from fifty books. Imagine how far you will be ahead of others in your field if you read fifty books a year.... The key to continuous learning is sustained effort."[37]

If we take Murphy's advice, if we read, say, fifty books a year (relevant and appropriate books, of course), then, in terms of learning, we're already ten times ahead of those executives who admit to reading, at the most, just five books a year. But when one factors in the idea that learning is almost always cumulative, the progression becomes more geometric in nature. Education is *compounded* by further education. At the end of a single year, you

---

[37] Daniel Murphy, "Why Continuous Learning Can Lead To Your Success." *http://ezinearticles.com/?Why-Continuous-Learning-Can-Lead-to-Your-Success&id=5337402.*

might find yourself a *hundred* times further ahead than your closest competitor.

Our lives are significantly influenced by the quality of the books we read and re-read. And by the little nuggets of wisdom we are able to gather from them and remember so we can apply them to our lives. Carlos likes to write notes on the pages of the books he reads, often highlighting parts in different colors. When he travels, invariably someone, perhaps seated next to him on a flight, will ask, "May I ask why you're taking so many notes on that book you're reading?" It's amusing to Carlos because he seems to get the question every time he flies. What he's doing seems strange to the majority of people who spend their downtime on the plane chatting, watching movies, or reading novels. But it's just one more way that Carlos keeps ahead of the game.

If you're not taking full advantage of the information that's available out there for you, then start right now. Read, and read diligently. Take notes. Make sure, for future use, you can easily find your notes or highlighted key points or paragraphs in the books or white-papers you read. You can use cloud-based online services such as Dropbox (www.dropbox.com) to be able to consult the different files of your research at any time from your home, office, or anywhere when traveling around the world.

Jay Abraham and Brian Tracy have written hundreds of books and documents and have produced countless CDs and videos. They travel the world speaking to thousands and consulting with top business leaders. If Brian and Jay have time to read, *anyone* has time to read. And Jay and Brian have time to read – they make certain of it. On an average day, Brian and Jay read for *two to three hours*. Just remember: at least in terms of learning, by doing nothing else but taking a half hour a day to acquaint yourself with new material, you increase the distance between you and your typical competitor perhaps a hundred fold.

Whether it's reading or any other form of continuous learning, your efforts, to be successful, will require commitment. An influential

Harvard Business Review article, "The Making of an Expert," written by psychologist and scholar Anders Ericson, business professor Michael Prietula, and research scholar Edward Cokely, summarized the authors' investigation into the development of highly distinguished expertise.[38] The authors found that far more than innate talent, mastery results from commitment, practice, coaching, and discipline. The article cited 10,000 hours of practice as a benchmark for mastery, later picked up by Malcolm Gladwell in his book *Outliers*. The authors identified factors that are common in the lives of those who not only excel, but dominate their peers at uniquely high levels of performance: they practice deliberately out of their comfort zones; they think deliberately by analyzing flaws, inconsistencies, and shortcomings; they take the time needed; and they work with master coaches or mentors.

These well-documented findings confirm a core principle of this book and our program of training and coaching: developing a leader's enlightened mindset requires a major commitment and the guidance of coaches and leaders. While 10,000 hours is a catchy number, don't obsess over it. The conclusion is simple: if you want to lead successfully, you will need years of commitment to achieve the mindsets and behaviors that thrive in our global economy. After all, 10,000 hours is equal to three hours a day, twenty hours a week for ten years. Clearly, if you want to become a creative, accurate-thinking leader, then you need to change your schedule and priorities to actively learn.

There is a tale about Picasso, perhaps more fiction than truth, but it nevertheless makes for a good point. He was in a restaurant one day and a lady recognized him and asked if he would draw her a little something, since he was such a brilliant artist. He grabbed a napkin and did a quick portrait for her, then, as he gave it to her, said, "That will be $200." The lady was shocked. "But it only took a

---

[38] Ericson, et al., "The Making of an Expert," *Harvard Business Review*, July-August 2007.

few minutes for you to draw it!" "No it didn't," Picasso replied. "That took me a lifetime to create."

It's not enough to be a serious student. You must continuously study books, CDs, videos, whitepapers, magazines, and other sources of knowledge that you can use in your work to build your career. You can use this knowledge to improve your skills and acquire new ones. You can even learn new languages. In today's market the more you know – the more useful knowledge you possess – the more valuable you will be.

Consider companies like IBM, P&G, J&J, and many others that have been outperforming their peers for decades. These are organizations that are committed to continuous education and strong talent development. Notice that these companies don't use the same "best practices" year after year; they evolve and learn organically. They combine a strong focus on external awareness with outstanding executives, strategy, and powerful execution.

How Will Continuous Learning Make You More Successful?

There are amazing opportunities for a motivated executive CEO to become successful today. The outstanding creative, accurate-thinking leader is the person currently in shortest supply. A study by the American Management Association found that "strategy development is the most important leadership competency, both today and in the future, and just four percent of CEOs fall into the strategist category."[39]

It might help to define our terms here, particularly "strategist" as opposed to its often confused counterpart, "tactician." **Strategy is thinking accurately about *what* your organization should do. Tactics deal with *how well* you are doing what you decided to do**. The difference, though seemingly simple, is often overlooked. Strategy is not producing a planning document or budgets with lots

39 "Leading into the Future (A Global Study of Leadership 2005-2015)," by the American Management Association Resource Institute.

of explanatory words and spreadsheets attached. These are the tools of the tactician, yet this is what the vast majority of CEOs and senior executives wrongly call "strategy."

Strategy is a CEO's primary duty (and what many CEOs unfortunately are not doing today). Strategy is setting direction and defining and interpreting what business you're in, what business you should be in, and what business you should not be in. It's determining the appropriate concentration of human and financial resources, setting the cultural tone, and shaping values and standards. Finally, and no less important, it's properly building your organizational team. Strategy is not easy since it requires *high effectiveness*; that is, constantly and vigorously creating wealth (not only profits) through return on assets (physical and intellectual) that your family and shareholders have decided to entrust to you. **Strategy, therefore, is done above and not below your shoulders.** You are paid, along with your key people, to accurately *think and lead* your organization to thrive and flourish in a fast-moving world.

Tactics, in contrast, are concerned with how well you lead your people to play the game *you* decide to play; it's how well your people achieve the key operational goals that support the right strategy. It requires skills and key abilities to reach high efficiency from the amount of energy that goes into your key people to the amount of production that comes back from them. **Tactics are done below your shoulders.** Your people are paid to perform tasks exceptionally well.

The difference now having been defined, let's examine what makes an effective strategist. First, you need to change the way you most likely think about your business. Your business and life mindset need to undergo a metamorphosis, a process by which you transform how you view your self-development, how you manage people and processes, and how you relate to customers. This is what we had in mind when we set out two years ago to write this book. Our goal is to share our own experiences, telling you how we each traveled our own journeys to understand the essential need for the six mindsets for transformational leadership we are introducing in this book.

> If you want to propel yourself forward, you need to move beyond operational thinking. You need to think strategically. Don't waste your time with gurus who have never managed a successful organization. Instead, aggressively seek out the true successes in your field.

Continuous learning is the engine driving every stage of our goal to build, for you, strategic and creative acuity. Remember the fifty book example: as the legendary mathematician and computer scientist Richard Hamming once observed, "Knowledge and productivity are like compound interest. The more you know, the more you learn; the more you learn, the more you can do; the more you can do, the greater the opportunity. It is very much like compound growth, the cousin of compound interest."[40] Perhaps this theory is self-evident. But we have found it to be infrequently practiced.

There are two kinds of knowledge – general and specialized. General knowledge is only the first step on the road to leadership. But no matter how great in quantity or variety it may be, it will be of little use to you in becoming a leader. Most universities and colleges will deliver "general theoretical knowledge," mostly based on case studies about what companies achieved under different markets and economic conditions than what we face in the second decade of the twenty-first century. **But case studies are *not* substitutes for reality.** They will teach you general theoretical knowledge, but not the more practical *accurate thinking* knowledge that you'll need in order to become a leader for the twenty-first century. As Russell L. Ackoff, Professor Emeritus of Management Science at the *Wharton School*, *University of Pennsylvania*, and

[40] Richard Hamming, "You and Your Research." Bell Research Communications Colloquiums Seminar, March 7, 1986.

pioneer in the field of systems thinking, puts it, "In most schools teachers are more like gurus than educators… the educator tries to stimulate independent thinking among his/her students. A guru produces a doctrine and disciples, [discouraging] any independent thought."[41]

If you want to propel yourself forward, you need to move beyond operational thinking. Business schools do not develop *accurate-thinking* leaders. Only the marketplace can develop (or destroy) a leader; value is determined by the customer. Unique customer value is the only source of real profit and wealth creation. So, you need to think strategically, and divergently, in order to become different from your competitors. You need to learn to deliver what your clients would like to have tomorrow but don't know today that they'll want it tomorrow. It becomes evident that, under this definition, most programs, courses, and seminars that are supposed to develop leaders are today flawed. Don't waste your time with gurus who have never managed a successful organization. Instead, seek out the true successes in your field. Just as importantly, pay attention to CEOs, leaders, authors, and educators from *and outside of* your industry, whose strategies can spark new insights and innovations. Much of Jay Abraham's success, for instance, has been sourced in his ability to introduce into an industry a concept from outside of it. All major breakthroughs come about from such divergent thinking, created from reading and learning to produce concepts that can be quick-tested and implemented through thinking processes.

Let's look closer at knowledge itself, that which is powerful, and that which is not so powerful. Our goal is to help you discover the *right* knowledge for your situation, for your business, and for your life. That's the powerful kind, the paradigm-shifting kind.

---

41 Ibid.

We'll begin by looking at four common classifications of knowledge:

- **Explicit knowledge** can be articulated, codified, and stored. It can be readily transmitted to others. The material in textbooks is a good example of explicit knowledge. For younger professionals and students, this kind of knowledge can be too easily ignored, as it is often captured in the printed page or static media and is not readily discoverable on the Internet. Nonetheless, such explicit knowledge makes civilization possible.
- **Managed knowledge** is knowledge easily shared throughout systems and thinking processes, and between staff members. The end result can be substantial savings for an organization's bottom line and, because ideas can be easily shared, managed knowledge can help create better customer relationships. Managed knowledge has a tendency to elude easy updating, however. It may be effective for a time, but, at best, will keep you barely current with your competition, certainly not out in front of it.
- **Implicit knowledge** is knowledge in a person's mind that hasn't necessarily been verbalized. It's more instinctual. People can struggle with translating their implicit knowledge into words and terms others can understand.
- **Tacit knowledge**, like implicit knowledge, is difficult if not impossible to transfer to another person by means of writing it down or verbalizing it. But unlike implicit knowledge, tacit knowledge can't even be codified. It's the kind of knowledge you can only gain via experience – such as the knowledge required to operate a motorcycle.

Helping us understand the forms of knowledge as they are connected to our own beliefs is the "computational theory of mind." We learn by taking bits of information and forming concepts. "Concepts work," writes Judith V. Boettcher, describing the computational theory of mind, "because they capture a multitude of facts into a larger pattern and set of relationships." These relationships form "a dialogue" between the sources of information, "between bits and bytes and patterns."[42]

This discussion explains why most executives are reluctant to continuously update their knowledge. Most executives have filled their careers with years of strictly "operational" patterns and relationships, so much so that it becomes difficult (and privately intimidating) for them to understand their need to also think strategically.

The thinking of such executives cannot be changed just by reading a book, listening once or twice to a guru, or attending a seminar. Our thinking cannot be changed by the simple learning of individual facts, or discrete, isolated bits of knowledge alone. These "bits of information" (knowledge, beliefs, and skills) only become meaningful information to an executive when, as Boettcher suggests, they are, through a thinking process or an experienced mentor, "organized, collated, chunked into symbols, patterns, and relationships." In other words, **facts and information need to be cultivated, manipulated, arranged, and organized before a "paradigm switch" can happen in the mind of the executive,** which is, in fact, the very goal of this uniquely formulated book!

For such a paradigm switch to happen, according to the computational theory of the mind, a process needs to be created through different practical tools (e.g., this particular book, the appropriate eLearning program, the right webinars) allowing executives to practice and implement the new concepts necessary to build proficiency and confidence in their new skills, and to see their organizations begin to make positive changes. It's only then that their mindsets, and their organizations' DNA, will begin not only to change and strengthen, but, after a little while, change and strengthen exponentially.

Information is useless unless we can act upon it, and that implies

---

[42] Judith Boettcher, "Designing for Learning: What is Meaningful Learning? From Bits and Bytes to Knowledge and Skills in 15 Weeks," Last updated June 4, 2006, *http://www.designingforlearning.info/services/writing/bits.htm*.

that it must first be transformed into knowledge.[43] Once integrated into our knowledge framework, the (appropriate) information becomes actionable knowledge. Then, knowledge becomes the foundation for skill. It's only when knowledge is used as a foundation for skill that it becomes productive. As Annie Murphy Paul, author of the book *Origins*, writes, "Skills like critical thinking analysis must develop in the context of facts: we need something to think and reason about, after all… they need to be stored in the original hard drive, our long-term memory."[44] Information, in other words, requires context in order to understand its meaning. (Later in this chapter, we will discuss more comprehensively the idea of managing information, separating the right information from the wrong, the appropriate from the inappropriate, and the relevant from the irrelevant.)

Skill refers to the ability to take information and apply it in a context. That is to say that knowledge refers to theory and skill refers to successfully *applying* the theory. An executive may have learned all the principles of business and strategy in business school. Going forward in his work, however, he will acquire practical knowledge in different arenas – sales, marketing, administration, and finances. This means both types of knowledge are indispensable for succeeding in business. Transferring this knowledge so as to craft and execute a successful strategy, however, requires *skill*.[45]

So, knowledge, skills, and talent are important. None of this is surprising, of course. We all know this. But the unfortunate disconnect today is this: though executives may possess sufficient skills and talent, they fail to continue to add to their knowledge. Most executives are time-obsessed, perennially multitasking, and unable to stop and think accurately, confusing the trivial with what's really

---

43 James Peloquin, "The Performance Paradigm: Knowledge as a Corporate Asset," 2001, p. 5. *http://cog.kent.edu/lib/Peloquin-Knowledge_as_a_Corporate_Asset.pdf.*

44 Annie Murphy Paul, "Your Head Is in the Clouds." Time magazine, March 12, 2012, *http://www.time.com/time/magazine/article/0,9171,2108040,00.html.*

45 "Difference between knowledge and skill," *http://www.differencebetween.net/language/difference-between-knowledge-and-skill/.*

important. And they don't realize how dysfunctional this behavior is for their future.

Why Operational Thinking Isn't Enough

Most CEOs have operational management skills, making them good at managing budgets, prioritizing goals and activities, monitoring results, taking action where needed, running effective meetings, managing their schedule, and so on. **The critical failure in this model lies in the knowledge gap it creates, a deficit that grows as surely as an unpaid loan with high interest.** Assume the available knowledge in any area of your business or market grows, on average, at an annual rate of 15 percent a year, which is far from excessive. This means the knowledge you have today will be completely obsolete within five years. You'll be relying only on your *operational* skills in an unpredictable, fast-moving world where *strategic knowledge* makes the difference between winners and losers!

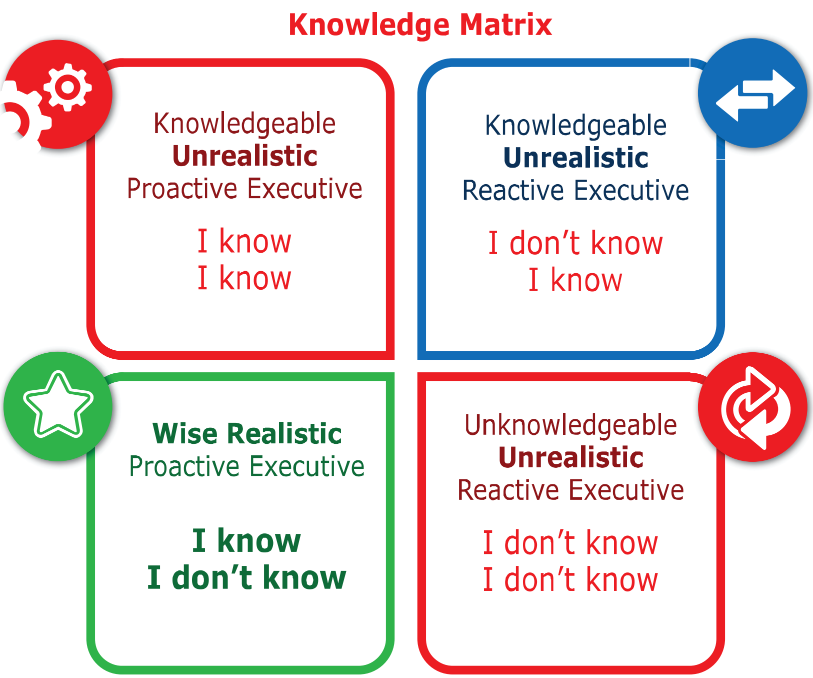
Assume the available knowledge in any area of your business or market grows, on average, at an annual rate of 15 percent a year, which is far from excessive. This means the knowledge you have today will be completely obsolete within five years.

Most CEOs don't see the obsolescence of their knowledge until it's too late. Instead of updating their knowledge, they prefer to talk to colleagues, usually in their own industry and with the same level of deteriorating knowledge (convergent versus divergent thinking), or they try to benchmark their performance by considering their competition (another form of convergent thinking). So it's not a surprise then to see all the companies in a given market, and the executives therein, using the same rules and benchmarks, becoming no better than each other and all becoming average and mediocre in the process.

This raises a few questions:

How, without adequately updating his or her knowledge, can a leader possibly create a clear vision, craft the right winning strategy, and make the execution of it a reality? How can a leader, without the proper vision, possibly motivate his or her people? How can a leader, without the knowledge to create a vision, develop any kind of trust with his or her people?

In the figure below, you'll note four quadrants. Executives in the quadrants on the right take an approach that is *reactive* toward what is happening to them while executives on the left are, instead, *proactive* in their approach.



Managers in the lower right quadrant can be characterized as, "you don't know you don't know." When you drive a car there's a certain area that you can't see in your rearview mirror referred to as the blind spot. It's a gap in your awareness. Our minds have blind spots, too, caused by our beliefs and inherent mindsets – patterns which interfere with parts of our perception. Frequently, you don't know what you don't know because your knowledge is partially obsolete, and so, therefore, are your beliefs. It's a difficult thing to accept, to know that there may well be important unknowns. As with the blind spot in a car, this quadrant is a dangerous place; it's hard to solve a problem when you don't know you have a problem!

Managers in the upper right quadrant can be characterized as "you don't know you know," which means you have particular skills and talents but you can't leverage them because it's difficult to solve a problem when you don't know if you have the solution.

The upper left quadrant is the "I know I know" group, a very special quadrant. Most CEOs and managers in this quadrant are usually operational-minded executives, those who pretend to know everything about every subject, including the crafting of "winning" business models and competitive strategies. But as a client, discovering new things after a strategic session, once told Carlos, "It's not what you don't know that causes the most pain. It's what you *think* you know that usually causes the most damage."

It should be clear to you by now that you should avoid finding yourself in any of these three quadrants, where your knowledge becomes quickly obsolete. There's only one quadrant where you should be in turbulent markets: the lower left one where "you know you don't know." Those in this quadrant are continuously upgrading their knowledge, asking questions, listening to knowledgeable business experts (inside but especially outside of their industry), and continuously investing in their personal, professional, and team development.

We would estimate that only 5 percent of all CEOs and senior executives are in this quadrant. That leaves 95 percent outside of the quadrant, a fairly bleak picture for the future. The good news is that with commitment and motivation toward acquiring the knowledge and skills required to succeed in this new dynamic, non-linear world, a smart executive can find the fast-track to becoming an unquestionable business leader. **A smart CEO can be where 95 percent of his or her competition is not.**

The CEO who is continuously updating his knowledge, learning new ways to innovate and put into action what he learns, will crush any doubt about the success of his or her future. One only need look at successful leaders to see exactly how correct knowledge, with appropriate action, really works and why it is so critical to the future of any executive or organization.

Unfortunately, as we know, knowledge still has no formal place on the balance sheet. Consequently, perhaps because of its lack of formal recognition by the accounting system, knowledge almost always receives less attention than it deserves. We think it's time to re-assess the rules of the game. It's a fact that unlike capital – which is on the balance sheet – knowledge or intellectual capital springs from all sectors of an organization. But senior executives – including board members – still treat knowledge as something personal, related to each individual who is alone responsible for its acquisition. **They are very wrong.**

The simple fact is that the qualitative and quantitative cultivation and management of knowledge is essential for any organization to thrive in turbulent times.

Experience: Teacher or Trap?

The term practice connotes repetition, presumably leading – through experience – to performance and proficiency. However, as Anders Ericson pointed out in his important *Harvard Business Review* article,[46] practice doesn't make perfect – it is *deliberate* practice that makes perfect. If you are simply repeating a daily drill of routine meetings and tasks, you are more likely avoiding than anticipating the impasses brought about by intense changes in the environment, new challenges to be met, or new ways of having to look at things. In leadership circles, the difference between a CEO who has twenty years of experience and another who has one year of

[46] Ericson, et al., "The Making of an Expert," *Harvard Business Review*, July-August 2007.

experience repeated twenty times depends on the comparative willingness of each to think in different ways, and to apply those insights with deliberation and foresight. If everything is changing but your old habits, practices, or ways of thinking, your experience will be wholly insufficient.[47] As Aldous Huxley wrote, "Experience is not what happened to you; experience is *what you do* with what happened to you."

As defined by the *Business Dictionary*, experience is the familiarity with a field or skill of knowledge acquired over years of actual practice and which, presumably, has resulted in superior understanding or mastery.[48] In the global business environment where you compete, experience alone will no longer deliver superior understanding. Not anymore. One of our favorite mentors, Russell Ackoff, has stated, "The only conditions under which experience is the best teacher are ones in which no change takes place."[49] And it should be painfully obvious that those conditions are no longer realistic in an unpredictable world where revolution and upheaval are daily staples of our news.

> Change in turbulent times – technological changes, market changes, economic changes, political changes – makes much of what was learned in the past irrelevant or obsolete. As Ackoff puts it, "Learning how to drive an automobile does not equip one to pilot a space vehicle. Knowing how to work a slide rule does not equip one to operate a computer."

Experience needs to be renewable and leveraged with continuous learning and self-awareness. Self-awareness often means the ability to admit there are things you simply do not know, but that you need to learn. **Organizations often discourage this kind of self-admittance.** Executives from middle management on up to the higher echelons are

47 Yang, Miller, Handbook of Research Methods in Public Administration, Auerbach Publications, 2008, p. 20.

48 *http://www.businessdictionary.com/definition/experience.html.*

49 Ackoff, Addison, *Management F-Laws*, Triarchy Press, 2007.

often extremely reluctant to confess to a need to learn what they are often expected (unrealistically) to already know. But successful companies understand the value of continuous learning in an environment of constant change.

Change in turbulent times – technological changes, market changes, economic changes, political changes – makes much of what was learned in the past irrelevant or obsolete. As Ackoff puts it, "Learning how to drive an automobile does not equip one to pilot a space vehicle. Knowing how to work a slide rule does not equip one to operate a computer."[50]

Though most organizations understand, at least on some level, the need for adaptability and change, the typical organization doesn't know how to go about it. Companies that actually encourage change (successful companies, in other words) are few and far between. For the most part, experience (read: repetition) is favored over new learning.

Change for most "experienced" executives is often intimidating. It means letting go of old ideas, ideas they may have harbored for years, ideas in which they are comfortably entrenched. They may erroneously believe that their "experience" has included everything there is to try and that new ideas are simply wastes of time and energy. As the executive gains more and more tenure with the company, he or she typically becomes more reluctant to risk change and, with it, risk his or her position with the company, not understanding, of course, that not changing might be the biggest risk of all.

What experience alone does, in addition to often making one more set in one's ways, is to essentially risk failure by time-consuming and expensive trial and error. Trial and error, after all, is another way of saying "experience." In turbulent times, there are different ways for you to gain experience and necessary insight. In chapters 5 and 6 we will address mentoring and other strategies for practicing leadership management *deliberately*.

---

50 Ibid.

The Five Stages of Knowledge

> According to the Dreyfus model, individuals pass through five stages as they acquire and internalize skills through formal instruction and practice.

One widely accepted model for the stages of knowledge and skill acquisition was developed by brother researchers Hubert and Stuart Dreyfus in 1980 in research prepared for the United States Air Force Office of Scientific Research. According to the Dreyfus model, individuals pass through five stages as they acquire and internalize skills through formal instruction and practice. This model will prove helpful to your own journey and in identifying your stage of learning in various business areas (team management, financial operations, marketing, or product development, for example). The following stages and characteristics are adopted from Wikipedia and Graham Cheetham and Geoff Chivers' 2005 book, *Professions, Competence, and Informal Learning*, as well as Michael Eraut's *Developing Professional Knowledge and Competence*:[51]

1. Novice

- rigid adherence to taught rules or plans
- no exercise of discretionary judgment

This is typically someone in the office who has not yet been fully trained.

2. Advanced beginner

- limited situational perception
- all aspects of work treated separately with equal importance

This might be an assistant to a manager or a junior executive.

[51] Graham Cheetham and Geoff Chivers. *Professions, Competence and Informal Learning*. Cheltenham: Edward Elgar Publishing, 2005, p. 337. Michael Eraut, *Developing Professional Knowledge and Competence*. London: Falmer Press, 1994, p. 124.

3. Competent

- coping with crowdedness (multiple activities, accumulation of information)
- some perception of actions in relation to goals
- deliberate planning
- formulates routines

This is the typical profile of a middle manager.

4. Proficient

- holistic view of situation
- prioritizes importance of aspects
- perceives deviations from the normal pattern
- employs maxims for guidance, with meanings that adapt to the situation at hand

This describes a beginning senior executive.

5. Expert

- transcends reliance on rules, guidelines, and maxims
- intuitive grasp of situations based on deep, tacit understanding
- has vision of what is possible
- uses analytical approaches in new situations or in case of problems

This is typically an experienced senior executive.

Take a moment and consider the above list. What seems familiar to you? Being as honest as you can with yourself, what seems most descriptive? At what stage would you put your staff and yourself? The significance is this: **the differences between stages are geometric in nature.** Stage 3 to Stage 4, for instance, is not merely a 20 percent increase. Depending on your situation, your market, your industry, your competition – the increase might, more accurately, be something akin to *200 percent*. This is the secret of compounding your strategic knowledge, and it's the one advantage your competitors can't replicate.

As we have shown in this chapter, your path to reaching the status of true Level 5 expert does not reveal itself simply by going to work, getting your training, and performing your duties no matter how complex they are or how wide one's span of control is as an executive. While most of us yearn to reach expert status, to do so we must build singular and specific capabilities that we acquire by studying far more than the plans, P&Ls, and operational data distributed to our computers quite regularly. We need to build the capabilities that add value to the organization and our own ability to become a leader with a strategic and mission-driven point of view.

This is a crisis for many companies worldwide. They understand their executives are behind the learning curve for survival in a global economy, but they're not sure how to build the capabilities needed – or what those capabilities are. In 2010, 60 percent of corporate executives told a McKinsey survey[52] that talent development was one of their three biggest priorities. The report found that only one-third of companies focused their training programs on building the capabilities that add the most value to their companies' business performance. Indeed, just one-fourth of executives viewed their companies' training programs as "extremely effective" or "very effective" in preparing their executives to drive business performance. Leadership skill was considered by the majority of respondents to be the capability that contributes the most to performance, yet only 35 percent said they focus on it. And only 36 percent of executives considered their companies better than their competitors in leadership development. What might you say about *your* company?

We're not surprised to learn that nearly 40 percent of internal leadership positions made by organizations for executives identified as "high potential" end in failure. Or that 70 percent of today's high

---

[52] McKinsey Global Survey, "Building Organizational Capabilities," March 2010, *https://docs.google.com/viewer?a=v&pid=sites&srcid=ZGVmYXVsdGRvbWFpbnxjZW50ZXJmb3Jzb2NpYWxlbnRlcnByaXNlfGd4OjMwMzk1MDRjM2ZkYTYyM2E.*

performers lack critical attributes essential to their success in future roles. Moreover, one out of three of these high potential executives admit to not putting all their effort into their jobs. Shockingly, according to the McKinsey survey, one out of four believes he or she will be working for another employer within a year.

These surveys and research clearly show the need for any organization to increase considerably the quality of its training in order to have a much larger pool of senior executives deepening their leadership intelligence. For your organization, this book is the right start. As we proceed, we'll uncover the concepts that will best facilitate the means by which leadership intelligence can be developed in you and in your organization's senior executives.

What Should You Do First?

Your first step in becoming a learning executive is to reprioritize your time. Consider the distinction between efficiency (typically time doing your operational activities with relatively low effort or cost) and effectiveness (time setting the right strategic objectives and goals, transforming your company as circumstances change). If you're like most executives, you're probably spending at least 80 percent of your week on operational activities (how to do it) such as meetings, planning, and supervising, and only 20 percent or less of your time on strategic planning activities (what to do). Put in other terms, this means, assuming an average forty-five-hour work week, you're spending around thirty-six hours in operational activities and only nine hours in strategic planning activities. This ratio must be rebalanced for you

Your first step in becoming a learning executive is to reprioritize your time. Consider the distinction between efficiency (typically time doing your operational activities with relatively low effort or cost), and effectiveness (time setting the right strategic objectives and goals, transforming your company as circumstances change).

to know how and where to lead. In today's turbulent times, it is only the strategic, forward-thinking companies that will be able to transform themselves in meaningful ways to take advantage of the myriad of opportunities that await them.

Every great leader we know is an assiduous reader of books, taking in thirty to sixty of them a year on average. He or she studies relevant whitepapers, listens to informative CDs, researches information online, and attends appropriate webinars and seminars. If you're not doing so already, you need to make sure you're investing a minimum of eight to ten high-quality hours per week educating yourself about fields adjacent to your own. As we've mentioned, this is the price that needs to be paid for you to become an expert in your area: this is what successful leaders do. This is what you can and should do. You will see that the quality of your life will be improved significantly by the quality of the books you read and re-read, and what you think you know will be consequently adjusted. As Edmund Burke put it, "Reading without reflecting is like eating without digesting."

> Consequently, you need a process for making decisions and judgments that rests on credible research and multiple sources. You need to take into account that nothing can be analyzed in isolation. Everything is interlinked with everything else. Until you see the world in such a light, you won't understand the opportunities that a changing world offers to you.

Napoleon Hill wrote, in *The Law of Success*, that from the day you reach a definite decision in your own mind as to the precise thing that you deeply desire, you will observe that, suddenly, important data will come to you from seemingly everything you read – books, newspapers, magazines, and of course today we would add the Internet. This data, if embraced, will lead you nearer and nearer to the coveted goal of your desire.

The Price of Ignorance

Too often, CEOs fail to forecast what will happen in the economy or their market, especially in a fast-moving world. Often they'll listen to the media, the government, or other executives in their industries, making decisions based on hearsay, rather than serious analysis. The question is this: how can we make decisions so as to avoid the mistakes we see all too often made by the average business executive?

When executives, media, and government inaccurately predict what will happen in the economy or their markets, some of the prognosticators will shift attention to what they think is the cause. Instead of learning from their mistakes, they seek to justify their predictions by pointing the finger at some unpredictable event that nobody could have known. This is what happened after the subprime debacle in 2007, and the collapse of credit again in 2008 as gas prices began climbing and housing values fell.

Thus the problem: it's not what you see happening, but what you don't see happening. What you cannot see explains what you don't understand. This was captured perfectly by French economist Frédéric Bastiat (notable for developing the important concept of opportunity cost) in 1850, when he wrote, "In the economic sphere an act, a habit, an institution, a law produces not only one effect, but a series of effects. Of these effects, the first alone is immediate; it appears simultaneously with its cause; ***it is seen***. The other effects emerge only subsequently; ***they are not seen***; we are fortunate if we ***foresee*** them.

Consequently, you need a process for making decisions and judgments that rests on credible research and multiple sources. You need to take into account that nothing can be analyzed in isolation. Everything is interlinked.

If your data are no good, you end up processing wrong information, leading you ultimately to wrong decisions. You can be a very accurate thinker, yet still fail miserably if the source or raw material of your thinking – your information, in other words – is wrong. Unfortunately, it's been our experience with most CEOs and senior executives that this kind of error happens every day.

Here's a good example that clearly illustrates the point we want to make:

By March 2008, less than one year after the subprime mortgage crisis and global markets had convulsed and the U.S. economy was slowing down, Robert Nardelli, James Press, and Tom LaSorda, then top executives, were planning a turnaround to make Chrysler profitable again. Naturally, they were very sensitive to the economic news. Unfortunately, their conclusions were the results of errant premises and arguments.

As the trio told *Fortune Magazine*,[53] they took a hard look at the economy and their industry toward the end of 2007 and put together a "conservative plan." Chrysler was, at that time, two businesses: a finance business that was making money (no doubt with cheaper and fully-available credit thanks to the "derivatives" market) and an auto business that was losing money. Geoff Colvin, *Fortune*'s senior editor, asked each executive, "Can the auto business be made profitable?" All responded positively. CEO Nardelli said, "We are on track to profitability again."

Well, we know the reality: U.S. auto sales continued their precipitous tumble during 2008, closing the books on the industry's worst year since 1992. For the full year of 2008, all of the Big Six automakers reported sales declines. In total, the industry sold 13.2 million vehicles in 2008, with Chrysler's sales plummeting 53 percent; their inventory was so big and disproportionate to the vehicles sold in the market that Chrysler declared bankruptcy. Remember, **this happened during the first quarter of the same year that three of their top executives were still planning for a "conservative" and profitable year!**

Indeed, the deterioration in auto sales through 2008 was nothing short of stunning. Ford's top sales analyst, George Pipas, noted that first-quarter 2008 sales ran at 15.6 million annual sales.[54] By the

---

53 "A Talk with Chrysler's Turnaround Team," *Fortune Magazine*, April 4, 2008.

54 "U.S. Auto Sales are Worst Since 1992," Edmunds.com, January 5, 2009.

second quarter, as gas prices began climbing and housing values fell, the rate dropped to 14.6 million. The third quarter – the quarter in which Lehman Brothers failed and credit froze – saw another 1 million unit drop in the sales rate to 13.1 million. The fourth quarter closed at a rate of 10.6 million units. "Have we bottomed out yet?" asked Ford's Pipas rhetorically at that time. "I don't know. Ford doesn't know. Bright people in Washington don't know."

> In reflecting on these examples, one fact becomes inescapable: how well you process raw data and apply information in order to identify the best solution to a particular problem is the key skill in navigating through the dynamic, non-linear, turbulent times of the global economy.

Here they were, three managerial "experienced" ringers brought by Cerberus Capital Management who had agreed on May 2007 to buy 80 percent of Chrysler from its German parent, then know as Daimler-Chrysler. Robert Nardelli had been a standout at General Electric and then had gone on to run Home Depot for six tumultuous years. James Press was the former head of Toyota's U.S. operations. And Tom LaSorda had the experience of many years at Chrysler. The three had a simple job: restore the fourth-largest carmaker to profitability. **All three lacked the business wisdom and foresight required from any senior executive.** Most likely, they were relying too much on the media, or on Federal Reserve Chairman Ben Bernanke, who on March 28 stated, "At this juncture, the impact on the broader economy and financial markets of the problems in the subprime market seems likely to be contained. In particular, mortgages to prime borrowers and fixed-rate mortgages to all classes of borrowers continue to perform well, with low rates of delinquency."[55]

Here's another unfortunate example of how a top executive's inability to look critically at his own limitations caused him to devalue

[55] Board of the Governors of the Federal Reserve System, "The Economic Outlook," by Chairman Ben Bernarke before the Joint Economic Committee, U.S. Congress, March 28, 2007.

the essential information that those around him were trying to provide. Wolfgang Schmitt was Rubbermaid's CEO when it was named *Fortune Magazine*'s "Most Admired Company" in 1993. Only five years later, Rubbermaid was in such bad shape it ended up being acquired by turnaround specialist the Newell Corporation. What went wrong? As noted by Justin Menkes in his *Harvard Business Review* article published in November, 2005, Schmitt failed to adjust to dramatic changes in Rubbermaid's market because he could not let go of his personal business philosophy. As Menkes wrote, "Rubbermaid's then-CEO, Wolfgang Schmitt, refused to bend to pressure from the retailers because the company had always done well with price increases."[56] Schmitt felt that the customers would accept the price increases if they understood the reasons behind them. Wal-Mart responded by giving much of Rubbermaid's shelf space to lower-priced competitors.

In reflecting on these examples, one fact becomes inescapable: how well you process raw data and apply information in order to identify the best solution to a particular problem is the key skill in navigating through the dynamic, non-linear, turbulent times of today.

The Importance of Managing Information

Information in its most restricted sense is an ordered sequence of symbols; i.e., written words that transmit a message about something particular. Information comes from the form that data takes as it is arranged and presented in different ways. So, it's important to be aware that this "massaging" of the data adds context to it and allows us to understand something about the data presented.

Raw data, however, is infinite. As an example, on September 13, 2013, while editing this book, we found over 47 million results on Google for the search phrase: "The Euro will collapse," and 10 million for the phrase: "Why the Euro will survive." **There's no lack of raw data. But who is right?** The only approach to the problem is

56 Justin Menkes, "Hiring on Smarts," *Harvard Business Review*, November 2005.

learning how to identify, link, interpret, and, ultimately, make a distinction between data from a respected source, and that which is presented to you "massaged" in some way. You can't make your decisions based on a Google search alone, and you can't base your decisions on suspicious sources that have been wrong most of the time. Yet, **this is exactly what many CEOs today are doing.**

As Derek Dean and Caroline Webb from McKinsey describe in "Recovering from Information Overload," for all the benefits of the information technology and communication revolution, "the revolution has a well-known dark side: information overload, along with its close cousin, attention fragmentation."[57] Most executives tend to believe that by doing several things at the same time, they can effectively handle all the information that is rushing toward them and get more done. But since the 1990s, psychologists have been doing experiments on the nature and limits of human multitasking and have concluded that it is difficult, and perhaps even impossible, to learn new information while engaging in this practice.

In laboratory settings researchers found that subjects asked to multitask show higher levels of stress hormones. Worse, write Dean and Webb, evidence is emerging that humans can become addicted to multitasking. "Who hasn't struggled against the urge to check the smart phone when it vibrates, even when in the middle of doing something important, including attending, or even leading, a staff meeting?"[58]

The root of the problem, as Dean and Webb write, is that our brain is best designed to focus on one task at a time. When we switch tasks, especially complex ones, we become strikingly less efficient. In fact, **multitasking impedes creativity and accurate thinking, the "missed ingredients" in most companies today.** Dean and Webb make note of how Harvard Business School evaluated the daily work patterns of more than 9,000 individuals working on projects that require creativity and innovation. They found that

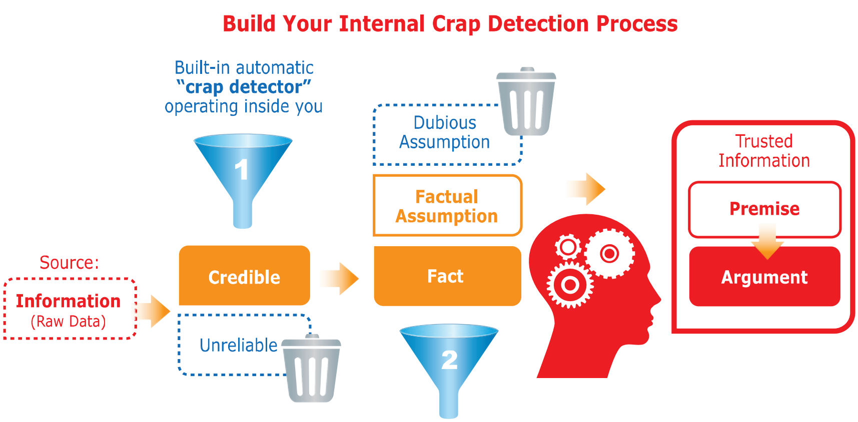
[57] Derek Dean and Caroline Webb, "Recovering from Information Overload," *McKinsey Quarterly*, January 2011.

[58] Ibid.

the likelihood of creative thinking remains higher when people focus on one activity for a significant part of the day. We agree.

What we need when processing information are facts. A fact is something that can be shown to be true, to exist, or to have happened, something based on evidence. Unfortunately, in today's world things happen so fast that it becomes more and more difficult to find "facts" that might relate to those things that could happen in the near future. So, we need to rely also on factual assumptions. A factual assumption is a conclusion based upon what something appears to be. This leads, then, to belief – a factual assumption we make about ourselves, about others in the world, and about how we expect things to be. However, more and more we notice that CEOs are so scared of what they read or listen to in the media, and so afraid of having their organizations fail, that they end up invalidating their own correct factual assumptions. They may, in fact, not consider their own correct factual assumptions at all. They are in denial, wrongly considering dubious assumptions instead of real facts (more about this key issue in chapter 2).

The following steps we have tested and worked effectively to protect us from toxic information. We encourage you to test these steps yourself to see their value:



The first step is to separate the raw data according to the source; that is, "credible" or "unreliable." Why lose valuable time gathering information from an unreliable source? Why pollute your actual conclusions with unreliable arguments and premises?

A credible source is worthy of confidence. We have learned to recognize, through the years, credible sources about the world economy. You'll need to recognize your own relevant sources. Think always how the source performed in the past. We like to consider a source to be "reliable" if, on average, it's been historically right about 60 percent of the time.

After selecting the credible source, the second step is to make the distinction between "dubious assumptions," "factual assumptions," and what are, simply "facts." It is at this step where Carlos has, over time, developed his built-in "crap detector," a term he borrows from Ernest Hemingway.[59] Today, fake news from organizations and journalists working for public relations firms, or government agencies, produce more and more material presented as genuine news. Unless a great many CEOs and executives develop their own crap detectors, en masse, and very soon, we fear for their careers and the future of their companies.

A dubious assumption is a conclusion rousing suspicion or creating doubt. A factual assumption is a conclusion containing facts that shows a significant amount of certainty to be true.

Only after making these distinctions will you be able to draw your own conclusions based on real arguments and premises. When someone is coming to you with an argument or premise, always remember to ask a few questions to check the source. First: "Is this information a fact or an assumption?" And if it's an assumption, check the source with the following question: "Who formulated this

---

[59] According to Neil Postman, "…the phrase 'crap detecting' originated with Ernest Hemingway who, when asked if there were one quality needed above all others to be a good writer, replied, 'Yes, a built-in, shock-proof, crap detector.'" "Bullshit and the Art of Crap-Detection," by Neil Postman, delivered at the National Convention for the Teachers of English (NCTE), November 28, 1969, Washington, D.C.

assumption? Based on exactly what has this assumption been formulated?"

Knowing the credibility of any given source is vital for you to decide whether or not to process the information. Carlos has noticed that all the great leaders he has worked for, or had the great fortune to know, have acquired the habit of combining and using the relevant facts, and it is this that has so greatly and positively affected their major decisions.

Conversely, Carlos has also noticed one common characteristic of executives who fail to become leaders: they spend too much time listening to sources and considering data that are irrelevant or unreliable with respect to the problem they are trying to solve.

Creative accurate-thinking leaders know full well how important factual assumptions are to acquiring foresight. They have, in other words, the ability to perceive the significance and nature of events before they occur. They also know that factual assumptions require leveraging of all the knowledge and understanding available in an organization. Thus, **a strategic thinking process is required** to translate assumptions into factual assumptions (more about his important issue in chapter 4).

Invest time collecting raw data; get used to consulting reliable engine research tools. Subscribe to a few trusted websites and newsletters, too. You will be not "losing" time; you'll be doing something important for your future.

> Twenty years ago, when managing a multinational company division, I asked myself two important questions: First, by measuring success against wrong predictions how can I do anything but fail to achieve my goals? Second, why, then, should I forecast the future if it is such a losing game? – Carlos

Twenty years ago, when managing a multinational company division, Carlos asked himself two important questions: First, by measuring success against wrong predictions how could he do anything but fail to achieve his goals? Second, why, then, should he forecast the future if it is such a losing game?

