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The Wisdom of the CEO

By

G. William Dauphinais, Grady Means, Colin Price, Klaus Schwab (Introduction)

Andy Grove, founder of Intel, once said, “Let the chaos reign, then reign in the chaos.”

Dee Hock, founder and former CEO of Visa, coined the word “chaordic” to express the combination of chaos and order that he seeks in an organization.

Drucker observed, “Organization is not an absolute. It is a tool for making people productive in working together.”

We were and continue to be driven by a vision that is as simple as it is ambitious: “We want to be the only communications company our customers will ever need.” AT&T Chairman & CEO C. Michael Armstrong

All elements of our corporate culture should stem from and support a clear customer focus. Every meeting an AT&T executive attends, inside or outside the company, has to be customer oriented. Unless we engage the customer, we will not earn his or her next dollar.

We had to cure that, and the first step was to get our executives at all levels in all assignments, out of their offices and meeting regularly with customers.

Our purpose is not to sell something, but to make sure that they are getting full value for the money they are spending with AT&T.

Being timely with a decision is more important than crossing the t’s and dotting the I’s on some report. You have to go with a mixture of information and instinct. You have to accept that some calls will be wrong. No one makes a perfect run on decisions. But in the long term, you’ll suffer more damage from consistently delayed decisions than you will from occasional wrong decisions.

Begin with strategic direction, then figure out the processes and everything else you need to get the job done.

USPS Postmaster General, William J. Henderson

The scale of complexity of the USPS is unequalled. A workforce of 850,000 delivers mail to 130 million addresses daily – typically, 580 million pieces. Our daily volume is equal to a year’s volume at FedEx and about five days at UPS.

Our 200 year old mission to “bind the Nation together through the personal, educational, literary and business correspondence of the people by providing prompt, reliable and efficient services to patrons in all areas and to render postal services to all communities.”

We had patches made up and stickers placed everywhere that said, “We guarantee Error Free Delivery or call this Number 1-800....”

Peter Bijur, CEO of Texaco

No authority structure can MAKE people give customers good service.

Leaders work best through influence, not command.

Good leaders spend a large amount of time putting their managers into challenging situations, nurturing and mentoring them, then giving them the reins. Leadership creates conditions that generate the confidence and authority from which good decisions flow.

Leadership also includes the ability to communicate clearly and compellingly. To be an effective leader, you must be able to communicate.

The CEO who wishes to lead must also get involved in mentoring.

I am not interested in managers telling me that they don’t have adequate people to fulfill their demands. Their responsibility is to train people to add value and convince them of its importance.

Michael Ruetters, CEO, EMT Corp.

We have identified 4 preconditions for creating a disruptive technology, three of which are in the company’s control:

1. Stay intimately in tune with your marketplace and take the widest possible view of that marketplace – not just your existing customer but potential and even unlikely customers.

2. Have a special lens through which to view and interpret customer's current and future needs
3. Offer a new solution that meets these needs precisely while, ideally, redefining your own industry
4. Scour the landscape for changes in the market dynamics or customer attitudes, which suggest that your new solution can quickly gain a large, receptive audience.

The most important thing about computing was not the power of the processor but the speed and reliability of access to the data.

Many customers know only their immediate requirements and tend to ask for refinements- faster, better, cheaper – in what they already have. They are often unable or unwilling to articulate their most important, longer term needs. And most do not know what you can do for them until you tell and show them.

Technology suppliers can easily become too wedded to existing customers and become a prisoner of their customer's assumptions about the technology and the market.

EMC uses 5 approaches to identifying promising technologies and transform them into products:

1. Our market requirements group looks out 18 months and focuses on the special requirement of customers in key industry segments such as financial services, telecomm and airlines.
2. Our emerging technologies organization focuses on technologies that will become important to EMC 19 – 60 months out
3. Our world class engineering organization interacts intensively and regularly with customers and concentrates on applying emerging technologies to solve customer's emerging requirements.

Persuading customers to confide in us is the essential first step in relationship building.

The only way to create trust is to repeatedly act upon what customers tell us and then deliver what we say we will deliver, on schedule.