That's when Carlos began to think in a different – powerful – way. He gave up speculation and "informed guesses" and began to devote his attention to gathering and analyzing the best information about trends actually taking place in order to be more proactive about the future. By so doing, Carlos realized it was possible to understand what may happen. It's like drawing a map of possible obstacles and dangers – and opportunities. Carlos knows, based on the his experience, that by using this creative process, one is able to forecast about 70 percent of what will happen in six different related areas of one's business, allowing the means by which to take appropriate action. This is a fantastic competitive advantage in a world where most top executives (remember the Chrysler example) don't have the remotest idea what could happen to them in the next six months!

For the first time in history, the Internet offers us the ability to gain access to analysis and information that is not influenced by governments and institutions. It is imperative for you to learn to leverage this competitive advantage. So it's important to remember that just because something is being reported on the news (whether on CNN, or Fox, or *Financial Times*, or the *Wall Street Journal*), that doesn't necessarily make it accurate. You will become a much more accurate thinker when you find yourself moving beyond repeating so-called facts by stating: "Well, I saw it on CNN," or "They said in the newspaper that…"

Trying to understand the future can be difficult at the beginning for many because we are so hard-wired to look at the world through only our own perspective (or what we have been programmed by the media to believe). It can seem hopeless in trying to advance to the next level of knowledge. But in reality, this initial belief will start to disappear when you begin to realize the new high level of knowledge you'll be acquiring.

You can hardly go wrong in following these insights and principles. The benefits will be increased productivity, more creativity, and just plain better results. You will leverage your knowledge and understanding, being able to increase your effectiveness when making critical decisions.

All these fundamental truths will serve as the foundation for your chain of thinking. The accurate, creative-thinking leader for turbulent times always deals with facts, or factual assumptions, regardless of how they affect his interests, for he knows that, ultimately, this principle will move him or her from a good CEO to an outstanding CEO leader, earning the admiration of all of his or her associates.

You'll find, in the next chapters, five additional, new mental models and paradigms any executive will need to acquire in order to succeed in our difficult, fast-moving world. For though the times may be turbulent, indeed *because* they are, the opportunities for success are unlimited. This we can guarantee: after reading all six chapters, you will not be the same executive. You will have different ways of thinking and be thinking in different ways. You'll be smart, focused, and practical enough to be able to continually adjust your paradigms and mental models for leveraging all of the abundant possibilities you'll discover in this fast-moving, exciting world.

PART II

Emotional and Social Intelligence

CHAPTER 2

Self-Awareness: Awakening the Passionate, Outstanding CEO Leader within You

Do you recognize your impact as a CEO leader? Are you a "multiplier"? That is, are your decisions causing a chain reaction that continuously generates increasing, profitable, sustainable growth and progress? Or, are you a "diminisher," whose indecision and lack of appropriate skills for a new world generates unprofitability and lack of progress?

A leader's impact on his or her people is exponential. Not just a few, but hundreds or perhaps thousands of people are influenced, in one way or another, by every word you speak and by every decision you make. People observe you, listen to what you are saying, and make judgments about your decisions and style. Are you making the right impact? It's important because **this impact is at the root of all the goals and objectives that you might like to achieve.** Your people, particularly your team members close to you, are your most valuable asset, and to maximize that asset, you need to make a positive impact and be a role model for them.

In the first chapter, you learned that becoming an active, self-directed thinker is the turning point to truly effective leadership in the world as it is (not as we wish it to be). In this chapter, we'll show you why learning about yourself is the next frontier in your education and in you becoming a CEO and leader people will follow and support.

Developing self-awareness is a lifelong undertaking. Most leaders remain ignorant of the potential benefits of self-awareness. For them, self-awareness is more of an obscure subject, akin to spirituality, and best kept to oneself. The process of introspection requires that we consider our influences on others and their views of us. And we all know how tough it is to face criticism. Indeed, we try to do everything we can to avoid it. When we do confront criticism, we invariably downplay it. The true reality is, how others actually see us is typically far different from how we want to believe they see us.

Developing self-awareness is a lifelong undertaking. Most leaders remain ignorant of the potential benefits of self-awareness. For them, self-awareness is more of an obscure subject, akin to spirituality, and best kept to oneself. The process of introspection requires that we consider our influences on others and their views of us.

It doesn't need to be this way. Developing self-awareness – to first understand yourself and then understand how to relate to others – is essential. Why? With true self-awareness comes the power to overcome weaknesses, leverage strengths, and better your understanding, communication, execution, and impact. Simply put, it's a fast-track, high performance way to leadership for the twenty-first century.

The material, ideas, and concepts in this chapter are based on our personal experiences. We know the main causes of failure, or severe underperformance, are having no definite aim, no vision, no understanding of all that's possible from your daily efforts and actions. It's a failure not to set clear and attainable goals and objectives, or to have no clear plans for how to accomplish them. If you don't know where you are going, Lewis Carroll said, any road will take you there. Having a definite objective toward which to strive, an optimal objective – optimal for what you are and what your business deserves to be – will positively affect your subconscious mind, thus leading toward the attainment of that objective.

This requires, first, that you improve the quality of the "raw material" that you're reading and absorbing by following the practices we outlined in chapter 1. **This is vital for your future and the future of your organization.** If all you are is a cloned byproduct of only what you've observed, or been trained to do, within your vertical industry assignments, your vision will be myopic, limited, and incapable of providing you any competitive advantage. By not acquiring the best, most accurate information available, your decisions will become suspect; your people will become anxious.

The second requirement: the development of a higher self-awareness. For then, and only then, will you be able to acquire emotional, social, business, and talent intelligence to become a creative, accurate thinker who impacts and serves as a transformative force for turbulent times**. You will be driven by enthusiasm and faith in yourself as well as in your convictions**, and not, as are most CEOs and senior executives today, by mere opinion.

An opinion is a judgment that rests on grounds insufficient to warrant certainty. A conviction, on the other hand, is a strong persuasion or belief formed in the mind. In other words, an opinion is only a personal idea, often influenced by dubious assumptions. **Opinions can change in the blink of an eye. A conviction is a part of your very being, the framework of your soul.** A conviction should be the result of thorough investigation, evaluation, and cooperative assessment – true reality against mere subjectivity.

If you suspect that what you're putting into your organization – your time, knowledge, understanding, ideas – lacks the critical emotional component of conviction, then you haven't convinced yourself that it's possible to reach your goals and objectives. Your belief, in other words, is not strong enough to be accepted by your conscious mind. And the inevitable consequence will be failure.

> This is vital for your future and the future of your organization. If all you are is a cloned byproduct of only what you've observed, or been trained to do, within your vertical industry assignments, your vision will be myopic, limited, and incapable of providing you any competitive advantage. By not acquiring the best, most accurate information available, your decisions will become suspect; your people will become anxious.

The application of the concepts introduced in this consequential chapter is your key to opening the window of opportunities for you and your family business. It is one of the principle reasons we decided to write this book. We contend that without the careful absorption of the concepts introduced in this chapter, it will be nearly impossible for you to become the CEO who sees around corners. Our clients and mentees around the world have told us time and again that the ideas we present in this chapter have been as critical to their success as the strategic concepts and processes developed in the other chapters.

What will you learn here? You'll be introduced to three concepts that greatly influence leaders of successful family businesses; in fact, any organization. Meeting thousands of CEOs and senior executives has enabled us to identify, first, how intuitions often deceive us, particularly in a dynamic and turbulent world; second, the importance of seeing things as they really are, as opposed to what we may imagine them to be; and third, how successful leaders are able to adopt brand new visions by which to create their leadership breakthroughs.

After this quick launch we will introduce you to the Leadership Mindset for Turbulent Times, the same concept we use mentoring CEOs and senior executives around the world. We'll then finish by relating some of the wisdom we've gleaned from our combined eighty-plus years of business experience, wisdom in six critical areas: personal values, thoughts, denial, fear/anger/anxiety, greed, and pride.

Cognitive Dissonance: How Our Intuitions Deceive Us

In a fast-moving world such as exists today, CEOs and senior executives seem to be in a perpetual state of cognitive dissonance. So, **let's talk about this twenty-first century disease**, as well as the tools necessary to regain our natural senses: self-awareness and emotional intelligence.

Self-awareness means the ability to look clearly within and see yourself, your beliefs, your actions, and your attitude for what they are, what they aren't, what they do or don't do – and how they positively or negatively affect and impact your results. This ability is unfortunately diminished when, for whatever reason, we follow our intuitions and refuse to accept reality.

The key word for us here is "reconcile." We need to find a satisfactory way of dealing with our beliefs, which in many cases are opposed to each other, thus creating *cognitive dissonance* – the uncomfortable feeling caused by holding two contradictory beliefs simultaneously. An example would be you wanting to build a sustainable, profitable family business, but you find yourself stressed by all the everyday pressures and demands of your job as CEO and, you think, you and your people don't have the strategic skills needed to succeed in a dynamic, fast-moving world. It's cognitive dissonance that makes us experience unpleasant, negative emotional states like anxiety, anger, stress, shame, or guilt, all having the potential to diminish our ability to lead and grow. It can paralyze and constrain you. **It happens to all of us.**

Self-awareness means the ability to look clearly within and see yourself, your beliefs, your actions, and your attitude, for what they are, what they aren't, what they do or don't do – and how they positively or negatively affect and impact your results. This ability is unfortunately diminished when, for whatever reason, we follow our intuitions and refuse to accept reality.

When you see CEOs and leaders (yourself included, perhaps) depressed, anxious, angry, and stressed, it's often because they have yet to realize that their failures are the result of an inability to understand that they need to change their behaviors and acquire new skills and tools. Often, they're hanging on to weaknesses that they mistake for strengths. Until they decide to change, they find themselves mired in doubt. Doubt produces slippage or failure to achieve goals.

Cognitive dissonance is the result of suffering from a psychological syndrome or disease that can be thought of as similar to scotoma, a blind spot, a deficiency in our mental perspective. As with any blind spot, we may have adjusted to it and accepted it as normal, even as it distorts our view. Many people continue to smoke, for example, even though copious research shows they are shortening their lives. They answer this cognitive dissonance with thoughts like, "Well, I've tried to quit and it's just too hard," or, "It's not as bad as they say and besides, I really enjoy smoking." Daily smokers justify their behaviors through rationalization, finding logical reasons, or denial, just like most people, including CEOs, when faced with cognitive dissonance. Do you justify your own behaviors in the same way? As a CEO leader, you may consciously recognize at some superficial level that you need to correct, improve, replace, or eliminate certain aspects of your thinking – but you don't do any of these things.

One of the best ways to overcome individual distortion in your beliefs about business, yourself, and your leadership, is to channel the energy of an internal mastermind group, to harness your co-leaders' collective brainpower in ways by which you can solve problems and create new ideas. Thoughts come from the individual and are limited to that person's mind. Often, then, the mind that creates a problem isn't the same mind that will solve it. Bringing together a diverse group of leaders with different experiences, education, and market perspectives broadens the mind. The creativity the first mind seeks is often caged, waiting to be released by the creative stoking of another. **You need to raise your perspective – your sense of you – far above where it is now, and look at things**

more globally, look at the total, the expansive scope of what's going on. It's much like a CAT scan; it's looking at the entirety of a situation from a global perspective: diagonally, horizontally, from the top, from the bottom, from the left, from the right. It's undeniable that this can't be accomplished without a process. See the appendix for a webinar in which we explain step-by-step the process to select, create, and run a mastermind group alliance (more about that in chapter 4).

Because of the team spirit and emotional bonding that takes place, a mastermind group alliance fielded with the right quality and type of colleagues can also assist its members in forging a greater commitment to business planning and follow-through. Continuous interaction can help detect wrong beliefs and paradigms and point out the need for change in a fast-moving world. **It can quickly change the culture of your organization,** continuously reshaping it to the changes in the market. **It has the potential to create continuously competitive breakthroughs** in a world where most companies continue to work with their outdated skills and paradigms.

> The key to emotional intelligence is being aware of one's internal states, preferences, resources, and intuitions. It's a self-diagnostic mindset, not unlike the self-diagnostic capabilities of a well-designed automobile. Knowing what's going on inside your mind is as important as knowing what's going on in your business. After all, what you think about today will become the basis of tomorrow's decisions.

Emotional intelligence is the tool that helps us to create better thinking. Emotional intelligence is the major inner-measure of the self-awareness of effective CEO leaders. It's critically important to enhancing leadership. It's something few CEOs and senior executives spend much time, if any, thinking about, but it plays an enormous role in leadership performance.

They key to emotional intelligence is being aware of one's internal states, preferences, resources, and intuitions. It's a self-diagnostic mindset, not unlike the self-diagnostic capabilities of a well-designed automobile. **Knowing what's going on inside your mind is as important as knowing what's going on in your business.** After all, what you think about today will become the basis of tomorrow's decisions.

For the astute executive, this level of self-awareness – knowing one's internal states, preferences, resources, and intuitions and how they influence and drive action – is the key to increased personal and organizational performance. That is because **you cannot effectively lead anyone or anything if you cannot lead yourself.** It's the art of waking up, of realizing who you really are and why you do things in the way in which you do them, and examining and evaluating whether your actions are the highest and best and sourced in the most enlightened, insightful perspective possible. In essence, self-awareness is about the process of increasing your perception and knowledge of yourself.

Your key to developing self-awareness is in paying attention to your thoughts and considering why you are having them and where they are taking you. **In other words, it's knowing the beliefs that are behind the thoughts, and then knowing the consequences of where they are taking you.** Where your business is concerned, you might pay attention to whether you are taking your competition too seriously or too lightly, and, if either, what corresponding strategy is more powerful. Are you aware enough to know if you are growing your knowledge faster than your market is growing? This is almost always overlooked. Are you disassociated from the needs and concerns of your team and people? Are you failing to provide and fuel purpose and vision for high performance? How well (or how badly) are you performing key strategic skills such as crafting unique, profitable business models, and singular, competitive strategies? Every business can be broken down to a finite number of "drivers" or major revenue and sales activities, and the successful enhancing and advancing of these activities can be tactically critical to the desired revenue and earnings results you are after. These are the tools and skills that virtually guarantee higher overall performance levels, capabilities, and results through your company's entire ecosystem.

As Mahatma Gandhi put it, perhaps better than anyone, "Carefully watch your thoughts, for they become your words. Manage and watch your words, for they will become your actions. Consider and judge your actions, for they will become your habits. Acknowledge and watch your habits, for they shall become your destiny." **Within these words lies the roadmap for human existence.** Almost every circumstance in your personal and professional life can be chartered according to this map; any decisions at any station in this map will result in a new and different destination. It's therefore up to you to analyze and continuously correct the course, which, after all, is the ultimate goal of leadership. You can't be a CEO leader and ask other people to follow unless you're able to define the true reality, the true situation, and the problems as they actually exist in contrast to how you would like reality to be. In the words of Jack Welch, "Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others."

Each one of us has a unique perception of the world in which we live, and that is especially true of the business world in which we operate. Your CEO leadership style, your crafted strategy and/or business model, your organization's culture, and your sense of the marketplace and competition all flow from the way you see, think, and experience things. If your assumptions are flawed, your outcomes can't be maximized. This is so because your past thoughts have created your current reality, and that reality composes your actual world, both business and personal. Your beliefs determine the quality of your very personality. What affects them, how they were acquired, where they come from – all of this you need to grasp. You need to understand your "self-concept" – the way you see yourself, rather than the way others see you. To be an accurate-thinking CEO leader means seeing yourself as the leader *you* need to be, not necessarily what others want you to be or whatever image you think may be viewed most favorably. This can mean improving your listening skills, trust-building ability, sense of confidence, or your capacity for instilling more confidence in others. It can mean becoming more collaborative, using Socratic (questioning) methodology, or becoming more empathetic. How does your Return on Strategic Effectiveness really stack up?

Brian Tracy put it like this: "Our self-concept is our bundle of beliefs about ourselves and about every part of our life and our world… you are where you are and what you are because of what you believe yourself to be."[60] But it's truly important to understand, penetrate, isolate, and examine the factors, forces, elements that initially caused your current sense of emotionally reality so you can see how and why to adjust, improve, and replace them when it becomes necessary in your life.

Understanding True Reality

This is the first responsibility of a leader: know what you and your organization are about. Be definite in your thoughts about your business, your directives, your messages to your employees, customers, to the market, and to your family and friends. But, **grasp clearly how that message is received, perceived, and believed by your people and your family.** All of this starts with having an accurate self-concept; you need to know where you are before you can move to where you need to be.

Breakthrough Leadership: Adopting a Brand-New Funnel Vision

Our unconscious minds are like the operating memory of a personal computer – capacity is limited in terms of what we pay attention to with our brains. The only way to grow as accurate thinkers is to

[60] Brian Tracy, *Maximum Achievement*, New York: Simon and Shuster, 1993.

examine and challenge old beliefs and have the courage to welcome new beliefs, more adapted to the times in which we live.

Sometimes, like a personal computer, you just have to reboot. Breakthroughs typically come from looking outside, not within. It's all about creating breakthroughs. If you study great and meaningful creative achievements, and even seemingly modest creative achievements, in all fields of endeavor, you will find that the greatest ones come from borrowing the successful processes of other people, other companies, and other industries.

Federal Express – with over $40 billion annual sales in 2012 – wouldn't be here today if founder Fred Smith wasn't creative enough to borrow the check-clearing process that the Federal Reserve Bank was using to process checks and get them to banks overnight with a hub-and-spoke concept. Smith saw that and said to himself, "I can do that using Memphis as my hub and other cities as my spokes!"

Fiber optics, which changed the whole communication world, wouldn't be here if it had been left to the telecommunications industry. The concept came from the aerospace industry before it found a more universal role in telecommunications.

But most people don't think this way. The only beliefs we usually accept are those that resemble the old ones. Strong beliefs, or convictions, are hard to change; we don't like to recognize them as obsolete or irrelevant. Our underlying beliefs operate at a deep, subconscious level and they affect our experience of life.

But performance either increases or decreases. Results either expand or contract. We need to look hard at our beliefs and convictions and examine what kind of payback we're getting from them and determine if perhaps we are better off by letting them go in three different comparative forums: economic, practical, and competitive.

> But most people don't think this way. The only beliefs we usually accept are those that resemble the old ones. Strong beliefs, or convictions, are hard to change; we don't like to recognize them as obsolete or irrelevant.

This is not easily done. Our convictions (strong beliefs) help keep us in a comfort zone, where we wrongly feel safe and at ease, while the world (including our market and our competition) passes us by. Staying in the comfort zone threatens our growth, impedes breakthroughs, and constrains innovation. It's a false sense of security because we live in a fast-moving, changing world. **Our comfort zone is anything but safe.** A disaster is waiting to happen. This is exactly what happened to Borders, Kodak, and Circuit City, now all bankrupt. These companies were thought to be too big to fail, and in other times, perhaps they were. But they did fail in today's turbulent times. Why? Kodak stayed committed to manufacturing film. Circuit City failed to embrace the Internet. Borders steadfastly held onto print. You have the right to ignore reality too, of course. Like the CEOs and senior executives of these organizations you have the right to ignore how social media is influencing your industry. You have the right not to think there might be better, more effective way to reach your market, or relate to your market; access, influence, impact your market. **What will be tragically impossible to ignore, however, will be the negative *consequences* of these realities.**

True reality, not your reality, is as true as the sun rising in the east and setting in the west. Yet true reality often gets ignored, unseen until the consequences occur, when it is suddenly seen all too well. Almost all the big banks were saved in 2008, as well as General Motors, Chrysler, and A.I.G Insurance, with taxpayer-printed money. Regardless of the cost, none were allowed to file for bankruptcy and disappear (excluding Lehman Bank). Kicking the can down the road became the policy in most Western countries. **But putting off until tomorrow what we do not want to deal with**

today never works. And the longer the truth takes to play out, the more dangerous it is. The government probably won't be willing to bail your company out. So the question of whether to survive, or thrive, is up to you and how well you start thinking differently.

This is why you must strive to develop knowledge and understanding, as well as high performance, actionable, well-justified wisdom, and fortified trust in yourself. You need to grasp trends and changing buying habits, consider alternative ways of distribution, and seek new technologies. Grow or die. It's a clichéd phrase but a true one. You need to become an accurate-thinking CEO, a leader for turbulent times, a leader who sees around corners. Hopefully you're starting to constructively question yourself, you're starting to see possible areas of improvement, and you're seeing ways to make your leadership more impactful.

But is *striving* for self-awareness enough? Self-awareness can sometimes reveal our biases, but the problem becomes that often we then find ways to rationalize our biases, to try to find a logical reason to explain why we think and behave in ways that are difficult to understand rationally. We have strong feelings in favor of or against one side of an argument, and the feelings are often based on unfair judgments. We like to look for excuses for them, or we tell ourselves that we don't need to think beyond our biases because we're "doers," persons who do things rather than thinking or talking about them. So we end up connecting with those CEOs or executives who share our biases and tend to reject the ideas of those who threaten them.

Thinking deeply is probably the most overlooked element in leadership today. Often our beliefs, our convictions, impel us to make decisions not because they could be beneficial to us, but because they are comfortable to us. We use the same marketing message, the same sales material, and the same business models, and go to the same industry trade shows. Think about these examples in your own company and your own life. You understand in your unconscious mind that your organization has problems; your profitability might be low, well below your cost of capital. But you insist on continuing in the same direction, hoping for better days ahead. Maybe your reserves are too much for your own good – they allow you to keep funding disappointments. Are you postponing necessary decisions because it's more comfortable for you to do nothing in a fast-moving, competitive world?

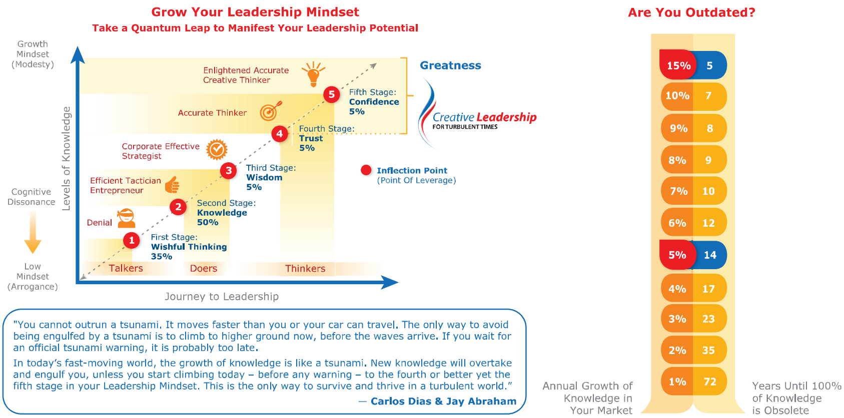
> Thinking deeply is probably the most overlooked element in leadership today. Often our beliefs, our convictions, impel us to make decisions not because they could be beneficial to us, but because they are comfortable to us.

With all of this in mind, you're now ready to learn about one of the most important concepts and proven processes that we have developed for CEOs and senior executives on their way to becoming enlightened accurate-thinker-leaders for turbulent times. We can promise that what follows has the potential to be a pivotal inflection point for you, your key people, and your organization.

The Leadership Mindset for Turbulent Times

Moving beyond our biases to find a logical reason to explain why something happens in a way that is difficult to understand requires something we call "The Leadership Mindset for Turbulent Times." This is the tool we have created for our clients – CEOs and senior executives – and the tool that needs to be grasped before learning the system thinking processes that need to be assimilated for success in a dynamic, turbulent world such as exists today.

The leadership mindset for turbulent times begins with the premise that your potential is unknown. Far from being mired in an unchanging you, qualities such as character and intelligence are standards that can be cultivated. CEOs and executives with a leadership mindset know that these things can be developed through commitment to continuous education, dedication, and proactive effort. They know that the leaders they admire weren't born with their talents. They may have had natural abilities, but these skills were just the starting point. It was commitment, dedication to passionate practice, and learning that enabled them to become the leaders they became. You can do the same.



Note the chart. We suggest you have it printed in large format and keep it always at your fingertips (see the appendix to freely download a color copy). The chart shows you why accurate-thinking CEOs are so rare, only 5 percent today. *Enlightened* accurate-thinking CEOs are rare too, also 5 percent. **That means just 10 percent of CEOs are ready and capable of facing the challenges of this new world.** Surveys from respected organizations around the world have come to similar conclusions. You'll recall from chapter 1 that only 4 to 5 percent of global CEOs see themselves as strategists.

A competitive, fast-moving world requires leaders with *conviction*, strong beliefs based on accurate thinking. Unfortunately, today most CEOs seem only to have *opinions*. As you can see in the chart, we've also come to the conclusion that, today, **there are three kinds of CEOs and executives: talkers, doers, and thinkers.** Talkers talk, doers do, and thinkers strategize. But as we mentioned in the Introduction, until the thinker does, the doer thinks, and the talker walks, no one can thrive. All three qualities are needed to succeed in turbulent times such as exist today. Let's see why we think this way.

At the right of the chart you will see two rows: the annual average growth of knowledge in your market and, for each measure of growth, the years required for knowledge to double. In a fast-moving changing world the knowledge is increasing at different speeds. Let's say that you are a CEO in the digital media industry, where today knowledge is growing by 15 percent a year on average. With several thousand agencies competing for slices of the growing digital media market, competition is fierce at all levels. At 15 percent growth, knowledge doubles every five years. What does this mean for a CEO or executive in this market? It means that just to keep up, his knowledge needs to grow by at least 15 percent per year, too; otherwise he's at risk of becoming an uncompetitive CEO or senior executive, unable to craft the right business model and competitive strategies to allow his organization to thrive in turbulent times.

Let's assume your knowledge grows at an average of only 5 percent per year. We can see in the chart that it will take fourteen years for your knowledge to double. Soon the knowledge gap will be huge, you will be unable to successfully lead, and your incompetence will mean the loss of your job, or loss of your business. Think it can't happen? It's exactly what happened with Kodak, Borders, and Circuit City. It's playing out with hundreds of companies today and will continue to do so tomorrow.

Let's assume your knowledge grows at an average of only 5 percent per year. We can see in the chart that it will take fourteen years for your knowledge to double. Soon the knowledge gap will be huge, you will be unable to successfully lead, and your incompetence will mean the loss of your job, or loss of your business. Think it can't happen? It's exactly what happened with Kodak, Borders, and Circuit City. It's playing out with hundreds of companies today and will continue to do so tomorrow.

Two key questions present themselves that require complete honesty: what is the annual average growth of knowledge in your market, and what is your annual average growth of knowledge? Honest answers will most likely reveal an urgent need for continuous education: researching trusted sources, questioning recognized experts, attending high-content webinars, reading relevant books, and traveling outside your comfort zone. This requires commitment, discipline, and time – around a third of the available time for those successful key CEOs and executive leaders we surveyed in the digital media market. It's worth asking yourself: how much time do *you* spend educating yourself on the cutting edge developments taking place in your industry?

Here opens a larger than expected window of opportunity for anyone willing to take advantage of the true reality ignored by most CEOs and executives today. If you recall the survey in chapter 1, only 4 percent of global CEOs in our fast-moving, turbulent world are strategists. What's the implication? Learn the skills necessary to become an accurate-thinking strategist and leverage this situation to your advantage**. Your organization, and your family, will be grateful as you reap the benefits.**

We believe that each and every person is born with a great capacity for creativity. If you go back in time and think of yourself when you were a child, you were behaving or expressing yourself freely without worrying about what other people thought about you. You were creative. You were adventurous. You were possibility-based. You tried things. You experimented. The world for you was infinite in its possibilities. And then the system took over. The world began to affect your life. Maybe it was your environment. For whatever reason, the infinitely creative being that you were born as lost the capacity for expressiveness.

Our aim in this book is to **allow you to reconnect to any and every part of your life that isn't operating at the maximum in your business and your career.** We know that you probably don't realize what specifically is causing your problems in this new competitive, dynamic world. But if you look at your business life and break it into compartments, the odds are high that there is at least one – and probably multiple – facets right now that aren't giving you the payoff you want. And that payoff may be fulfillment, purpose, passion, money, satisfaction, contentment, serenity, happiness, and a life free of stress.

We're going to show you how to figure out which area, or areas, of your business life aren't giving you what you deserve. And you do deserve more – purpose, fulfillment, achievement, connection, satisfaction, enrichment – financially and psychically, to become a creative CEO leader for turbulent times. **But you can't get it until you know what it is you want and where you are today.**

First, therefore, you need to identify the issue, the problem, or the opportunity you're trying to get closer to. Only then can you tap into your creative capability – the creative genius that resides within every one of us – and let it do the heavy lifting for you. It will unfailingly do so. We'll teach you how to access it within the pages of this book.

The first thing is to show you the fast track for a CEO leadership mindset for turbulent times. It's essential that we take you on a journey that you clearly understand. We'll tell you exactly what you are going to experience, why we are doing it, what the path is, and what each step consists of. In this way, you will be comfortable and trusting and able to get the most out of it.

With the help of the chart, let's see how your understanding toward manifesting your potential for leadership grows. The horizontal line shows the five different stages of your journey to leadership for turbulent times. The vertical line shows the different levels of knowledge, going from low mindset (arrogance) to growth mindset (modesty). With a low mindset, you believe your skills are pretty much set in stone. You may be a great operational tactician, but you still struggle to make your organization grow. If you have a growth mindset, on the other hand, you believe you can accomplish anything that you set your mind to. You might struggle crafting unique business models and designing unique competitive strategies, but you believe that's because you never had to pay much attention to the things in the past, before the world was as turbulent as today.

Let's now consider these five stages, or points of inflection, on your journey to leadership. **A "point of inflection" is a stage that fundamentally changes your career, even the way you think and act.** It's no small change, but rather a pivotal point turning you toward a higher, more accurate-thinking position.

For you to have a better understanding of the consequences of ignoring reality, we'll be giving you examples of well-known senior executives and their organizations for each one of these five stages. But don't think it only happens to multinational companies. It happens in any size company. We could give you hundreds of examples from family businesses that we have witnessed during our careers.

Carefully consider what each stage means and be aware that, although words like beliefs, understanding, wisdom, trust, and faith are bandied about interchangeably by most CEOs and executives, they are in fact all different things, reflecting different degrees of knowledge. ***It's key for your future and your organization to recognize each one of these five stages***, to identify, first, where you, the CEO, and your key people are today, and then to set your goal for where you need to be to succeed in this new competitive world.

It's key for your future and your organization to recognize each one of these five stages, to identify, first, where you, the CEO, and your key people are today, and then to set your goal for where you need to be to succeed in this new competitive world.

The First Stage: Wishful Thinking

The first point of inflection is **wishful thinking**, as we discussed in chapter 1. We estimate around 35 percent of CEOs and senior executives are at this stage. They don't try to develop their knowledge too much, feeling instead that what they've already learned is sufficient.

Junior executives, beginners, are usually here. But unfortunately, boards of large businesses, as well privately-owned family businesses, have directors at this stage of knowledge, too. These directors might be accomplished and highly intelligent, with personal wealth at stake, but without the relevant experience in the business they advise, or perhaps they simply lack corporate experience generally. In a fast, dynamic, competitive world, this can lead to serious implications and grim consequences. Hewlett-Packard is a good example. Hewlett-Packard has a history of five failed CEOs in just the past five years. These former CEOs have caused, according to current CEO Meg Whitman, "…inconsistent strategic choices and some significant miscues. The unintended consequences being Hewlett-Packard will continue its headlong plunge in profits for at least another year – with a full rebound not in sight until 2016."[61] Here is a large company that has underinvested in research and development for the past ten years and can't get innovations out of the lab and into products fast enough. Speaking in the same interview, Whitman admitted to being surprised to find chaos in so many areas, citing, as an example, the fact that the company had *2,000* different types of laser printers available.

Why does chaos like this happen?

It happens because **CEOs and senior executives at this first stage are not much more than their opinions and ideas, operating from their own subjective sense of reality,** thoughts borne of mere beliefs are typically powered only by emotions and driven by wishful thinking. Beliefs can come from sources such as the media or authors or colleagues – *talkers* often, who excel at projecting a façade of expertise. Chrysler CEO Robert Nardelli, Vice Chairman and Co-President James Press, and Co-President Tom LaSorda, top executives at Chrysler in March 2008, provide good examples for stage one, as you'll recall from chapter 1, with their plan to turn

[61] Hewlett-Packard CEO Meg Whitman delivering a stunning confesional speech at an HP analyst briefing on October, 3, 2012. Source: Arstechnica.

Chrysler around based on wishful-thinking conclusions, the result of errant premises and arguments.

Not surprisingly, CEOs and senior executives at this stage are usually anxious because they are continually in denial or suffering from cognitive dissonance. They often talk a big game to make up for their lack of knowledge. They often make decisions based on contradictory ideas, a sure sign of limited knowledge.

As CEO, you can't afford to be at this stage in a fast-moving world. Moreover, you can't afford to have any senior executives at this stage. All your best efforts as CEO can be undone if you fail to give your key executives regular, direct feedback on their performance and your expectations. In other words, put a formal development and executive process in place. Your executives need to know where they stand and in which stage of the Leadership Mindset Growth they're in. If you don't accomplish this, they won't know what to strive for.

> CEOs and senior executives at this first stage are not much more than their opinions and ideas, operating from their own subjective sense of reality, thoughts borne of mere beliefs are typically powered only by emotions and driven by wishful thinking.

The Second Stage: Knowledge

The second stage is **knowledge:** knowing and understanding. At this stage a CEO or senior executive becomes an efficient tactician, entrepreneurially driven, willing to take risks and invest time, energy, and money to grow his or her business.

The decisions at this stage are now based on solid factual assumptions that have a high likelihood of being true. **The CEO understands the problem he is trying to solve. But he's still focused more on the seen effects than the unseen causes.** Probably 50 percent of CEOs and senior executives are in this stage.

These CEOs and senior executives know *how* to do things – efficiently – and they're able to increase the efficiency of their organization. They know how to do high quality things well, and with little waste of time and money. Unfortunately, **they are not yet doing the right things (effectiveness).** In other words, they are not focused on *what* to do. Focusing on *how* is the only way they can run their business. Therefore, their products or services become slowly obsolete for lack of value innovation.

> Senior executives at this second stage believe that a business is a simple combination of parts, such as production, sales, marketing, finances, and so on. They haven't learned that an organization is part of a whole system. So many ignore the profits that lie hidden in their businesses.

CEOs and senior executives at this stage are hardly efficient "doers." Their two key goals are increasing sales and profits, and nothing else. These executives haven't learned the importance of connecting their sales to their total assets (assets velocity), especially important in low-margin industries, which is what most organizations are in today. These CEOs don't understand not having enough velocity, thus risking their family business. Many ignore the profits that lie hidden in their businesses. Senior executives at this stage believe that a business is a simple combination of parts, such as production, sales, marketing, finances, and so on. **They haven't learned that an organization is part of a whole system** (more on this later, in chapter 4). **These executives are good at "benchmarking."** They have the conviction that everything can be measured and used as a standard by which other things can be compared. Why? Up until recently, it was enough to duplicate (benchmark) what leading companies were doing to be successful. But that was the past, when the economy in the Western countries was growing and a business didn't require foresight, the ability to predict what is likely to happen and to use this to craft new business models and competitive strategies for the future.

As with most things in life, what was acceptable yesterday is not acceptable today. Here's a good example: the IBM Selectric was a highly successful line of electric typewriters introduced in 1961. The Selectric mechanism was notable for using internal mechanical binary coding and two mechanical binary, digital-to-analog converters, called whiffletree linkages, to select the character to be typed. It was, in those days (as we can personally testify!), a revolutionary model. Nevertheless, Apple released its first personal computer kit, and then the Apple II was introduced on January 3, 1977. The rest is history.

Here's what happened:

IBM had skills and highly-trained tactician senior executives as well as the money to jump out before Apple in the new prosperous industry of personal computers. Nevertheless, they lacked the foresight-based insight to identify that personal computers would soon revolutionize the way people and the business world work. **It took IBM five years to decide in 1982 to jump into the personal computer market.** That was their first bad decision. They were in such a hurry to release a PC to challenge Apple and other computer brands, they let Bill Gates and Microsoft retain the world rights to market MS-DOS as separate from the IBM PC. **That's when IBM made the second, fatal bad decision.** By 1993, IBM annual losses reached a record \$8 billion on \$63 billion revenues, making Bill Gates and Microsoft rich!

Steve Denning wrote an excellent article in *Forbes* magazine about how IBM managed to survive. Their losses – 13 percent of their revenues – were, "because IBM's core mainframe business had been disrupted by the advent of the personal computer and the client server. IBM couldn't compete with smaller, nimbler, less diversified competitors."[62] First, IBM tried to compete by splitting itself into smaller units, but when that didn't work, new CEO Lou Gertner –

[62] Steve Denning, contributor. "Why Did IBM Survive?" *Forbes Magazine*, July 10, 2011.

an outsider – came in and put the emphasis on customer needs. "Gerstner reversed the move to spin off IBM business units into separate companies, [recognizing] that one of IBM's greatest strengths was its ability to provide integrated solutions for customers – a firm that could represent more than piece parts or components."[63]

Still, IBM has yet to recover from its initial failed strategy. It used to be a company with revenues growing at a rate of two digits between 1974 and 1993. Revenues reached $105 billion in 2012 – that's less than 3 percent as compound annual growth between 1993 and 2012. In fact, IBM may need a multibillion dollar deal to jumpstart sales. Sales increased just 0.8 percent in four years, the worst rate since the period that ended in 2002, according to data compiled by Bloomberg.[64]

"Don't mistake movement for achievement. It's easy to get faked out by being busy. The question is: Busy doing what?" – Jim Rohn, American entrepreneur, author and motivational speaker

Companies such as Borders, Circuit City, and Kodak, just to name a few, are bankrupt because their CEOs and senior management, as with IBM from 1974 through 1993, didn't understand their own mental models. **Their beliefs about how things work in the real world were obsolete.** The lesson that the future of your business and career depends on is this: **never bet on efficiency alone.** What you are doing today, and the beliefs and skills you use, are, or may soon become, obsolete. You need new skills to prepare for what will happen, skills that may be quite different from what you've successfully used in the past.

To survive, and to thrive in today dynamic non-linear marketplace you need "acuity," that is the ability to think, see, or know clearly what will happen next year and two or three years ahead, not ten years ago. Therefore, you need to change your behavior and therefore your beliefs. You need to learn new skills. You need to

---

63 Ibid.

64 "IBM May Need Multibillion-Dollar to Jump-Start Sales," *Forbes Magazine*, February 1, 2013.

reach stage five to become an enlightened accurate-thinking CEO creative leader.

Critical at this point to continue on to the third stage are two vital ingredients: high self-esteem (being content with your own character and abilities) and commitment (your willingness to work hard and give your time and energy to becoming an accurate-thinking CEO and leader).

Why do you need these two ingredients? Here's what the Austrian-American economist Joseph Alois Schumpeter, one of the most influential economists of the twentieth century (who, by the way, popularized the term "creative destruction"), had to say about the difficulties of introducing something new:

> *To accomplish something new is not only objectively more difficult than to do something known and tried many times, but one would not feel like doing it even if there are no objective difficulties. In the mind of those who want to accomplish something new, the power of habit rises and tries to defeat the emerging plan. The story of science is great evidence of the fact that acceptance of the new scientific paradigms is for us unbelievably difficult. Thinking always returns to the old patterns.*[65]

Philosopher Arthur Schopenhauer put it like this: all innovative ideas go through three steps. First, the idea is ridiculed. Second, it is violently opposed. Third, it is accepted as self-evident. But of course Schopenhauer's third step isn't reached until people accept the true reality. **This is why, as a leader, you need high self-esteem and commitment to persevere.** It takes time and effort to reach the final step, just one more reason it's rare to find creative leaders for turbulent times.

---

[65] Thomas K. McCraw, Prophet of Innovation: Joseph Schumpeter and Creative Destruction. Boston: Belknap Press, 2010.

The Third Stage: Wisdom

Continuous education and self-development keeps CEOs and senior executives at this stage developing their mental, spiritual, and professional skills. **They become corporate effective strategists.** They are now part of the selected and respected, less-than-5-percent group of key CEOs and senior executives who are able to read and connect all the pieces of a balance sheet, more importantly, with the skill to craft unique business models and competitive strategies. **They become a key masterpiece in their organization. But they are not creative leaders capable of creating *visions* just yet.**

Wisdom is the ability to make sensible decisions and give good advice because of the experience, knowledge, and understanding that's been acquired in one's career. These leaders are now efficiently *doing things right*, and effectively *doing the right things*. **They've become thinker-doers.** They understand the importance of continuously updating their knowledge. Still, to lead and succeed in turbulent times, even this is not enough.

One needs wisdom to become a corporate effective CEO strategist (but not a leader, yet), to be able to foresee the future, to accurately predict what is likely to happen, and to prepare for the future thanks to a strategic perspective, and a new attitude that allows thinking about problems and decisions in reasonable ways without exaggerating their importance.

One needs wisdom to become a corporate effective CEO strategist (but not a leader, yet), to be able to foresee the future, to accurately predict what is likely to happen, and to prepare for the future thanks to a strategic perspective, and a new attitude that allows thinking about problems and decisions in reasonable ways without exaggerating their importance. This is how your family business can view and solve important strategic issues.

Being an effective strategist allows you to understand that to succeed, it's inaccurate to think that a business ecosystem can be explained by considering it as a simple combination of parts. An effective strategist knows that a business ecosystem is a set of connected parts forming a complex whole. Such a strategist also recognizes how potentially disastrous turbulent times can be, making it more important than ever to focus on the right methods for achieving success, for carrying out a directional plan intended to achieve the strategist's vision.

Many leaders at this stage still need to learn to trust not only their wisdom, but that they will learn and become stronger from their mistakes. Here's a good example of this third stage:

As Joel Siegel wrote in *Forbes* magazine, "Steve Jobs was just 30 years old, wildly successful, fabulously wealthy, and a global celebrity."[66] He was undoubtedly an effective strategist, having founded Apple with his buddy Steve Wozniak, the company launched from his family's suburban California garage in 1976. "Only five years later, Apple went public. Just two years later, Apple cracked the Fortune 500 and Jobs recruited John Sculley, the head of Pepsi-Cola, to be its new chief executive. Jobs was Apple's chief visionary, a role that put him in charge of the team developing Apple's next revolutionary product, the Macintosh computer," writes Siegel.

"The Mac debuted in 1984 to rave reviews but disappointing sales, putting a financial strain on the company – and fraying Job's relationships with Sculley. The Jobs-Sculley relationship was further strained by complaints from workers on the Mac team about their demanding boss, according to William Simon, co-author of *iCon Steve Jobs: The Greatest Second Act in the History of Business*.[67] Jobs basically "demanded so much from the people who worked for him. That was part of his greatness," Simon writes. "But he drove people too hard, being gentle and polite was no part of his demeanor. A power struggle erupted between Sculley and Jobs. In the spring of 1985, Apple's board sided with the CEO, removing Jobs from his

---

66 Joel Siegel, ABC News, 20/20, October 6, 2011.

67 Jeffrey S. Young and William L. Simon, iCon Steve Jobs: The Greatest Second Act in the History of Business. New York: Wiley, 2006.

command of the Macintosh group," concludes Simon. In fact, Steve Jobs was soon fired and spent the summer of 1985 in a midlife crisis, deciding what he wanted to do with his life. He soon founded NeXT, "a computer platform development company specializing in the higher-education and business markets. In 1986, he acquired the computer graphic division of Lucasfilm, which was spun off as Pixar. He served as CEO and majority shareholder until Disney's purchase of Pixar in 2006. In 1996, after Apple had failed to deliver its operating system, Copland, Gil Amelio (Apple CEO) turned to NeXT Computer, and the NeXTTEP platform became the foundation for the Mac OS X. Jobs returned to Apple as an advisor, and took control of the company as an interim CEO. Jobs brought Apple from near bankruptcy to profitability by 1998."[68]

Steve Jobs, undoubtedly an impulsive perfectionist accurate-thinker-leader, was fired by Apple. He had still to jump two more stages to become a visionary, enlightened, accurate-thinking leader, ultimately aligned with the likes of Einstein, Edison, and Henry Ford as the type of leader who can change the human paradigm.

The Fourth Stage: Trust

Trust is confidence that you know the true facts, rather than that which has been invented or guessed at. **You have become an accurate-thinking CEO.** You have acquired *strategic acuity*, the ability to think, see, imagine, and hear clearly, and to trust yourself to be able to reconceptualize your business based on those thoughts and perceptions, as well as in the knowledge and understanding of the systems-thinking processes you have incorporated into your skills.

At this fourth stage, self-development and continuous education are part of your life. That is how passion has been ignited in you, a common characteristic you will find in all successful CEOs. They love what they do. We have observed thousands of CEOs and

[68] Wikipedia.

senior executives. We have noticed what CEOs did to create success. For most of them, the basic principle was: "learn what other leaders did to get the results you want and do what they do." But this is where most CEOs steer wrong. Why?

If you are not passionate about what you want to become – an accurate-thinking CEO who sees around corners – it will be a struggle. You'll have to fight out of your comfort zone and do things well that you don't have enough confidence in your ability to do. Successful CEOs accept the need to get out of the boat, because they all realize that passion, associated with high self-esteem and commitment is the tool necessary to climb successfully out of their comfort zone. **They understand that with passion, everything is possible. You must understand this, too, to become a passionate, accurate-thinking CEO.**

So, the greater your confidence in your wisdom, the greater you trust in yourself. The end result will be peace of mind – the absence of mental stress or anxiety and the unhappy feelings caused by thinking that you have said or done the wrong thing.

There's another reason why this stage is so important. When a CEO withholds his belief in his or her team, confidence, the fifth and final stage, always waivers. **When a CEO leader knows that his or her team is full of infinite possibilities, faith and confidence grows in the team, and in one's self.**

At this fourth stage, self-development and continuous education are part of your life. That is how passion has been ignited in you, a common characteristic you will find in all successful CEOs. They love what they do. We have observed thousands of CEOs and senior executives. We have noticed what CEOs did to create success. For most of them, the basic principle was: "learn what other leaders did to get the results you want and do what they do." But this is where most CEOs steer wrong. Why?

It's important to underscore, therefore, that in order to become a passionate, outstanding CEO leader, you first need to have trust in yourself. **You simply cannot transfer to your team something you don't have.**

At this stage, you're not far away from becoming an enlightened, accurate, creative CEO thinker, needing just the final ingredient, without which an accurate thinker-leader will never be able to achieve greatness.

The Fifth Stage: Confidence

The final stage is **confidence, the conviction about what will play out.** Confidence or faith, this strong belief in your own abilities, means certainty, the state of being convinced, unshaken in your own belief. Faith requires action, doing something in order to make things happen, an action that you can now take confidently because you have the certainty that things will happen because you have come (via stage 4) to trust in yourself.

Your faith and confidence in yourself, and your key people, is how you will become an enlightened, accurate-thinking leader for turbulent times that makes things happen, resulting in success for your people, your organization, your family, and yourself. That is what Steve Jobs accomplished. In hindsight, we could say the **Apple board firing Jobs was not a failure on the part of Jobs. It was a failure on the part of an incompetent board that drove Apple to the brink of bankruptcy only a few years after giving Jobs the boot.** However, without this "failure," Steve Jobs could not have grown toward the fifth stage where he became experienced and mature enough to dramatically change five industries that will never be the same: personal computing, computer animation, digital music, phones and mobile computing, and tablets. Jobs didn't really invent anything that we know him for. Instead, Steve Jobs was a man with arguably more unique talents.

As Joshua Johnson wrote, "People with ideas are a dime a dozen and the nerds to build the ideas are graduating with fancy degrees faster than we can find jobs for them. However, people that can truly take an honest look into an industry and identify what it's lacking and what customers would truly go crazy for, then make that vision a reality, are a rare breed. Jobs performed this task better than anyone else I can name."[69]

Here ends our introduction to the Leadership Mindset for Turbulent Times. **What are the implications of these five stages for you?** The description and the examples given show why neither you, nor your key people, can afford to stop at stage 3. They also show why you urgently need to take the leap toward stage 5. It's the only way for you to be a creative, accurate-thinker-leader for today's times, able to catapult your corporate business into becoming an undeniably innovative leader in its market.

Your goal should be to have all your senior executives reach stage 3 and to put your junior executives on a path to reach stage 3, too. It will no doubt mean a culture shift, whereby your human assets are able to change and adapt to the forces of a fast-moving, non-linear world.

Six Powerful Mind-Tools for Fulfilling Your True Potential for Leadership

Though simple to explain, and even to understand, for most CEOs and senior executives it's not easy to master the following mind tools. Nevertheless, with your commitment to achieving your potential as a CEO who sees around corners, we contend that you can learn to master all six high-performance catalysts. **These are the mental processes of understanding of CEOs and senior executives in leading organizations today,** the leaders who are able to create sustainable, two-digit returns on assets for their stakeholders, the true measure of wealth creation (more about this in Part III).

---

[69] *http://mac.appstorm.net/general/appstorm-news/5-industries-that-steve-jobs-helped-change-forever/* - August 26, 2011.

The catalyst mind tools by which we will end this chapter are not a part of the curricula of most colleges and universities. This seems clear from the many ethical problems we see with CEOs and senior executives in organizations of all types and sizes. Successful leaders we have had the opportunity to meet are fully aware of the danger that each of these problems represents for their careers. For us, therefore, the inclusion of this discussion became mandatory.

I. Values Navigator – The Power of Setting Your Leadership Compass

We all know a compass is an instrument for finding direction, with a needle that always points to the north. Imagine your personal values being a compass to find the direction to becoming an enlightened accurate-thinking CEO leader for turbulent times.

Your personal values are what you consider right or wrong and important in your life. Unfortunately, only a few CEOs and senior executives are aware of how important it is to their business and life to clearly define their values, to write them down, to make them a natural part of their everyday lives – and to reevaluate them from time to time.

This is, in our opinion, one of the major reasons why many CEOs and senior executives fail as leaders. We advise you to do the following: define your five to ten personal values, setting written understandable rules for you to create a clear picture for each one. Prioritize them, to avoid disagreements between each. Doing this will help you avoid allowing people and events to shape your values, the way most CEOs and senior executives unconsciously do, then doubting themselves, finding it difficult to make the right decisions for their personal and professional lives.

Steve Pavlina created a list of 418 values that will help you develop a clearer sense of what's most important to you in life. The list is merely a guide. Print out this page: *http://www.stevepavlina.com/about-steve-pavlina.htm*. As you scan the values, you may find that while most values have little or no significance to you, there are those values that just jump out and call to you. With these values, you feel yourself thinking, *yes, this value is part of me*. By the way, you will learn Steve's history and how values transformed his life.[70]

You can be an effective strategist in our third stage, but until you develop strong self-awareness and the willingness to examine your values and your strong beliefs, you won't become the enlightened-accurate-thinking CEO leader you can become. **For if you fail to understand yourself, your staff and your people will understand you even less.** It's only by testing, examining, and clarifying your personal values that you will gain self-understanding. You will learn why you act the way you do. You will also learn why you get the personal and professional results you get. Furthermore, **you will gain integrity, an indispensable quality since you cannot lead without it.** People simply won't respect you if you don't have strong moral principles.

You can be an effective strategist in our third stage, but until you develop strong self-awareness and the willingness to examine your values and your strong beliefs, you won't become the CEO leader you can become. For if you fail to understand yourself, your staff and your people will understand you even less.

Clear values are like the compass of a ship. With a compass it's possible to sail faster to your destination; without a compass, it's only possible to advance slowly, indirectly, unable to avoid dangerous unchartered waters and ultimately unable to even reach your desired destination. **Know your values. These become the basis for your course of action, in business and in life.** Your values, your standards and criteria, based on self-awareness and not borrowed from others, will certainly become your successful life and business companions to the end of your life.

[70] *http://www.stevepavlina.com/about-steve-pavlina.htm.*

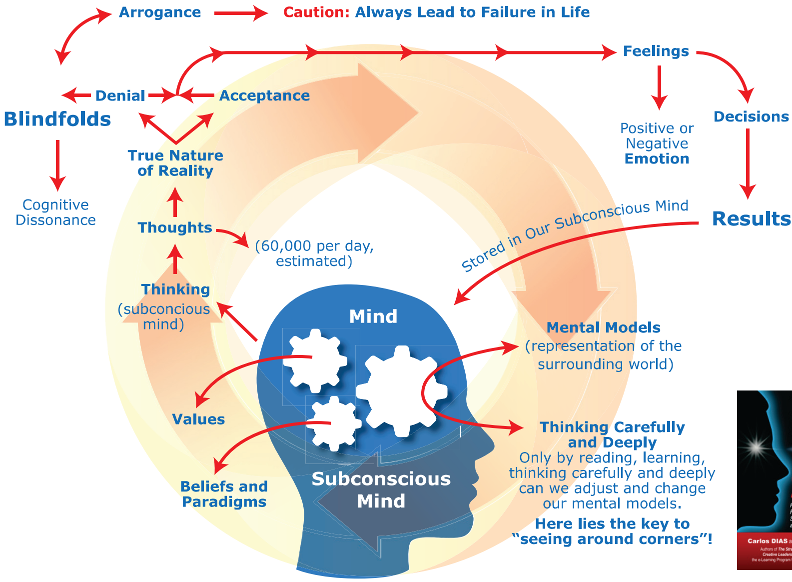
II. Your Thoughts Create and Control Your Life

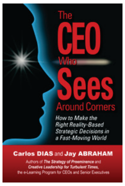
Emerson reminds us that "the ancestor to every action is thought." Consider the chart below. Most CEOs and senior executives, indeed people in general, unfortunately prefer to outsource their beliefs to others: television, newspapers, other influential people, and/or friends. **But outsourcing is something a twenty-first century CEO leader cannot afford to do.**

You absolutely need a process by which knowledge and understanding can be developed in your mind, before being stored in your subconscious mind then converted into your thoughts and actions. That is why in chapter 1 we talked about facts and factual assumptions, as well as dubious assumptions. **You need to install a crap detector, more than ever today,** to make certain your thoughts are pure and clear, accurate, and relevant to you.

Albert Einstein and the early quantum physicists discovered that all things (including thoughts!), broken down to their most basic form, consist of the same stuff: pure energy, all a part of the One Energy that makes up all things. In other words, we could say that we exist in an infinite field of quantum electromagnetic energy soup, just as an individual drop of water exists in the ocean. Quantum physics is a branch of science that deals with discrete indivisible units of energy called "quanta" as described by the Quantum Theory that explains the nature and behavior of matter and energy on the atomic and subatomic level. Quantum physics tells us further that energy exists as either particles or waves, but never both at the same time. It depends on one thing: an observer! The early quantum physicists discovered, to their great surprise, that something about the very act of observation takes a wave and reduces it to an observable particle. Subatomic particles depend, that is to say, on interaction with minds – on thoughts, in other words. Reality is cobbled together from subatomic particles, all interconnected. Logically extended, our thoughts, far from being private and isolated, interact with the world itself.

How Your Mindset Drives Your Results





> Good leaders are made, not born. If you have a **burning desire and commitment** you can, with the power of **foresight**, become an outstanding effective leader. In fact, the future of your corporate family business depends on what you, as CEO, decide to do or not to do. **The responsibility is completely yours.** Whether you are aware of it or not, everything rests on your thought processes. You must train your mind to **perceive the harsh, true nature of reality** in a fast-moving world. Do not indulge in make-believe. **Effective leaders do not indulge in escapist fantasies.**
>
> — **Carlos Dias & Jay Abraham**

It can be scary, but true: our thoughts allow us to become a creative (or not-so-creative) artist, an admired (or reviled) CEO leader, and much more. Each thought triggers another thought, even a stream of thoughts that, as we can see in the chart, takes us far away from the original thought. Our minds stage an ongoing internal monologue that technology tells us (thanks to computerized tomography) is playing out to the tune of about 45,000 words a day.[71]

[71] According to Rayma Disson-Sommer, Ph.D., as quoted in *Imagintelligence*, by William Marts, Imagination Institute, 2002.

It can be scary, but true: our thoughts allow us to become a creative (or not-so-creative) artist, an admired (or reviled) CEO leader, and much more. Each thought triggers another thought, even a stream of thoughts that, as we can see in the chart, takes us far away from the original thought. Our minds stage an ongoing internal monologue that technology tells us (thanks to computerized tomography) is playing out to the tune of about 45,000 words a day.[72]

Now imagine for a moment what happens to an insecure CEO or senior executive with low self-esteem (and the consequent low level of commitment). Negative thoughts are triggered continuously. Goals are not reached. Of course the CEO, or senior executive, cannot be successful; he or she is undoubtedly on a path leading to failure.

The above is important precisely because self-esteem and commitment are two of the qualities that are required for you to become an enlightened, accurate-thinking CEO leader for turbulent times. **It is here is where we need to grasp the difference between believing and knowing, the difference between *low* and *growth* mindsets.**

Self-esteem is a feeling of pride that you have in yourself, the unshakeable belief that comes from both your conscious and subconscious minds that you are worthy of respect. **True self-esteem is not a false pride that you pretend to feel when interacting with others. *That* is an inferiority complex.** To be an enlightened, accurate-thinking CEO leader for turbulent times, you *must* believe, must have absolute conviction, both in the path you have chosen and in your right to set that path for your organization. That is how you will avoid cognitive dissonance, and the scotoma of thinking that leads to devastating blind spots, not to mention the inconsis-tency in mood that results from carrying around two opposite beliefs.

Next to self-esteem, you must have the internal quality we think of as commitment. This is "determination," the quality that prods you to continue trying to do something no matter how difficult. It's

---

[72] Ibid.

being able to remain steadfast and true to your principles and goals, no matter how much dust is kicked up on the path ahead. It's also reminding yourself of the obligations you have, not solely to other people, but also to yourself. **A committed person is determined to reach a particular goal, changing the plan if necessary until the final goal is reached. A stubborn CEO or senior executive, on the other hand, is determined not to change, even when the plan is not working.** Holding two contradictory beliefs or convictions simultaneously, he or she is unable to make the right decision, or even make a decision at all. Is it possible that you may recognize yourself in this. Does this idea of holding on to an obsolete idea, even when deep down you may suspect its obsolescence, sound familiar in your own business experience? **This is fatal cognitive dissonance in action.**

Your belief system, when full of negative or obsolete beliefs, prevents you from seeing what is really happening outside of you. You are unable to perceive true reality accurately. Consider the ramifications. As William Marts notes, 144,000 images are created in our minds every day.[73] This is a lot of stuff going on inside our heads, creating a potential invitation for negativity. All of these images get stored in our subconscious. We can only imagine the power that has on our brain. In fact, neurobiologists and cognitive psychologists contend that the unconscious mind controls as much as 95 percent of human behavior.[74]

Thoughts are so powerful that, as noted by Bruce H. Lipton, "stunning new scientific discoveries about the biochemical effects of the brain's functioning show that all the cells of our body are affected by our thoughts."[75] Our cells are influenced by whether we think positively or negatively.

---

73 William Marts, *Imagintelligence*, Imagination Institute, 2002.

74 George Lakoff and Marc Johnson, *Philosophy in the Flesh*. New York: Basic Books, 1999.

75 Bruce H. Lipton, The Biology of Belief: Unleashing the Power of Consciousness, Matter, & Miracles. Carlsbad, CA: Hay House, 2011.

All of this allows us to see how by controlling what enters our subconscious we are able to affect our thoughts. Moreover, we can see how denial, fear, greed, and excessive pride, as well as multitasking, negatively affect our mental faculties and thus our performance. **We become our own worst enemies. Your actions, as we see in the chart, are the physical manifestations of your thinking processes.** Willpower and commitment at this stage are too little and too late. With habitually negative thoughts, your actions and behavior patterns won't change with more effort. They become part of the problem, rather than part of the solution. **You need to act *before*, at the very stage of your thoughts.**

The effect created by your subconscious leads to new thoughts, new beliefs, and more convictions. From there, for good or for bad, the new beliefs and convictions now become part of your whole arsenal of positive (or negative) beliefs. Like a wheel, the process starts again, eventually determining the outcome of your life, making you either a successful CEO leader or a failed CEO unable to lead anyone, including yourself.

The effect created by your subconscious leads to new thoughts, new beliefs, and more convictions. From there, for good or for bad, the new beliefs and convictions now become part of your whole arsenal of positive (or negative) beliefs. Like a wheel, the process starts again, eventually determining the outcome of your life, making you either a successful CEO leader or a failed CEO unable to lead anyone, including yourself.

We just mentioned denial, fear, greed, and pride. **These are probably the biggest enemies of a CEO or senior executive leader.** John S. McCallum, professor of finance at the Asper School of Business, University of Manitoba, writes of these conditions in his article, "The Four Horsemen of the Executive Apocalypse," in which he notes that CEOs invited to speak to his MBA classes are often asked what personal characteristics are most likely to get in the way of a successful CEO or executive career. Writes McCallum, "Over many visiting CEOs and over many years, there is remarkable commonality in the responses: denial, fear, greed, and pride, a kind of four horsemen of the executive apocalypse. Interestingly, lack of smarts is rarely mentioned."[76]

III. Denial: Failing to Look Facts in the Face

Denial is a defense mechanism, and a **very popular one in times of change and crisis such as today.** Denial can take many forms including ignoring your problems, minimizing what is happening in your family business organization, pretending you are in charge when you are really not, rationalizing poor results that are destroying your organization's wealth (your return on assets is lower than your weighted cost of capital), and, at the extreme, just plain asserting that such and such does not exist at all. We all engage in it. Honesty will allow you to think of an example in your own life. If you want a clear example of denial in its most damaging form, review the Chrysler or Rubbermaid examples from chapter 1.

One important form of denial is "normalcy bias," an emotional state entered into in the face of an imminent disaster resulting in the underestimation of the imminence as well as the disaster's potential consequences. In the business world, this causes CEOs and senior executives (such as those at Chrysler and Rubbermaid) to underestimate the possibility of turbulent times and the resultant effects on their organizations. **It's CEOs and executives believing that since something *never* has happened before, it never will. Sound familiar to you?**

[76] John S. McCallum, "The Four Horsemen of the Executive Apocalypse," *Ivey Business Journal*, November/December 2007.

We are all, at one time or another, guilty of normalcy bias. It's human nature. **But unintended consequences of normalcy bias can cause an organization to fail, even disappear.** "Executives in denial," McCallum writes, "are at best no help and, more likely, a great hindrance to an organization. In executives, denial for long enough of serious enough issues can be lethal for their business."[77]

Denial can often be subtle. Pretending that a problem has been solved when it hasn't is denial. Neglecting the importance of continuous education and self-development for the future of the organization is denial. For a CEO to ignore the value of being an effective strategist is denial, too. If you are going to make progress in the twenty-first century, you have to deal with the true reality – facts and factual assumptions, not wishful thinking. This is the first responsibility of a CEO leader, but one unfortunately ignored greatly by most CEOs and executives today.

Denial can often be subtle. Pretending that a problem has been solved when it hasn't is denial. Neglecting the importance of continuous education and self-development for the future of the organization is denial. For a CEO to ignore the value of being an effective strategist is denial, too. If you are going to make progress in the twenty-first century, you have to deal with the true reality – facts and factual assumptions, not wishful thinking. This is the first responsibility of a CEO leader, but one unfortunately ignored greatly by most CEOs and executives today.

We see denial everywhere these days. It's so strong that in some cases it's become dogma. Inflation used to be an increase in the price of goods. Today it's the rise in the price of very carefully selected consumer goods, not always representing what everyday people need to live. Gold (and any other medium of exchange not controlled by the government) was once considered real money; today it's deemed

[77] Ibid.

an old relic. High level of debt is accepted as normal, and money printed excessively is called "Quantitative Easing."

So how does denial come about? Denial and normalcy bias happen because most CEOs, executives, politicians, economists, and investors alike fail to adjust their beliefs and paradigms, including models for changing underlying conditions. The world is moving too fast. They often think they are geniuses curing the disease when, in their states of denial, they actually end up making things worse. Today's financial condition is the perfect example. Regarding the collective denial that has brought us here, William Bucker correctly noted that, "There has never been an instance in history when government and banks went as far as they are going today. Up until about 2010, they were still trying to prolong the boom. Mid-2012, they are desperately trying to stave off the bust."[78] **Here is denial in action.**

All of us need to ask ourselves this question: is our strategy and are our actions helping, or, through denial, are we only making things worse?

IV. The Truth about Fear, Anger, and Anxiety

Fear is what we feel when we are in danger. Often it's brought about by a particularly traumatic event experienced earlier in life. Anger is the strong feeling that something has happened to you that you believe to be unfair. Anxiety, on the other hand, is considered a psychological disorder. More often than not, unlike fear or anger, the cause of anxiety can't be pinpointed. **But fear and anxiety, along with anger, can paralyze your actions and hinder your ability to see the world as it really is.** They are deadly sins for a CEO and leader. If you live in fear, anger, and/or anxiety, you will never reach your true potential. Moreover, you risk driving your family business or organization, not to mention your own life, into chaos and destruction.

---

78 "The Privateer," Early September 2012, *www.the-privateer.com*.

Dan Miller gives us a fascinating and powerful example:

> *On March 3rd, 1943, an air raid siren sounded in London. The citizens of London knew they were at war with Germany, and that a retaliation attack was possible. But with nothing but the sound of the siren, panic and mass hysteria were the result. Fifteen hundred people tried to get down the steps of the Bethnal Green Train Station for protection. The chaos lasted less than fifteen minutes but 172 people were dead at the scene, with one more dying the next day. No German bomb fell that day. And just for the record, the largest number killed by* any *single bomb in the entire war in England was 68. The crush at the Bethnal Green Station was the largest loss of civilian life in the U.K in World War II. But bombs didn't kill those people – fear did.*[79]

Bill Cosby put it like this. "In order to succeed, your desire for success should be greater than your fear of failure."

Karl Wallenda, the German-born aerialist, was a star in the 1970s. He had performed in the most difficult places around the world, including Niagara Falls. But in 1978, while walking across a wire between two high-rise buildings in San Juan, Puerto Rico, he lost his balance and fell. Warren and Joan Goldsmith examined the reason why. "After he died, his wife reflected on that fateful walk: 'All Karl thought about for three straight months prior to that walk was not falling. It was the first time he ever thought about that, and it seemed to me that he put his energies into not failing rather than walking the tight rope.'"[80] His fall, in other words, was most likely caused by his fear. Footage of the fall shows that Wallenda apparently froze as he began to lose his balance. He held onto his balance stick for too long. **He focused on not failing, and he fell.**

Are you focused on your fears? Are you seeing fear, instead of seeing success? Is your fear greater than your willingness to succeed? **These are three important questions.** The future of your family

---

79 *Don't Drop the Edge* newsletter, Nightingale-Conant Corporation, 2012.

80 Warren Bennis & Joan Goldsmith, *Learning to Lead*. Basic Books, 2010.

business, not to mention the futures of all those connected with it, hang in the balance.

Anger has its own set of problems. On average, the typical CEO and senior executive in turbulent times gets angry probably ten, twenty, or more times per day. Brian Luke Seaward identified four ways we mismanage anger. [81] Do you recognize any of these in yourself? Here they are:

> Are you focused on your fears? Are you seeing fear, instead of seeing success? Is your fear greater than your willingness to succeed? These are three important questions. The future of your family business, not to mention the futures of all those connected with it, hang in the balance.

The first is by not expressing your anger, suppressing it until it ultimately manifests itself in, perhaps, physical ways – ulcers, migraines, even serious health problems. The second is by self-punishing, feeling guilty about being angry. The third is by letting out one's anger in an intimidating way. "Like a Volcano," is how Seaward describes it. "Road rage, foul language, acts of violence, and hostility top the list of this mismanaged anger style." Finally, there is handling anger with revenge, getting even, often with sarcasm or in other passive-aggressive ways.

"Holding into anger is like grasping a hot coal with the intent of throwing it at someone else; you are the one who gets burned." – Siddhartha Gautama Buddha

One thing is common to all of these four mismanaged styles: the anger is controlling the person and not the other way around. Something else is common, too. **None of these styles represent the way things have to be.** Many CEOs and senior executives erroneously feel as though misplaced anger and untold stress is just the

---

[81] Brian Luke Seaward, *Sound like Mountain, Flow like Water*. Jones and Bartlett, 2005.

price they have to pay for success. But wildly successful CEOs (think Warren Buffett or Bill Gates or, especially, Richard Branson) are rarely described with words such as angry or hostile or stressed.

Then, too, **consider the simple inefficiency of anger.** Does it help in any way? Does one, for example, get positive results from yelling in anger at a subordinate? The *Wall Street Journal* did a survey and the result showed a marked decrease in working memory for an employee subject to an angry boss, along with less overall competency, greater avoidance of risk and conflicts, and less creativity,[82] not to mention increased feelings of stress and powerlessness. No wonder the survey also showed such employees were much more likely to quit their jobs.

V. Greed – How It Corrupts Life

Greed is a strong desire for more wealth, possessions, and power than a person needs. It's a longing for more food when you're no longer hungry. It's harmful. Gordon Gekko was wrong. The Michael Douglas character in the 1987 Oliver Stone film *Wall Street* told us that, "Greed, for lack of a better world, is good. Greed is right. Greed works. Greed clarifies, cuts through and captures the essence of the evolutionary spirit. Greed… has marked the upward surge of mankind." But McCallum counters. "Greed adversely affects executives in many ways. It can lead executives to see transactions and deals through rose-colored glasses. It can lead executives to misjudge the effects on employees, consumers, and suppliers… greed often stokes resentment in those who can really hurt an organization. Greed can make it impossible for executives to deal with other people."[83]

82 *Wall Street Journal*, August 15, 2012.

83 *Ivey Business Journal*, November/December 2007.

VI. Fall from Pride

Simply put, prideful CEOs and senior executives think too highly of themselves. They tend to be arrogant and egotistical. Humility is a virtue for which leaders should strive. This is not to suggest you don't need a goodly amount of self-respect and a healthy level of self-esteem, as we discussed earlier. But pride is when these qualities cross the line into excess. **The end result can often be poor judgment based on arrogance regarding what you think you know.** Remember from chapter 1: It's not what you don't know that causes the most damage. It's what you *think* you know that usually causes the most damage.

Prideful CEOs and senior executives have another problem, too. Subordinates pick up their arrogance and become fearful of relaying information the CEO might not want to hear (but needs to hear). Critical information gets held back by the yes-men with whom the CEO (consciously or unconsciously) surrounds himself.

Prideful CEOs and senior executives have another problem, too. Subordinates pick up their arrogance and become fearful of relaying information the CEO might not want to hear (but needs to hear). Critical information gets held back by the yes-men with whom the CEO (consciously or unconsciously) surrounds himself.

CEOs and senior executives, including you, would do well from time to time to assess themselves on each of these six horsemen: denial, fear, anxiety, anger, greed, and pride. It's hard to say which is the worst. But we can say this: together, they're a terrible cocktail, not only for a CEO or senior executive, but for everyone associated with that CEO's organization.

As we come to the end of this chapter, we would like to recognize that, for us, this has been the most difficult of all the chapters to write. Why? We are aware that most CEOs and senior executives don't like to talk about what are considered (wrongly) to be private matters. But it is this very reluctance to address these concepts that has helped fuel the proliferation of ethical-behavioral issues in the business world today. It is the very denial of the multitude of problems directly associated with a lack of self-awareness that has helped deliver our world to the economic state of affairs we find ourselves in today.

We will end Part II of this book by introducing you to the world of Social Intelligence, an issue with the potential to make, or break, the career of any CEO or senior executive. You will learn different concepts and practical tools that have impacted our life and those of leaders from whom we have learned.

From there, you will be ready for Part III which will impact the way you lead and manage your family business. A note of caution: skipping any of the six chapters in this book, going directly to the last chapter, for instance, will work against your overall understanding. It would be like taking your family on a long vacation in your car and studying the road map of the destination city without bothering to consult the highway map that will get you there. Everything in this book is connected, one chapter to the next. Each concept in each chapter must be understood to be properly leveraged in an ensuing chapter. **The book, in fact, is its own ecosystem** (a term we will learn much more about later) and each part needs to be clearly identified and understood in order to influence the whole.

Thanks for your understanding, and good travels through your journey. See you in chapter 3.

CHAPTER 3

The Value of Social Intelligence: Developing Your Ability to Lead, Communicate, and Connect

We trust that all of the skills you will learn in this book will be invaluable to you. Yet, you can master all of them but fail as a leader for lack of one key, often-overlooked skill: social intelligence. What is social intelligence? It's the ability to make a connection, a connection between you and others, either as individuals or as groups. How high is your social intelligence quotient? Whatever your answer, your goal should be to improve it – a goal that can be achieved through consistent practice and self-discipline. To reach the top, successful leaders do what others won't; they have mastered the art of self-discipline.

As a leader, **you cannot succeed in our world of turbulent change by merely transmitting information to your people.** Real communication cannot occur without the kind of connection that happens when you listen, when you see the resonance of what you are imparting in the eyes of those to whom you're communicating. It's an understanding, not just of what you're specifically relating, but in the overall mission. **It requires empathy and it requires trust.** For in today's environment, trust is one of the most valuable currencies in which we can trade. The level of trust is directly proportional to the quality of your decisions and how effectively you communicate them to your stakeholders. **Ultimately, it comes down to *how* you relate even more than in *what* you relate.**

> As a leader, you cannot succeed in our world of turbulent change by merely transmitting information to your people. Real communication cannot occur without the kind of connection that happens when you listen, when you see the resonance of what you are imparting in the eyes of those to whom you're communicating.

The importance of social intelligence – our capacity and skill for communicating and having relationships with one another – is rooted in certain timeless truths. Socrates, the classical Greek Athenian philosopher and one of the founders of Western philosophy, tells us that false words hurt others and ourselves. **To communicate effectively, we need to identify and know ourselves and others, and then find the language and strategies that build reliable bridges across differences.** Communicating successfully requires understanding a variety of forces at work in your human affairs: your unconscious thought patterns, your cultural background, your own social and class anxieties, your personal ambitions.

Just as recent developments in brain science give us important insights into our own emotions, they're also informing us about the importance of unconscious brain activity in shaping our relationships and communication. A key to developing mastery in social intelligence is paying attention to the many influences and signals that are "heard" by the brain at an unconscious level. In *The Social Animal*, the *New York Times* columnist David Brooks shows that science has now found that people strong in non-cognitive skills achieve more happiness and fulfillment through these "qualities that aren't easily measured." According to Brooks, we are creatures dominated by "the unconscious realm of emotions, intuitions, biases, longings, genetic predispositions, character traits, and social norms.... We are primarily the products of thinking that happens below the level of awareness."[84]

Divergent-thinking strengths are about these same discoveries, and **reflect the importance of thinking with the whole brain.** As a leader, you need the power of the conscious and unconscious brain to master social intelligence and communicate with people of different cultures, temperament, and skills. You need to be able to evaluate and judge the roaring stream of habits, gestures, and assumptions that define the differences of those with whom you interact.

True social intelligence encompasses more than communicating the daily work routines and tasks of your workplace whether it's a restaurant, a shipping company, a management consulting firm, or a global energy multinational. You need to be aware of the emotional and social energies that are part of the human experience that influence how you interact and operate in a group. Leaders need to accept and address that people are not "human doings" but "human beings" who process most of their cognitive reality beneath the surface of the conscious mind. Addressing that reality is a sign of growing social intelligence.

This is another way that taking responsibility for one's actions is the preeminent trait of leaders in the global age of business, because virtually every activity in business requires collaboration and team-based projects, even for those of us who have difficulties in social situations such as those who have been diagnosed as having Asperger Syndrome or similar social disabilities. As Steve Jobs said, "In our business, one person can't do anything anymore. You create a team of people around you. You have a responsibility of integrity of work to that team. Everybody does try to turn out the best work that they can."[85]

---

84 David Brooks, *The Social Animal.* New York: Random House, 2011.

85 Eunju Liem and Daniel Morrow, "Passion and Perseverance," *Business Insider*, 2010.

> Leaders need to accept and address that people are not "human doings" but "human beings" who process most of their cognitive reality beneath the surface of the conscious mind. Addressing that reality is a sign of growing social intelligence.

The importance of social intelligence and, in particular, listening – for your organization and for your career – cannot be overstated. Listening is paying attention to and *acting on* what someone important to your organization says – a CEO, a customer, a prospect, or a stakeholder. Paying attention means comprehending. The good listener doesn't judge until comprehension is complete. "Acting on" doesn't always mean following what is said. It means assessing what is said. This is how a CEO can come away with factual assumptions (recall chapter 1), the foundation for future strategic decisions.

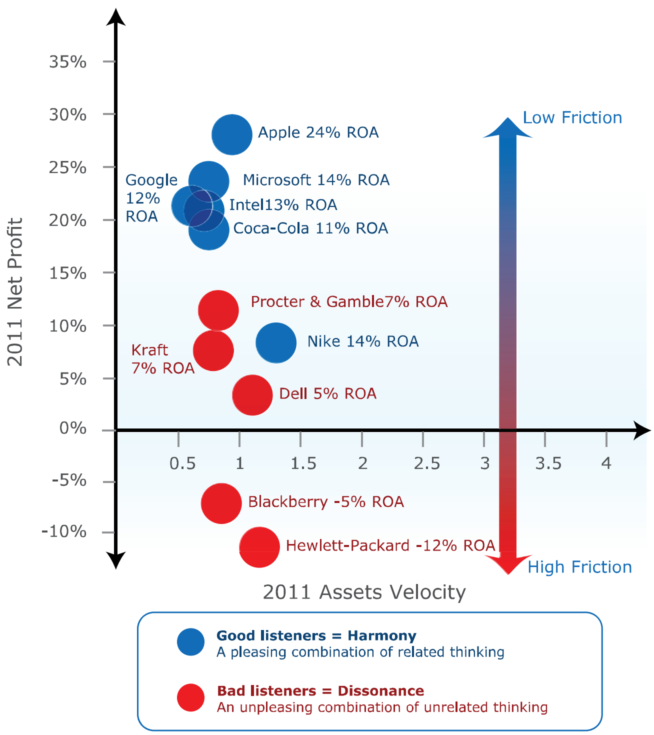
Listening always yields success. In our eighty-plus years of combined experience in business traveling around the world, we have observed remarkable, sometimes stunning, successes of many CEOs and the fast failures of others. In many cases, all had a superior product or service. So why did some fail? Many CEOs tend to focus too much on themselves, their product, or their organization alone and either forget to listen to what staff members, stakeholders, or – particularly – customers are telling them; or else remain in denial about what they are being told. **This pattern of not listening inevitably results in wealth destruction** – when Return on Assets (ROA) is lower than the cost of weighted capital.

How does effective listening impact a CEO's performance?

Look at the chart to see the high price for a CEO of not listening (in this example, not listening to the market). This is what inevitably happens when we don't carefully listen to what others, or the market, are telling us. Since it's important, let's explore a bit more this key, but often ignored, concept. Return on assets measures a company's earnings in relation to all the resources it has at its disposal; that is, capital plus short- and long-term borrowed funds.

Thus, it is **the most rigorous test for measuring a CEO's return on strategic effectiveness;** that is, his or her ability to create wealth (or, conversely, to destroy it).

The High Price of Not Listening = Wealth Destruction



Note the 2011 ROA performance for companies such as Apple (24%), Coca-Cola (11%), Nike (14%), Intel (13%), and Google (12%). These companies create wealth primarily because their leaders are *listening* and delivering the products or services their markets want. Harmony exists in the way their leaders are listening inside and outside of their organizations.

Now note the low-performing organizations, such as Hewlett-Packard (-12%), Dell (5%), BlackBerry (-5%), Kraft Food Group

(7%), or Procter & Gamble (7%). What this shows is that the leaders in these organizations are not good listeners to the market and their customers, and/or to what people inside of their organizations are telling them. Perhaps they are in denial, not wanting to hear what they are being told (more about the concept of ROA in chapter 4).

What are the implications for you of not listening to the market, or to your own staff? How is your return on strategic effectiveness doing? Is your return on assets higher or lower than that of your competitors? Your answers to these questions should move you to decide to become a better listener. Listening is an absolutely critical ability, and not only for a CEO-leader or manager, but for all of life's many roles.

But good listening – in fact, good communication skills in general; *social intelligence*, that is to say – is not necessarily a simple proposition. In this chapter, we'll get you started on learning about the "whole brain" and unconscious communication, and help you understand the complexities of the relationships that shape business team performance. We'll discuss the five practices that will make you a more effective and productive communicator – a listener-leader. (In chapter 4, you'll discover that these practices will also serve you well as you select and work with your mastermind group.)

What are the implications for you of not listening to the market, or to your own staff? How is your return on strategic effectiveness doing? Is your return on assets higher or lower than that of your competitors? Your answers to these questions should move you to decide to become a better listener. Listening is an absolutely critical ability, and not only for a CEO-leader or manager, but for all of life's many roles.

The Five Practices

Whole brain listening: As a socially intelligent leader, you need to become attuned to your counterparts in any significant conversation at a variety of levels: from content, to unconscious signals, emotional triggers, and personality types. Neuroscience shows us there are strong biological underpinnings to the capabilities of our social and communications radar. Significant conversations are times when we need to deploy our full potential as listeners.

The key to being a successful CEO listener is not pretending to have all the answers to all the problems in your organization. That is impossible in a fast-moving turbulent world such as exists today. Instead, you need to start looking more and more outward to discover the right solutions from people who are the recognized experts on the problems you're try to solve. This requires a new skill – what is called ***whole brain listening***; that is, using all four of the highly specialized functions and thought processes that are at your disposal. **First**, *analyzing* new information – looking for the "what": facts, logic, and factual assumptions that will provide you the rationale for listening and making decisions. **Second**, *organizing* this information in a systematic way to find the answers to the question of "how." **Third**, *personalizing* – looking for your emotional connection to the person speaking or listening to find the answer to the question of "who." **Fourth**, *strategizing* – so you can see the big picture to find the answer to the question of "why."

There are different tools available on the market to help you assimilate and develop the concept of whole brain listening. Hermann International is probably the best-known source and they offer a free assessment: *http://www.hbdi.com/wholebrainproductsandservices*.

Empathy will transform predictable conversations into productive ones. You'll know you have attained it when you are able to take the perspective of another person in order to understand what they are thinking and feeling. Cognitive empathy is not about getting carried away by, or manipulating, emotions: it enables a leader to connect to a person in the context of shared professional goals and objectives. Achieving a mindset in which you are truly attuned to a colleague's perspective requires observation, patience, and the capacity to reveal yourself.[86]

Resilience is a concept we embrace on many levels and is particularly apt for developing social intelligence. Famed strategists Gary Hamel and Liisa Välikangas define resilience as the capacity to monitor the external environment and continually adjust to threats and opportunities.[87] Resilience from a psychological perspective involves having the self-esteem, confidence, and security to cope with traumatic events and circumstances. Resilience from an environmental and sustainability point of view involves having multiple, renewable sources and systems, and strong local and community connections.[88] For managers and professionals seeking to improve their communications and social interactions, we define resilience as the language of redirection – communication skills that help you and your team bounce back and respond to adversity, so you can pivot from a crisis to look forward and pursue the best course of action.

Enthusiasm is a misunderstood concept in twenty-first century business, but it's one of the critical ingredients for a successful leader. **If an executive is not enthusiastic about what he or she does, it will be impossible to rally others to follow and the organization will never be able to perform to its potential.** Leaders find themselves in the midst of many significant conversations involving their direct reports, peers, and stakeholders. Enthusiasm is an essential fuel for those who must guide and conclude these discussions and meetings. Workplaces are typically hyperactive hives of activity where overstressed, overbooked managers communicate

[86] Kenneth Fracaro, "Building Relationships Powered by Empathy," *Contract Management*, August 2006.

[87] Valikangas Hamel, "The Quest for Resilience," *Harvard Business Review*, September 2003.

[88] Chris Martenson, "What Should I Do? The Basics of Resilience," *www.chrismarentson.com/print/42449*.

through transactional exchanges that move agendas forward. Individuals often receive reactions to their views and ideas that are routine and empty of emotion. But humans are social beings who thrive on engagement. Therefore, **expressing authentic enthusiasm – rooted in your personality and bounded by social custom – is an essential lubricant for co-creative, collaborative conversation.** Even in the simplest of interactions, enthusiasm helps create that connection we've been talking about.

> If an executive is not enthusiastic about what he or she does, it will be impossible to rally others to follow and the organization will never be able to perform to its potential.

Tact is the companion of genuine enthusiasm. If one of your goals as a leader is to generate spontaneous, free-flowing ideas, to harness the potential of your team members – then you need to become an "*orchestra conductor*" for significant conversations. Conductors know when to let the musicians play spontaneously in order to keep the momentum building, and when to bring the improvisation to an end. For your world, this means using tact when the flow of conversation and ideas is flagging, when disagreements need managing, when you have a conflict among team members, or when a conversation has run its course and lost value.

Our insights in this chapter are designed to elevate your ability to listen and truly understand what others are saying. By developing this social intelligence, the quality and depth of your own ideas and ability to express those ideas will see substantial improvement. Bookstores and websites are crowded with leadership experts offering well-worn guidance on management basics. But we know that by truly opening up the *nature* of interaction and communication with your peers and direct reports, you'll also stir the cognitive nutrients that generate your own ideas and tactics.

The Applications

Listening with the Whole Brain

Listening involves far more than pausing to hear the content of your counterpart's speech, then continuing on with the point or agenda you had sought to advance. Because Carlos had to grasp the motivations and concerns of executives in cultures varying from France to Spain to Panama to Brazil to Mexico to the United States and throughout Europe, he was forced to consider many aspects of his clients' communications, including their cultural habits and unconscious influences. In fact, that's a big part of how he was able to develop his own social intelligence. Faced with this amalgam of different cultures, he knew it would be difficult to succeed in dealing at a high level in different languages and different cultures. But he soon learned that he was developing a multicultural background that was giving him new skills to communicate better, particularly the ability to see important things from different cultural points of view and the ability to quickly adjust his own behavior to those cultures within moments. Later on, with even more experience, he learned **how important it was to use a whole brain approach.**

The brain, as we know, is divided into two hemispheres. The left side of the brain is the seat of language and processes in a logical and sequential order. The right side is more visual and processes intuitively, holistically, and randomly. Most people have a dominant side; for every task each of us prefers to use one side or the other. Which side do you use? For a free test, visit: *http://capone.mtsu.edu/studskl/hd/hemispheric_dominance.html*. You will be asked to check the answers to nineteen questions that ask about your preferences. You'll be able to discover which side of your brain is dominant before moving on towards leveraging what they call the six characteristics that you need to practice to utilize all of your brain potential. By the way, after a while, you can return to the test to check the progress you are making.

Whole brain listening requires you pay attention to subtle signals you're receiving from peers, direct reports, and others. As you watch the give and take of conversational turn-taking and gesturing, look for "signals" in these five areas: *tone*, *physical space*, *mimicry*, *activity*, and *consistency*.[89] **Reading these signals is crucial because they reveal the intent of the whole brain, not just conscious thoughts and intentions.** As noted by David Brooks and others, the unconscious parts of the mind are not "primitive vestiges that need to be conquered in order to make wise decisions,"[90] but they are where many of our most important decisions are made.

In this way, effective listening involves reading the signals our counterparts and team members are sending in any significant conversation. We'll offer a brief overview of these indicators and we would encourage that you explore and read more about how we manifest our unconscious needs, thoughts, desires, and biases.

Tone: The quality of the voices in a conversation must be judged by what you know about the individual and his or her range of expression. In general, flat, quiet vocal tones show lesser engagement than animated, warm vocal tones. Louder and raised voices reflect heightened fears, worries, excitement, or anger flooding the speaker's brain.[91] Higher pitches and upward inflections at the end of sentences indicate a desire to please and be accepted. Even, firm tones tend to indicate the speaker's desire for authority and ability to be decisive. But you must judge these cues on an individual basis. When the extroverted social connector on your team speaks in subdued levels, you know he is at a low level of engagement, or needs encouragement. If a typically sober-voiced analyst cracks a joke, she may be reflecting nervousness or a desire to be more socially engaged. Observing tone is one signal used to decipher in a

89 Heibeck Pentland, Honest Signals: How They Shape Our World, MIT Press, 2008.

90 David Brooks, *The Social Animal*, New York: Random House, 2011.

91 Pentland, Heibeck, Honest Signals: How They Shape Our World, MIT Press, 2008.

significant conversation. The human voice is an instrument, and you want to pay attention to how your colleagues are using it.

Physical space: Every workplace conversation occurs in a physical space – an office, meeting room, common room, outdoor plaza, and so forth. How do your colleagues make use of the particular space where you are having a conversation or meeting? Individuals who use their bodies to occupy more of the common space – spreading out at the table in a meeting room, leaning over a small desk in an office – are consciously or unconsciously expressing power and a desire to dominate. If you're meeting in someone else's workspace or office, and they fail to provide a chair or make room for your common work papers, consider at some level that they are excluding you. Coworkers or direct reports who bring in fresh bread or a tray of cookies are at some level seeking stronger bonds with their team. People with crossed arms and legs may be unconsciously signaling their resistance to your conversation. Open arms and more relaxed body postures tend to reveal just the opposite. If you are holding a meeting with a new contact, your visit to their office can offer many insights into the person you'll be approaching. Books, lighting, music, photographs, and other details can give you insights. The details of body language and environment help you understand all the elements of a conversation.

Mimicry: Have you noticed the dance of similar body language that takes place during a comfortable, collaborative conversation between colleagues or friends? When one person laughs, the other follows with a similar chuckle. A hand gesture is repeated. A subtle change in posture is picked up. We know from the best brain science and field studies that mimicry is a powerful unconscious channel for bonding and a common response to the communication of a superior. Brain science tells us that mimicry takes place through cortical mirror neurons, a brain structure unique to primates and especially prominent in humans. Mirror neurons react to other people's actions, and provide a direct feedback channel between people. When spouses or others in harmonious relationships develop similar gestures and facial expressions, you're witnessing the effects of social bonds unconsciously being hardwired into the brain through mirror neurons. Notice how mimicry reveals the intensity of engagement in a meeting and reflects the effectiveness of a manager in holding a significant conversation.[92]

Activity: Activity levels become another way people communicate unconsciously, another key signal for you to "hear" during a critical conversation. By activity, we are referring to our overall physical energy at any moment. Increased activity levels indicate interest and excitement, while decreased energy tells us the opposite trend is occurring.[93] How are we saying anything different here than the clichés about boring meetings putting people to sleep? Low energy and verbal feedback can reflect the body's autonomic state of security. This suggests a conversation needs even a short-term dose of nervous energy by triggering our slumbering beast with a fight or flight moment. Use some humor or a quiz to catch your counterparts by surprise. For example, ask trivia questions about your firm, and the loser has to write up the meeting minutes. It helps to understand the personality types you deal with. Generally speaking, they can be grouped into one of these four classifications: Analytical, Driver, Amiable, and Expressive. See the chart over the page.

As you can see, each group has strengths and potential weaknesses. Strengths can be leveraged. Drivers and expressive people have high energy. This means they're good at facilitating a process. Expressive people are particularly enthusiastic, good communicators, and imaginative (though sometimes unrealistic dreamers). They can sometimes talk too much. Analytical types are very disciplined but tend to be perfectionists. Amiable people are supportive and diplomatic, but they tend to conform to the opinions of others. Can you identify yourself here? Can you identity those with whom you interact on a regular basis? The key is to find a balance. That

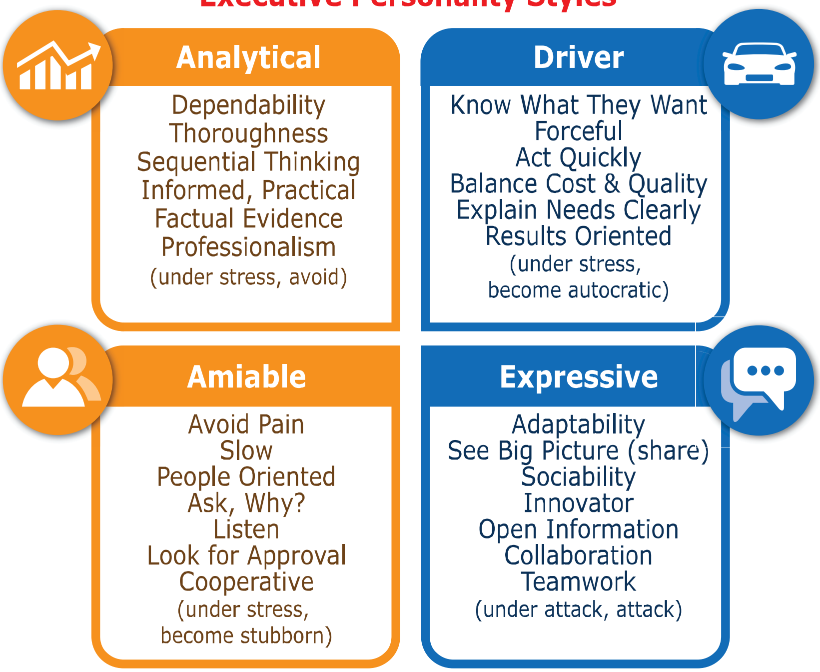
---

92 Boyatziz Goleman, "Social Intelligence and the Biology of Leadership," *Harvard Business Review*, September 2008.

93 Ibid.

means it's important to know, first, which quadrant you are in at any given moment because these four personality types are dynamic. You and those with whom you interact can change with age and experience, although most people remain in the same quadrant for their entire lives. Once identified, you can adjust your means of discourse and activity to fit each individual's personality type.

Executive Personality Styles



Consistency: MIT's Pentland and Heibach found that steadiness of emphasis and pacing when people are speaking is a "signal of mental focus, while greater variability may signal an openness to influence from others."[94] In the context of what you know about a person, listening to the flow and pace of their speech cues you to their openness and receptivity.

---

[94] Pentland, "Understanding Honest Signals in Business," *MIT Sloan Management Review*, Fall 2008.

As Dr. Alex Pentland wrote in the *MIT Sloan Management Review*, "Professional dancers or athletes … exhibit a smoothness and consistency of action that comes from an enormous amount of practice. The effect of all their practice is to 'burn' the action sequences into the neural connections in the [brain]."[95]

What does this mean? It means that all too often, work conversations become dueling monologues, set speeches full of polished paragraphs. Think about the conversations you typically have in meetings with your colleagues and subordinates. Are you really exchanging ideas and practicing divergent thinking? Remember, divergent thinking is thinking that is outside the box; it's someone providing something new, someone who says red when everyone else is saying blue.

How many new ideas are really coming out of your meetings? How many new propositions, new actions, new activities, new approaches? The kinds of signals we're discussing comprise a hidden form of social energy that strengthens or weakens your team.

Some practices to sharpen your whole mind listening skills include:

When you won't be noticed, cover your ears or watch from outside a conference room to observe body language without hearing words.

Use more humor and laughter; this excites mirror neurons. Begin a meeting with someone telling a favorite joke. Make sure it's an appropriate joke for the audience, of course, and, if you're dealing internationally, for the particular culture.

If two colleagues who report to you disagree and each is hardened in his or her views, each presenting the same seamless rapid-fire argument to support his or her position, ask each colleague to present the other individual's position as effectively as possible. Trade typical roles at meetings (making sure that everyone knows these are exercises and not performance-related); have junior colleagues perform a senior role from time to time, such as present-

---

[95] Ibid.

ing financial numbers. Carlos has done this often and finds that, although junior colleagues may find the exercise intimidating at first, they often become enthusiastic about it and the exercise becomes powerful for everyone involved.

Incidentally, this last exercise is a good one for you as CEO to discover promising individuals – potential future senior executives. Look particularly at the way financial numbers are presented, i.e., how the presenter is able to connect sales to profits and net margin on sales to assets velocity. This is more important than how well the junior executive speaks. What your corporate family business needs are good, accurate thinkers able to execute efficiently and to enthusiastically communicate. Strong leaders are great communicators – not big "talkers."

Learning Empathy

As Steven Covey observed in *The Seven Habits of Highly Effective People*, of the four modes of communication – reading, writing, speaking, and listening – it is the last, listening, that is by far the hardest to master.[96]

To articulate your own position, you must understand the views and experiences of those around you. You don't know enough to have a smart position if you haven't practiced empathy. If you have a successful marriage, you have already learned this insight. Too often, we forget to exercise our social and empathic skills at work, because we are focused on competition and goal achievement. The CEO or leader who dictates policy without understanding how others view it is like the indicted lawyer who decides to argue his own case before the court: he is representing a fool.

Think in your own experience of the times you have implemented an objective without first taking the time to understand its impact on those around you, those whose perspective you did not

96 Steven Covey, *The Seven Habits of Highly Effective People*. New York: Free Press, 1990, 2003.

take fully into account. We've all done it, only to later regret that, by not employing an empathetic understanding, we've alienated someone or some group.

Consider, then, these five tools to strengthen your empathy: patience, observation, assumption testing, mirroring, and self-revelation.

Patience: In any complex situation or challenge, you'll need more, and longer, conversations than you have had in the past to give others the time and confidence to relate their views and how they came to hold them. You'll still save time by making better decisions at the end of the process. If you don't understand someone's point, or aren't sure of a particular approach, use the magic word, "why?" Ask folks why they came to a particular judgment. Ask them why they have a disagreement with a position. Simple? Common sense? Certainly. Practiced regularly by executives in family-owned businesses? Not at all!

When you're dealing with practical matters and factual questions, have efficient *and sufficient* conversations. Much has been made in recent years of Malcolm Gladwell's research in his book *Blink*. Gladwell proposes that in areas where we have substantial experience, we can trust our "rapid cognition" to make fast decisions – what some describe as "gut" calls – to "thin slice" a problem and decide on a course of action in a "blink."[97] Gladwell's findings are highly useful, and everybody should read *Blink*. Trusting our adaptive instinct is smart when there isn't time for deliberation, when we are making an individual decision, or working on an aspect of a standalone analytic challenge.

But when we are collaborating and engaging with others in complex matters, making snap decisions can be disastrous, particularly when team members assume they can rely on the same right answer that has worked in the past. Today, snap decisions can be disastrous for another reason. In our fast-moving, turbulent world, if

---

97 Malcolm Gladwell, *Blink*, New York: Little Brown, 2007.

you're not continuously updating your knowledge and understanding, your "gut" call may well be based on outdated, irrelevant information. Common sense, under certain circumstances, can lead to failure.

In fact, doing what "makes sense" in a fast-moving world is much more likely to lead to frustration, and maybe even failure. It might seem to make sense, for example, to just copy what the most successful CEOs are doing. Benchmarking a leader was okay in the former world, but is not the answer today in our dynamic, non-linear world. Many organizations are struggling today because their CEOs continue to believe it is possible to build profitable growth doing what "makes sense." ***Un*common sense is what's often needed.** This, too, requires patience and a better understanding of what those around you know.

> Making snap decisions can be disastrous, particularly when team members assume they can rely on the same right answer that has worked in the past. Today, snap decisions can be disastrous for another reason. In our fast-moving, turbulent world, if you're not continuously updating your knowledge and understanding, your "gut" call may well be based on outdated, irrelevant information. Common sense, under certain circumstances, can lead to failure.

Observation: Even the most cursory attempts at noticing what other people are experiencing will deepen your insights into their points of view. Tuning into people's lives also means you can more easily build rapport. It gives you an avenue to understand what that person is feeling. Who is planning a wedding? Separating from a spouse or having a divorce? Having their first child? Just recovered from a difficult illness? Experiencing personal difficulties with a son or daughter? Moving to a new home? Without exception, when we are experiencing stress or distraction in our personal lives, our perspective is altered. Workplace studies show over and over that one employee's perception about another employee can be wrong: the person you thought didn't like you on a particular day or doesn't always talk to you at the coffee machine may have just found out his or her child has a serious illness. Observation helps you keep an open mind to gain knowledge of another's thoughts, feelings, and motivations.

If, for example, a colleague is late with an assignment or extremely rude and abrupt, first give him or her the benefit of the doubt. Has this colleague experienced a personal problem recently that might be interfering with performance? A good way to assess the person's state of mind is simply to ask, "How are you doing today? You don't sound like yourself." We've found through experience that 95 percent of the time, they'll tell you. At worst, they'll appreciate that you cared enough to ask.

Assumption Testing: As you become more in tune with the people around you, test your assumptions about a particular person whenever you become aware that his or her behavior seems uncharacteristic. Stop and ask questions to verify your assumptions. It may strike you as counter intuitive, but people with problem behavior patterns will find it harder to change if you call them out on it before you have confirmed that their behavior was an issue. Harping and repeated criticism act to reinforce behavior patterns you may wish to see changed. If a team member frequently arrives late at meetings, don't assume that today's late arrival was under the employee's control. If a colleague is shy about talking at meetings, be sure you know the facts about his or her situation before you make a public statement. Even if you sense that you're not being given the whole truth, use questions to get your colleague to open up.

Here are some examples of assumption testing:

For a passive team member: "I saw you were quiet during our planning session. Did you feel uncomfortable for any reason about contributing, or was it one of those meetings where you just didn't have anything material to add?"

For a team member frequently late to meetings: "What held you up from getting to the sales meeting on time today? I've noticed that your account lunch meetings often run past two o'clock."

For two people who may have trouble finishing a joint project: "I've noticed you've stopped collaborating with Albert on the R&D planning presentation. Is there an issue between the two of you, or are you just in an independent work phase?" With this example, in particular, you might find the personality types we discussed earlier especially relevant. If you refer to the previous chart, you'll note the potential problems of a driver personality working with an amiable personality, or an analytical personality working with an expressive personality. Ignoring these dynamics can lead to potentially unsolvable problems. Your assumption-testing questions might help you get a handle on this early, allowing you to avert trouble.

Mirroring: This simple technique is one of the most powerful empathy builders you can use, well known to therapists and mediators around the world. Mirroring is critical for defusing the emotions around a conflict by demonstrating to a counterpart that your concerns and views differ but are not a personal attack or criticism of the other. Mirroring follows four steps: listening, reflecting back what was said, asking if you "got it," and asking if there is more. As the mirroring process goes back and forth, empathy builds and understanding deepens.

When two people – or a small group – are discussing a controversial topic, each party should state his or her views using "I" rather than placing blame with "you." Blaming others is a poor strategy because it destroys relationships, weakens self-esteem, and prevents you from learning. Never blame anyone in life. The best people give us great memories. Good people give us happiness, bad people give us experiences, and the worst people give us lessons. You can learn from everyone.

Let's imagine a direct report and her superior are discussing her performance. The boss wants to address a trend of monthly reports being delivered late. Rather than saying, "You are frequently late with your reports," the boss might try, "I am concerned because my records show that four out of your last six reports were late. Am I missing something?" Then the direct report would "mirror back" her understanding of the statement: "I hear you saying that my reports are arriving late, and that's a concern. Let me explain why that's been happening." The direct report would then offer her side of things, and the boss would reflect back what she said, and ask, "Did I understand your explanation correctly?" Then, the direct report would mirror back the boss's guidelines: "I hear that you're suggesting I set early dates for handing in my monthly reports and advise you if I'm running late. Did I understand that?"

Here are some key practices for mirroring:

Rehearse the mirroring techniques with friends or your spouse, and discuss the method with your team before trying it with them. (If you're not already using mirroring with your spouse, you'd better get on that right away!) Knowing that your methods are sincere and geared toward fostering a better atmosphere of communication and greater understanding, people will appreciate your mirroring efforts.

If you feel cautious about mirroring, simply adopt the powerful step of stating issues in terms of how you understand a situation, rather than using the accusatory "you." The benefits will be immediate and noticeable.

Tap this routine during meetings: "Would anyone want to mirror back to me the key points about sales conference planning?"

Self-revelation: This is a powerful step in generating empathy. It shows you are human. By revealing something about yourself, you encourage colleagues and employees to become more open and reveal more about themselves as well.[98] There is wisdom in the old practice of beginning a meeting of people who are new to each other by having each attendee "tell us something about yourself." Self-revelation builds trust and is a powerful behavior to encourage in the workplace. It can all start with you – being open and honest about yourself (using good judgment, of course, in what you reveal), thereby building empathy and trust in your associates and subordinates.

---

98 Kenneth Fracaro, "Building Relationships Powered by Empathy," *Contract Management*, August 2006.

Fostering Resilience

Resilience is the capacity to withstand stress and adversity. **This is the ability to bounce back after something unpleasant or shocking happens.** This doesn't mean going through life without experiencing stress and pain. The path to master resilience lies in working through the emotions and effects of stress and painful events.

Resilience develops as we grow up and gain better thinking skills, acquiring self-awareness and developing a variety of behaviors that can be learned through practice as discussed in chapters 1 and 2. These attributes will give you a sense of purpose, a plan, and meaning for your life.

Learning resilient language and behaviors strengthens our social intelligence because any group – a family, work team, company, or volunteer organization – needs the ability to recover from setbacks and pivot to new goals. Surviving – and thriving – after adversity strikes is a necessary skill for managers seeking to sustain long careers in turbulent times. What's more, the ability to convert negative experiences into positive ones is a characteristic shared by successful people the world over.

Learning resilient language and behaviors strengthens our social intelligence because any group – a family, work team, company, or volunteer organization – needs the ability to recover from setbacks and pivot to new goals. Surviving – and thriving – after adversity strikes is a necessary skill for managers seeking to sustain long careers in turbulent times. What's more, the ability to convert negative experiences into positive ones is a characteristic shared by successful people the world over.

Under the right conditions, experiencing some adversity builds lifelong resilience, according to research by Mark Seery at the Department of Psychology at the University of Buffalo. Participants in his study with a history of some (but not too much) lifetime adversity showed lower distress, fewer symptoms of post-traumatic stress, and higher life satisfaction.[99] A magnificent *Harvard Business Review* article by Joshua Margolis and Paul Stoltz reminds us, "Building resilience is best done precisely when times are most difficult – when we face the most upending challenges, when we are at the greatest risk of misfiring with our reactions, when we are blindest to the opportunities presented."[100]

To identify the elements of resilience and strengthen our capacity to use them, we first need to understand how we are affected by adverse events of various intensity and scale – ranging from the moderate setback such as a mixed performance review to a full-fledged crisis threatening the existential status of our team (regulatory or legal problems, mergers, takeovers, workplace scandals, business unit closures). Make no mistake. We can promise that in these turbulent times, you and your business will face many if not all of these problems. The types of reactions are nearly universal when bad news hits and tend to paralyze us (again, the severity of the threat will influence the severity of our reaction).

As described by Margolis and Stoltz, our paralyzing reactions include:

Control: Could I have prevented this event, or was it inevitable? Will it harm my career?

Impact: Did I cause the adverse event, or did it result from external forces? Will I be held responsible for it?

Breadth: Is this event an isolated case, or will its effects be wide spread? Will our entire team/unit/company suffer?

Duration: Is the underlying cause of this event enduring or temporary?[101]

---

99 Laura Landro, "Study Finds Adversity Does Make Us Stronger," *Wall Street Journal*, October 19, 2010.

100 Joshua Margolis and Paul Stoltz, "How to Bounce Back from Adversity," *Harvard Business Review*, January-February 2010.

101 Ibid.

To strengthen their team's resilience, leaders need to shift from reflexive, paralyzed thinking to its opposite – an active mindset that is focused on "how best to respond, asking themselves what aspects they can control, what impact they can have, and how the breadth and duration of the crisis might be contained."[102]

This applies to moderate and major adversity events alike. Rather than asking if you could have prevented an event, start talking about what aspects of the event you and your team can improve. Instead of fixating on who will be held responsible or is responsible for the event, start consultations about how to have a positive impact on what happens next. Replace conversations about how widespread the crisis could become with discussions about how to contain the negatives of the situation and generate new positives. Rather than fear the length and duration of the event, ask what you and your team can do to begin the addressing the problem now.[103]

It is at these times when you'll be most in need of a process to handle meetings, a process that includes raising questions to come up with answers to your problems. Check out this link for a list of Socratic questions, named, of course, for possibly the wisest philosopher of them all:
http://changingminds.org/techniques/questioning/socratic_questions.htm. Always keep these questions close by, especially when you are ready to conduct a meeting, with the express purpose of getting to the bottom of an adverse event.

Of course we understand that all of this is easier to put on the page than to put into action. But whether you are dealing with your own crisis or one that is affecting your team, a leader's words and communication choices are instrumental to making a comeback. The respected author and leadership coach Rebecca Shambaugh expresses it well: "An effective manager understands that the power

---

[102] Ibid.

[103] Ibid.

of words can transform overwhelmed, challenged employees into powerhouse teams that are resilient, hopeful, and engaged. Leaders of every stripe and sector know that it's not just the message you wish to communicate, but the way you do it."[104]

How can leaders be smart, effective, and persuasive in building resilience? We point to a number of techniques and practices for you to use (these are effective self-talk, self-awareness guideposts as well). Think about this, however: resilience is a personal journey. **Resilience won't make your problems go away, but resilience can give you the ability to see past them, and thereby help you better handle stress. In fact, resilience will help transform your ideas into reality.** A resilient company is, always, lead by a resilient, creative leader. A vulnerable company is, always, managed by a fragile, non-listening, inflexible CEO who lacks resilience and courage and is unable to take action in the face of the unknown.

Here, then, are a few techniques and practices for you to use daily in your organization as ways to better foster resilience:

Tell it like it is: When difficult, challenging, or threatening events take place, **describe the situation in factual, plain language.** Don't obfuscate or talk around the situation; however, **don't speculate.** Be factual, clear, and concise. Be respectful of your team's feelings and fears. Don't joke or make humorous comments. Many studies cite the number one quality of a leader as integrity and honesty. Be sure your actions back up your words, and lead by example. Telling it like it is, in other words, is the opposite of a problem we detailed in the last chapter, namely – denial. And it's absolutely necessary in turbulent times.

Articulate a vision: If possible, portray what success looks like for the team. Don't exaggerate or speak in contrived terms, but give them a picture of where they'll be when the situation is improved, or

---

[104] Rebecca Shambaugh, *The Leadership Secrets of Hillary Clinton*, McGraw-Hill, 2010.

reversed. Research and discuss similar crises that were successfully resolved through honest and courageous responsive action.

Visualize outcomes: Ask questions that facilitate proactive thinking and action. As put by Margolis and Stoltz: "What strengths and resources will my team and I develop by addressing this event?" "What would the manager I most admire do in this situation?" "What do we want life to look like on the other side of this adversity?"[105]

Encourage and foster new collaborations: Note the resilient members of your team, the ones who are good in a crisis. Suggest new collaborations where resilient employees can motivate and influence those who are more fearful and paralyzed.

Another way of thinking about resilience is mental toughness – the ability to perform under pressure and deliver when circumstances are far from ideal. As we've discussed, these abilities can be learned and developed. Leadership author Jim Citrin says that by remaining resilient, and learning to rise to the occasion, we can become "expert performers" in demand by many. "Expert performers are distinguished not by the characteristics they inherited … but rather by their ability to continue improving for years, even decades, until they become great."[106]

Focusing Enthusiasm

"There is real magic in enthusiasm. It spells the difference between mediocrity and accomplishment," wrote Norman Vincent Peale. "Enthusiasm is the yeast that makes your hopes shine to the stars. Enthusiasm is the sparkle in your eyes, the swing in your gait. The grip of your hand, the irresistible surge of will and energy to execute your ideas," wrote Henry Ford. For a creative CEO in turbulent times, enthusiasm means to show intense and eager enjoyment and interest in everything he or she does. Conversely, lack of enthusiasm

---

[105] Joshua Margolis and Paul Stoltz, "How to Bounce Back from Adversity," *Harvard Business Review*, January-February 2010.

[106] *http://veritasinconleadership.blogspot.com/2011/05/framework-for-leadership-success.html.*

indicates that something is amiss, perhaps stemming from fear in the face of an uncertain future and a lack of vision.

Because we are all influenced by the emotional states of the people with whom we interact, enthusiasm is a key aspect of becoming a performer-leader with a mastery of communication. As with other attributes we've discussed, the enthusiasm of a leader can be learned. Why do we highlight it as an aspect of social intelligence? Many leadership experts cite enthusiasm as an essential attribute. On one level, it's easy to understand: when your manager is pumped up and excited, that behavior tickles your mirror neurons. We all want motivated workers. But we can't force folks to feel enthusiastic or to be happy.

Remember those unconscious elements of communication to which our brains are wired to respond? Even when we are unaware of what's happening underneath the noise and anxiety of our conscious thinking, our brains care about nonlinear input such as a one's tone of voice or body language in a closed-door meeting. Enthusiasm is about giving your colleagues and direct reports feedback and support and embracing the progress they've made. You will inspire enthusiasm through a lively tone of voice, a positive demeanor, and by showing interest and engagement.

This means giving people feedback about their work, taking an interest in the workplace and their role in it, stimulating their creativity, and really paying attention to their questions and concerns. Enthusiasm is about your

> "There is real magic in enthusiasm. It spells the difference between mediocrity and accomplishment," wrote Norman Vincent Peale. "Enthusiasm is the yeast that makes your hopes shine to the stars. Enthusiasm is the sparkle in your eyes, the swing in your gait. The grip of your hand, the irresistible surge of will and energy to execute your ideas," wrote Henry Ford. For a creative CEO in turbulent times, enthusiasm means to show intense and eager enjoyment and interest in everything he or she does.

presence and focus on other people's work and careers. By unlocking folks' natural enthusiasm, they will offer more of their ideas and express more of their talents. Because we are all influenced by the emotional states of the people with whom we interact, enthusiasm is contagious, thus a lubricant for talent. Talented followers need leaders to help them reach their visions. And of course, all leaders have others to follow as well, perhaps shareholders, or maybe mentors who are helping them develop new skills and abilities.

Leading the way for anybody must be someone with enthusiasm. Does the conductor of an orchestra guide musicians with listless, bored movements? Or is the conductor passionate, hearing and experiencing the performance with his whole being? You know the answer.

Using Tact

If you're the conductor of your team's energy and workflow, you also need tools for communicating and managing your team when significant conversations are no longer productive, when a colleague or team member is resisting a necessary change, or honest disagreements simply can't be bridged. That's where tact comes in – when the conductor signals a section of the orchestra to quiet down so the entire concerto can be played.

Simply stated, tact is the ability to deal with people without causing friction or giving offense, while still communicating truthfully and with clarity. This requires that you read the situation at hand and call on a variety of techniques to defuse heightened emotions and segue to a new topic.

For reasons that may surprise you, tact is a prime leadership trait for U.S. Marines. In a fascinating blog post on the official U.S. Marine website, Staff Sgt. Greg Thomas discusses the role of tact in managing conflict: "The textbook definition of TACT is, '… you can deal with people in a manner that will maintain good relations and avoid problems. It means that you are polite, calm, and firm.' In the real world, TACT usually refers to the ability of one Marine to approach another about a deficiency or otherwise uncomfortable situation without the interaction devolving into an altercation. This trait can be difficult for some Marines to acquire, especially for those who seem to pride themselves on being brash and abrasive…. I've seen a couple of those Marines get charged with disrespect among other things as a result of not being tactful when talking to a senior Marine."[107]

> Simply stated, tact is the ability to deal with people without causing friction or giving offense, while still communicating truthfully and with clarity. This requires that you read the situation at hand and call on a variety of techniques to defuse heightened emotions and segue to a new topic.

The Dale Carnegie blog offers fantastic tips for tactful leadership and we would encourage you to visit *http://blog.dalecarnegie.com/leadership/6-rules-for-communicating-with-diplomacy-and-tact*.

Hopefully you are by now beginning to grasp the importance of the material in these first three chapters. **Only by developing cognitive intelligence, self-awareness, and social intelligence will you be ready to get to the job of running your business in today's environment**. There is no shortcut and there are no substitutions. These are necessary ingredients for leadership in turbulent times. Collectively, they form the foundation upon which your success will now build.

[107] Staff Sgt. Greg Thomas, Marines blog, April 12, 2012, *http://marines.dodlive.mil/2011/04/12/the-marine-corps-14-leadership-traits-tact/*.

PART III

Business and Talent Intelligence

CHAPTER 4

The Principle of Business Intelligence

Let's stop for a moment to review what we've accomplished. In chapter 1, you learned about managing the abundant information available to CEOs and senior executives in the global economy. Then, you deepened your understanding of self-awareness in chapter 2 and discovered how our beliefs and thoughts create mental models and drive our actions. Chapter 3 demonstrated how we can strengthen our capacity to understand how and why these dynamics work so we can become more emotionally intelligent. You also learned how people see us when we interact with them, and found the tools to support productive and positive group interactions – our social intelligence. Now, we'll show you how you can succeed as a CEO leader by drawing on these disciplines to master the laws of *business intelligence*.

In business, as in other complex social and economic situations, a set of principles operates that can be difficult to discern in our day-to-day lives. Effective CEOs and senior executives must grasp that these principles are as immutable as laws of science, economics, or physics. When you stop at a Starbucks to buy an espresso, you may not be conscious at the moment of the laws of supply and demand that set the price of that espresso. But if you were investing in Starbucks stock, you'd consider the laws and give them your attention. The last time you landed in a commercial airliner at your destination, you may not have been thinking about the laws of gravity. If in another flight you encountered turbulence or an engine malfunction, you would become instantly aware of gravity's law. If engineers don't respect the laws of aerodynamics, after all, their planes will crash. If you lead a company or a team, you probably don't think about your competitors every day as you are consumed with meetings and work deliverables. But if one of your competitors hires away one of your star performers, you'll spend many hours contemplating how competition over resources drives many decisions.

> In business as in other complex social and economic situations, a set of principles operates that can be difficult to discern in our day-to-day lives. Effective CEOs and senior executives must grasp that these principles are as immutable as laws of science, economics, or physics.

In this chapter, we'll introduce you to five principles of business achievement that we have identified through our careers. We will show you how these "Dias & Abraham Principles" work and how to understand and use them in your business.

By grasping these five principles, you will unleash transformational benefits for you as an individual and for those you lead and manage:

1. Profit and growth alone aren't enough to sustain progress;
2. Foresight *IQ* is mandatory to business progress;
3. Momentum is a three-dimensional force;
4. A trained internal advisory group board (mastermind group alliance) is the key to succeed in the twenty-first century;
5. Every business is a system and every change makes a difference.

First, in Part One of this chapter, we'll introduce you to the dynamics and impacts of each of these principles. Then, in Part Two, we'll introduce the Strategic Wealth Creation Ecosystem. Finally, in Part Three, we'll introduce the processes based on the five principles that can drive sustainable progress, profit, and competitive success in your corporate family business, organization, team, or business unit.

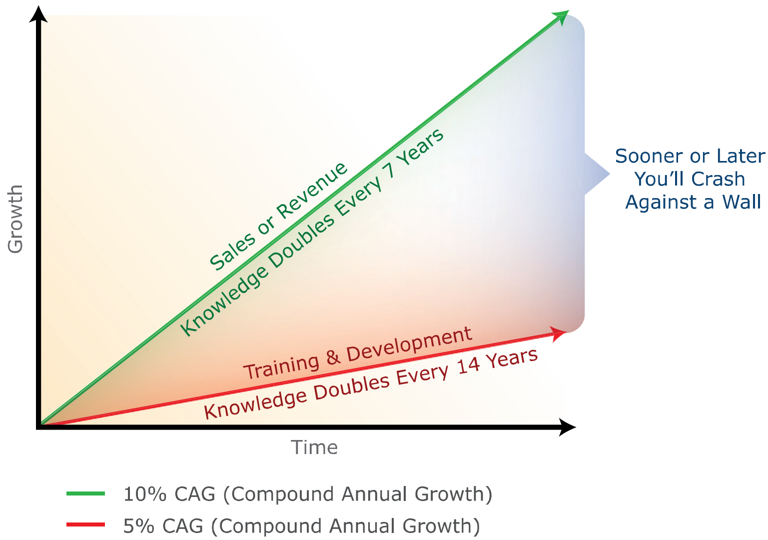
We'll provide simple techniques and approaches you can use for applying and teaching the processes.

PART ONE: The Dias & Abraham Principles

DIAS & ABRAHAM PRINCIPLE ONE: Profit and Growth Alone Aren't Enough to Sustain Business Progress or Development

Growth and profit alone, contrary to what many CEOs think, aren't enough to sustain any organization, particularly your corporate family business organization. To improve performance, a sustainable, profitable organization needs balanced growth in other key tangible and intellectual assets such as knowledge, new skills, and equipment. These are areas where family businesses do not invest much, preferring to hire from outside of the company to improve productivity quickly. Here's the problem: those new executives or workers often bring norms and experiences from different cultures that can negate the benefits of their prior experience. Many times we have witnessed family businesses hiring key executives from their competitors and paying a premium for their experience. But those executives, we noticed, were the least successful. Moreover, if one of your strong competitive advantages is the culture of your organization, you have to be careful about bringing in people with a different culture: think twice about the positives, as well as negative aspects, of your decision.

Growth and Profit Alone are not Enough to Make Companies Thrive in a Fast-Moving World.



Let's assume, as the chart shows, consistent growth of sales or revenue at a compound annual growth of 10 percent. That is, revenue doubles every seven years. But let's assume that your investment in intellectual assets, e.g., training and development, are only 5 percent in the same period of time, thus doubling every fourteen years. **With this scenario, sooner or later, you'll crash into a wall. It'll be unavoidable.** If you make your growth and profit without sufficient investment in the development of the skills of your workforce, knowledge base, and assets, you will eventually lack the resources to compete. You and your people will not be able to succeed working with obsolete skills and assets in a fast-moving world.

Employees are, undoubtedly, the greatest assets to any organization. So if you want to thrive in a dynamic, non-linear world, one of your key priorities should be to invest in training and other courses to develop your intellectual assets (more about this in chapters 5 and 6).

To achieve sustainable business growth, focus on "profitable progress" (which always includes growth, while growth rarely includes progress) by building processes that exponentially multiply the returns on your investments in people, plant, and products. These key processes are composed of four key variables that you should always keep track of and have present in all of your strategic decisions:

1. Actual net margin and assets velocity: The ratio of net profits to revenues multiplied by assets velocity gives you the Return on Assets. It tells you what earnings were generated from total assets, or invested capital. It's a law: if return on assets is not growing in an amount at least equal to the average weighted cost of capital – cost of equity capital and cost of debt – the strategy in question is wealth-destroying. This means your business will have to borrow money to finance new developments. Soon, all of your profits will go to pay your debts. Ensure that *your financial returns are growing faster* than your average weighted cost of capital.

2. Predictable revenue streams have hidden value: The most efficient way to ensure that your cost of capital does not overtake your net income and devastate your profit margins is to craft unique business models and singular competitive strategies that deliver predictable, profitable revenue streams. By having a high confidence level in your ongoing revenue, you'll dramatically lower your risk exposure while delivering unique powerful value propositions to the customer. *This should be a cornerstone* of your strategic planning for turbulent times.

3. Reduce variations in performance for windfall profits: We define windfall profits as additional returns created when you improve the efficiency of operations to reduce costs while maintaining or increasing sales velocity, or experience an unexpected event or benefit that increases sales or reduces costs. These windfall profits help to finance the growth and progress of your organization.

Jay's model for generating windfall profits is called the "Strategy of Preeminence" (more about this in chapter 6). He shows how you can raise baseline profits by reducing the "variance" in key operations. A variance is the differing performance level that occurs when a firm has a variety of people and processes being used, some better and some worse. These changes or variances are not always carefully tracked, thus preventing improved performance. Your goal as a creative, accurate-thinking leader is to raise the baseline of the low-performing variables and therefore reduce the variance from your actual velocity. If, for example, 2.5 is your actual assets velocity but your most suitable assets velocity is considered to be 4, you should always be testing different ways of performing each process to reduce costs and therefore increase profit. Each incremental step forward creates a new baseline from which you can improve your performance to finally reach assets velocity 4. This is also a mindset that ensures you are thinking divergently, instead of just maintaining the status quo as most family businesses and organizations do.

> We define windfall profits as additional returns created when you improve the efficiency of operations to reduce costs while maintaining or increasing sales velocity, or experience an unexpected event or benefit that increases sales or reduces costs. These windfall profits help to finance the growth and progress of your organization.

Everything a business does is a process (controlled or not), which means everything your business does can be quantified and improved through two measures. The first dynamic you measure is the change in your operations or processes that will increase velocity. Process velocity measures the speed (time) of the process. The faster the pace, the greater the value created. The second dynamic is the impact on revenue and profit generated by the first dynamic. The faster a company can manage its processes, the faster it can increase its cash flow, as you learned with the assets velocity concept. Other examples might be developing new services, or a better prospecting technique, or a better way to manufacture your product. You can measure and test different dynamic changes in different processes, and then find a way to leverage the result so you can predict your future. *You can't manage something that you can't measure.*

4. Unique perceived customer value: This concept captures the value as perceived by your targeted customers. To ascertain this measure, take the top 20 percent of your products or services that produce 80 percent of your sales, and build a "value map" for each. A value map contains a plot of the prices and overall performance scores of competing offerings in a market category or segment. Each product or service should have a value (quality attributes divided by price attributes or price alone) that's at least 10 percent higher than your closest competitor's product or service, and not more than 15 percent. When your value exceeds 15 percent, you are giving away too much of your profits to your customers. On our website, we offer a free calculator and webinar that show how you can create a value map for each of your key products or services. See the appendix at the end of this book.

> See the appendix for a link to two free value map calculators and a webinar that show you how you can create a value map for each of your key products or services.

DIAS & ABRAHAM PRINCIPLE TWO:
Foresight IQ is Mandatory to Business Progress

Every CEO and senior executive who wants to build a business model that generates sustainable growth and progress needs to research and detail a strategy that identifies the external trends affecting their business and how to adapt to them by aligning strength and skills. But that is not enough. A business model is a snapshot of how a business is configured to create, deliver, and capture value. You also need a competitive strategy that includes how your organization will earn a profit on sales, as well as characteristics of the organizational structure and culture, including vision and purpose.

According to our experience, eight out of ten CEOs and senior executives don't know the difference between a business model and a strategy. This is the greatest challenge for your corporate family business, and for any organization. You and your senior executives need to understand how important it is for your survival to know the difference between tactics and strategy. The reason: you may be a "tactician" with your operational expertise actually holding you back from seeing the emerging picture. Most people have been in their profession so long that they only know how to perform in their industry as it is. Everyone in the industry is doing everything in the same way because they all learned from each other.

Strategy is deciding *what* your corporate business family should do to become highly profitable. A CEO is paid to think – and strategy is all about accurate thinking. You, along with your key people, need to accurately assess the realities of your business environment and select the best ones so as to focus on where you want your business to play and, just as importantly, where not to play. You need to conceptualize a vision of how your business can create sustainable profitable growth, and communicate that vision in a way that will inspire your people and align them so they can make appropriate decisions toward achieving the vision. In order to do this, you need to acquire *foresight*, that is, the ability to predict what is likely to happen and to use this to prepare for the future. Foresight is one of the most important skills for taking advantage of the opportunities that may arise in the future for your business to be better positioned and to avoid potential risks. In other words, strategy is an activity that occurs above the shoulders, not below it. It's about effectiveness – making sure your business is doing the right things.

By contrast, tactics are what happens below the shoulders. Tactics are about efficiency – doing things well. The focus is doing rather than thinking. Tactics explain *how* your organization will accomplish the strategy. If you are spending your time writing detailed plans and spreadsheets, you are probably focusing on tactics. But that's not the CEO's job! Your people are paid to *do*. You are paid to *think*.

The tools we're presenting in this chapter will strengthen your foresight intelligence so you can use your company's assets wisely. Just as our brain has the capacity to deepen our emotional and social intelligence, so too can we become smarter about seeing the trends affecting business conditions. The following six techniques will create the foundation to help you do this:

1. Your strategic window should be five years, no longer: A ten-to-twenty-year strategic vision was the rule in the past. In a fast-moving global economy, that's too long. In some particular industries, such as computers, the vision is just one year. In other markets it is three years. But in general, it should be five years and no longer. Write down and share your five-year vision with your staff or mastermind group alliance (more about this later in this chapter).

2. Define the purpose of your organization or business unit: As Peter Drucker points out, "Profit is not the explanation, cause, or rationale of business behavior and business decisions, but rather the test of their validity." In our view, **return on assets (ROA) provides the test Drucker refers to.** To know what a business is, we have to start with its *purpose*. This purpose must lie outside of the business itself. In fact, it must lie in society since business enterprise is an organ of society and part of a complex system. There is only one valid definition of business purpose: "to create a customer."[108] Your

> Most family businesses and organizations are driven by basic operations and business goals. They don't have their core values well defined and if they are defined, they're typically ignored. This is how organizations become identical to one another. When this happens, clients can't see a difference.

[108] Peter Drucker, *The Essential Drucker*. Harper-Business, 2003.

business's purpose is not profit or return on assets higher that the weighted cost of capital; rather those collectively are *the test* of whether the purpose of your family business or organization works. You will secure and sustain customers only if your organization respects its purpose. In other words, if you fulfill customers' wants in better ways than your competitors do, you will profit. Profits are not causes, but the effects.

3. Define your core values as a business and why they are important. Core values determine what makes your organization different from everyone else in your field. They dictate personal involvement and alignment. They communicate what is important and inspire people to contribute to the overall success, shaping your organizational culture. Most organizations are driven by basic operations and business goals. They don't have their core values well defined and if they are defined, they're typically ignored. This is how organizations become identical to one another. When this happens, clients can't see the difference. They become indifferent to your products and effectively demand lower prices.

4. Define the guidelines that influence your family business or organization's policies in human resources, vendor relationships, communication, workplace behavior, and professional etiquette. If these guidelines are not clearly established (what is right and wrong) every executive will act according to his or her own interests, which explains why ethical issues are so prevalent today. Marshall Goldsmith writes that, "When people lose spirit, the cause can often be traced to a rootless sense of mission. They lack clear goals. They don't see opportunities. They can't decide on simple criteria for how they define their lives. So they wander aimlessly, spin in circles in place, which in a rapidly changing world actually amounts to falling behind."[109]

---

[109] Marshall Goldsmith & Louis Carter, Best Practices in Talent Management: How the World's Leading Corporations Manage, Develop, and Retain Top Talent. Pfeiffer, 2009.

5. Outline two or three of the strongest core competitive strategic skills that drive your corporate business family, business unit, or company's products and services. These are the capabilities that make your staff and business effective in meeting their purpose. These core capabilities should be written down and made available to every executive. BMW produces high-end, fast cars; eBay facilitates an online marketplace where people can sell goods to each other. To do these things, BMW and eBay have developed two or three core skills, without which it would be impossible for them to implement their business model and competitive strategy.

6. List the annual operational and financial goals for your family business or organization. Both are separated by their purpose – tactical or operational for the short term and financial/strategic for long-term goals. By doing this, you will allow the many different departments of your organization to integrate their plans and ideas with one another. These mid-term objectives and short-term goals will serve as signposts to redirect your actions and decisions if your organization is moving away from its vision. You can see how this process is different from the operational approach most family businesses and other organizations take to formulate their strategy. In fact, the classic strategic planning session in most organizations starts by assuming things will not be so much different in the future. This is what happened with Kodak. Annual operational and financial goals in their case were probably more related to obsolete mental models rather than a clear vision based on reality and not wishful thinking. It might be happening with many other businesses, even as this is being written.

DIAS & ABRAHAM PRINCIPLE THREE: Momentum is a Three-Dimensional Force

Momentum is the ability to continue increasing your progress, a principle that a business exploits by understanding the three-dimensional forces of: *who* your targeted customers are, *what* products and services you are delivering, and *how* you are efficiently executing your business model and strategy. The precursor to increasing momentum is designing your business model and competitive strategy. Then you need to train your mastermind group alliance and key people in this three-dimensional model as they execute their responsibilities.

Momentum is the ability to continue increasing your progress, a principle that a business exploits by understanding the three-dimensional forces of: *who* your customers are, *what* products and services you are delivering, and *how* you are efficiently executing your business model and strategy.

Momentum is the power to increase and develop at an ever-growing pace. In mechanics, momentum is the product of the mass and velocity of an object, so weight and speed are a factor. Here's a good explanation: "A large object like a bus, moving at even a slow speed has a lot of momentum. It would take a lot of force to slow it down. A bullet would have a fair bit of momentum because of its high speed, but not because of its low weight. A bus traveling at the speed of a bullet would have a ridiculous amount of momentum."[110]

In the past, top management implemented strategy by passing it on to middle management to carry out. Although common, this technique never really worked that well, and now it doesn't work at all. Yet, most executives still follow the same flawed routine – develop a strategy in isolation and send it off to the management team to fulfill their dream. Today, according to a recent survey, "most executives (52 percent) don't feel their company's strategy will lead to success … and the majority (64 percent) agree that their company has too many conflicting priorities."[111] **This is a clear sign that something wrong is happening with how organizations strategize today.**

---

110 *http://wiki.answers.co/Q/What_is_momentum_means.*

111 Booz & Company, survey of more than 1,800 executives (including 480 C-suite respondents) from companies of various sizes from around the world, 2011, www.booz.com/coherence-profiler.

In our three-dimensional model we leverage the power of momentum. If you remember your physics, momentum is what keeps a moving object moving forward. For example, if you accelerate your car and then take your foot off the gas, momentum will continue to drive the car forward for a certain distance. The same concept operates in business. Once you start your organization moving forward to a goal, it will continue to move toward that goal for a while.

Good leaders understand that, by harnessing that momentum, they can leverage their strategic investments through a multiplier effect that will propel them to windfall profits.

Let's look at the formula for momentum to see how this is done. In nature, momentum equals mass times velocity. If we break velocity into its component parts, we can restate the formula as: momentum = mass x speed x direction. In business, the equivalent of mass is your unique customer value proposition. The equivalent of speed is your ability to get things done faster than your competition. The equivalent of direction is your unique business model and competitive strategy. Let's look at how your business can reap the benefit of a multiplier effect across these three dimensions.

Consider the model as a *who-what-how* proposition:

1 Your unique business model. This is your business model's ability to create unique value to your targeted customers. To improve this dimension, your aim should be to increase efficacy by focusing exactly on *who* your targeted customers are and not only what they need today, but what they will want but do not yet know that they want. Does this concept sound familiar? It's the secret ingredient to Apple's business model! It can be yours too if you decide to apply this concept to your organization.

2 Your distinctive competitive strategy. This is your ability to *get there* faster than your competition. To improve this dimension, your aim should be to improve effectiveness by focusing on *what* needs to be done to differentiate yourself from your competition in the minds of your targeted customers.

3 Your unusual flawless innovative execution. This refers to the execution of both your business strategy and your business model. To improve this dimension, your aim should be to focus on the efficiency of *how* things are done in your organization.

> Many companies fail in the clothing manufacturing and retailing sector, but Inditex (Zara) proves that you can thrive and grow while employing expensive labor (not from China or elsewhere in Asia) and using quality fabrics, all the while creating, delivering, and capturing high value. That's what we will show you in this book.

How can you create customer value if you don't know who your clients are, and who they are not? How can you create a distinctive competitive strategy if you don't know which game you are playing? How can you design a unique, flawless, innovative execution process if you don't know what you want to accomplish? Yet, illogical as it sounds, all of this is what many corporate business organizations are doing today! Not surprisingly, the result is wealth destruction – return on assets (ROA) lower than the weighted cost of capital.

Focusing on any of these three areas individually will create incremental improvement in your performance. But momentum leverages the improvement by creating a multiplier effect across all three dimensions – propelling you to a position far ahead of your competitors.

Mastering the art of creating momentum is vital for an accurate thinking leader.

A good example of creating momentum is Inditex. Headquartered in Spain, Inditex is a world leader in apparel manufacturing and retail, known mostly through their major brand Zara. Their clients (the who) are middle-class women. They offer (the what) the latest fashions, with the best value (high quality at reasonable price). That is their business model. They capture value (competitive strategy) in the form of profits by selling through their own stores, driven by two strategic core skills (the how): logistics and innovation. Their logistics are amazing. They deliver their products from their factories in Spain and North Africa in only twenty-four hours to their stores in Spain, and in no more than forty-eight hours to over 5,000 stores around the world! Their innovation is present in all their functions, but particularly in their own designed clothes. They acquire, for example, fabrics in a limited range of colors and postpone dyeing and printing until close to manufacturing. This practice requires a large dose of creativity and innovation to reduce waste, minimizing the need to clear unsold inventories. Many companies fail in the clothing manufacturing and retailing sector, but Inditex proves that you can thrive and grow while employing expensive labor (not from China or elsewhere in Asia alone) and using quality fabrics, all the while creating, delivering, and capturing high value.

Inditex, with over 110,000 employees, reached sales in 2012 of $23 billion, a sales net margin of 14 percent, and a 16 percent return on assets. Inditex is the most valuable company on Spain's stock market. Their products are middle-class, modest products that are rarely acclaimed by fashion magazines and editors. All they do is create momentum at every level of their organization on a daily basis. Compare this with struggling companies such as Liz Claiborne, Macy's, or J.C. Penney.

DIAS & ABRAHAM PRINCIPLE FOUR:
A Trained Selected Internal Advisory Group Board (Mastermind Group Alliance) is the Key to Succeed in the Twenty-First Century

You've probably noticed, as we have, that when taking part in a meeting, many people find it difficult to speak their mind or present their own perspective, preferring to follow a colleague's idea, or echo the senior executive in the group. You may have also observed that colleagues, even senior ones, sometimes have a tendency to agree to decisions as a group that they might never make on their own. We're sure you've also witnessed moments when a colleague who opposes a policy or decision outside the conference room, suddenly finds justification for it when a CEO takes a strong position in its favor.

Why does this happen? One reason is that most meetings or teamwork sessions are not structured and members are selected on the basis of their place in the hierarchy of the organization, rather than their knowledge, experience, and/or understanding of the subject at hand. It is also obvious that colleagues and team members naturally want to minimize conflict by reaching consensus without critically testing, analyzing, and evaluating ideas. Individual creativity, uniqueness, and independent thinking are often lost in the pursuit of group cohesiveness. The name for this behavior is "groupthink," a term coined by social psychologist Irving Janin in 1972. It occurs "when a group makes faulty decisions because group pressures lead to a deterioration of mental efficiency, reality testing, and moral judgment."[112] Or, as was said in a Nightingale Conant audio book compiled by Robert Jordan, "If you just follow the herd – and do what most managers, most entrepreneurs, and most workers do – you will get the exact same results the herd gets: average results. No more. No less."[113]

> Your greatest tool is critical thinking. In times of change, a CEO's or executive's (dangerous) instinct may be to strive for greater efficiency by tightening control. But the truth is that relinquishing authority and giving executives considerable autonomy can boost innovation and success in smart organizations, even during a crisis. Our view of leadership means collaboration through a structured process guided by clear rules to succeed.

Neither you nor your organization can afford to drive change with this behavior. So what should you and your organization do? Your

[112] Psychologists for Social Responsibility website: *http://www.psysr.org/about/pubs_resources/groupthink%20overview.htm.*

[113] Robert Jordan, How They Did It: Advice from Today's Most Successful Entrepreneurs. Nightingale Conant.

greatest tool is foresight-based critical thinking – analyzing the problems, then thinking carefully about the conclusions and then taking action based on the conclusions. In times of change, a CEO's or executive's (dangerous) instinct may be to strive for greater efficiency by tightening control. But the truth is that relinquishing authority and giving executives considerable autonomy can boost innovation and success in smart organizations, even during a crisis. **Our view of leadership means collaboration through a structured process guided by clear rules to succeed.** The group will therefore be able to explore and study as many possibilities as they can, and won't be bounded by doctrines, or their emotions, to justify their ideas. What scholars have discovered about social and emotional intelligence confirms that the process known as a "*mastermind group*" generates the most solutions and most productive collaboration.

It's important to differentiate the concept of a mastermind group with that of conventional teamwork. A mastermind group achieves harmony that is much harder to achieve with a group of people who have, for a variety of reasons, been thrown together in a team structure. As indicated by the hundreds of books and articles published on how to derive value from a meeting, few if any businesses have discovered what makes meetings powerful and part of effective collaboration. **Most meetings are organized with little structure and no real process in place to leverage the brainpower of all the group members.**

A mastermind group makes use of a system that includes an internal facilitator, preferably acting like an orchestra conductor, deriving his power from the ability to make other people powerful, to awaken possibilities within the group members. This also works, by the way, as an accurate metaphor for leadership in general. The facilitator might dispense advice or help people to work together, but does so in an effort to get the group to produce successful results, and not to influence or tell group members what to do.

You are, as CEO, the creator of the mastermind group, but consider rotating the facilitator role among members for each call or get-together so that each executive can learn to facilitate meetings, thereby becoming a better communicator, too.

A successful mastermind group needs a process that effectively takes advantage of each individual's knowledge, experience, understanding, and eventually wisdom. Our framework for this process is based on a combined thirty years of experience organizing and facilitating mastermind group sessions, the best way to produce accelerated change in an organization. Refer to the appendix for a link to a free webinar in which we advise our clients on the best way to select, run, and organize mastermind group alliances. Mastermind group alliances really work, particularly in corporate family businesses where, by their very nature, a more convivial atmosphere typically prevails.

A successful mastermind group needs a process that effectively takes advantage of each individual's knowledge, experience, understanding and eventually wisdom. Our framework for this process is based on our combined years of experience organizing and facilitating mastermind group sessions, the best way to produce accelerated change in an organization.

Something special and amazing happens when a mastermind group is working together successfully. As Napoleon Hill pointed out, as noted by Bill and Ann Harley in their book *What Would Napoleon Hill Do*, everything in the universe is made of energy including the human mind (you may recall this concept from chapter 2), and when the minds of two or more people are engaged and working harmoniously on the same tasks, the collaborative power of the connections grow exponentially. Ideas seem to actually be attracted to such an interconnection. This is what Hill referred to as "infinite intelligence; mind chemistry in action."[114]

"The theory of the mastermind is that two heads are not only

[114] Bill and Ann Harley, *What Would Napoleon Hill Do?* Highroads Media, 2010.

better than one, they are better than two – because the combination is greater than the sums of its parts."[115] Mind chemistry is the leveraging, a force compounded by means of the collective subconscious of the members of the group. The result is a sixth sense, as Hill puts it, where the individual minds become inspired and moved to a higher state. Imaginations become livelier and, collectively, the group's mental state becomes more focused, uncovering new ideas and fresh solutions, tapping into the very energy of the universe. Hence, it becomes a *master* mind, analogous, as Hill suggests, to a series of electric batteries connected together to form a single, powerful current.

By taking part in mastermind-guided meetings, your mental energies are recharged and renewed. The demands and pace of twenty-first century business management can be exhausting and debilitating. By engaging in open collaboration with an internal trusted facilitator, you create the conditions for individuals to think with more creativity and innovation. Carlos has facilitated mastermind sessions with over 500 CEOs and senior executives in Europe and the Americas during the last ten years and has found that the mastermind concept, helped by a structured process to create powerful, unique business models and competitive strategies, was

> The demands and pace of twenty-first century business management can be exhausting and debilitating. By engaging in open collaboration with a trusted facilitator, you create the conditions for individuals to think with more creativity and innovation. Carlos has facilitated mastermind sessions with over 500 CEOs and senior executives during the last ten years and has found that the mastermind concept was rewarding for every participant. Learn more about mastermind groups with a free webinar (see link in the appendix).

[115] Ibid.

rewarding for every participant. Jay, too, has a great deal of experience facilitating mastermind sessions with his clients. It is our real-world experience that has made us decide to use the concept of the mastermind group alliance as the foundation for our program for CEOs and senior executives.

We believe that the mastermind group is the only way to place all the key members of your corporate family business or organization on a fast track to leadership. **Imagine for an instant what your organization could become if all its key members decided to create multiple internal mastermind groups** (what we strongly suggest to our clients), each one a collective expert in one of the processes introduced in this book. You will have created a supercharged pipeline for leadership talent.

Mastermind group alliances must be the result of conscious attempts by a CEO to surround him or herself with a group of people who are so in-tune with each other that they don't just bring out the best in each other, but the group, as a whole, takes on a life of its own, elevating everyone's level of thinking, and generating shared leaps of logic, insights, foresights, and flashes of intuition.

Through his experience as multinational CEO, and time spent mentoring other CEOs and senior executives, Carlos found **four key advantages mastermind group alliances deliver to family businesses,** and organizations in general:

First, members become better at listening. Listening is the front end of decision-making and therefore the surest way of informing the judgments we need to make. Remember from chapter 3 how listening influences performance (higher return on assets). Many executives, however, are not good listeners, which can ultimately mean the difference between a long career and a short one.

Second, members can avoid self-justification, the need to justify one's actions and decisions. Members can especially avoid the unpleasant feeling of cognitive dissonance, as discussed in chapter 2, which has the potential to destroy a career.

> In a mastermind group, people learn to avoid this pitfall Peter Drucker wrote about. It's always amazing to see how after a few sessions CEOs and senior executives coming from different areas of their organizations start to better understand the behaviors of their colleagues.

Third, members acquire knowledge, understanding, mastery, and wisdom for their job. It might take 10,000 hours on average to become a standout performer, perhaps the best in your field. Achieving mastery might take less time. Even still, acquiring the expert knowledge and understanding you need for mastering something through continuous education might take ten years or more. But you can achieve expertise in much less time if you leverage the advantages of a mastermind group with well-structured processes.

Fourth, as Peter Drucker wrote in *Managing Oneself*, "Far too many people – especially with great expertise in one area – are contemptuous or disrespectful of knowledge in other areas."[116] If it's not in their area of expertise, in other words, it's not worth knowing. **But taking pride in such ignorance is self-defeating. In a mastermind group alliance, people learn to avoid this pitfall.** It's always amazing to see how, after a few sessions, CEOs and senior executives coming from different areas of their organizations, start to better understand the behaviors of their colleagues. This is particularly the case between executives representing opposing functions in a business, such as sales executives and financial executives. It's because the process encourages discussion, debate, and constructive provocations. Everyone must follow the rules during the sessions and everyone gets the opportunity to express his or her views, have them challenged, and then challenge those of their colleagues. This always leads to better decisions and better execution.

[116] Peter Drucker, *Managing Oneself*. Harvard Business Press, 2008.

DIAS & ABRAHAM PRINCIPLE FIVE:
Every Business is an Ecosystem and Every Change Makes a Difference

One major reason **most family businesses and organizations fail is lack of systems and procedures all around their organizations.** By the time most operational-minded CEOs are convinced they need to systemize their businesses, they are so overwhelmed working in the day-to-day running of their businesses that they cannot find the time to focus on the opportunities and potential dangers down the road.

Simply put, a system is a collection of human and technical activities integrated to accomplish an overall objective of an organization. The system has various inputs, which go through different processes designed to produce certain outputs, which accomplish the desired objective or goal of the system. If one part of the system is changed, the nature of the overall system often is changed.

Managers and senior executives add value to a system by incorporating strategies that serve the customer. As defined, "The outcome of a well-designed process is increased effectiveness (value for the customer) and increased efficiency (less cost for the organization)."[117]

As Price Pritchett wrote, "When we make the simple shift in focus from tasks to processes, it profoundly affects our perspective of how we do business. The different departments or functions stop operating as silos. We quit thinking of individual tasks in a singular and disconnected manner. Instead, we consider the overall collection of tasks – that is, the process, that's involved in producing an end result."[118]

By recognizing how systems work – whether they are effective or

---

[117] *http://en.wikipedia.org/wiki/Business_process.*

[118] Price Pritchett, *Managing Sideways, Using the Rummler-Bache Process Improvement Approach to Achieve Performance Breakthroughs*. Dallas: Pritchett, LP, 2007. Used with full permission of Pritchett, LP. All rights are reserved. *http://www.pritchettnet.com.*

not – we no longer view our organization, as Pritchett wrote, "in a narrow-banded way, like a snapshot focused purely on our particular department or function."[119] When we neglect the imperative of systems thinking, people ignore that their actions influence the entire organization. To quote Pritchett again, "They don't concentrate on process outcomes. As a result, there is a disconnect with the customer."[120]

Most CEOs and senior leaders forget their organizations are not just a collection of people managed for profitable growth. The organization is also a collection of processes. "And many of these processes," wrote Pritchett, "have never been deliberately managed. They just sort of developed over the years. Nobody ever took responsibility for designing them. And nobody's making sure they perform like they should."[121]

One reason organizations fail is that most CEOs and senior executives remain mired in thinking that is based on past experience, copying what they wrongly perceive to be the best practices in their industry (benchmarking). **Their thinking is not based on foresight into the fact-based reality of what is happening in their markets.** Consequently, their organizations end up using guesstimates made by CEOs and senior executives without adequate information and with tools and concepts that are obsolete. As Peter Drucker has said, "The first practice is to ask what needs to be done? Note that the question is not what do I want to do? Asking what has to be done … is crucial."[122]

It's our experience that the vast majority of CEOs and senior executives in organizations with lower returns on assets are in denial about what is happening in the world economy today (recall the Introduction to this book). Because of this, they become essentially

---

[119] Ibid.

[120] Ibid.

[121] Ibid.

[122] Peter Drucker, The Effective Executive: The Definitive Guide to Getting the Right Things Done, Harvard Business, 2006.

opportunity seekers, looking for ways that allow them to grow easily, as they might have done in the past, running their companies with little more than an operational plan and a budget that are both based on prior periods of accelerated growth. They lack a clear business model and focused competitive strategy and move from one direction to the other, without the vision they need. Typically, they end up making wrong decisions based on false, wishful thinking visions of easy money, hoping that things will become better and that the good times of the past will soon return. **They fail to see that their organizations are complex systems with sophisticated interactions among different parts** that are influenced by current and developing trends in the economy and world around them.

How is it that the typical CEO and senior executive become mired in past thinking? It's certainly not a question of intelligence. People rarely get to executive positions without being smart. The problem, rather, is in *how* they think, of which most people, no matter how intelligent, remain unaware. Particularly when a CEO or senior executive has experienced success, his or her thinking is likely to become automatic. It has served him well thus far and he sees no reason to examine it. When he gets promoted, the way of thinking is even further validated.

What this means for the typical CEO or senior executive is that he or she becomes good at doing *things right* (efficiently). Unfortunately, he or she often ends up doing the *wrong things*. It frequently happens when organizations don't adjust or craft new strategies for a fast-moving world. This is extremely dangerous because you end up doing well that which you shouldn't be doing. In other words, you run

> An ineffective tactician-driven CEO tends to oversimplify, viewing everything within his or her organization as a collection of parts and regarding problems as being reducible to simple facts from which he or she will craft an operational strategy for eliminating the respective problem, with little regard for the strategy's effects on the rest of the organization.

faster into uncharted waters. A divergent, accurate-thinking CEO or senior executive, on the other hand, becomes *effective* by working, first, on the *right things*, the right competitive business model and strategy, both things he or she has discovered with the insight acquired through smart, systematic, innovative work.

An ineffective tactician-driven CEO tends to oversimplify, viewing everything within his or her organization as a collection of parts and regarding problems as being reducible to simple facts from which he or she will craft an operational strategy for eliminating the respective problem, with little regard for the strategy's effects on the rest of the organization. A problem exists in the sales department? Hire new salespeople and introduce training programs. But of course new problems are now unknowingly created when the rest of the system breaks down, unable to handle the increase in business. Solving problems, in other words, without regard for the business as a whole – without regard for the *business ecosystem* – creates far more problems in the long run.

With our combined experience leading organizations and mentoring CEOs and senior executives around the world, we have come to realize the importance of the business ecosystem, particularly in a fast-moving world such as exists today. Leading companies thrive because they know how to nurture their ecosystem, while those who ignore it might be able to grow for a while during good times, but falter at sudden changes in their markets. We have seen this happen too many times to ignore the connection that exists between the parts of a system. How an ecosystem works isn't our discovery. Others, like Russell Ackoff (a pioneer in the field of systems thinking), have done much before us, sometimes using different names to refer to the business ecosystem model.

What is a business ecosystem? An ecosystem in general can be thought of as a collection of parts coming together to form a whole. A good example is a car. But suppose you decide to create the best car in the world by taking the best components from various carmakers, i.e., the best engine from one brand, the best brakes from another, the best transmission from yet another, and so on. Will it work? Hardly. The various components from different carmakers are not designed to work together. We always reduce the effectiveness of a system when we try to optimize only a part here or a part there.

> Leading companies thrive because their CEOs know how to nurture their ecosystems, while those CEOs who ignore them might be able to grow for a while during good times, but falter at sudden changes in their markets.

Yet this is what more than nine of ten business organizations are doing today through operational benchmarking, comparing their performance to industry best practices, typically measuring quality, time, and cost. As a result, organizations end up with their CEOs and senior executives frustrated, stressed, destroying value, and unfortunately in some cases, heading their businesses towards bankruptcy. For example, when Nokia cut the price of their flagship phone in half in 2012, the Finnish company said their move was nothing but normal strategy. We would say the move was nothing but an operational tactical decision made without a strategy, with Nokia ignoring the immediate consequences. How could cutting the price of Nokia Lumia 900 in half for the critical U.S. market, a little more than three months after the launch of the smartphone at AT&T stores, be an effective strategy? "This move is a normal strategy that is put in place during the life cycle of most phones," Nokia spokesman Doug Dawson, said in an email to the Wall Street Journal. "It allows a broad consumer base for this flagship device at a more accessible price."[123] That could be easy to understand if Nokia had decided to lower prices at the end of the cycle, but not just after three months from the launch of the smartphone.

[123] Grundberg Troianowski, "Nokia Bad Call on Smartphones," *Wall Street Journal*, July 18, 2012.

> How could cutting the price of the Nokia Lumia 900 in half for the critical U.S. market, a little more than three months after the launch of the smartphone at AT&T stores, be an effective strategy?

The Nokia story is a good example of a company destroying customer value while, at the same time, also destroying its own reputation and wealth. The struggling handset market's capitalization immediately went lower than the $8.5 billion Microsoft paid for the Internet phone company Skype last year. Nokia was valued at the end of 2012 at roughly half of Apple's quarterly net profit!

A system is a whole that cannot be divided into different parts without the loss of its essential characteristics. By looking at your business this way, you can understand and draw upon all of a business's stakeholders in developing strategies, initiatives, and communications. Apple's ability to take into account the whole of their ecosystem has been stellar. From 2003 to 2012, Apple's net margin rose from 1.1 percent to 25 percent. "Looking back at Nokia in its heyday, in 2003 the Finish cell phone maker was able to command a 41.5 percent margin, which has gradually drifted down to 28 percent. Today, Nokia is Microsoft's bitch, completely dependent on the success of the Windows operating system, which is far from certain."[124]

Here, then, is an operational-minded company, Nokia, becoming a sorry shell of what it used to be – a great company when the market for smartphones was growing exponentially. Apple, conversely, is still doing well. Its gross margins will eventually decline because of competition, but they won't dip to the levels of 2003 or to Nokia's current level. What's the difference? It is the enormous value of Apple's ability to generate cash thanks to its ecosystem. The company is sitting on an ever-growing pile of it, $140 billion.

---

[124] Vitaliy Katsenelson, "How Much Would You Pay for Apple Ecosystem. http//www.contrarianedge.com. February 12, 2013.

Moreover, "[u]nlike Microsoft, which does something dumber than dumb with its cash every other year, Apple has a pristine capital allocation track record. It has not made any foolish acquisition – or, indeed, any acquisition of size."[125]

The final challenge that has bogged down so many CEOs and leaders is that they manage horribly outdated corporate organizational structures and processes. The configuration of most organizations is based on decades-old assumptions about technology, economics, and communication. Ackoff lays out, in his book *Re-Creating the Corporation*, the three obsolete forms of company management, all tied to time and change.[126]

The first – *reactive management* – results from dissatisfaction with how things are going and seeks to get things back to how they once were. We like to call this "patriarchal management," since it's very common in family business organizations. But even in other organizations with this form of management, the CEO is regarded as a father figure, concentrating on creating a "happy family" atmosphere. Problem solving is the main focus: solve the immediate problem and get things back to how they were before. This helps explain the immense popularity of courses and seminars devoted to problem solving. But experience with the way things once were does little to help a company trying to move forward. In fact, experience can work against the company if the focus relies too much on obsolete methods of doing business.

The second type of management, according to Ackoff, is *inactive management*. This is the "if it isn't broke, don't fix it" school of management. In our experience, this type of management is common in family businesses where the CEO is over sixty years old with no plans of retiring in the near future. However, this type of antiquated management is also popular with much younger CEOs and senior executives, those unwilling to update their knowledge. They

[125] Ibid.

[126] Russell Ackoff, Recreating the Corporation: A Design of Organizations for the 21st Century. Oxford University Press, 1999.

usually resist any ideas not their own. Typically, these types of authoritarian CEOs suffer from low esteem. Change is unwelcome in these organizations and, differentiated from reactive management, problems are actually suppressed. But, as with reactive management, it's hard to imagine companies that use a predominantly inactive management style can survive more than five years in the fiercely competitive global economy.

Proactive management is the third type that Ackoff identifies and it "describes an approach where management tries to predict the future and take advantage of it." Of course in times of great change and turmoil – times like these – it's fairly impossible to keep up with the deluge of new information.

So a fourth form of management is required for a company to thrive in a twenty-first century turbulent global economy. Ackoff calls it *interactive management*. This is where you endeavor to *create* the future. Interactive management presupposes a thorough understanding of where the organization is now. It's about analyzing the situation, grasping the organization's current weaknesses in its business system, something the other forms of management don't often (if ever) do. Looking then at what the organization wants (as opposed to what it doesn't want), and considering it from the current state of the organization, an interactive CEO manager can then see what the organization has to become – systematically – to get where it wants to go. We find this "system" approach to be a law of successful organizations particularly in turbulent times such as exist today.

> "Life is a series of collisions with the future; it is not the sum of what we have been, but what we yearn to be." – Jose Ortega y Gasset, Spanish philosopher (1883-1955)

Strategic planning is continuous, unlike with reactive or proactive CEOs' classic management styles where planning is a sometimes thing, undertaken every two to four years. In rapidly changing market conditions, coming up with a plan every few years can be fatal. Strategic planning must be ongoing. Carlos recalls the CEO he met not long ago while lecturing at a conference. The CEO headed a large multinational group with annual sales over $15 billion and low profitability. Carlos came to realize that the organization's strategy was unclear and obsolete after the CEO answered a few strategic questions put to him by Carlos. The CEO admitted so himself, but further admitted that the strategy could not be changed for three years, until the next scheduled revision. They had just designed the current (wrong) strategy, the CEO explained, only one year ago! We'll let you draw your own conclusions.

Finally, interactive CEOs and senior executives must engage in strategic mastermind group alliances precisely to make strategic planning continuous. The organization as a whole joins the planning process, thereby including a variety of executives and therefore recognizing, once again, the importance of considering the organization as a system, and not just a bunch of separate problems.

Here concludes our discussion of Dias & Abraham's Fifth Principle – that all businesses are ecosystems. Now that you know these laws, how will you apply your new understanding of them to drive profitable progress, and not just growth, in the everyday world of your company?

PART TWO: Strategic Wealth Creation

To lead a team, project, family business, or organization in a full state of awareness about business systems and strategy, you need a way of thinking that leads to wisdom and effective leadership: *critical* divergent thinking. And it is this thinking that is part and parcel of the *Strategic Wealth Creator System*™. In this system, six important processes are employed that allow a CEO to properly regard the various parts of an organization as the complex business ecosystem that it really is, thus enabling the CEO to govern his or her leadership accordingly.

First, the CEO must recognize the six internal components themselves – the market, the customers, the products or services, the people, the capital, and the organizational structure. From there, he or she can begin customizing, with other members of the mastermind group alliance, the processes, starting with the vision, then creating and delivering a unique value proposition. Knowing these things, the CEO can then work backward to develop a winning strategy, leading toward the implementation of powerful sales and marketing plans. Always following close behind is the continuous creation of unique products and services, all of this accomplished, with his or her people, leveraging the power of human alignment.

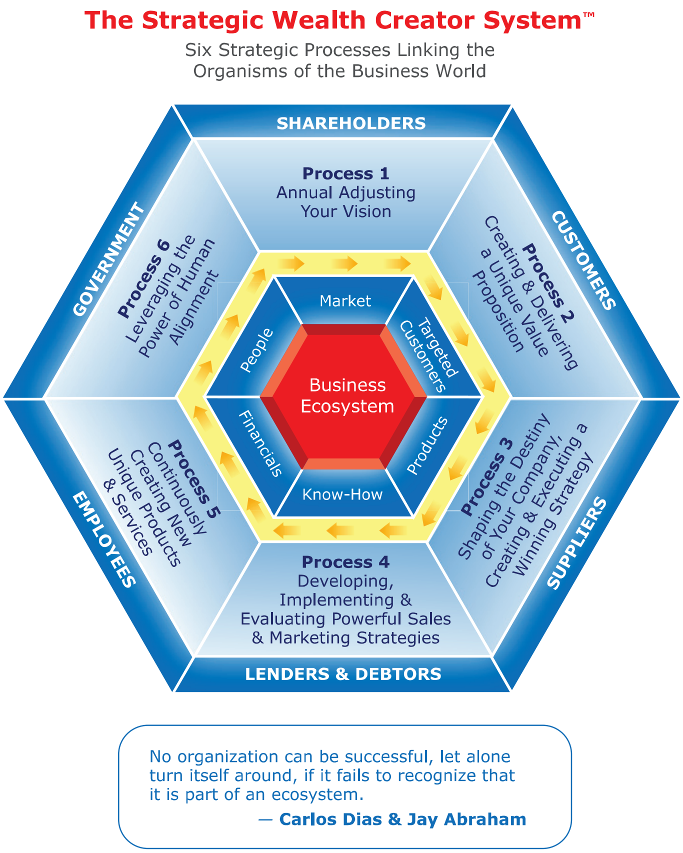
For all of this to work effectively, the process must connect the internal components with the six external factors: the shareholders, the total potential customer base, governmental influences, potential lenders and debtors, the pool of possible employees, and the available supplies. Cracking this business ecosystem code is what creative, effective CEO-leaders at companies such as Apple, Inditex, Google, or Amazon are doing today.

Every company, as you can see in the chart, is an ecosystem containing two systems within the large one. The first is formed by vectors that include the following actors:

- *The market*, including the competition. It is up to you, the CEO, to select the competitors, and not the competition to select your company. You select the game that you want your organization to play;
- *The targeted customers* inside that market;
- *The products or services* you decide to offer to these customers;
- *The people* in your organization that make things happen;
- *The capital* that makes everything possible; and
- *The organization and its infrastructure* that you need to deliver your vision and objectives.

The second system is formed by the stakeholders – people or companies involved because they have, or will have, interest in your organization. These include:

- *Shareholders* who are invested in your organization;
- *Future customers* you want to attract to your products and services;
- *Future employees* to be hired by your organization;
- *Suppliers* delivering key components to your organization;
- *Lenders* trusting your organization, and *debtors* owing money to your organization; and
- *Government*, which makes the rules for those competing in your selected market.



CEOs and senior executives talk about "stakeholders," but only a few see them as part of an ecosystem. In fact, most of them don't see, understand, or take the time to grasp the interconnections between these two systems. Why does this happen? There are at least two reasons: the CEOs don't know how to do it, and/or most of them are tacticians. Their lives are often filled with clutter because they were taught to solve problems one at a time, not to consider and deal with messes in a system. They find it easier to put something somewhere (anywhere) *right now*, than to take the time to put it where it belongs.

So let's discuss the internal character and personality traits that characterize high-potential CEOs and senior executive leaders, before we close with the six strategic processes in the *Strategic Wealth Creator System*™.

The Inner Qualities of Accurate-Thinking CEOs and Leaders

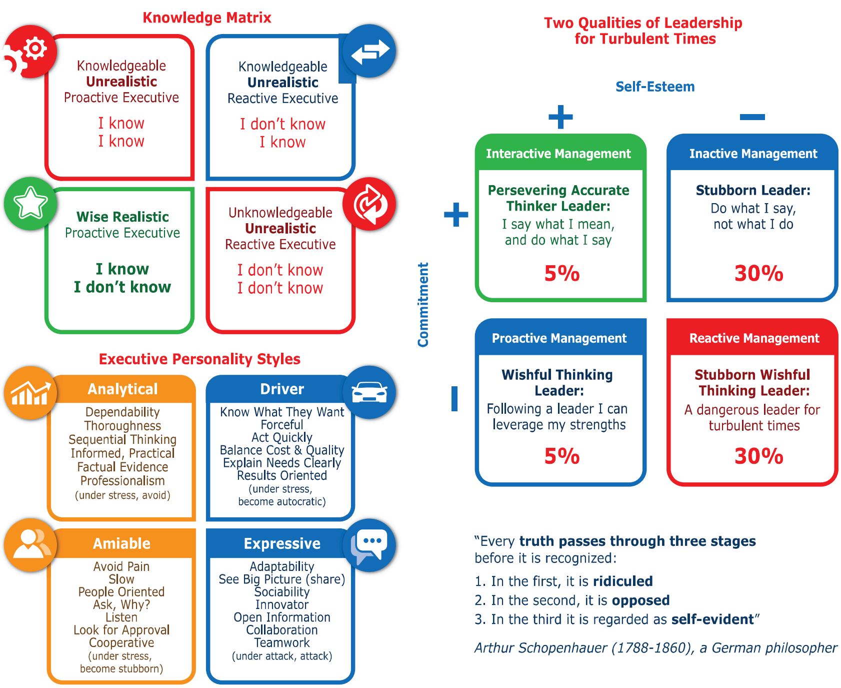
If you want to find a sure recipe for becoming overwhelmed, just type the words "qualities for a good leader" into Google. We did it, and got over 14 millions results. We found books, courses, white papers and articles – each listing six, ten, twenty-one, or thirty key attributes that a leader should have. But what we didn't find was a short list that was practical and actionable. Because at this point in this book, you have a lot on your plate, you don't need acronyms or buzzwords or slogans. What you need – and quickly – is to know which personal qualities are absolutely indispensable if you are to lead your people so they can make the changes required to carry out your vision.

CEOs and senior executives need two indispensable qualities to become accurate, thinking leaders: self-esteem and commitment. The combination of a strong commitment with healthy, high self-esteem will help anyone migrate from a perpetual state of anxiety and anger to peace of mind and self-confidence, enough to realize *no one is a victim of circumstances, but a creator of his own circumstances.*

Commitment has a brother, and his name is "willpower." We assume you are a CEO who probably doesn't yet consider him or herself to be a fully accurate thinker. You have the desire to become a successful accurate-thinking CEO. But of course old habits are hard to change. Therefore, you need to be ready to accept that the change you are making is not temporary. To make it, you need to acquire the ability to control your thoughts and actions in order to achieve that to which you are committed.

In other words, willpower may be helpful in the beginning to help kick start yourself after making the decision, but it won't keep you committed in the long run. Sooner or later, you'll return to your old habits. This is why we say old habits die hard. The difference between commitment and willpower is key to managing any change in your life.

Let's look at the various combinations of self-esteem and commitment, and how they affect your ability to lead.



Look at the chart above. At the upper right is an explosive combination: *high commitment and low self-esteem*. About 30 percent of executives fall into this quadrant, based on our experience. Leaders here are steadfast and resolute regarding their own ideas, but lack the self-confidence to listen to and seriously consider the ideas of others. Even in a mastermind group, they stubbornly cling to their own opinion and waste the opportunity to expand their point of view. You probably would not enjoy having these people in your mastermind group.

In the lower right is *low self-esteem coupled with low commitment*. Amazingly, about 30 percent of executives fall into this quadrant. This is a dangerous combination during turbulent times, because executives in this quadrant reflexively fall into a reactive management pattern.

In the lower left is *high self-esteem coupled with low commitment*. Around 35 percent of executives fall into this quadrant; these are the proactive "wishful thinking" leaders. Their problem is that they are too optimistic. They usually are amiable or expressive personalities – too much so to be effective leaders. However, while this quadrant may lack leadership qualities, these people are excellent followers. Keep in mind that "following" doesn't mean being blindly obedient. A good follower is someone who has the knowledge and insight to view how a plan is unfolding, and can recognize if things appear to be going wrong and alert the leader – in a tactful and nonjudgmental way – that it may be time to reevaluate.

Finally, in the upper-left quadrant, are the Persevering Accurate-Thinking Leaders. Notice that only 5 percent of executives naturally fall into this group, according to our experience. The leaders in this quadrant have the commitment required to say what they mean and do what they say. They have the self-esteem to practice interactive management. During turbulent times, this is the quadrant where an accurate-thinking CEO leader must be.

Note well this quote from German philosopher Arthur Schopenhauer: "All truth passes through three stages. First, it is ridiculed.

Second, it is violently opposed. Third, it is accepted as being self-evident." As a leader in turbulent times, you must be ready to face ridicule, then opposition, and, eventually… acceptance.

Let's dig a bit deeper, and look at the knowledge and personality components of each leadership style.

The persevering accurate-thinking leader tends to fit into the "wise proactive executive" area on the knowledge matrix. They don't know it all, and they don't need to. Perhaps more importantly, they recognize what they don't know, so they are able to look to others for that information.

On the personality index, the persevering accurate-thinking leader tends to be a "driver" or an "expressive." The drivers are decisive, pragmatic, hard-charging individuals who are direct and communicate a sense of urgency. The expressive is a big-picture thinker, who seeks innovation and thrives in a collaborative environment such as a mastermind group.

By contrast, executives who have a strong "Analytical" or "Amiable" profile are less well-suited to lead during turbulent times. Analytics like systems and procedures, so they are excellent financial managers or engineers. Although their decisions are usually sound, they are slow to make them – in fact, it may seem that they analyze things to death. They also tend to prefer working too independently, avoiding teams. Amiables are people-focused and good listeners. They are extremely loyal and dependable. Amiables make excellent human resource managers. But they are too conflict-avoidant, and too conformist, to shine in a CEO position.

If you have Analytical or Amiable tendencies, don't despair. The leadership styles don't determine your fate; rather, you determine which style you will embrace – by working toward changing and becoming the type of leader you want to be. In fact, being able to shift from one style to another will give you a significant advantage. You will understand your own strengths and weaknesses better, and you will understand the strengths and weaknesses of others on your team as well.

So go ahead and choose the type of leader you will be, changing your style depending on the circumstances of the moment. Just one word of caution: even though you change your style, you need to remain honest with yourself and with others.

So what do you need to succeed as a leader who sees around corners? You must have the self-esteem to know what you want and that you can make it happen; you need the commitment to make a continuous effort to reach your goal – even if that effort requires you leave your comfort zone and change your management style. Lastly, you need a sound plan – which you are creating step-by-step as you work through your business life.

So what do you need to succeed as a leader who sees around corners? You must have the self-esteem to know what you want and that you can make it happen; you need the commitment to make a continuous effort to reach your goal – even if that effort requires you leave your comfort zone and change your management style. Lastly, you need a sound plan – which you are creating step-by-step as you work through your business life.

Let's take a moment to widen your perspective and **consider three key questions that every organization should be thinking about in our current world economy**. The answers to these questions are critical to your corporate business family's ability to compete and thrive going forward.

How Much of Your Business is Friction?

Let's consider question #1: How much of your business is friction? In company after company, we found through the years that friction costs – more than other market forces – dominate the cost structure of an organization. As a result, ROA for U.S. companies declined by a staggering 75 percent since 1965![127]

What is friction? Friction is the resistance that one surface, object, or thing encounters when moving over another. Friction operates in the economic world as well as in the natural world. Here's an analogy. In the natural world, if you are riding a bicycle into the wind, the wind resistance will slow your progress. To move forward, you will need to pedal harder and also zigzag from side to side to lessen the impact of the resistance. In point of fact, you might be tempted to toss aside your bicycle altogether, once you realize that you could probably get where you are going – and get there faster – by walking.

Charles Smith wrote, "Economies have friction, too. When the friction increases to the point that much of the economy's energy and surplus are being consumed in overcoming systemic friction, then the system will eventually freeze up and be abandoned."[128] Can you see how an organization burdened with unproductive friction would be running not just on borrowed money, but on borrowed time, too?

So how can you defeat friction in your corporate family business, or any other organization? **First,** do not wait for others in the business to start changing their thinking. If you are the CEO, go and do it, create your mastermind group, and do it yourselves. If you are an executive, bring the ideas, concepts, tools, and thinking processes introduced in this book, in your business unit or at the level of your department. You will find that it will take you on a fast-track to leadership.

Second, never forget that everyone in your organization is interconnected, that they are operating as part of a system, and that tinkering with one part of your organization is never really enough and may even make things worse.

---

[127] John Hagel III, Seely Brown, and Dulesha Kulasooriya, The 2012 Shift Index, Deloitte Center for the Edge.

[128] Charles Hugh Smith, contributing editor, on November 1, 2011 in an article published at Martenson Newsletter (*www.chrismartenson.com*).

Third, remember that the six strategic processes detailed next are collectively the best antidote to help you defeat friction in your organization. You will be able to use the tools and processes to hunt and eradicate the unproductive friction that is keeping your organization from reaching its full potential.

How Much of Your Intellectual Capital Base is Your Organization Using?

Let's consider question #2: How much of your intellectual capital base is your organization using? According to Matthew Kiernan, the intellectual assets of most companies are probably worth three to four times the company's tangible book value. Yet few CEOs are using more than 20 percent of their intellectual capital base. Consider for a moment what this means. As Kiernan asks, "Can you imagine the fate of any CEO who could only manage a 20% utilization rate in his or her production capacity, inventory efficiency, or any other traditional index of performance?"[129]

Most organizations, particularly corporate family businesses don't even try to leverage their intellectual capital base to their advantage because they don't know the exact amount of intellectual capital. Measuring intellectual capital can be tricky unless you adhere carefully to a systems mindset. It's important to avoid thinking in terms of silos, where each unit or department measures its intellectual capital separately. Inevitably, this leads to double-counting assets, poor utilization of assets that should be shared, and, of course, unnecessary friction that impedes profitable business progress.

Achieving a system-wide perspective is difficult, but it can be done. Imagine what could happen if your organization decided to change its culture through different mastermind groups, at different levels, each using similar thinking processes. As the concept of

[129] Matthew Kiernan, The Eleven Commandments of 21st Century Management. Prentice Hall, May 1996.

interconnectedness would take hold, internal silos would break down and intellectual assets could be shared across the enterprise. This is the approach that leading companies use today, as they leverage their intellectual capital to outperform their competitors. That is the goal of chapter 6, later in this book.

If Inflation Rises, Can Your Business Keep Up?

Question #3: If inflation rises, can your business keep up? Surprisingly, many senior executives in Europe and the U.S. believe the impact of rising inflation would be negligible. We are not so sure. A CEO's primary responsibility is to define true reality. True reality is that some key prices, such as food, for example, are already rising. The best action, therefore, is to be ready for a scenario where inflation becomes a reality. As long as managers can pass increased costs on to the customer, they can keep inflation from eroding shareholder value. Most managers believe that to achieve this goal, they need only ensure that earnings grow at the rate of inflation. But unfortunately, most managers are making mistaken assumptions. There are a few problems with this way of thinking. First, inflation's biggest threat to companies is that they will be unable to pass on costs to their customers fully, without losing sales in our global competitive world. Second, as inflation grows, cash flow begins to fall off. Why? Everyone along the lines tries to delay their payments. Third, as inflation grows, so does the cost of capital. It becomes more difficult for a company's return on invested capital to stay even with their newly inflated cost of capital.[130]

"Whatever the exact reason may be, history shows that companies do not manage to pass on inflation fully," concludes McKinsey, "so their cash flow declines in real terms." So, under high inflation, a leader must become acutely aware of the two-dimensional nature of money. Because of the speed with which the buying power of

130 Marc Goedhart, Timothy Koller, and David Wessels from McKinsey on Finance (Whitepaper), published in 2010.

cash erodes during periods of high inflation, its value is a matter not just of quantity, but of timing too. In hyper-turbulent times, your answers to these key questions can mean the difference between business success – and failure.

That is why the six strategic thinking processes of profitable progress have been created – so you will know how to answer these questions and craft a strategy that will allow you to lead your organization to breakthrough performance.

PART THREE: Mastering The Six Strategic Processes of Profitable Progress

You now know the benefits of developing emotional and social intelligence, and have gained insight into tapping the different forms of intelligence to understand and begin to use the fundamental principles of business. Next, we'll discuss how to operationalize this knowledge through six essential processes to manage a team or business in turbulent times. By embracing these processes, you will own a framework that will serve you as CEO, or in any management and leadership situation, over the rest of your career. We have developed and documented these processes working with CEOs, leaders, and senior executives in organizations of all sizes within many different industries, in Europe and the Americas, including Latin America, and Asia, particularly China and Japan. We have mentored and coached over a thousand CEOs and senior executives to learn how to use these processes (like the Strategy of Preeminence) for both manufacturing and service companies.

> Before you can move your organization forward, you need to understand how it is performing today. You need to move beyond the preconceptions and half-truths that color the way you think about your business, and instead find a way to view things as they really are.

Process 1: Adjusting Your Vision Annually

Any pilot can tell you that flying through turbulent weather with no metrics and no data to rely upon is surely a recipe for disaster. Relying on the wrong metrics and the wrong data is just as dangerous. Therefore, as a leader your job is to set a course that enables your organization not only to survive but to thrive.

Crises build over time and the warning signs are there if you know where to look. Thus, **before you can move your organization forward, you need to understand how it is performing today.** You need to move beyond the preconceptions and half-truths that color the way you, and your people, think about your business, and instead find a way to view things as they really are, not as you would like them to be.

Where do you see your company in five years? You probably know where you want to go, but the road signs have recently changed; congestion, delays, and the like make it extremely difficult to get from here to there. You need a reliable GPS.

There are two simple questions you should be asking:

- Where is your organization headed?
- Where should your organization go?

In order to answer these two questions, you first need to track the forces that will shape the next three years of your family business organization. You cannot predict the future. But you can track the trends that are already shaping your future. Only then, after knowing the trends that will shape your business over the next three years, can you adjust your vision for the near future.

> "The first responsibility of a leader is to define reality." (*Leadership Is An Art*, Max De Pree, Currency Doubleday, 2004.)

Adjusting your vision **at least once a year** is one of the most powerful decisions to help you know if the direction in which you are heading will get you to the destination of your choice, or off a cliff without a parachute. Like a body scan used by doctors to produce a three-dimensional picture of the inside of a person's body on a computer screen, adjusting your vision will help you hear the sound bites of what really works and what doesn't work in your organization. It is incomprehensible to us that most organizations, particularly family businesses, skip this important decision for any reason, including lack of time. How can you know if you are headed in the right direction without a process?

So what is the primary trigger, if any, for companies to make strategic decisions? "Our regular planning cycle," said 44 percent of 2,135 global executives interviewed by McKinsey in 2010. Thirty-five percent of CEOs and senior executives said issues as they arise, 18 percent said their company has no single trigger, and 3 percent don't know.[131] **What this global survey is telling us is that no one has a process to periodically adjust their vision.** Does it mean they don't have a vision? Not necessarily. But in any case, it could explain why most organizations may be heading in the wrong direction. And what they don't know could hurt them soon.

Process 2: Creating a Unique Customer Value Proposition

Many organizations, particularly family businesses, craft what they wrongly call their strategic plan first. Then, after creating or aligning their products, they decide to promote them. Finally, all their efforts are passed on to the sales department to create revenues. The marketing department will use focus groups and research to create product positioning and advertise products or services to approach new prospects. Some companies deploy an annual or biannual customer satisfaction survey to ascertain if their customers are happy or not. We always considered these surveys to be a bad idea. It's like those

---

[131] "Managing the Strategy Journey," McKinsey Quarterly, July 2012.

"How's my driving?" signs on the backs of trucks. Leading companies with good drivers do not need to ask. Does Apple, Google, Inditex, or Amazon assail their customers with questionnaires? With surveys, whatever insights are produced are based on hindsight; they produce understanding of what has happened in the past. But the environment of your business will likely change.

Therefore, the first two strategic questions you should ask are:

- What will my customers want but don't yet know they want?
- Has my business ecosystem the capability to produce it?

If the last question is affirmative, here are the following two questions:

- What is the biggest mess or constraint that I can reduce or eliminate?
- How can I make my ecosystem better?

If the last question is, instead, negative, then here is the following question:

- How can I create a new business ecosystem and donate the mess (to more closely align with what customers will want)?

What you need for your organization, or family business, is to turn each one-time buyer into a lifetime customer. We designed this process as a way to do this, and to thereby answer the above questions.

Process 3: Crafting Unique Business Models and Singular Competitive Strategies, Use Return on Assets – The Killer Metric for Creative, Accurate CEO Thinker-Leaders

Relying on the wrong metrics in an era of uncertainty is dangerous – lulling you into a false sense of security about how your family business or organization is positioned and where it is heading. To keep from being blindsided, it's imperative to think with your whole brain about which metrics to use to evaluate your organization's reality, and then make the adjustments required to thrive in that true reality instead of relying on wishful thinking.

Consider this example of how the wrong metrics can blindside you:

Back in the 1970s and '80s, inflation began to accelerate in Argentina and Brazil. Ultimately, it peaked at somewhere between 20 to 25 percent monthly, or over 1,000 percent annualized in the 1980s. In the face of such hyperinflation, CEOs and senior executives were continually required to make near-instant strategic decisions as they struggled on a thin line between survival and disaster. Some organizations survived, and in fact emerged stronger than ever. Other organizations, which had appeared sound, didn't make it. Carlos knows because he was there, supervising and advising subsidiaries of different multinationals, including Adidas and Arena. What was the difference?

> Organizations that survived had leaders who were able to approach the problem divergently. They saw that they were in a more chaotic environment, so benchmarking against previous success strategies would do them no good. Instead, they analyzed their organization's profit drivers and found that, in times of hyperinflation, they could derive a significant competitive advantage if they paid attention to cash flow management.

The organizations that failed tended to have CEOs and senior executives who relied on the wrong metrics. In the past, in a more relative static environment, they had successfully steered their family businesses and organizations by benchmarking their competitors. They used best practices from leading companies as a strategy to grow their businesses. But their benchmarking data was misleading them – by indicating that what worked in the past was an emphasis on reduced spending and increased sales. Blindsided by their metrics, the harder they worked, the further they fell behind. They became more and more overextended and eventually became insolvent as hyperinflation wiped out the benefit of cost reduction and increased sales.

By contrast, organizations that survived had CEOs and senior executives who were able to approach the problem divergently. They saw that they were in a more chaotic environment, so benchmarking against previous success strategies would do them no good. Instead, they analyzed their organization's profit and found that, in times of hyperinflation, they could derive a significant competitive advantage if they paid attention to cash flow management. By focusing on collecting cash faster, they were better able to keep up with the financial pressures of hyperinflation. Ultimately, something as simple and basic as how a company manages its cash became the differentiator between the profitable and the bankrupt.

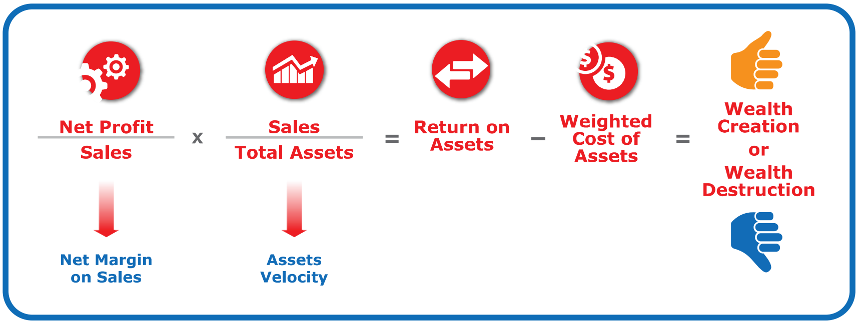
Why we are telling you this history? You might argue that there is no global inflation on the horizon today. Perhaps not yet. There is, however, a reasonable chance we will see another inflationary spike in the Western countries within three years. But more importantly, this example illustrates how the conditions of the global business markets have forever made obsolete many traditional management practices and metrics.

So, which metrics and which data *can* you rely on to provide you with the insights you need to accurately understand – and adjust for – the hyper-turbulent reality that your family business is facing? What are the must-have metrics that you and your mastermind group alliance will need to prepare so that you are never flying blind? To begin, **you need to understand the fundamental truth of doing business in a fast-changing world: the business wealth creation formula.** You may know this formula by its more common name of Return on Assets.

The business wealth creation formula shows you that return on assets is the product of assets velocity times net profit expressed as a percentage of sales:

The Wealth Creation Formula for a Fast-Moving World

Why You are Making (or Losing) Money



Consider the implications of this relationship. It is telling you that, if your business performance is lagging, you essentially have two approaches for improving it. You can diagnose a problem in your organization's net margin. Or, you can look for an opportunity in your assets velocity.

If you look at each one of these components, you will find opportunities on both sides of the equation. For example, you can reduce receivables or reduce inventory on the assets velocity side of the equation. You can lower the cost of sales or selling or administrative expenses on the net margin side of the equation.

You can also easily see how much the two sides of the equation are related. **Assets velocity is the secret to making money.** The more assets are turned in any company and the faster they turn over, the more money will be made. Assets velocity is similar to a hydraulic pump, with the potential to create enormous flow – in this case, wealth. Inexplicably, most CEOs and senior executives are unaware of the fact that assets velocity could lead to an exponential growth of their companies.

> For free access to our strategic cash flow calculator tool that will demonstrate the wealth creation formula in action, see the appendix. For now, we will show you how the calculator can be used to diagnose and correct business performance problems.

For free access to our cash flow calculator tool (and a webinar in which we introduce this key concept) that will demonstrate the wealth creation formula in action, see the appendix. For now, we will explain how the calculator can be used to diagnose and correct strategic business performance related problems. Later you'll get to try it out for yourself, as well as many other calculators, and introduce your own values in each field.

On the calculator tool, data in the income statement area presents you with all of your options for diagnosing and correcting strategic business performance-related problems, or opportunities, in your net margin. For example, say that a company's cost of goods sold is increasing at a higher rate than its sales over the past three years. As a result, EBITA is too low. But if you can find opportunities to reduce COGS or SG&A, you can increase EBITA.

To assess strategic problems or opportunities relating to assets, the balance sheet portion of the calculator presents you with all the ingredients affecting current assets. We call these the "seven cash flow drivers." For example, suppose that your sales are declining and inventories are stacking up – what would happen? Or suppose that your customers are delaying paying their bills? How long would it take before your company found itself in trouble? The balance sheet area of the calculator allows you to analyze the effects of assets velocity.

Assets velocity, also called asset turnover, works like a hydraulic pump – with the potential to create enormous cash flow, wealth, and dividends so important to any business. The more assets you turn and the more frequent the turns, the more money and profit your family business can make.

> Assets velocity, also called assets turnover, works like a hydraulic pump – with the potential to create enormous cash flow, wealth, and dividends. The more assets you turn and the more frequent the turns, the more money, profit, and dividends your family business organization can create.

Asset velocity can provide tremendous competitive advantage and lead to exponential profitable growth for your organization and, indirectly, to all your stakeholders. The average return on assets (ROA) has steadily fallen in the U.S. to almost one quarter of what it was in 1965, despite the fact that labor productivity has improved and that in the last twenty-five years we were driven by a growing economy all around the world.[132]

In the book Ram Charan wrote with Noel M. Tichy in 1998, he provides the case study of a woman selling clothes in Managua, Nicaragua. Ram asked her how she got the money to pay for the merchandise. She borrowed from the sharks, she replied. These were moneylenders who charged her 2.5 percent interest a month, equivalent to 35 percent annually.[133]

Then Ram asked how much money she made – her margin on sales. Only about 5 percent, she replied. Of course this was a painfully thin profit compared to the cost of her borrowed money. So, Ram asked, how could she make a living doing business that way? Propping her right elbow on her left hand, she cut through the air with several sweeping circular motions. She meant rotation of inventory (her equivalent to assets velocity). She knew that if her profit margin was 5 percent and she turned her inventory (which was virtually all her assets) over four times a year, her assets velocity would be four, and her annual return would be only be 20 percent. Because her borrowed money costs 35 percent, she wouldn't last long in business.

However, if her assets velocity were eight, she knew she would be just above breakeven. She also knew that with an assets velocity of ten turns, she would be earning more than 50 percent on her investment (5 percent net margin multiplied by assets velocity of ten). Subtract the 35 percent for the cost of her borrowed money, and our clothing vendor is now eating well.[134]

---

132 Hagel, Brown, and Davidson, "The Big Shift," *Harvard Business Review*, July-August 2009.

133 Ram Charan and Noel M. Tichy, *Every Business is a Growth Business*. New York: Random House/Crown, 1998.

134 Ibid.

So what did this poor Managua woman know that many CEOs and senior executives still overlook today? She knew that *just managing her net margin, in other words in her case the equivalent to EBITDA, was not enough to succeed in business.* **She understood, instinctively or not, the power of assets velocity.**

Let's talk about how managing assets velocity can create competitive advantage. Consider that any family business or organization with an assets velocity greater than four has the potential to destroy almost any competitor, whether the organization is a leader in the marketplace or not.

NET PROFIT

ASSETS VELOCITY	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	2%	3%	4%	5%	6%	7%	8%	9%	10%
1.50	3%	4.5%	6%	7.5%	9%	10.5%	12%	13.5%	15%
2	4%	6%	8%	10%	12%	14%	16%	18%	20%
2.5	5%	7.5%	10%	12.5%	15%	17.5%	20%	22.5%	25%
3	6%	9%	12%	15%	18%	21%	24%	27%	30%
3.5	7%	10.5%	14%	17.5%	21%	24.5%	28%	31.5%	35%
4	8%	12%	16%	20%	24%	28%	32%	36%	40%
4.5	9%	13.5%	18%	22.5%	27%	31.5%	36%	40.5%	45%
5	10%	15%	20%	25%	30%	35%	40%	45%	50%

Let's assume that your company has a decent assets velocity of two. Suddenly, a new competitor with a powerful business model, and an assets velocity of five, bursts into the market. To attack your family business the competitor decides to offer lower prices, better payment terms, or something similar that makes them more attractive to the customers. The offer may only be a short-term offer; after all, it only needs to stay in effect long enough to put you out of business.

This chart gives you another way to look at the relationship between net profit margin and assets velocity, and demonstrates how powerful assets velocity is in driving your performance.

Let's say you decide to aim for an ROA of 16 percent. As you can see in the chart, you have two options for hitting your target. If you keep your assets velocity at two, you will need to adopt a strategy that will allow you to increase net profit margins all the way to 8 percent. There would have to be quite a bit of cost reduction and sales increases to reach that target. In turbulent times, this may not be easy to do.

As an alternative, you can adopt a strategy that improves the way you are managing your assets velocity. If you increase your inventory turns to four, you only need a 4 percent net profit margin to hit your ROA target. In other words, increasing assets velocity positions you to compete effectively.

> These seven components – sales or revenues, gross profit, operating expenses, accounts receivable, accounts payable, inventory, and capital expenditure – control almost all of the cash flow for any business. See the appendix for the link to this key calculator as well as others. You will be able to see how each of the seven cash flow drivers is connected on the income statement and balance sheet.

Cash flow is also overlooked as a powerful metric for business progress. Let's start with a definition. Cash flow is the difference between the cash coming into and out of a business over the course of an accounting period. Proper custody of borrowed or invested money can sometimes prevent financial disaster. So let's talk about cash flow drivers. These seven components – sales or revenues, gross profit, operating expenses, accounts receivable, accounts payable, inventory, and capital expenditure – control almost all of the cash flow for any business. As a successful CEO, you need to stay in constant control of each one and see how they change. **Whether your family business flourishes or perishes depends on it.**

Our free cash flow calculator shows how each of the seven cash drivers are connected on the income statement and balance sheet. Many executives measure financial performance based on changes in sales revenue. All of the other cash flow drivers depend on it. Any change in the balance sheet is driven by sales revenue. Any change on the income statement depends on sales revenue. So it's not surprising that so many executives focus on this cash flow driver.

Many CEOs and senior executives assume that the best way to significantly increase cash flow begins by growing sales. They are correct – as long as they remember this important fact: sales growth that is not well-managed can consume cash – a lot of cash. This is because growing sales always requires more of the organization's assets. It may seem paradoxical, **but if growth is poorly managed, increasing sales can actually reduce the organization's cash flow.** Similarly, decreasing sales requires fewer organizational assets which, in turn, can actually increase cash flow in the organization. The idea that organizations should sacrifice margin for sales revenue growth – or vice versa – can have harmful implications if you want to create long-term value.

Many CEOs and senior executives assume that increasing margin is better since they believe that every extra point of growth goes directly to the bottom line. As a result, they are willing to sacrifice sales revenue growth for the sake of profitability. Unfortunately, their assumption often is wrong. The comparative advantage of increasing sales revenue versus growing profit really depends on the circumstances. You can see this by visiting our free calculator (see the appendix).

Which do you believe is more valuable for your own family business, or any organization: increasing your sales revenue by 5 percent, or increasing your operating margin by 5 percent? Many CEOs and senior executives assume that increasing margin is better since they believe that every extra point of growth goes directly to the bottom line. As a result, they are willing to sacrifice sales revenue growth for the sake of profitability. Unfortunately, their assumption often is wrong. The comparative advantage of increasing sales revenue versus growing profit really depends on the circumstances. See the appendix for a link to our website where a calculator is available for you to use freely.

So, you might ask, "What can we do to strategically increase ROA?" You need to do two things: first, you need to craft a unique business model to create high value for your customers. Second, you need to create a singular or unusual competitive strategy. In other words, a business model that will make you create high value for your customers so you can increase your net margin, and an unusual competitive strategy that will help leverage your competitor's weaknesses to increase your assets velocity. In fact, a unique powerful business model, combined with a singular competitive strategy, will make your business become unique in the market. That is the goal of process 3.

All six processes are part of the strategic wealth creator system, therefore each one is connected with the objective of increasing your return on assets (ROA).

Process 4: Developing, Implementing, and Evaluating Sales and Marketing Strategies

How does your family business or organization achieve marketing precision and sales focus? Interestingly enough, the large majority of organizations spend over 90 percent of their marketing and sales effort on gaining new customers. What a waste of valuable resources!

CEOs and senior executives have forgotten two of the three elements to succeed in any business of any size in any industry. They are average transaction and average transaction frequency. These relationships tell us a lot more about value creation than adding new customers. If you are constantly increasing these two indicators, it means that you are creating customer value. Otherwise, your clients will be not buying more and more from you, and at a higher frequency.

Active Clients	X	Average Transaction	X	Average Frequency	=	Total Sales
5,000	X	$ 640	X	6.25	=	$ 20,000,000
Please introduce the increase in percentage that you want to reach for each element of the laser sales system.						
10 %	X	20 %	X	20 %	=	58 %
5,500	X	$ 768	X	7.50	=	$ 31,680,000

Swapping value means that your sales grow as result of maximizing the value you create for your clients. They pay you back (swap value) by buying more products or services more often… making your family business more profitable. See the appendix to find a link to a free calculator that will let you analyze different scenarios with your own data.

After swapping value and reaching sales focus, it's important to achieve marketing precision. This is done by continuously monitoring key indicators such as estimating the lifetime value of your customers. This powerful concept will help you create successful marketing strategies such as acquiring clients at breakeven and realizing your profit in the back end. This is just one of the indicators described in this process.

> The biggest mistake most companies are making is to fall in love with their business, or products, instead of their customers. There are ten key metrics that need to be consistently and frequently assessed and displayed because they are vital to profitability. See the appendix.

Companies also need to incorporate proven, well-established Internet tools for online selling and ecommerce. It's true that thousands of big companies, if not all, sell online. But not many are successful because they are not using key marketing metrics for exponential profitable growth. Having a website, and/or selling online, doesn't mean a company is successfully leveraging all the possibilities offered by the Internet.

Let us be clearer on this important subject, giving you a few examples. Customer lifetime value (customer equity) as defined as the present value of all current and future profits generated from a customer. If you don't know it, it will be difficult for your organization to predict cash flow and profitability, taking into account the changing dynamics of customer relationships. Cost per acquisition is the investment you make to generate a new customer. This metric is a key to knowing how effective your marketing actions are.

Customer retention is one of the most important activities you can take to avoid losing customers. The biggest mistake most companies are making is to fall in love with their business, or products, instead of their customers. There are ten key metrics that need to be consistently assessed and displayed because they are vital to profitability. These measures will be displayed in a free calculator released with Module III of our program. See the appendix.

Process 5: Continuously Creating New, Unique Products and Services

Would you like to learn and implement a process that will help you blow away your competitors, with over 30 percent of your annual sales coming from products and services that are less than three years old? You can reach this ambitious target by implementing Processes 1 through 3 in your family business organization, then following this process step-by-step.

> Creating wealth requires developing products and services that consistently provide a higher perceived value in the market by your customers. This allows you to increase your prices instead of having to compete by lowering prices. Having a higher perceived value doesn't happen by accident. It is arrived at strategically, through a process.

Why is the process of continuously creating new, unique products and services important? The words "value" and "innovation" typically are not spoken in the same sense. That's unfortunate because in global business markets both are necessary and they are intertwined. **To attempt to provide value without innovation is fruitless and to think about innovation without considering value will only create products or services you can't sell.**

Creating value requires developing products and services that consistently provide a higher perceived value in the market by your customers. This allows you to increase your prices instead of having to compete by lowering prices. Having a higher perceived value doesn't happen by accident. It is arrived at strategically, through a process.

Consequently, a company's value is no longer based on a predictable ability to generate profits from powerfully planned operations alone, but rather on the options the family business organization has been able to create. In other words, competitive advantages come from those processes and systems that spot the trends of change and allow your company to react quickly and with resilience to seize the advantages of the *wave of opportunities* before your competitors can do so. You will, in other words, become a CEO able to leverage all the fantastic opportunities offered by the fast-moving new world while other CEOs are complaining about the harm these changes are causing their organizations.

It's like driving a car at night. You can never see farther than your headlights (in this case, Process 1) but, by making continuous adjustments, you can successfully drive that way. The goal is to keep your vehicle moving, discovering new and exciting roads, keeping the occupants (you and your staff) highly productive, and arriving at great destinations following your path (business model and strategy).

Process 6: Leveraging the Power of Human Alignment

For any strategy to succeed, a company must continuously adjust its DNA (knowledge, skills, know-how, values, principles, and beliefs) to the mega-changes in the market. That can only be accomplished with the leadership of a CEO with a clear strategy. The CEO helps people to accomplish and become much more that they imagined possible. A divergent strategic thinking process can be helpful, but only with a CEO's leadership!

This process can help you to obtain the commitment and consensus of all your staff and key people in your organization. However, your people will understand the changes but they may not easily adjust their thinking and behavior for the simple reason that humans tend to be heavily invested in the past.

You cannot align your strategic human assets by merely telling your people or training them with seminars, meeting, or similar events. This is "nurturing" your people, when what you need, after crafting a new strategy, is to shape your corporate culture.

Consequently, to align your human assets and continuously adjust the genetic code of DNA to a new way of thinking, you need a process. This process must begin with the CEO. Only he or she can set the pattern of all to follow. In time, this becomes the new organizational genetic code that allows the company to adapt and succeed in a rapidly changing world.

No CEO can make these shifts on his or her own. We are simply not programmed as humans to see our own blind spots. The CEO needs an outside mentor with a proven program to bring a new insight on the external world. This mentor or program needs to understand how the world is changing and the insight to express this, thus providing guidance to the CEO in adjusting his or her way of thinking and managing the family business company in turbulent times. This is the goal of this process. We have selected, in our recorded sessions with thousand of CEOs and senior executives, the most powerful, proven, effective questions used in our different programs. These questions have been structured in this process to serve you as personal mentor to bring a new insight on how to adjust your genetic code, or way of thinking, to a fast-moving world.

This final process is key to the success of introducing the five other processes in your organization. Why? Ram Charan and Nowl Tichy wrote, "As in a biological organism, the genetic codes signal directly what the body does, no matter how the brain might try to contradict them. They influence how people think and behave in all areas of their working lives, from how they look at opportunities to what kind of relationships they form with other people. They determine which ideas fly and which ones sink; who gets promoted and who is ignored. In the end, they determine whether the corporation succeeds or fails."[135]

Real lasting change can only come from fundamentally reengineering the genetic code of your family business organization. Doing so is just as important as devising your profitable strategy. In fact, it's part of the strategy, because it determines what the strategy will be, and whether it will work.

Real lasting change can only come from fundamentally reengineering the genetic code of your family business organization. Doing so is just as important as devising your profitable strategy. In fact, it's part of the strategy, because it determines what the strategy will be, and whether it will work.

In fact, leadership is the ability to lead others and accomplish more than they have previously imagined. Assisted by your management team and mastermind group alliance, you, as CEO, can do this by continuously adjusting the genetic code to the mega-changes in the market, looking at creating and optimizing wealth creation for all the players in your market including the stakeholders of your organization.

The CEO for the twenty-first century doesn't need to know everything, or possess every skill and ability. As we've mentioned, the CEO is like the conductor of an orchestra; his or her true power comes from the ability to make other people powerful and to awaken possibility in others. It's a wonderful metaphor for leadership today!

No wonder we lack leadership all over the world. How many CEOs or senior executives can be defined this way? Not many.

---

[135] Ram Charan and Noel M. Tichy, *Every Business is a Growth Business*. New York: Random House/Crown, 1998.

Why? In the past thirty years, skills, knowledge, experience, and understanding were enough to become a successful CEO or senior executive. Markets were growing everywhere. Strategy wasn't a top priority because family businesses or corporations could grow by being efficient, and it wasn't necessary to motivate or lead people to excellence.

It's very different today. The rules of the game have changed. Will you?

The six strategic divergent thinking processes described in this chapter have the power to increase your intellectual assets. By following them, you will be able to increase exponentially your return on assets. That is the objective of chapter 6 which will show you how, by wrapping everything described in this book together, you will be able to discover the mother lode that will make your corporate family business thrive in a fast-moving world. To do this, however, you need to develop talent and that is the objective of chapter 5, just around your next page corner. Enjoy!

CHAPTER 5

Talent Intelligence: What the Greatest CEOs Do Differently

You read in chapter 4 about how the rules of business have changed. At this point, you have learned a great deal about what Peter Drucker called "doing the right things," the mindset for a leader who must see around corners in the twenty-first century. In this chapter, you'll read about the six formulas for "doing things right," the major task for a *manager* in making his organization more efficient.

Decades ago, Peter Drucker told us that companies needed to be clear about three questions: Who is our customer? What value will we offer? How will we deliver? Yet most CEOs and senior executives still ignore these three pertinent questions.

Drucker makes the distinction easy to grasp. "Leadership is doing the right things," he wrote. Effectiveness is achieved by doing the right things more often than the wrong things. "Management is doing things right." Efficiency is doing things right more than doing them wrong. What are the skills required for effective and efficient management in the twenty-first century global corporate world? Well, skills begin with our innate talent, our natural ability that can be developed for success. Each of us has enormous capacity for growth and development. We stretch, strengthen, and build talent through childhood, early education, high school, college, and professional careers, scaffolding skill upon skill in areas of concentration. At various points in our development, for many of us, our skill acquisition slows down or stalls. For others, learning is a truly fundamental, lifelong process that continues throughout our lives as professionals. Some do more with their talent than others. Why?

In our view, far too many universities and business programs see education as a one-to-many process of transmitting institutionally approved theory and practice published in textbooks. Teaching is based on having information memorized and repeated, rather than developing an experiential and interactive process grounded in training people how to think for themselves, and therefore think better.

In our view, far too many universities and business programs see education as a one-to-many process of transmitting institutionally approved theory and practice published in textbooks. Teaching is based on having information memorized and repeated, rather than developing an experiential and interactive process grounded in training people how to think for themselves, and therefore think better.

We allow far too many students to act as passive receptors of information. There is a far more productive path for their and our development, a path that unleashes our ability to think with independence and acuity, and to become, yes, a creative, divergent thinker.

In this chapter, we'll discuss the behaviors we know accelerate the development process most successfully for executives. But don't just take our word that we have awesome capacity for growth. Carl Rogers, a founder of the humanistic approach to psychology, believed the self-actualizing tendency was part of human nature. He said that each of us has an inherent drive toward being as competent and capable as we are biologically able to be. Rogers wrote, "As a plant grows to become a healthy plant, as a seed contains within it the push to become a tree, so a person is impelled to become a whole, complete and self-actualized person."[136]

In twenty-first century business, managers, as well as CEOs, all too frequently fail to actualize their talent. They advance with clumsy steps and wasted energy, rather than honed skill. Therefore, **they only count with their experience and hindsight – today, partially obsolete.** It must be replaced by accurate thinking based on foresight. The good news is that this can be changed.

Two things, we wrote in chapter 4, are necessary to begin making major progress to self-actualization: high self-esteem and commitment. You must possess a healthy level of pride and love of self. You need to regard yourself as valuable and worthy. You must be committed to remaining steadfast to your goals no matter how much dust gets kicked up on the path ahead.

When you have these foundations, you can develop your talents by learning about and applying six practices:

1 Decision making
2 Communication
3 Goal attainment
4 Business life management
5 Emotional intelligence
6 People development

These are so important that we have decided to embed each one into our interactive eLearning program, *Creative Leadership for Turbulent Times*. You'll find more about it at the end of this book with a personal invitation to test one of the modules of this program at no charge.

These are so important that we have decided to embed each one into our interactive eLearning program, *Creative Leadership for Turbulent Times*. You'll find more about it in the appendix at the end of this book.

[136] Carl Rogers, *On Becoming a Person*. Mariner Books, 1995.

1. Decision Making

Decision-making is essential for leaders who need to solve problems and clean up messes in an organization. If, in the course of executing a strategy, things don't work out as we'd planned, we need to excel in efficiently doing *things right*, with no waste of time, money, or energy.

In our career, we have noticed that executives approach problem-solving by drawing on their "common sense"—their emotions and life experience—rather than by considering the facts using a problem-solving process. This explains why so many consulting companies offer these processes; the market for them today is huge. There's certainly nothing wrong with introducing problem-solving processes as a way for you to become more efficient in doing *things right*. It's important, and necessary.

However, a problem is a lot like an iceberg; there's usually more than what can be seen on the surface. The part that gives the problem its true scope and strength to persist is often out of the sight of the tactical, operationally-minded executive. When sales go down, for example, an executive could decide to offer large discounts to solve the problem when the real cause might be a growing gap between customer wants and products and services on offer, or pricing issues with competitive firms. When Starbucks contemplated declining profits and rising complaints during the early 2000s, they didn't react tactically by lowering prices or closing stores. They engineered a year-long review of their operations, products, customer engagement, retail branding, and competition, and then revamped major policies such as reducing product lines and clutter in the stores—and ultimately restored their brand loyalty.

Problem-solving efforts fall short when we apply them to complex, ambiguous, organizational disorders in the mistaken mindset that we are dealing with operational flaws. It was Russell Ackoff who called complex, interdependent organizational problems "messes." Ackoff advocated dissolving them, making them disappear by designing a new strategic system, as opposed to managing the messes or attempting to solve one specific part of them. In other words, any attempt to simply clean them up usually ends up backfiring, making the messes worse while simultaneously triggering new messes elsewhere in the organization.[137]

Many messes, as we wrote in chapter 4, reflect deeper problems that can be strategic, meaning that can only be corrected by looking at your business ecosystem. The market might require different products or services, or your team might not have the right people in the right positions. Old-style, linear, analytical problem-solving tools will fail in solving complex breakdowns involving people, processes, and diverse stakeholders' interests. Continuing to use them in the face of continued failure qualifies for Albert Einstein's famous definition of insanity: doing the same thing over and over and expecting a different result. Unfortunately, most executives have the belief that everything can be reduced to individual parts, what it is called "reductionism." As explained in chapter 4, system thinking replaces reductionism because it is more appropriate for turbulent times. An ecosystem depends on how the parts interact, not on how the parts perform separately.

2. Communication

The second key behavior for leaders to actualize their talent is related to effective listening, speaking, and communicating. In considering the key to any esteemed business leader's success, we typically think of inspiring leadership, technological vision, practical strategizing, and marketing. But one practice ensures you can impart and teach the results that flow from your development as an accurate-thinking leader: clear, credible, and fact-based (not wishful thinking) enthusiastic communication.

Enthusiasm is contagious, easily spread from one person to another, driving people and their attitudes forward. Through enthusi-

[137] Russell Ackoff, Re-Creating the Corporation, A Design of Organizations for the 21st Century. Oxford University Press, 1999.

astic communication, leaders for turbulent times promote discipline, accountability, self-esteem, and commitment. And build winning, profitable organizations in the process.

There is no mystery here. The best leaders, particularly in times of required change where new strategies need to be crafted, communicated, and accepted, become masters of the art of applying "seduction," not imposition, to compel their people to accept their vision, strategy, and critical decisions.

This doesn't mean exclusively presenting your own views. Effective communication means showing respect to your people, spending less time speaking and more time listening, and seeking to understand positions that may challenge your own assumptions, all of which are necessary for an organization to flourish.

Bernard T. Ferrari, in *Power Listening*, tells the story of how John Laughlin, the former deputy director of the CIA, when he had a tough decision to make, would often end his conversation with colleagues by asking, "Is there anything left that you haven't told me… because I don't want you to leave this room and go down the hall to your buddy's office and tell him that I just didn't get it." [138] With that question, notes Ferrari, "McLaughlin communicated the expectation that his colleagues should be prepared; he demanded that everything come out on the table; and he signaled genuine respect for what his colleagues had to say."

A key quality of good communication is body language. Often, executives are uncomfortable when talking with or being part of a group, especially if they are unprepared. But an effective leader needs to appear relaxed, making direct eye contact and expressing his or her opinions strongly and with confidence.

A key quality of good communication is body language. Often, executives are uncomfortable when talking with or being part of a

[138] Bernard T. Ferrari, *Power Listening*. New York: Penguin, March 2012.

group, especially if they are unprepared. But an effective leader needs to appear relaxed, making direct eye contact and expressing his or her opinions strongly and with confidence.

We have often observed that good communicators frequently paraphrase, expressing what somebody has said (or written) using different words to demonstrate that what is being conveyed is being understood.

Another aspect of good communication is listening mindfully, a rare quality in people but always present in good communicators.

By listening mindfully, we mean being self-aware when we are engaged in conversation so that we hear what people are saying without a filter. That is paying attention in a particular way and non-judgmentally. Executives of the current generation find this particularly difficult, because their default approach to their daily schedule is to multitask and juggle. It's hard for them to talk to someone while being present mentally, emotionally, and physically. By giving your counterpart your full attention, you grant him or her respect, a bonding emotion that deepens their receptivity to your side of the conversation as well. Conversely, it's a sign of great disrespect to appear as though you're listening when you're really not. Listening is intimately connected to emotional intelligence. Your ability to concentrate fully during a conversation will improve the more you become aware of the "noise" in your thinking, often fed by office distractions such as open Internet sites, texting, and piles of to-do lists. If you have the need for a crucial or difficult conversation, choose a quiet place or a conference to talk. If you must use your cubicle or office, have at least two chairs in a quiet corner for this purpose. Allow your counterpart to begin, and note five minutes on your watch or phone—get in the habit of staying quiet for a full five minutes.

3. Reaching Goals

"If you don't know where you are going, any road will you get there." This quote from *Alice in Wonderland* has been no doubt true for everyone at certain times. The tragedy isn't in being unable to reach a goal, but in not having one in the first place – a credible, specific, written vision for which to reach. If we don't know what we want to achieve, then we don't have any way to know if the decisions we make are effective. Without a clear process for clarifying goals and then designing the most appropriate strategy to reach them, businesses can sometimes enjoy short-term success, but the success will remain limited, both in its degree and in its duration.

A clear process will let us know why we want to achieve a goal. That will instill a passion, thus creating the commitment and enthusiasm necessary to transmit to your people what steps need to be taken and to have them rally to your ideas. When you learn, through the right process, how to set and reach goals, you will have a clear, credible direction and a respected, attractive purpose.

Proper goals can be thought of as SMART goals: Specific, Measurable, Attainable, Realistic, and within a definite Timeline. You're probably already aware of what each term means with respect to setting goals. But do you respect these five rules when setting your own goals? Most executives don't, which explains why most goals are never reached. So, here are the rules again. Write them down on the back of your business card and keep them close to you when setting your goals, whether it's done in a meeting setting or you're by yourself:

- A *specific* goal is based on facts and accurate assumptions and has a much greater chance of being accomplished than more general goals based on wishful thinking and dubious assumptions.
- A *measurable* goal can be positively stated and quantified with concrete evidence, not abstract, theoretical, or imaginary data. Being able to accurately measure your progress allows you to stay on track and meet your interim targets, ultimately opening the way for the accomplishment of the goal.
- An *attainable* goal is one you can achieve, albeit with effort and commitment. If you are blind yet wish to become a commercial airline pilot, you may have to rethink such a goal. Setting

unattainable goals frequently happens in business, making failure a foregone conclusion. Only a process associated with your knowledge and understanding will let you determine whether your goal is attainable or not.

- A goal is *realistic* if it's based on a process that allows you to determine that the goal is possible to achieve. If you set unrealistic goals, you'll give up as you reach the inevitable difficulties of your journey. That doesn't mean a goal should not be high and ambitious. Only you can decide if the goal is high enough. But it needs to be attainable and realistic. A goal set after you've properly thought it through, availing yourself of all the appropriate information with a specific process, will be more realistic to you and to the people you introduce the goal to.
- Setting a *timeline*. We have noticed in mentoring thousands of CEOs and senior executives that this isn't a thing most leaders like to do. As a result of not setting a specific timeline for the achievement of a goal, they end up lacking the necessary effort, energy, passion, and enthusiasm. This ends, ultimately, their ability to push to meet their goals, and this ends any chance at achieving them. As a leader, that can make you lose credibility. On the other hand, you can gain a lot of credibility if others see you as someone who sets and respects timelines.

4. Business-Life Management

To succeed in business, particularly in turbulent times, you need peace of mind in both your business life and your personal life. If one suffers, the other inevitably will as well. Brian Luke Seaward, Ph.D. and author of *Achieving the Body-Mind-Spirit Connection*, notes that in today's world "stress" has become synonymous with "change." "Today," writes Seaward, "the rate of change has become so fast and furious that it creates a perpetual sense of uneasiness in the hearts and minds of nearly everyone.[139] We're all stressed, it seems. But how do we react to it? And are we sure we know it when we see it? Seaward observes that a situation that seems stressful to one person may not be at all stressful to another. Stress is a "perceived" threat and, according to Seawell, "Two people can perceive the same situation quite differently." Much, then, has to do with how we regard the perceived threats that come our way. The key is to find a way to adapt to them, to adapt, for instance, to the many changes that confront us in these times.

Personal discipline is a behavior you need to manage tasks and the stresses that come along with them. Chronic, unresolved stress can manifest itself in health problems. Discipline is essential to set boundaries; you need to know when not to take on the kind of additional responsibilities that can make you feel overwhelmed and even victimized.

Your management system has a mission to give you the thinking tools to adapt and adjust to change. By using the system, you will anticipate the speed of change and therefore reduce what we commonly think of as stress. When, for example, you apply the concepts, tools, and processes described in chapter 4, you'll find your perspective changing. So, threats become opportunities as your mindset shifts to one not of fear, but of clarity and focus.

Along with clarity and focus come discipline and flexibility. Personal discipline is a behavior you need to manage tasks and the stresses that come along with them. Chronic, unresolved stress can manifest itself in health problems. Discipline is essential to set boundaries; you need to know when not to take on the kind of additional responsibilities that can make you feel overwhelmed and even victimized. As an example, it took us over three years to write

[139] Brian Luke Seaward, Ph.D., *Achieving the Body-Mind-Spirit Connection*, Jones & Bartlett Learning, 2004.

this book and our interactive eLearning program, certainly not for being procrastinators, but for our understanding of the need to set healthy boundaries to protect our personal lives. Flexibility is having the ability to change gears when necessary, to focus on new and better priorities. With a process of accurate thinking, and your participation in a mastermind group, changing gears becomes easier because you gain more confidence that any given critical decision you make is the right one.

Stress management is, in other words, a part of our larger approach to business itself – what we call business-life management. This concept does not require you to create endless to-do lists, which merely frustrate us and never get us any closer to achieving the fulfillment and peace of mind we desire. It is not "time management," the popular concept (two million results on Google) which is defined as setting specific chunks of time for particular tasks. For us, this amounts to admitting you have set the wrong priorities, because you may be giving a strategic task too little time and a tactical tweak or routine matter too much time. It is not "stress reduction" where we jog, swim, or find some way in which to essentially escape (temporarily) our stress. Those things are all good and useful, but they will fall short of solving the problem long-term. What's needed is a *holistic* approach, an approach that's not separate and apart from your approach to business, but a part of it, an approach that doesn't just focus on fitting one area into your life. It starts by knowing how you want to spend your time and pulling pieces of your personal and business life together, to cooperate with each other.

5. Applying Emotional Intelligence

It has been two and a half decades since Daniel Goleman published *Emotional Intelligence*,[140] the first book to popularize the concept, as well as his landmark *Harvard Business Review* article in 1998, "What

---

[140] Daniel Goleman, *Emotional Intelligence*. Bantam, 1996.

Makes a Leader?" During these years, emotional intelligence grew into a highly influential concept that spanned corporate training, academic studies, dozens of books, and an array of leadership development programs. As Goleman reflected on his blog about the "traction" of emotional intelligence as a management practice and scholarly endeavor:

> *Perhaps the biggest surprise for us has been the impact of EI in the world of business, particularly in the areas of leadership and employee development (a form of adult education).* The Harvard Business Review *has hailed emotional intelligence as "a ground-breaking, paradigm-shattering idea," one of the most influential business ideas of the decade.*
>
> *Such claims in the business world too often prove to be fads, with no real underlying substance. But here a far-flung network of researchers has been at work, ensuring that the application of EI will be grounded in solid data. The Rutgers University-based Consortium for Research on Emotional Intelligence in Organizations (CREIO) has led the way in catalyzing this scientific work, collaborating with organizations that range from the Office of Personnel Management in the federal government to American Express.*
>
> *Today companies worldwide routinely look through the lens of EI in hiring, promoting, and developing their employees. For instance, Johnson and Johnson (another CREIO member) found that in divisions around the world, those identified at mid-career as having high leadership potential were far stronger in EI competencies than were their less-promising peers.*[141]

Goleman defined emotional intelligence as a group of skills that are both innate and learned, enabling effective leaders to realize their own potential and bring it out in their followers' performance. These skills include:

---

141 Daniel Goleman website, *http://danielgoleman.info/topics/emotional-intelligence/*.

- Self-awareness—the understanding of one's strengths, weaknesses, motivations, ethics, and impact on others;
- Self-regulation—the ability to identify, control, or redirect disruptive impulses and moods;
- Motivation—the drive to enjoy achievement for its own sake and perform to high standards;
- Empathy—the ability to read, understand, and interact successfully with other people with a variety of emotions and personalities.

As noted by Ashkanasy and Dasborough in the noteworthy 2009 article "Does Leadership Need Emotional Intelligence?," since 1994, "an overwhelming volume of evidence, especially in neuroscience, has accumulated in support of the idea that emotional awareness and understanding is separate from intellectual intelligence, and these abilities directly impact human decision-making capabilities…. The point is not which measure of emotional intelligence we use. The point … is that emotions play an important role in leadership."[142]

In particular, developments during the 2000s from the field of neuroscience and leadership corroborate the core arguments of Goleman and other EI proponents. Neuroscience confirms that capabilities such as self-awareness, self-management, and social awareness are critical to performing in complex organizations, and that these capacities are also elastic in nature—they respond and become stronger the more we use them. Findings from management consultants and scholars show us how critical it is for leaders to understand how the conscious brain responds to our environment at work.

Matthew Lieberman, an award-winning and highly-published professor of neuropsychology at UCLA, spoke at the 2011 Neuroleadership Summit about his research, arguing that social intelligence and aware-

---

[142] John Antonakis, Neal M. Ashkanasy, Marie T. Dasborough, "Does Leadership Need Emotional Intelligence?," *The Leadership Quarterly*, April, 2009.

ness amount to "our basic operating system." But one of the reasons organizational leaders may not be aware of social and emotional intelligence is that managers and leaders are promoted for utilizing their analytic and strategic thinking skills, Lieberman holds, which, unfortunately, tends to switch off their social neural networks.[143]

David Rock, a leadership coach, organizational expert, and author of two superb books on neuroscience and management, has built a wide following around his discoveries that human attention is a limited resource, negative emotions are disproportionately powerful in shaping brain activity, that our brains are deeply social and wired to be responsive to our environment, and that what we pay attention to changes in our brain. If we pay attention to positive, collaborative, productive behaviors and interactions, we will become more adept at those behaviors.[144]

Developing emotional capacities requires different personal development and training approaches than typical corporate programs in purely cognitive challenges. Research carried out in 1998 by Cary Cherniss at Rutgers' CREIO notes that teaching emotional intelligence requires patience. Emotional capacities such as empathy or flexibility differ from cognitive abilities because they draw on different parts of the brain. With social and emotional skills, "additional brain areas are involved, mainly the circuitry that runs from the emotional centers – particularly the amygdala – deep in the center of the brain up to the prefrontal lobes, the brain's executive center. Effective learning for emotional competence has to re-tune these circuits."[145] In learning emotional skills, in other words, we usually have to unlearn old habits and then develop new ones and new practices.

---

143 Notes, blog posts, 2011 Neuroleadership Summit November, San Francisco; *http://blog.neuroleadership.org/*.

144 David Rock, *Your Brain at Work*. HarperCollins, 2009.

145 Cary Cherniss, "Bringing Emotional Intelligence to the Workplace," Center for Research on Emotional Intelligence in Organizations, Rutgers, the State University of New Jersey, 1998. *http://www.eiconsortium.org/pdf/technical_report.pdf*.

The discoveries made by Goleman and many others about the power of the human mind are a vital, career-shaping opportunity for leaders and managers. Make no mistake – more and more companies recognize emotional and social intelligence are as important to professional success as technical and operational skills. The unaware will be left behind. Each of us can engage and expand our attention to become more self-aware, to build powerfully effective thinking habits, to sharpen the emotional intelligence we need to become better, more successful leaders. The discoveries that will shape the business decade ahead are found in the potential of the human mind. The leader's style is "contagious," Goleman has written. "He or she sets the tone of the group that either makes people want to come along and work towards common goals, or pushes them away and causes discomfort and uncertainty."[146]

6. Developing People (Mentoring)

> *"The toughest decisions in organizations are people decisions – hiring, firing, promotion, etc. These are the decisions that receive the least attention and are the hardest to make."*
>
> — PETER DRUCKER

In *Topgrading*, Bradford Smart writes about filling every position in the organization with the best people available. If you can hire "A" players, as Smart refers to them, you make the investment to do so. At the minimum, companies and managers need to build patience into their hiring process; it's far more effective for your operation to leave positions unfilled longer than is ideal to ensure you find the best available candidate. Unfortunately, this is not what's happening with most companies. Smart found, after interviewing the human resource departments of twenty-five global companies, that a full 80

[146] Anne Lezak, "The Role of Emotional Intelligence in Leadership," Center on Community Leadership, 2010.

percent of the companies' external hires turned out to be disappointments. Internal promotions weren't much better where disappointment was the end result 75 percent of the time.[147]

Over and over again, we hear companies proudly talking about their corporate culture. But most companies don't expect senior leaders to support mentoring and formal training programs that develop talent and provide a structured setting to teach corporate processes and values. These discussions are typically relegated to their human resource departments, with senior executives stepping as far away from the topic as possible, leading ultimately to unintended consequences for the future of their organizations.

The real question, then, is how do you successfully align *all* your strategic assets to successfully implement your crafted business model and strategy?

James Ball, in his book *DNA Leadership through Goal-Driven Management* (Goals Institute, 1997), wrote that organizations are all "living entities made up of individuals who interact and depend on each other for survival and growth. The individual is the fundamental unit in a business and individuals are composed of 'core DNA,' their code of individuality as defined by their knowledge, skills, know-how, values and beliefs." So for an alignment strategy to succeed in a fast-moving and unpredictable world such as exists today, an organization must continually adjust its DNA to the mega-changes in the market.

Such action, quite obviously, needs more than human resource managers, or even senior executives acting alone. The only person who can accomplish such important work is the CEO. A company's DNA comes from the top. Consequently, it remains the responsibility of the CEO to align the human strategic assets of his organization to the mega-changes in his market. As Charan and Tichy write, "As in a biological organism, the genetic codes signals directly what

[147] Bradford Smart, *Topgrading*. Portfolio, 2012.

the body does, no matter how the brain might try to contradict them. They influence how people think and behave in all areas of their working lives, from how they look at opportunities to what kind of relationships they form with other people. They determine which ideas fly and which ones sink; who gets promoted and who gets ignored. In the end, they determine whether the corporation succeeds or fails."[148]

What's required, in other words, is *leadership*. The ability to lead others to become and accomplish more than they have previously imagined is the most critical quality for a CEO today. Assisted by his management team, the CEO does this by continuously adjusting the genetic code to the changes in the market, looking at creating and optimizing wealth creation in the business ecosystem (remember chapter 4).

The CEO doesn't need to know everything, or possess every skill and ability. The CEO is like the conductor of an orchestra; his or her true power comes from the ability to make other people powerful and to awaken possibility in other people.

The CEO doesn't need to know everything, or possess every skill and ability. The CEO is like the conductor of an orchestra; his or her true power comes from the ability to make other people powerful and to awaken possibility in other people. Managing your people effectively to release their full potential and enabling both them and the organization to succeed is a key talent intelligence, particularly in turbulent times.

[148] Ram Charan and Noel Tichy, *Every Business is a Growth Business*. Three River Press, 1998.

As we learned in chapter 4, the customer plays a more important role today; his or her "future wants" are more important than how efficiently you learn to run your operations. In fact, your organization needs to be able to deliver to your customers *more* than their actual wants. To thrive, you need to deliver to your customer what he or she will want tomorrow but doesn't yet know is even available. Apple didn't ask their customers if they'd like to have an iPad. Apple designed an iPad in the same way they designed an iPhone, or iPod, because they knew their clients were unhappy with the way they were using CDs, cellular phones, and laptops. Apple knew exactly what their customers were looking for to make their lives easier, even if the customers themselves didn't know. Apple had the knowledge to profitably build these products, and by so doing, they successfully designed and changed the rules of game, creating new markets for each one of their products. The rest is history. Millions of iPods, iPhones, iPads, and applications sold, making Apple's competition irrelevant. Companies like Hewlett-Packard, Blackberry, and Nokia became weaker and failed to make progress. In contrast to Apple, their leaders were still playing by the same rules, trying only to lower costs to become more operationally efficient, forgetting that they needed to be strategists planning for a better future.

In fact, your organization needs to be able to deliver to your customers *more* than their actual wants. To thrive, you need to deliver to your customer what he or she will want tomorrow but doesn't yet know is even available. Apple didn't ask their customers if they'd like to have an iPad. Apple designed an iPad in the same way they designed an iPhone, or iPod, because they knew their clients were unhappy with the way they were using CDs, cellular phones, and laptops.

Pulling The Full Weight

> Consider the six key talent intelligences above as the cylinders of an engine. The more efficiently the engine can be run, the better the production will be, or, in this case, the better your leadership skills will be.

Consider the six key talent intelligences above as the cylinders of an engine. The more efficiently the engine can be run, the better the production will be, or, in this case, the better your leadership skills will be.

So, how do you get this engine to run more efficiently?

The first step is to recognize that, despite your efforts, there will always be a certain degree of weakness in one or two of these six key talents. The second step is to recognize that you are the only one who can reduce the weakness. A chain, goes the old saying, it only as good as its weakest link. If you have five links that can pull 100 pounds each, they will never have the chance to do so if the sixth link breaks at 50 pounds.

Knowing your weak link – your weakest talent intelligence – and correcting the weakness, will allow you to effectively double your effectiveness. The chain, in other words, will now pull 100 pounds. So analyze each one of your six talent intelligences to determine which is the weakest. Then, make a plan to improve this area, making it so efficient that it becomes the strongest.

This is how you can make tremendous progress in your professional and personal life. We can guarantee that it works for us. And it will work for you, too.

Now you're ready for the final chapter, information that is closely related to talent intelligence. You're ready to discover where the great profits are that lie hidden in any business, including yours.

Enjoy!

PART IV

Intellectual Intelligence

CHAPTER 6

What is Greatness and What Does It Mean for You?

You've read all the chapters leading up to this one. Your goal, no doubt, is to be an accurate-thinking CEO, to successfully lead your organization through today's turbulent times. But we suspect your goal is to go even one step further. Yours is a journey toward greatness. So, let us share with you what greatness is for us, and what it can mean for the highly successful, distinguished, and eminent CEO you wish to be.

We believe in, and in fact have based our life's work on, the ability of each of us to achieve greatness in whatever we do. We're programmed for it. We've never come across anyone who's told us, "My goal is to be a perfectly mediocre CEO." We all want to achieve something spectacular.

So why doesn't it happen?

The first problem is that most CEOs and senior executives don't have a good picture in their mind's eye of what greatness is for them. They don't have a clear vision of what greatness means, either for them or for their business. As you well know, it's difficult if not impossible to reach something you are not able to precisely describe. So allow us to give you our thoughts as to what greatness means.

Greatness for the CEO who sees around corners mean being excellent in everything he or she does. It means being an enlightened Accurate Creative Thinker, showing an understanding of people's needs, or particular situations – an understanding that is not based on old-fashioned attitudes and prejudice, or influenced by the wrong person, group, or paradigm, or (perhaps especially) based on things which are not real. Greatness is directed by your true self, not some version of yourself that comes from the outside world. Greatness is living fully, using your intellect, spirit, and the talents you were born with in ways that inspire you.

> The first problem is that most CEOs and senior executives don't have a good picture in their mind's eye of what greatness is for them. They don't have a clear vision of what greatness means, either for them or for their business. As you well know, it's difficult if not impossible to reach something you are not able to precisely describe.

But even if CEOs have this vision of greatness, a second problem is that they have no idea how to achieve it. Mediocrity is easy – that's the path that everyone takes. Follow the crowd and you are sure to get there. Greatness is harder – you need to find a different path, away from the rest of the herd if you are going to get to greatness.

A third problem is lack of commitment. Greatness isn't taking one step and then quitting. Greatness is achieved by taking the first step, then the next, and then the next. This requires a promise to yourself to render the willingness to work smarter and give the energy and time needed to become an accurate-thinking leader.

Underlying the vision, the knowledge of how to get there, and the commitment to do so is courage and self-confidence. You need to develop your self-belief that your vision is the right one. You have to know in your heart that you have both the right roadmap to get there, and the commitment to adjust your roadmap if any barriers spring up to stop you.

What would achieving CEO greatness do for you?

If you can strengthen your foresight, you can envision your corporate family business as an engine for breakthrough, sustainable, profitable growth – maybe a billion-dollar company instead of a $300 million one, doubling or tripling your profits – and dividends to you and your family.

If you can shift the way you think about your job as CEO, you can chart a new path to accomplish your vision. If you can muster the commitment, courage, and self-confidence required to inspire yourself and your stakeholders, you can become the great leader of a great organization.

Along the way, a transformation will happen. *It always does*, because the path to CEO greatness leads also to peace of mind, the satisfaction that you have done everything it takes to reach full potential for yourself and your business.

Is there greatness inside of you, looking for a way in which to present itself?

How CEO Leaders Achieve Greatness in a Fast-Moving Unpredictable World: The Strategy of Preeminence

The "Strategy of Preeminence" is the foundation of all we stand for in the successful operation of a preeminent corporate family business. If you are familiar with Jay Abraham's work, you know that his Strategy of Preeminence is a meta-philosophy that, when harnessed and applied properly, is virtually guaranteed to multiply your sales and leave your competitors in the dust.

Let's drill down and look at what the *Strategy of Preeminence* is all about.

First of all, let's clear up a common point of confusion about the word "preeminence." Jay's philosophy is not about "prominence." Prominence is the state of being important, well-known, standing out from the crowd. There are lots of prominent celebrities and politicians whose names everyone knows. But that doesn't necessarily mean they're well-known in a good way. Prominence can be a plus or a minus.

Preeminence, on the other hand, is the state of being not just important but *significant*, of operating at a higher standard than others. Preeminence has nothing to do with size or notoriety. It's about achieving a higher level. Preeminence is always a plus.

There are many examples of prominent companies that were once well-known brands with huge market capitalizations that ultimately fell short. (Think of Kodak, Borders, LA Gear, Circuit City, or Compaq.) Some of them are in bankruptcy, and some are no longer in business at all. **Clearly, just being big and well-known is not a ticket to success.**

> First of all, let's clear up a common point of confusion about the word "preeminence." Jay's philosophy is not about "prominence." Prominence is the state of being important, well-known, standing out from the crowd. There are lots of prominent celebrities and politicians whose names everyone knows. But that doesn't necessarily mean they're well-known in a good way. Prominence can be a plus or a minus.

Now look at the preeminent companies. Each one has attained a higher standard in its industry – by positioning itself as a trusted advisor to its clients: Apple, Google, Zara, Nike, Adidas, Louis Vuitton, and Ralph Lauren, just to give a few examples. Another way of saying this is that the preeminent companies have found ways to offer a better client value proposition, and they have applied these ways throughout all of their client relationships.

There's a saying that if Apple brought out a dishwasher, their customers would rush to buy it. It's not that customers are manipulated into embracing Apple products through advertising messages. It's because Apple customers have formed an ongoing, trusting relationship with the company and its products. That trusting relationship is what makes Apple's client value proposition so compelling.

Apple customers take it for granted that Apple products will be a step ahead of competing products. Somehow, Apple knows just what its customers' needs are – even before the customers know it themselves. Because customers trust Apple's opinion, they are willing to take Apple's word for it and buy each new product. In fact, they will often pre-order before the new product even hits the market.

That's the goal of the Strategy of Preeminence – To be so attuned to your clients that you can anticipate their wants and needs, to create trusting relationships with clients, suppliers, and team members – relationships so strong, they *insist* on doing business with you, to create products and services that offer so much value that clients rush to purchase them, and in the process to achieve sustainable profitable growth for your company.

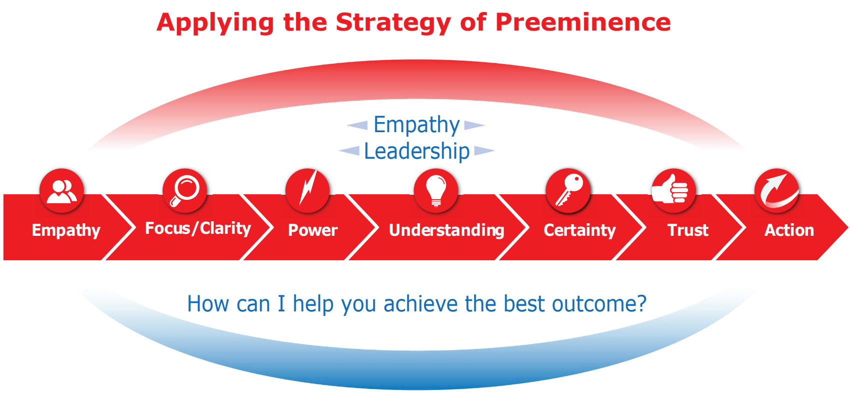
That's the goal of the Strategy of Preeminence – to be so attuned to your clients that you can anticipate their wants and needs, to create trusting relationships with clients, suppliers, and team members – relationships so strong, they *insist* on doing business with you, to create products and services that offer so much value that clients rush to purchase them, and in the process to achieve sustainable profitable growth for your company.

The Strategy of Preeminence is a strategic mindset that champions the role of your team members, suppliers, prospects and clients, and all of your organization. Its focus is on the receiver and the receiver's best interests. It boils down to, "I'm not trying to sell you – I want to serve you. I want to solve your problems."

Here is a quick-guided tour of what it takes to achieve preeminence.

It starts with a commitment to **empathy.** Preeminent companies seek to understand, in a respectful and compassionate way, what the other side of the transaction is feeling. How do they see the situation? What problems are they trying to solve? What are their hopes, dreams, and needs?

But it is more than just understanding. Preeminent companies always take the lead. They have a point of view, a definite belief system. As part of their relationship with you, they want to implement that belief system on your behalf, in a way that will yield you more of whatever you are hoping for, dreaming for, or needing. It's as if the company is saying to you, I am the expert in this area and I am not afraid to take a stand and state my opinion. I want to give you what you need to solve your problem. Because my success depends on your success, you can trust me to have your best interests at heart.



Part of what you are offering is **focus**. Have you ever gone in for an eye exam, thinking that your vision is just fine, and been surprised to learn that you weren't seeing so well after all? When the eye doctor puts the right lens in front of your eyes, that's when you realize how much you had been missing. Most people don't realize that things are out of focus unless someone shows them. **They need to discover they are out of focus before they can be ready to decide to change.**

This is where preeminent companies take the lead. Because clients will not realize they are out of focus, the preeminent company focuses the situation for them. That focus provides **clarity**. The preeminent company connects the dots, so the client can clearly see what the next step needs to be.

Focus and clarity lead to **power.** In business, particularly in times of turbulent change, it's easy for clients to feel overwhelmed by a problem. As a result, they grab onto any solution that comes their way – and it may not be a good fit for them. A preeminent company empowers the client by showing them where they are and where they ultimately need to go. **They help the client visualize the end goal** so they can get working on achieving it.

Power provides **understanding.** The Strategy of Preeminence depends on your ability and willingness to educate your clients and prospects as to what their options really are. Customers are used to having companies tell them, "Buy my product," without really explaining why they should. As a result, the customer has no confidence in what those other companies are saying.

A preeminent company articulates the biggest, clearest desired result that your client feels in the abstract but never really had clarified for them (client value proposition). Then they build a strategy of action for the client to take – new concepts the client had never recognized before that they wanted.

Understanding leads to **certainty.** Preeminent companies lead from a position of "hopefulness." They genuinely have a higher and better hope for the client than they even have for themselves. They have the best wishes for every prospect they come in contact with, even if that prospect never does business with them. It is this hopefulness that gives their clients the courage, the belief, the moral certainty that they want to establish a loyal, lifelong relationship with the preeminent company.

Certainty leads to **trust.** Preeminent companies never put their own interests ahead of the client's. If the client tries to order more than is needed, the preeminent company will stand up and tell them they are about to waste their money. If the client is trying to decide which product model to buy, the preeminent company will advise them to buy the model that is the best fit – even if that is a less expensive model. The preeminent company provides advice and opinions that the client can rely on absolutely to be trustworthy and appropriate for them.

Without trust, clients won't take **action.** People buy because of absolute, authoritative leadership. Not condescension, but leadership. People want someone in whom they can believe, to lead them to great results, better outcomes, more joy, less pain, more profitability, and greater productivity.

People often lack the expertise or confidence to know what they could potentially achieve. But they won't believe what you tell them unless you have earned their trust, established certainty, demonstrated your understanding of their problem, empowered them to focus clearly on the situation they are in, and proved to them that you care so much about their well-being that you are committed to helping them find the best solution – even if that solution isn't what you are selling.

Most companies get very excited about the product they are selling. Their efforts are all centered on the question, "What do I have to do to get you to buy?" But *preeminent companies "fall in love" with their prospect.* These companies subordinate their short-term interests to the needs of the clients. What matters to the preeminent company is not the well-being of itself, but the well-being of the client. So its efforts focus on different questions. "What benefit can I render to you?" "How can I contribute the greatest value to you?" "How can I help you achieve the best possible outcome or result?"

> So far, we have spoken of the Strategy of Preeminence as an incredibly powerful philosophy or paradigm. It can transform your financial performance and preempt your competition and create year after year of profitable business growth. *But it must be applied strategically.* Why? Every organization's resources – time, money, and people – are limited. You cannot be preeminent in every market and segment. You need to exercise strategic focus – to develop preeminence in the markets that offer the greatest potential rewards.

So far, we have spoken of the Strategy of Preeminence as an incredibly powerful philosophy or paradigm. It can transform your financial performance and preempt your competition and create year after year of profitable business growth. *But it must be applied strategically*. Why? Every organization's resources – time, money, and people – are limited. **You cannot be preeminent in every market and segment.** You need to exercise strategic focus – to develop preeminence in the markets that offer the greatest potential rewards.

Thus, preeminence is not about making empty promises. It's not about a slick ad campaign claiming, "We care about our customers." **Preeminence is about putting substance behind the promise.** It's about *turning promises into action*. In other words, you need a way to *operationalize* the Strategy of Preeminence.

Let's put together what we've learned in this book and see if we can find this way.

Putting It All Together

It's time to see how the concepts in this book connect with each other and how, collectively, they've been designed to help you rid yourself of your obsolete mental models – that which is preventing your success (indeed greatness) in our new, fast-moving world. In order to accomplish this, as you have by now gathered, it is crucial for you to first change your obsolete, self-limiting beliefs and paradigms, the ones relevant only to the old economic world. New paradigms, as we shall shortly see, will change your mental models to transform you into an accurate thinker, a CEO who sees around corners.

When we meet with the CEOs of corporate family-run businesses, no matter in what part of the globe, or how big their businesses are, we invariably notice one common problem: they know it all. Only a few of the more courageous ones will talk to us openly and honestly, admitting to their lack of knowledge and their urgent need for information about the environment in which they find their organizations in these days – these day of turbulent times.

Most of the CEOs assume that not much is going to happen over the next three years. Things will be, as always, difficult, but the world economy will generally remain the same. It might be slow, but consumers will always be there. These CEOs do not, in other words, embrace reality. Here are two illustrative examples of their lack of consistency:

First – nearly 70 percent of U.S. family businesses saw negative growth, zero growth, or minimal growth in 2012. Yet, according to a Price Waterhouse Coopers survey, 82 percent of these businesses are expecting steady growth in the next five years.[149] This steady growth is in spite of major challenges CEOs recognize they are facing in the short term. The internal challenges are finding skilled workers and cash flow/controlling costs. The external challenges are market conditions, government policy/regulations, and competition. Moreover, CEOs interviewed identified the top challenges over the next five years being the general economic situation, price competition, the need to continually innovate, and the need to attract the right skills/talent. **Not one CEO mentioned strategy as a top priority and/or challenge** in this survey, despite the issues of lack of talent, lack of cash flow, lack of innovation, and presence of strong competition. They were still expecting a steady growth in the next five years!

> When we meet with the CEOs of corporate family-run businesses, no matter in what part of the globe, or how big their businesses are, we invariably notice one common problem: they know it all. Only a few of the more courageous ones will talk to us openly and honestly, admitting to their lack of knowledge and their urgent need for information about the environment in which they find their organizations in these days – these day of turbulent times.

[149] "Playing Their Hand: US family businesses make their bid for the future," pwc 2012/2013.

Here is the second example. The influential *Financial Times* published the results of a survey done by the Conference Board[150] at the end of 2012.[151] Leaders are increasingly determined to "control the controllable," wrote the *Times*. "In meeting the human capital challenge, business leaders made clear they expected to focus on cultivating employees across the organization, not just in the senior ranks. It makes sense to develop, retain, energize, and manage the employees you have, especially when they may well be your best option in a tight global talent market." Human capital was the number one top priority for Asian and European companies, followed by operational excellence and innovation. However, for U.S. companies, the top priority was operational excellence, then government regulations, and third, customer relationships. **Interestingly, strategy was not the priority for any of the global CEOs.**

But how can you grow in a fast-moving world, a world with the challenges you may recall from the Introduction, with operational excellence alone? How can you embrace reality when you ignore strategy?

So we can see the major issue we face today: **CEOs are fully in denial.**

Accurate, creative-thinking CEOs, however, are not in denial. They know full well that these days are different. Looking back just three to five years reveals dramatic change. Here are just a few examples. Most people were not engaged in social networking, or using iPads or smartphones. Retails sales were not in the stagnant state they are now with the consumer facing today's structural liquidity issues. Inflation was not yet starting to rise. The BRICS countries were less developed. The Western world was the economic engine. In short, the world was very different. In the years ahead, it's going to change even more and at an even faster pace.

---

[150] The Conference Board is an objective, independent source of economic and business knowledge helping their member companies understand and deal with the most critical issues of our time.

[151] *Financial Times,* January 9, 2013.

We are not alone in this train of thought. Here is what Ram Charan – the most influential consultant alive, according to *Fortune Magazine* – has to say in his new book released in early 2013:

> *If you're an American or European, any assumptions you may have about national and managerial superiority are obsolete. Businesses in China, Singapore, India, Brazil, Malaysia, and other countries on the move have ready access to the capital and expertise they need to grow. Their leaders have just as much knowledge, talent, and drive as you do. And they are unleashing their entrepreneurial verve to scale up fast and grab once-in-a-lifetime opportunities.*[152]

The reality today is that most CEOs remain uninformed as to what is happening on their watch. **This blindness is happening everywhere around us.** All one need do is look at how many companies – companies like Hewlett-Packard, Dell, Kodak, and Nokia – are fighting for their lives, if not altogether disappearing. These are large, formerly family-run businesses. Small companies are faring even worse.

Further examples abound. Blackberry has been blindsided by the rise of smartphones. Microsoft has been blindsided by Apple's release of the iPhone, as has Apple itself, by Samsung. Major music labels have been blindsided by the rise of digital downloads. Enron, Lehman Brothers, Countrywide, and all the Western world financial systems collapsed when banks were bailed out in 2007, discovering too late just how little liquidity they had. It's denial, and denial can happen to you, too.

We live in an *un*-real world. Whether we look at GDP, stocks, bond rates, or real estate – these markets are no longer driven by real capitalism anymore, but are instead being manipulated in many different ways (witness the faux unemployment figures or claims of low inflation). The media often miss the real story. For the first time

---

[152] Ram Charan, Global Tilt, Leading Your Business through The Great Economic Power Shift. Crown Business, 2013.

in recorded history, we have nearly every central bank printing money and trying to debase their currency. This particular unreal thing – central banks printing money from thin air – will come to a very abrupt and unpleasant end, most likely sooner than most expect.

CEOs become shortsighted by not having the correct information in hand, not considering carefully what is happening today and how today's events will be reflected in the future. It's a gradual process and we are reminded of the famous "boiling frog" analogy where a frog placed in boiling water will immediately jump out. Placed in cold water slowly heated, however, the frog will not perceive the danger and end up cooked to death.

An accurate, strategic-thinking CEO takes into account both the effects that can be seen and those that must be *fore*seen. A tactician/operational CEO, on the other hand, confines himself to visible effects alone. This may be the only difference between an accurate, strategic-thinking CEO and a tactician/operational CEO, **but the difference is tremendous,** for it almost always happens that when the immediate consequence is favorable, the later consequences are disastrous, and vice versa. Whence it follows that the tactician pursues a small present good that will be followed by a great evil to come, while the accurate strategic thinker pursues a great good to come, at the risk of a small present evil.[153]

Confining himself to the visible is how a tactician/operational CEO contracts the self-inflicted damage disease that makes him not only shortsighted, but completely unaware of his shortsightedness. **In business, the most damaging attack is always self-inflicted.**

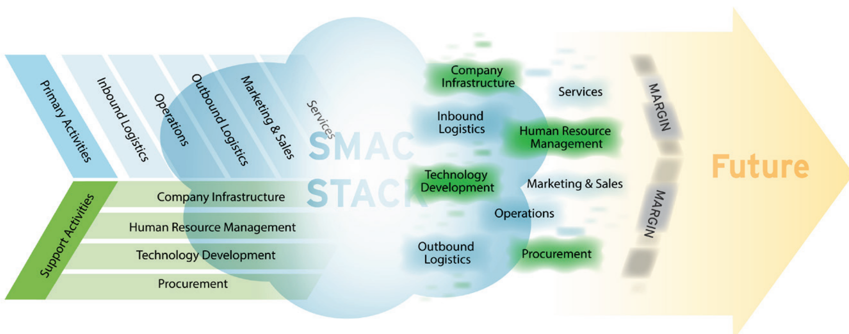
Don't allow denial or ignorance of the wave of change to destroy you. As CEO, you're at risk of facing your own version of a Kodak, Circuit City, or Borders moment. Understand instead what is happening and learn how to ride the waves to the wealth of opportunities. Remember especially that the power of disruptive business models – such as

[153] As observed by French Frederic Bastiat in 1850, "That Which is Seen and That Which is Unseen." Bastiat was notable for developing the economic concept of opportunity cost.

those pioneered by Facebook, Apple, Netflix, Amazon, and Google, etc. – originates from managing new technologies as an *ecosystem*, enabling the business by leveraging each part of the system (chapter 4).

Confining himself to the visible is how a tactician/operational CEO contracts the self-inflicted damage disease that makes him not only shortsighted, but completely unaware of his shortsightedness. In business, the most damaging attack is always self-inflicted.

This ecosystem, if applied holistically, can help your organization unbundle tightly-coupled, industrial-age value chains and transform your business, if not create entirely new markets, creating boundary-less ways of working. See the charts below.[154]



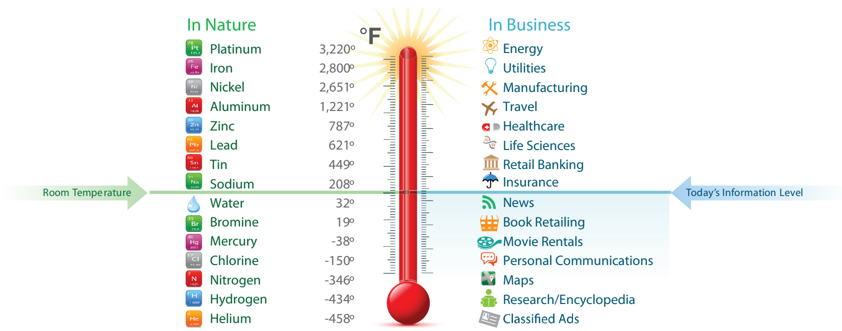
This diagram was created by Malcolm Frank, Cognizant VP, Strategy & Marketing, from Cognizant and is published with their permission. "Don't Get Smacked," November 2012

Just as there are different forms of matter, there are different forms of industry. Malcolm Frank wrote, "If your industry isn't yet addressing this structural challenge, it's because your sector – like a substance in nature – simply has a different 'melting point.' It's why so many

154 "Don't Get SMACked: How Social, Mobile, Analytics and Cloud Technologies are Reshaping the Enteprise," by Malcolm Frank, Cognizant Executive Vice President, Strategy & Marketing. Charts reproduced with the authorization of Cognizant.

managers, yet to be SMACked by this technology wave, make statements like, 'That's a music or book thing, but our industry is different.' And yet, the only difference is the industry's melting point. For example, water melts at 32 degrees Fahrenheit, but aluminum melts at 1,221 degrees and tin at just 449 degrees. Just as no substance is immune to heat, no industry structure is immune to today's explosion of information. It's just a matter of the level of information."[155]

Note the second chart. "Just as natural substances melt at different temperatures, there is also variance among industries as to their melting points."



This diagram was created by Malcolm Frank, Cognizant VP, Strategy & Marketing, from Cognizant and is published with their permission. "Don't Get Smacked," November 2012

Do You Lead through Hindsight, Insight, and Foresight… Or Are You Shortsighted?

No one can successfully lead an organization today while being shortsighted. Way back in chapter 1 we talked about these three key skills: the ability to reflect and learn from the past (hindsight), the ability to interpret and respond to the present (insight), and the ability to predict and prepare for the future (foresight). Foresight, as you've learned by now, is the secret ingredient of success in a fast-moving world because, in contrast to resignation and passive acceptance, it

[155] Ibid.

gives you increased power to shape the future, even in the most turbulent of times.

We tend to think accurate-thinking CEOs from leading companies today are successful because they're merely at the right place at the right time. This is partly true, but it doesn't tell the whole story. Being at the right place at the right time isn't mere luck. These successful CEOs were able to reach greatness because their *foresight* enabled them to use *insight* to take advantage of opportunities and to avoid failures that trap other CEOs.

V.P. Mosser tells the tale of a wise man in a village who was approached one day by a man asking which is more important – the learning of lessons that comes with hindsight, or the ability to take advantage of opportunities and avoid pitfalls that comes with foresight. The wise man answered. "What you need, my fellow, is *insight*. Have you ever seen a teeter-totter? The point of balance in the middle of the teeter-totter that makes the ride possible is like insight. The focal point makes it possible for hindsight and foresight to transfer their energy and wisdom between one another. What you do at this point of insight becomes your past and determines your future. So, my friend, just as the balance point transforms a simple board into a fun ride as a teeter-totter, so does insight affect our lives when we use the balance point of insight."[156]

> Insight operates in the moment when you need to make a strategic decision. The problem for most CEOs is that they pay attention to the past or the future alone at the expense of attending the all-important present moment. CEOs worry about the past or become agitated about the future, and in the process they give up the opportunity to exercise any influence in their organization's lives – influence that can only happen in the present moment.

[156] Successful entrepreneur, V.P Mosser is the creator of the Learning the Lessons Series, Life's Journey Publications, and numerous thought-provoking articles. *www.learnthelessons.com.*

Insight operates in the moment when you need to make a strategic decision. The problem for most CEOs is that they pay attention to the past or the future alone at the expense of attending the all-important present moment. CEOs worry about the past or become agitated about the future, and in the process they give up the opportunity to exercise any influence in their organization's lives – influence that can only happen in the present moment.

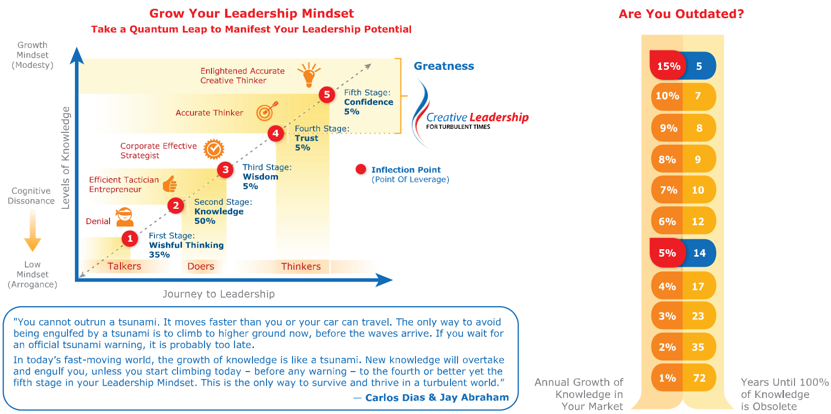
You absolutely, then, need to change, readjust, or create new paradigms and mental models adapted to the new world, and this, well before learning new skills. Becoming an enlightened, accurate, creative thinker-leader for turbulent times – this is what is required.

Leave the Past Behind to Successfully Get Ahead

For a CEO, strategic leadership means having the vision and direction for the profitable growth of his or her organization. But CEOs and senior executives are so busy trying to solve their many problems (often by talking to colleagues in the same markets and industries) that they don't realize they are not dedicating enough time to self-development – reading relevant business books, doing research, and updating their knowledge. Or, they count on their staff to update their knowledge. But this is not an activity that lends itself to delegation. One necessarily proceeds alone with one's own level of knowledge.

This is the purpose of the Grow Leadership Mindset chart, introduced in chapter 2. So important is it, we have reproduced it on the next page.

Observe the chart and look toward the fifth stage, the point of greatness. Each step in that direction represents an inflection point, a new point of leverage increasing your ability to think, and to see clearly. One can't reach excellence in the first or second stage. Not anymore, in our fast-moving unpredictable world. Yet, as you'll recall from a variety of surveys cited herein, this is where 85 percent of CEOs are today. **Even if, by chance, you're on the right track for a moment, you'll be run over if you don't keep moving.** Wisdom isn't enough to lead in turbulent times, either. At this third stage, you can't trust yourself enough yet. True leadership isn't possible here because you can't give to others what you don't have yourself.



One needs to reach the fourth stage to have trust in oneself. This stage requires a holistic view of your organization and of all the components of your ecosystem. This happens when you become an accurate thinker. But for the fifth and final stage, you need to have confidence in your key people, something that is crucial to effectively delegate from a position that is more meaningful than mere presumed authority due only to your position as CEO. This can only happen after you reach an effective understanding of situations and the needs of people, an understanding no longer based on old-fashioned attitudes or an unreasonable dislike of, or preference for, a person or groups within your organization. This is what it is to be an Enlightened Accurate Creative Thinker, represented today by no more than 5 percent of all CEOs.

Because the required knowledge to become an accurate, creative thinker is so different from what CEOs are used to, it becomes a necessity for CEOs to first change their paradigms, and only after this, their mental models. It's important to note that both have different meanings.

A paradigm is a perspective about a particular subject, your way of thinking about any issue, e.g., a strategy. A mental model, on the other hand, is an interpretative framework of your external reality. A paradigm is one more element – like skill or experience or knowledge – *within* a mental model.

A mental model is an explanation for how a person's thought process works, how their thinking interacts with and relates to the world around them.

Given this definition, mental models can either give us accurate or very biased ideas about how the world operates. This is why most innovative ideas fail to be translated into strategic actions. The ideas are at odds with the mental models prevailing in an organization. Problems arise because most of the time these mental models are tacit; they exist below the level of awareness of a CEO. Because they remain unexamined, the models remain unchanged.

A paradigm is a perspective about a particular subject, your way of thinking about any issue, e.g., a strategy. A mental model, on the other hand, is an interpretative framework of your external reality. A paradigm is one more element – like skill or experience or knowledge – *within* a mental model.

Research from the prestigious MIT Sloan Management School reveals that only 20 percent of global companies have sufficient capacity to spot, interpret, and act on the weak signals of their forthcoming threats and opportunities.[157] (This is particularly significant in today's turbulent times because it means that eight out of ten organizations are heading down the wrong path!)

MIT Sloan points out an example from history. On the morning of December 7, 1941, a captain on a U.S. Navy ship heard explosions coming from nearby Pearl Harbor but dismissed them as being construction blasts from a new road that was going in. The U.S. wasn't at war with the Japanese at the time. "Despite [the captain's] unusual

157 Published in *MIT Sloan Management Review*, Spring 2009 edition.

encounter with a foreign submarine that morning, he made sense of exploding sound using his peacetime mind-set and failed to notice the signs of the first hostilities between the United States and Japan."[158]

The point is simple. If you and your organization are to survive and thrive in this new world, you as CEO, together with key people in your organization, need to exercise new ways of understanding how the new world works. You and your staff need new eyes. The only way to accomplish this is by, first, discovering your blindfolds; second, admitting that your current mental models are wrong; and third, replacing your wrong mental models with new ones, adapted to this new world.

The point is simple. If you and your organization are to survive and thrive in this new world, you as CEO, together with key people in your organization, need to exercise new ways of understanding how the new world works. You and your staff need new eyes. The only way to accomplish this is by, first, discovering your blindfolds; second, admitting that your current mental models are wrong; and third, replacing your wrong mental models with new ones, adapted to this new world.

The entire purpose of this book is to help you see your own actual paradigms and mental models – how they affect how you see the world and how your decisions based on these assumptions affect your organization. The moment you become aware of the mental box you're in, you'll gain the conscious freedom to remain where you are today, move the box ten feet over, change the box into something even more limiting, or get out of the box altogether. **The decision is yours.**

Your only limitations will come from your newfound awareness of what your choice will mean for your future, your organization, your family, your employees, and all your stakeholders. And you'll come to see that getting out of the box is the only way to reach greatness in today's complex, fast-paced world. We're here to give

[158] Ibid.

you the toolkit to make this successfully happen.

Let's recall the tools: Self-Awareness (chapter 2) will allow you to manage the vast information available today (chapter 1). Social Intelligence (chapter 3) will allow you to manage your communications and relations with others. Business Intelligence (chapter 4) will allow you to learn what it is you'll need to make your organization highly profitable, leveraging the concept of the business ecosystem. Talent Intelligence (chapter 5) will allow you to increase your personal effectiveness. These powerful and practical six concepts will endow you with the power of choice to create a new framework, a new box in your mind, a new, fresh way to see the world.

"What's worse than training your workers and losing them? Not training them and keeping them." – Zig Ziglar, American author, salesman, and motivational speaker

Leadership, today more than ever, is a journey through unchartered territory, a journey where you have to face unthinkable challenges, but a special time when golden opportunities will appear for you, making it possible to achieve phenomenal progress and growth for your organization, and greatness for you. But in order to reach greatness in everything you do, and to avoid the dangers of the journey, you have to possess the willingness and commitment to learn these new skills.

No GPS tracking devices are available for you, and it would be suicide to attempt the journey on your own. This is why you need a mastermind group alliance (chapter 4), formed from the brightest people in your organization where, together, you can apply these new skills to your organization immediately, and begin to outperform your competition, even in today's turbulent times.

Where to Find the Mother Lode – Millions of Dollars You Never Knew Your Organization Had

As your organization's CEO, you have access to resources that you no doubt consider to be limited in nature. But even as you read this, there are – within the walls of your own company – a multitude of unexploited assets. From your presumed limited resources, there is unlimited and sustainable profitable progress available to you.

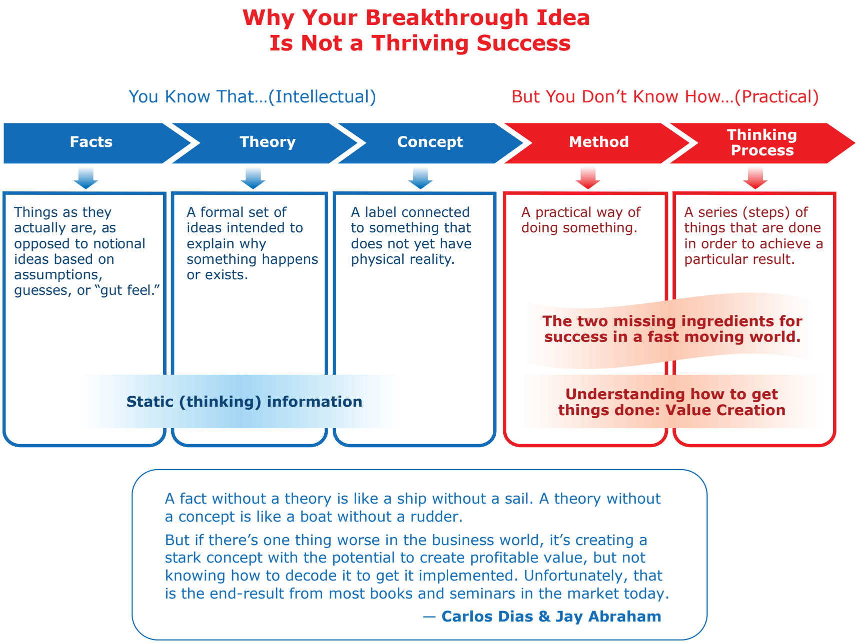
By progress, we mean not merely a temporary and perhaps unsustainable increase in sales or profits, but rather significant development in key areas of the business. The progress might take the shape of new revenue streams or perhaps the discovery of ways by which to eliminate bottlenecks and constraints. More than cost cutting, we're talking about breakthrough kinds of advancements.

As your organization's CEO, you have access to resources that you no doubt consider to be limited in nature. But even as you read this, there are – within the walls of your own company – a multitude of unexploited assets. From your presumed limited resources, there is unlimited and sustainable profitable progress available to you.

But where are these resources of progress that can lead to breakthroughs? They could be resting behind your own people. They could be buried under your current processes. They could be anywhere. Most likely they are not obvious to you, but this is the nature of breakthroughs. Breakthroughs are never obvious. If they were, they wouldn't be breakthroughs. In fact, so non-obvious are they, they often come across as crazy – insane – at least initially.

As you'll recall, breakthroughs, from intellectual capital or otherwise, come about per the chart below. By following this process, you can learn how to develop your own thoughts based on your reality. Your first responsibility as CEO is to create your own theories and concepts to arrive at a successful process you can execute in your organization. Follow this order, using a mind map, to clarify your thoughts. Soon you will notice yourself developing acuity and insight for solving your most difficult strategic issues. Of course this is also a powerful tool for your staff and your board, so they can fully understand the steps you've taken before coming to key decisions regarding the future of your organization.

We start with facts. In chapter 1 we discussed what's meant by this. We're referring to things that are true rather than things that have been invented. Nothing here is wishful thinking. Nothing here is based on dubious assumptions. Only facts or factual assumptions will drive you to the right conclusions.



From facts we form a theory. A fact left unused is like a boat without a sail. Our theory will help us explain what is happening. It's unproven, at first, but if we've done the proper groundwork, at least we're riding a theory based on true facts. Theories lead to concepts – perhaps the new breakthrough paradigms we seek. A true breakthrough paradigm will lead to a significant increase in return on assets (ROA). But a breakthrough concept needs a process and it is here where most fail. **This is the missing ingredient in the business world today** – a process, a clear series of steps that can be undertaken in order to achieve the objective; e.g., to turn the concept into reality. Any decent executive can run a profit and loss statement, but it is the rare CEO who can reconceptualize the means by which to significantly increase his ROA. **And it is this that is the secret of wealth creation.**

Let's apply the chart to intellectual capital specifically. The Gottlieb Dottweiler Institute, a Swiss think tank, has undertaken studies revealing that, factoring in intellectual capital, most companies are probably worth at least three to four times their tangible book value. Yet no CEO we know can honestly claim to be utilizing any more than 20 percent of his or her company's intellectual capital. But the simple truth is this: leveraging intellectual capital is essential in today's turbulent times.

We'll begin with the facts. We know that there is an increasing gap between the book value and market value of companies. This is happening all over. It provokes a question: what is it that represents the gap? What, in other words, is the difference between book and market values? The book value is a reflection of the historical costs of a company's assets. The market value is a reflection of future earnings and growth potential. It is in this difference that we can postulate a theory about intellectual capital.

First, a definition: "Intelligence becomes an asset when … it is given coherent form … when it can be deployed to do something that could not be done if it remained scattered around. Intellectual capital is packaged useful knowledge."[159]

Intellectual capital, therefore, becomes the cause of such effects as patents, trademarks, copyrights, and whatever other methodologies as may result from its deployment (see graphic below). **More intellectual capital, it stands to reason, will result in more effects (wealth creation); less intellectual capital will result in fewer effects (wealth destruction).**

The latter case is unfortunately the more prevalent one in today's business world. Most companies are investing relatively little in intellectual capital. Most companies, as we have discussed,

---

[159] Thomas A. Steward (quoting David Klein and Laurence Prusak) *Intellectual Capital: The New Wealth of Organization*. Crown Business, 1998.

operate with obsolete knowledge and are unprepared to adapt to the changes of a fast-moving world. Although they should know from where they can acquire intellectual intelligence to remedy this circumstance, they unfortunately do not know. They are focused only on a few things, namely, inventory and fixed assets, both related to operational excellence. This is what they're used to, after all. **Most CEOs are educated and trained to manage the tangible, never the intangible.**

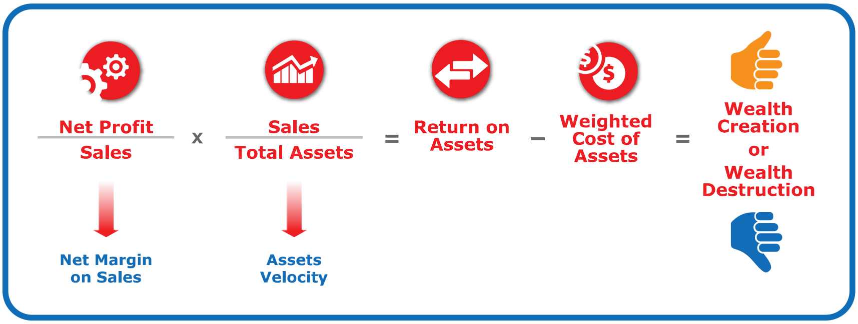
It's rather like the owner of a winery being more concerned with the bottle than with the quality of the wine. Yet, such is the state of most businesses today, still operating in the outdated mode of industrial companies that allocate resources based only on the easily-accessible information they gather about their physical and financial assets. Knowledge of the intangible – the ultimate source of customer value and competitive advantage – remains, for the typical CEO, hidden. Ask him to name three ways he can optimize and grow his business and the quantitative and qualitative performance necessary for each, and you'll elicit nothing but silence. Ask him if he's aware that 20 percent of his customer base is producing 80 percent of his sales or profits (as we have seen time and again in our travels), and ask him to identify that 20percent, and you'll get the same.

From our theory then about intellectual capital, let us move toward a concept of it. That concept is the new math for the new economy. As you can see from the equation below, our return on assets will tell us, very simply, whether we are creating wealth or destroying it.

All CEOs should know this forgotten equation. **It's nothing new, but most senior executives have been too blinded to pay very much attention to it.** Only perhaps a few know the equation and most have removed sales from it, thus reducing it to a simple division of the net income by total assets – mathematically correct, but strategically incorrect. By removing sales, a CEO removes the option to leverage the interaction between each one of the different elements and better understand, therefore, how a new business model can create more or less wealth for his or her organization.

The Wealth Creation Formula for a Fast-Moving World

Why You are Making (or Losing) Money

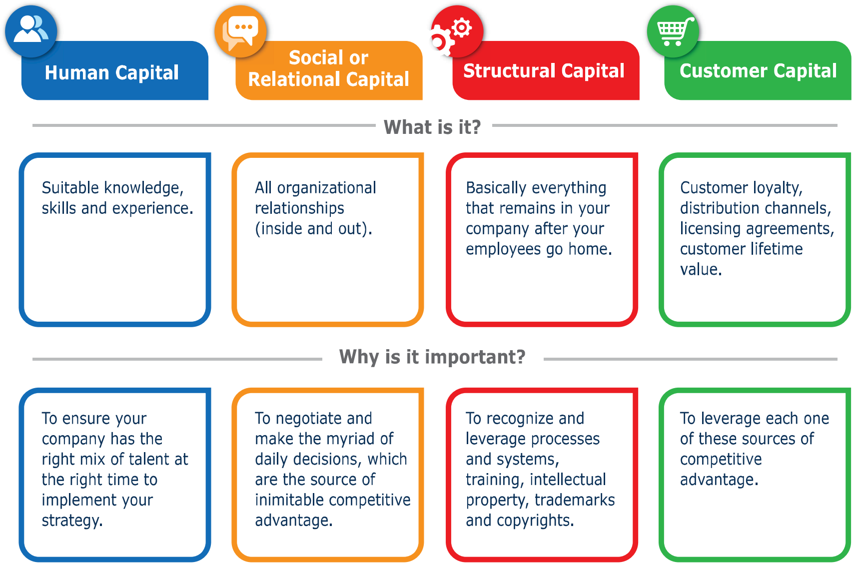


For most companies, their net margin (net income/sales, per the equation) is 3 percent to 5 percent; their assets velocity (sales/total assets) is 1.5 to 2.5. After their weighted cost of capital, we find a return on assets of *less than 10 percent* – too low for a family business to survive (let alone thrive) in today's economy, an economy, as you may recall from the Introduction, that is experiencing a *real* rate of inflation in the double-digit range. Less than 10 percent is a meager contribution to future investments and/or dividends and, in fact, represents a financial crisis scenario in the event of inflation the degree of which we think could well happen in the not-too-distant future.

Okay. So we've discussed intellectual capital, the concept from the theory, and the theory from the facts. But we fail without the process, the means by which we can find that breakthrough paradigm that can significantly impact your ROA, and creation of wealth. Let us turn to that now. Let us turn to the task of finding the mother lode – the intellectual capital that lies hidden away within the walls of your organization.

Intellectual capital comes from four sources as you can see from the chart below: human capital (individual capabilities), social or relational capital (the capacity to inspire trust and to collaborate with others), structural capital (an organization's processes, systems, and procedures), and customer capital (customer loyalty, distribution channels, licensing agreements, and franchising agreements, etc.).

The Four Dimensions of Intellectual Capital



> Each of these these dimensions alone contains the potential to profitably grow your sales. Together, these four tools create a multiplier effect, forming a lethal combination that will annihilate your competition, catapult your Return on Assets, and make your organization the leader in your market.
>
> — **Carlos Dias & Jay Abraham**

Human capital, which we have discussed in depth in chapters 1, 2, and 5, includes suitable knowledge, skills, and experience. Managing your human capital successfully also means ensuring that your company has the right mix of talent at the right time to implement your strategy. **This, rather than operational excellence alone, should be your top priority to succeed today.**

Social capital, discussed in chapters 3 and 4, includes the relationships that exist in your organization (both inside and outside). It is your ecosystem. It is that which allows the myriad of everyday decisions and transactions. Exploited successfully, it is that which creates your inimitable competitive advantage, allowing you to engineer highly successful joint ventures, strategic alliances, partnerships, and other beneficial relationships.

Structural capital is essentially everything that remains after your employees go home. It is the organization's work processes and systems as encoded in policies and company training. It includes intellectual property – trademarks, patents, and copyrights, etc.

Customer capital could be considered a form of social or relational capital, but we choose to consider it separately, so important is it.

The idea of leveraging one's intellectual assets isn't exactly unknown. Eighty percent of companies believe that managing knowledge within their organizations should be a vital part of their strategy. The phrase "intellectual capital" is a tremendously popular search phrase on Google, with over forty millions results returned. But the fact is that most companies procrastinate. **Only the leading organizations effectively leverage their intellectual assets. The rest become, at best, mere followers.**

The idea of leveraging one's intellectual assets isn't exactly unknown. Eighty percent of companies believe that managing knowledge within their organizations should be a vital part of their strategy. The phrase "intellectual capital" is a tremendously popular search phrase on Google, with over forty millions results returned. But the fact is that most companies procrastinate. Only the leading organizations effectively leverage their intellectual assets. The rest become, at best, mere followers.

The chart below illustrates this divide between leaders and followers. The ROA number shows us how accurate-thinking CEOs from companies such as Apple, Johnson & Johnson, Intel, Coca-Cola, and Nike think about net sales margin and assets velocity and how these measurements interact with each other. The followers, on the other hand, laggard companies like Kraft and Hewlett-Packard, are operational minded, proceeding without the ability or knowledge to effectively leverage their intellectual assets, leaving their companies ultimately exposed in inflationary times when the cost of money becomes higher than their ROA. **This is how inflation can destroy shareholder value and how companies begin treading a path towards wealth destruction. It's basic economics and you are free to ignore the lessons at your own peril.**

The X-factor of Great Leadership is Not Personality, It's the Ability to Create Wealth

2012 Return on Strategic Performance

Source: Google Finance

	2012 Million U.S.$					
	Sales	**Net Profit**	**Assets**	**Net Margin on Sales**	**Assets Velocity**	**Return on Assets**
Apple	***$156,508***	***$41,733***	***$176,064***	***27%***	***0.89***	***24%***
Hewlett Packard	$119,895	-$12,650	$108,766	-11%	1.10	-12%
Dell	$56,940	$2,372	$47,540	4%	1.20	5%
BlackBerry	$11,073	-$628	$13,165	-6%	0.84	-5%
Coca-Cola	***$48,017***	***$9,086***	***$86,174***	***19%***	***0.56***	***11%***
Kraft Foods Group	$18,339	$1,642	$23,329	9%	0.79	7%
Nike	***$24,128***	***$2,223***	***$15,465***	***9%***	***1.56***	***14%***
Intel	***$53,341***	***$11,005***	***$84,351***	***21%***	***0.63***	***13%***
Johnson & Johnson	$67,224	$10,514	$121,347	16%	0.55	9%
Google	***$50,175***	***$10,788***	***$93,796***	***22%***	***0.53***	***12%***
Microsoft	***$73,723***	***$16,978***	***$121,271***	***23%***	***0.61***	***14%***
Procter & Gamble	$83,680	$9,317	$132,244	11%	0.63	7%

Notice how accurate thinkers – leaders such as, Apple, Coca-Cola, and Nike – create exceptional wealth, leveraging higher net margin on sales to counterbalance their huge investment in assets. This is the mark of great leaders with vision, understanding how to strategize and get things done and creating through ecosystems unusual, unique customer value. Look now, at task-oriented tactitians like Hewlett-Packard, Dell and BlackBerry. The PC ecosystem is under threat since Apple released the first iPad; global personal-computer sales are in free-fall, experiencing their steepest decline ever (shipments fell 14% in the first quarter of 2013). Their latest attempts to regain momentum have proven ineffectual. What is surprising is that Dell and Hewlett Packard are surprised. That's the mark of leadership failure!

— **Carlos Dias & Jay Abraham**

How important is intellectual capital to *your* organization? Below you'll find a chart that will help you understand the relative importance that your organization attaches to it.

The Value of Your Ideas Versus Your Competitors'
(Measuring Intellectual Capital)

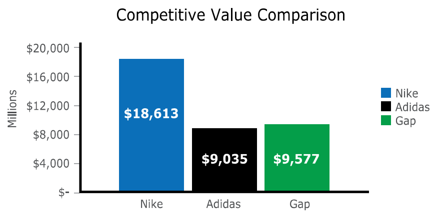
Company:	Nike				
Date:	10/12/2013	Enter your values in the yellow fields			
Value:	Millions	2010	2011	2012	Three Year Average
Income After Tax		$1,487	$1,907	$2,223	$1,872
Tangible Assets (Year end)		$12,589	$13,764	$14,306	$13,553
Return on Assets —ROA		11.8%	13.9%	15.5%	13.7%
Industry Average ROA		4.3%	7.6%	8.2%	6.7%
Gap					$958
Average Cost of Money			10.0%		10.0%
Competetive Value for Nike compared to the Industry Average (Gap/'Cost of Money').					$9,577

Today's leading companies have a higher total in the right column than the left. They view their competitive advantage to be dependent upon the strength of their intellectual capital. How about your company?

To quantify it further, we've developed an online calculator that reveals the importance of the concept of leveraging intellectual capital and allows you to see how your company measures up against your key competitors in this vital area. The Appendix will tell you where to find it. The value of this calculator is illustrated in the chart below where we have used it to make a comparison between Nike and Adidas (the latter which we have substituted for "Industry's Average ROA").

The Value of Your Ideas Versus Your Competitors'
(Measuring Intellectual Capital)

Company:	Nike				
Date:	10/12/2013	Enter your values in the yellow fields			
Value:	Millions	2010	2011	2012	**Three Year Average**
Income After Tax		$1,487	$1,907	$2,223	**$1,872**
Tangible Assets (Year end)		$12,589	$13,764	$14,306	**$13,553**
Return on Assets —ROA		11.8%	13.9%	15.5%	**13.7%**
Adidas		4.3%	7.6%	8.2%	**6.7%**
Gap					**$958**
Average Cost of Money				10.0%	**10.0%**
Competetive Value for Nike compared to Adidas (Gap/'Cost of Money').					**$9,577**



The Strategic Thinking Competitive Value is $9,577 Million more for Nike compared to Adidas.

Note: $18,613 - $9,035 = $9,577 Million Gap

Help Reset Print

Over the course of three years, Nike has outperformed Adidas in ROA by close to 43 percent, and, in fact, doubled their performance by the third year of our analysis. It all adds up to a *$10 billion* advantage sourced in strategic thinking; i.e., intellectual capital. Nike is a shoemaker, but one that makes no shoes! Their manufacturing is outsourced and their assets consist of R&D, design, and marketing – all knowledge-intensive services, all from their intellectual capital.

When you use the calculator for your company (comparing your company with either your industry average or with a specific competitor as we have done here), you'll see how you measure up in the assets that *don't* appear on the balance sheet, the most important assets of all – the intellectual ones. **Then you will suddenly discover where to find your unique competitive advantage, as well the potential to make your organization thrive in turbulent times.**

Now armed with an understanding of the vital importance of leveraging intellectual capital for surviving and, indeed, flourishing in these uncertain days, you are ready for the specific process necessary to allow you to do so. For it is the process, as we've discussed, that is the missing ingredient for most CEOs today, who may be able to take facts to theory and theory to working concept, but are unable to progress any further, essentially allowing game-changing paradigms to die on the vine.

In the first process, you should plan to assess your current reality and do so from multiple perspectives. You can't choose your route to preeminence without fully understanding from where you are starting. You also need to know how many are the strategic building blocks that you will be able to leverage in future processes, as you move forward toward preeminence.

In the second process you should focus on implementing the Strategy of Preeminence: creating and delivering a Client Value Proposition. Create a visual map that shows you exactly how you stack up against your current competitors – and where there are opportunities to achieve preeminence. You'll need to know what your clients really want and need – and where those wants and needs are trending. Here is where you'll create irresistible Client Value Propositions for your products and services – value propositions that magnetically attract your targeted clients to you in spite of your competitors' best efforts.

In the third process you'll need to create and execute a winning business strategy by translating your Client Value Proposition into a Unique Business Model and Singular Competitive Strategy that will carry you to preeminence. As well, you'll need to develop the nitty-gritty of how to translate your ideas into practical marketing and sales strategies.

In the fourth process you should test interesting ways to leverage Jay Abraham's concepts such as Optimization ("Three Ways to Grow a Business") described in chapter 4, in order to deliver irresistible sales and marketing experiences with your clients.

In the fifth process you should start to sustain preeminence going forward by offering a continuous stream of exciting products and services to your targeted clients, using a process such as Value

Innovation described in chapter 4. Why do you need this process? Because according to a recent Accenture study, only 18 percent of executives believe their company's innovation efforts deliver a competitive advantage! The study revealed a predominantly risk-averse approach to product and service development.[160] But the real risk, as this survey shows, is the risk of being unable to compete by offering customers the products and services they demand.

Finally, **in the sixth process**, because preeminence is about achieving the best outcome for your employees and suppliers as well as clients, you should also look for ways by which you can align your human resources so they are able to respond to the demands of a changing market.

This, then, in a nutshell, is the proven Strategic Wealth-Creator System™, the best and quickest way (perhaps the only way in the market today) to adjust your company's culture for today's environment. Each one of these six processes is a key component of the system. The importance of each cannot be overestimated. Collectively, they bring strategic focus. They are the processes shaping the leading companies of the world today.

This, then, in a nutshell, is the proven Strategic Wealth-Creator System™, the best and quickest way (perhaps the only way in the market today) to adjust your company's culture for today's environment. Each one of these six processes is a key component of the system. The importance of each cannot be overestimated. Collectively, they bring strategic focus. They are the processes shaping the leading companies of the world today.

It is here where the six key strategic divergent thinking processes fit into the puzzle. The practical proven processes serve as a foundation on which you can build your own path to preeminence. Each process should be designed to guide

[160] The Accenture survey of 519 companies across more than twelve industry sectors in France, the U.K. and the U.S. was released on May 13, 2013.

you as you operationalize the Strategy of Preeminence in an integrated, systematic way, to ensure that preeminence takes hold and thrives in your environment – and that it causes your business to grow and thrive in turn.

In the appendix, you'll see how you can freely make use of our Strategic Wealth-Creator Calculator, the same as is used by our CEO clients to look at different scenarios when crafting new strategies for their organizations. The example below shows how a company, utilizing the concepts we first introduced in chapter 4 can, in a few years, triple its ROA, and increase its wealth creation from 3 percent to 14 percent!

Wealth Creator Calculator

a		2012	2013	2014	2015	2016	Annual Growth
b	Active Customer	5,000	5,250	5,513	5.788	6,078	5%
c	Issued Invoices	31,250					
d	Average Sales Transaction	$640	$704	$774	$852	$937	10%
e	Average Purchase Frequency	6.25	6.88	7.56	8.32	9.15	10%
f	Sales	$20,000,000	$25,410,000	$32,283,405	$41,016,066	$52,110,912	
g	Annual Icrease (Sales)		27%	27%	27%	27%	
h	Annual Profit per Transaction	$32.00	$40.48	$51.21	$64.78	$81.94	
i	Net Profit	$1,000,000	$1,461,075	$2,134,740	$3,119,015	$4,557,116	
j	Sales Margin	5%	5.75%	6.61%	7.60%	8.75%	15%
k	Total Assets	$10,000,000	11,500,000	13,225,000	15,208,750	17,490,063	15%
l	Assets Velocity	2.00	2.21	2.44	2.70	2.98	
m	Return on assets —ROA	10%	13%	16%	21%	26%	
n	Weighted Cost of Capital	7%	8%	8%	10%	12%	
o	Wealth Creation	3%	5%	8%	11%	14%	

Cells in yellow (shaded) = Data to be inserted by user

The Strategic Wealth-Creator System™ is powered by a Mastermind Group Alliance, the surest way to leverage intellectual assets, and, moreover, the quickest way to adjust the culture of your organization, leading your company through the dangerous economic shifts and the perilous turbulence of our times.

The Strategy of Preeminence is a huge paradigm shift for most businesses. It's not just a change for you marketing or sales departments. Such a strategy must permeate every activity in the organization – and become integral to your business's values and culture.

It must start at the top – with you. It needs to filter down through the rest of the organization, changing the way your people think, the way they behave, even the way they get rewarded.

But before you go there, take a moment to consider that there is much more at stake here. At the same time that the Strategy of Preeminence will be transforming your financial performance, it will also be transforming your organization's soul, its values – the core beliefs that shape your organizational culture. It will transform you as well, into a preeminent leader of a business that you will be proud to lead.

A Final Thought

At 211 degrees, water is hot. At 212 degrees, it boils. With boiling water comes steam. With steam, you can power a city. One degree makes the difference. Applying one extra degree of temperature to water means the difference between something that is simply very hot and something that generates enough force to power a city[161] – a beautiful metaphor to explain what these six strategic divergent thinking processes can do for your organization.

[161] *Advantagemag*, Nightingale-Conant magazine, September/October 2005.

Appendix

Free Powerful, Proven, Proprietary Strategic Tools to Apply Concepts Introduced in this Book to Your Daily Activities

Jay and Carlos decided to make this available for one reason: their hope is that this becomes your permanent reference, so that whenever you need creative inspiration, marketing mastery, the ability to strategically out-think, out-market, outsell, or out-position your competition, or an alternative means of achieving whatever it is your product or service does – you will remember these ideas and methodologies and the answers you need will become clearly evident.

Carlos and Jay's lives as CEOs, advisors, coaches, and mentors, (and students!) were forged through the same work you are about to experience. Perhaps the best part about these tools and concepts, as they are discussed by Jay and Carlos in various seminars and strategic sessions, is the interaction that takes place between the instructors and the audience. The seminars and strategic sessions are never lecture-based; they're integrative and collaborative. Attendees share how they've used a concept, or they ask critical questions or pose problems.

Here, then, are links to the free, strategic, must-read (or watch) videos, books, and tools mentioned throughout this book. This list includes more than five hours of practical audio and video, eBooks, and Mastermind Maps, as well as twelve strategic calculators developed by Jay and Carlos though their eighty-plus combined professional years. These tools will provide you the clarity needed to grasp those powerful concepts and processes that make up Modules I-VI of Carlos and Jay's state-of-art, eLearning program for CEOs, "*Creative Leadership For Turbulent Times with Jay Abraham and Carlos Dias.*"

Each one of the tools below has the potential to create breakthroughs to increase sales and bottom lines for any kind of organization. These are the same tools Jay and Carlos use in their coaching sessions with CEOs and senior executives from corporate families businesses around the world, including the U.S., Europe, China, Japan, Australia, Russia, Brazil, and Mexico. Collectively, **they show, step-by-step, how to embed in your daily activities the multitude of proven concepts introduced in this book.**

Accessing these tools, you can become no less than a successful *CEO who sees around corners!* But of course, **this can only be made possible with your commitment to put all these tools into action.** We ask only that you register on our website to continue to get more of these types of free insights.

You'll find them located here:
www.CreativeLeadershipForTurbulentTimes.com/ and/or by following the links under each tool.

Jay and Carlos' eBooks and Audio-Video Books

"Find the Motherlode of Wealth in Your Business,"

by Jay Abraham and Carlos Dias, published in October 2013.

This book, available as eBook or audio-video, has been written after extensive research and surveys done by Jay and Carlos with respect to the quandary most family business CEOs face today. It introduces John, who heads a nice, medium-size, profitable business – about $300 million or so in sales. The business was passed down to John from his father and grandfather who founded the business.

John works long and he works hard. But no matter how hard John tries, his business can't seem to get any traction. This creates a lot of stress for John. The atmosphere is getting more acrimonious. People are losing patience. They are questioning whether John is the right man to lead the business. Truth be told, John is wondering the same thing himself.

After identifying John's problems, Jay and Carlos coach John on the primary responsibilities of a CEO in this new, fast-moving world. Then, they advise John on what to do to become an enlightened, creative, accurate thinker for turbulent times.

"Quick-view to Return on Strategic Effectiveness,"
by Jay Abraham and Carlos Dias, published in October 2013.
Audio-Video Version

> *"Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat."* – Sun Tzu, Chinese general and author, centuries ago

Leading companies that deliver sustainable, profitable growth achieve strategic alignment. In order to do so, they continually measure their key return on strategy effectiveness. Sadly, it is Jay and Carlos's experience, after having coached thousands of CEOs and senior executives, that 90 percent of non-financial executives don't understand what their income statement, and statement of assets, liabilities, and equity, are *really* telling them. **These documents are much more than a record of yesterday's performance. These documents are also important *strategic* tools.** These tools give you the power to see what your future will look like. Most importantly, these tools give you the power to change that future, so you can improve your destiny.

Jay and Carlos have created a Strategic Calculator™ called the "Cash Flow Calculator" to help non-financial executives see more deeply into their financial statements. In this webinar they show you how to analyze the seven cash flow drivers and how to create different strategic scenarios with your mastermind group.

At the end of the webinar, Carlos introduces you to a powerful chart he uses with his CEO-mentees to help them predict the future for their organizations. The Quick-view to ROSE chart shows you a different view – a three-dimensional view – of reality. On the left side of the chart, you get hindsight. You can clearly see and understand yesterday's mistakes, so you can avoid them in the future. On the right side of the chart, you get foresight. You can see where you are going if you stay on your current path. But most importantly, you get insight. You can see that you currently stand at an inflection point. You can't change the past, but what you decide today *can* change your organization's future. By changing your paradigm, you can discover a new path to create organizational wealth – by investing in strategic effectiveness and innovation to grow your Return on Assets.

"Strategic Value Innovation"
by Carlos Dias, Published in 2005. English and Spanish versions are available. English Version, PDF. Spanish Version, PDF – Link

This book is the kind of tool leaders of corporate family businesses should read and refer to every now and then as a refresher on the fundamentals of what it takes to be successful in business today. You will be introduced to Carlos's well-defined *Strategic Wealth Creator System*™ that consists of six distinct, but tightly-integrated systems. The key to success is to embrace and employ all six through a step-by-step process that encourages innovative thinking by everyone in a company.

> *"Think of this book as providing the advice of a seasoned coach on how to profit from the fast changing times by moving from linear thinking to divergent thinking."* – Philip Kotler, Professor of International Marketing, Kellogg School of Management, Northwestern University

"The Sticking Point Solution"
by Jay Abraham, published in 2009. PDF Version

The purpose of this book is to help entrepreneurs and executives recognize the ways in which their businesses may be stuck, and to then give them the tools for getting unstuck and enjoying profitable, sustainable, exponential growth. To achieve this, Jay helps you identify the nine “sticking points” that keep entrepreneurs and executives alike grinding just to survive, instead of growing and thriving.

Whether businesses are afflicted by one, two, or all nine of these sticking points, the result is the same: the owners, executives, or entrepreneurs are not achieving all of the growth, success, and prosperity they deserve. Unlocking that true potential and diagnosing the specific issues that each reader/business owner/entrepreneur/employee faces is the mission of this book. The results: freedom from stagnation and stalling, new levels of profitability and success, and a much greater sense of control and pleasure from running the enterprise. How to achieve this exquisite state is the impetus for *The Sticking Point Solution*.

Jay and Carlos’ Mastermind Maps

These are key charts mentioned in the book so that you can print large posters to share with your staff and senior executives.

“Grow Your Leadership Mindset”

This is the concept introduced in chapter 2. Print it in large format and keep it always at your fingertips.

“How Your Mindset Drives Your Results

This chart is introduced in chapter 2, as well. It can be scary, but true: our thoughts allow us to become a creative (or not-so-creative) artist, and admired (or reviled) CEO leader, and much more. Each thought triggers another thought, even a stream of thoughts that, as can be seen in the chart, takes us far away from the original thought. Our minds stage an ongoing internal monologue that technology tells us (thanks to computerized tomography) is playing out to the tune of 45,000 words a day.

"Two Qualities of Leadership for Turbulent Times – Knowledge Matrix – Executive Personality Styles"

This is another key chart to increase your self-awareness, and for selecting the members of your mastermind group alliance.

Jay and Carlos' Virtual Mentoring Series™

Webinar 1: "How to Select & Facilitate a Mastermind Group"

This webinar is about "The Secret Factor," the key to unlocking the true value of your knowledge and to amplifying your personal brainpower. It allows you to leverage the best minds in your organization in a way that will supercharge your ability to think strategically about your business.

Carlos and Jay lay out in this webinar a roadmap for finding your greatest unleveraged asset – the ability to think divergently – by working within the framework of a mastermind group alliance.

Webinar 2: "Breakeven Analysis and Contribution Margin"

Here is a common CEO dilemma: one of your executives has proposed an innovative new product. Does it make sense for your business to invest in it? Of course you can wait for your CFO to run a full financial analysis of the project. But before you do that, you need a quick way to evaluate for yourself:

- Can we make a profit with this?
- What level of incremental sales do we need before we can be profitable?
- Can we realistically make that level of sales in a reasonable amount of time?

In this webinar, Carlos and Jay show you how to use Breakeven Analysis and the Contribution Margin Calculator to quickly evaluate a project's potential, so you can choose the strategic direction that will put your business on its most profitable path.

Webinar 3: "The Web Trend-Watcher"

Because in today's world, yesterday's successful business can quickly become tomorrow's cautionary tale, a leader needs to develop the wisdom to see things as they really are – no wishful thinking allowed – and understand the implications for his or her business. In today's world, true leadership wisdom is the ability to "see around corners," to recognize change coming at you and to have the courage to duck before it hits you in the face, to zig and zag when you need to, or, better yet, to find a way to ride that change to an exciting, innovative advantage in the future for your company.

Acquiring true leadership wisdom takes work. It takes discipline and commitment – and an open mind, a mind that is willing to consider new paradigms, even if that means moving well outside of your comfort zone.

It also takes a systematic process, a proven method for scanning the environment, identifying trends, and doing what Carlos calls "Crap Detection" – a vetting process for making sure your innovative solutions are based on reality, not hot air.

Carlos has packaged his scanning process into a powerful system called *The Web TrendWatcher*™. It's a simple, but remarkable tool – proven successful in companies around the globe and in every industry, with a track record of helping so-so leaders to become wise leaders, and so-so organizations to break out of the doldrums and become innovative, highly-profitable enterprises.

Webinar 4: "Getting Sales People Onboard with Laser Sales"

We can't make people want to change. That has to come from inside of them. But if they *do* want to change – if they want to remove their self-imposed limits so they can sell more and earn more – we can show them how to do it. That's what this webinar is about.

What you will find here is a no-nonsense, practical approach that your people can use right away. Jay and Carlos approach – which is based on Optimization: "*The Three Ways to Build Your*

Business," what Carlos calls "*Laser Sales*," has transformed sales careers and lives in every industry, in every size business, in every corner of the globe. It's worked for over ten thousand businesses. It will work for yours as well.

The webinar begins with a look at *The Theory of Optimization*. Jay and Carlos will show you, logically and mathematically, how applying Jay's theory will exponentially increase your sales and profits. Also in this webinar, you'll learn the thirty-four specific strategies for implementing the theory – so you can pick the mix of strategies that fits your situation and share them openly with your salespeople.

Next, we'll focus on one of those strategies – Jay and Carlos have chosen one that fits just about any industry or company – so that you can see the logic of exactly how it works, and how easily your salespeople can implement this strategy for a quick, sure-fire sales boost.

Finally, you'll get access to a powerful calculator tool to share with your salespeople. Carlos developed this calculator when he was a CEO of a multinational company, to prove to his salespeople once and for all that there really were no limits for them – that they could essentially write their own salaries just by implementing the *Theory of Optimization*. Your salespeople will be able to enter the sales goal they want to hit, and the calculator will show them exactly what they have to do differently and continuously to achieve that goal for themselves.

You'll like what it can do for your business. This calculator, used in conjunction with the appropriate strategy, allowed one sporting goods brand in Brazil to grow from $2 million to $30 million in only three years!

This webinar is all about how to break through self-imposed limits – and achieve a better income and a better life, for you and for all your salespeople.

Webinar 5: "How to 'Hack' a Cause and Effect Diagram"

Seeing reality – as opposed to wishful thinking – is no easy task, and here's why: Our brains are inherently lazy. It's human nature to grab onto what is familiar and obvious and assume that you are seeing the whole picture. But that's a dangerous habit in turbulent times. These days you can't afford to accept something as true without having proof. These days, there are new dangers and new opportunities lurking below the surface. Somehow, you need a way break free of old assumptions based on obsolete paradigms so you can look again, look harder this time, look from multiple perspectives, in order to reveal the full reality that you face. *This is what you as CEO or senior executive are paid for.*

In this webinar, Carlos and Jay focus on how to use a familiar problem-solving tool – *the Fishbone Diagram* – to expose multiple causes for a problem and reveal causal relationships you may have missed before.

Incidentally, the techniques demonstrated here are particularly effective when used in a mastermind group. Your mastermind group will help you view problem causes and effects from multiple perspectives, so you can be sure you are getting the full picture.

Jay and Carlos's Strategic Calculators

These uncommon, proprietary, online tools will let you instantly create different strategic scenarios with your people. To facilitate your understanding, explained below is why each one has been created, what it can accomplish for you, and how to use it.

"Compound Annual Growth Rate Calculator"

Why. CAGR isn't the actual return. It's a geometric average growth rate over a period of several years. For example, if a company's sales rose from $10 million in year one to $15 million in year two and then fell back to $10 million in year three, then there has been a 50 percent increase (year-on-year) followed by a 33 percent decrease (year-on-year). Adding these up would give 17% and therefore an arithmetic mean of 8.5%, whereas it is obvious that the average growth has been 0%. In other words, an arithmetic mean is worthless. *This is, however, what many executives are wrongly calculating.* Such a measure will not help you to know what you absolutely need to know: how sales are performing.

What. CAGR is a better indicator since it describes the rate at which sales, an investment, or any other measure, would have grown if it grew at a steady rate. You can think of CAGR as a way to smooth out the returns.

How. The compound annual growth rate is automatically calculated by taking the nth root of the total percentage growth rate, where "n" is the number of years in the period being considered. As you noticed in Carlos and Jay's program, they use CAGR in all their strategic analyses. You are encouraged to use this calculator every time you need to analyze the average growth rate over a period of several years. You only need to introduce the Ending Value, the Beginning Value, and the Number of Periods.

Be on guard: It's important to distinguish between the number of periods and the number of years. For example, we may refer to a five-year sales analysis, year 2000 to 2005. In this case the number of periods is five (2001, 2002, 2003, 2004, and 2005), not six (2000, 2001, 2002, 2003, 2004, and 2005)

"Laser Sales Calculator"

Why. This algorithm is the cornerstone of Jay Abraham's famous Strategy of Preeminence. It's called "Optimization" by Jay, or "Three Ways to Grow any Business." Carlos completed the algorithm with the number of invoices issued for each segment of products or services to calculate the Average Transaction and Average Frequency.

What. This is a strong tool any CEO should apply to see sales and profit grow exponentially.

How. Below are step-by-step instructions. You can also download for free a PDF version of Strategic Value Innovation written by Carlos in 2006. Those not yet registered in the program can read about it in chapter 7 of Carlos's book, *How to Achieve Strategic Exponential Growth through Precision and Focus*.

Step 1: Cases in yellow are those where you need to introduce your data, at the top of the calculator.

Step 2: The calculator will automatically calculate the Average Transaction and Average Frequency.

Then, things become really interesting…

Step 3: Let's assume you decide to increase your number of clients by 10 percent – 10 percent the average transaction and 10 percent the average frequency. The calculator will show you that your sales will increase by 33 percent!

Step 4: Create another scenario, with your sales increasing by 10 percent, your average transaction by 20 percent, and your average frequency by 20 percent. Your sales increase 58 percent!

"Customer Lifetime Value Calculator"

Why. Probably 80 percent of CEOs don't know what the average customer lifetime value is. It's the same for many marketing executives. That is a serious problem, since until you know what a customer is and will be worth, you can't possibly understand how much you can afford to spend to acquire one.

Here's a real world example. Jay had a client who sold fluid transmissions products. They had six salesmen who were doing whatever they wanted to do and were not really managed – trying to sell to farmers and manufacturers through a compensation program that was pure commission in which the salespeople received approximately 10 percent of the profit. If he made $1,000 profit on something, the salesman would get $100 and the house would get $900. The client said to Jay, "What can you do for us?" Jay answered, "All you have to do is tell me what the lifetime value or the marginal net worth of your average customer is – tell me what the average new customer is worth to you in units of sales the first time, how many times that customer will buy from you the first year, and how many years they will stay with you on average." They were shocked by the answer. It turned out, the initial first sale, on average, was about $200 gross profit for the company. Of that, $20 went to the salesman and $180 to the company. On average, the customer bought five times a year for three years. So each time they brought a new customer in the door, they were accruing $3,000 in cumulative profits they would never have recognized. Jay told them, "Your solution is simple. All you have to do is set up a basis with your salespeople where as long as they keep their sales levels from their existing customers at or above their norm, you'll give them 100% of the profit on every initial sale to any new customer they bring in." So, the salesmen made $200 instead of $20, and the company was able to triple its profitable sales. Any company of any size can do the same, but only after knowing its customer lifetime value.

Most companies allocate a budget within its business. It can be a sales budget, an advertising budget, or a marketing budget. You can have an infinite upside budget – with consequential increases of sales – if you *stop* looking at budgetary figures and *start* looking at allocating an allowable cost per sale, lead, or transaction. In other words, you might start spending $25 per prospect, or, say $100 per sale, and you can do this because you know the residual value, the stream of income, and the lifetime value of the customer if you do nothing else.

This concept is so important it warrants another example. Icy Hot was a company that sold a patented medicine. Jay's group bought this company when it had almost no business. They were planning to put it under and just use its facilities. But, as Jay says, "We kept getting letters and letters from men and women who had been buying it for years, begging us to keep selling it because it was the only thing they could use to get their arms moving and their legs walking and their pain subsiding. So we decided to try to build the business. The product sold for $3 a jar. We went to over 1,000 radio stations, TV stations, and magazines to offer them an opportunity to sell our product. We told them it sells for $3 and they could keep 100%. Everyone thought we were crazy selling something for $3 and not even pocketing the hard cost of the goods. All we asked of them was to send us the name and address of the customer so we could make certain that the customer got their product promptly and were satisfied. Now, why would we do that? We had analyzed what the lifetime value of a customer was, and we discovered that every time we brought in two, one of them would migrate to us for about ten purchases a year and make us about $25 net. It wasn't costing us $3; it was more like $0.45 to make the product, put it in a jar, and ship it out bulk rate with other things. For every 100 coupons we sent out, we not only got back fifty orders, but another twenty orders for other products we had. So it was a cash flow loss of $0.45, but from a practical viewpoint, after the first group of sales, we were way ahead of the game. We never had a budget. We had an unlimited budget because we would only pay for sales, not for advertising. We just basically said, keep the $3. It got to the point where, as sales slowed down, we even paid $3.45 to sell $3. Everyone thought we were nuts, but we built a company from $20,000 of sales per year to $13 million in only eighteen months. Then we sold it for tens of millions of dollars to J.D. Searle, a big pharmaceutical company."

It's a whole different way of looking at business.

What. The customer lifetime value is a key strategic number, and one of the most important figures in your marketing arsenal. It represents the first step in the development of your marketing strategy. You'll know that if you deliver higher value, you will retain your high-profit customers. You can acquire them at a breakeven point, knowing that in time, they'll provide much higher profits than those fleeting customers who come to you when you offer only discounted prices.

How. After you've started applying the Laser Sales, you can use this calculator to obtain the lifetime value of your clients. The lifetime value of a client is the net present value (NPV) of the net profit that your company will realize from the average new customer during a given number of years. However, the NPV isn't calculated in this one. In other words, the result is a snapshot for you to have a first glance of your customers.

You are provided with two calculators, this one and a second – *Customer Lifetime Value Calculator – Advanced Version.* In both cases, you can use your imagination and do "what if" analyses to see what can you do to increase the lifetime value, leveraging the Laser Sales calculator, and targeting the right customers with the right offers. You'll provide your sales force with the tools to maximize profits by optimizing your customers and turning one-shot sales into a continuous stream of income, as we explain step-by-step in Module III of our program.

"Advanced Customer Life Time Value Calculator"

After you've started applying the Laser Sales calculator, you can use this more complete calculator to obtain the lifetime value of your clients. The lifetime value of a client in this calculator is the net present value (NPV) of the net profit that your company will realize from the average new customer during a given number of years.

This is a key strategic number, and one of the most important figures in your marketing. It represents the first step in the development of your marketing strategy. You'll know that if you deliver higher value, you will retain your high-profit customers. So, you can acquire them at a breakeven point, knowing that in time they will provide much higher profits than those fleeting customers who come to you when you offer only discounted prices.

"Wealth Creation Calculator

This online calculator is the same one used by Jay and Carlos's clients to look at different scenarios when crafting new business models and strategies for their organizations. An audio and video will be soon available to describe a case study – a company utilizing the concepts, in just a few years, to triple their Return on Assets (ROA) and increase their wealth creation from 3 percent to 14 percent!

"Cash Flow Calculator"

That is the online strategic calculator described in *Quick-view to Return on Strategic Effectiveness* audio-video version (see above, under Books and Audio-Videos).

"Ecosystem Profile"

In an ecosystem, nothing exists in isolation. All of the elements of an ecosystem are mutually dependent, tied together in a fragile balance that cannot be disrupted without affecting the ecosystem as a whole. In a *business* ecosystem, things are no different. Like a natural ecosystem, all the elements of your business ecosystem must be developed in a balanced way in order for your business to thrive. Like a natural ecosystem, you can ignore or under develop even a seemingly insignificant element at your peril.

There are six, mutually-interdependent elements of a business ecosystem, as discussed in chapter 4. Changing any one of these will influence the others. In other words, the lack of development in any of these areas will slow development in all of the other components.

But increase development across all of the elements in your ecosystem, and you will see your business grow and thrive. Looking at your business as an ecosystem helps to understand why "benchmarking" is poor strategy, and a poor tactic, too.

This is a powerful, strategic online calculator to test all of the six components in your business. This calculator will let you evaluate how you are doing in terms of each component, and whether the components are being developed in balance with one another.

"Breakeven Analysis"

This is the online strategic calculator described in the Mastermind Series (webinar #2 above).

"Price Change Calculator"

Many CEOs and senior executives fear that their business will lose customers and gross profits will fall if prices are raised. Actually, a price increase usually raises growth profits, all things being equal. You can plug some of your numbers into the calculator to test this.

"Price Sensitivity Analysis"

This is another strategic online calculator, an alternative to the Price Change Calculator.

"Strategic Salesman Calculator"

This is the online strategic calculator described in the Mastermind Series (webinar #4 above).