Customer Advisory Council:

We bring together 50-60 customers to join our product management and engineering executives for 20 hours of intense discussion spread over 2.5 days. Our customers do not bring their golf clubs. They bring completed homework assignments. We choose these highly motivated customers with great care. We select only those customers who are acknowledged visionaries and decision makers. They agree to a minimum 18 month commitment and sign nondisclosure agreements.

Our discussions follow a certain sequence. First we present what we believe to be the most troublesome short and longer term problems facing our industry and their businesses. Next we confirm that our perspectives dovetail with their experience – that

the problems we have isolated are in fact the problems they find most challenging. After validating that we're in sync, we present a detailed look at EMC's work in process solutions to these problems.

At this point, the validation process heats up. We probe to learn whether our proposed solutions will solve the problems and whether our solutions will have a big and positive impact. Through hours of back and forth discussion, we discover new requirements and fine tune our offering. WE also discuss how to best implement the solutions and seek customer recommendations concerning which if any strategic partners we might invite to work with us.

And then we feed all of this newly acquired knowledge back into EMC and integrate it into a coherent product design.

There are times when it is right NOT to listen to your average customers.

Not all customers are created equal. EMC has a large handful of customer whom we consider to be Lead Users. These businesses tend to be early adopters of technology, and they always have technology experiments underway. They view technology as an enabler of business growth and continuous reinvention. Therefore, they will try unconventional approaches to increase the number of hours each day during which their core strategic data are available to employees and customers worldwide.

The key to our ability to fully satisfy and at times delight our customers is our "theory of business". Every company accumulates customer data, but few seem to put these data to great use.

In an industry littered with companies that try to be everything to everyone, EMC stands out for its singularity of purpose.

The entire history of business can be summed up as the search for better ways to find, create, store, retrieve, protect, access and manage information.

Navigators continually improve their instruments. Cartographers continually revise the maps. And scientists actively seek to refute their own theories. Business leaders must do the same. They must test and retest their theories of business and eliminate those that no longer explain the realities of the marketplace as effectively as newer theories.

We agree with the historian Daniel Boorstin, - "the great menace to progress is not ignorance but the illusion of knowledge."

Lawrence Bossidy, Allied Signal

The internet is a driver of change, but more importantly, it is an enable: It is, in short, the tool that makes possible a new business model for the 21st Century.

As an enabler, the Internet is having a transformative effect on business. It is changing the way we deal with customers and suppliers, the way we access capital, the way we deal with employees, and even the way we bring our product to market.

Worldwide overcapacity and oversupply have already significantly empowered the customer.

As CEO, I have to clearly define what it is we are trying to do, what our goals are. I have to follow up all the time. The first thing I do when I visit an Allied Signal location is ask change related questions, such as how are you doing with six sigma? Or what steps are you taking to implement the new business model? I can never tire of the message; I have to be relentless in order to make sure that change happens. If you don't change, you're dead. Those that can't change should leave the organization.

Many people talk about an internet or e-commerce strategy. I believe they are wrong to do so. The internet is a powerful tool that enables a business to implement different strategies, but it is not a strategy in and of itself. There is no such thing as an internet or e-commerce strategy. There is, however, an internet or e-commerce enabled strategy. In such a formulation, the internet doesn't create opportunity but make them far more exciting than they were before. It also changes the dynamics of how companies do business.

The internet will radically reengineer ourselves in a number of areas.

The real impact of the internet will be how it enables us to redefine our relationships with customer s and suppliers, and in so doing, helps us implement a new business model that reduces working capital and fixed assets, and results in greater value.

General recommendations for CEO's like myself:

- Take your relationships with customers and suppliers to a new level. Form partnerships that add value to both sides. Develop creative ways to foster collaboration.
- Constantly evaluate your supply chain
- Outsource what is not a core competency
- Don't build more plants; build more partner relationships
- Automate as many mechanical tasks as you can; leave your people more time to be creative
- Constantly improve your products and the speed with which you can get them to market
- Reduce your working capital; use the money to grow your business, support R&D, and develop new products
- Educate your people; give them the tools they need to succeed
- Throw away your multi-year strategic plans; as soon as you complete them, they're out of date.

The present is NOT sustainable. Managers with an eye to a career do not normally put decline into a five year plan even where that is the inevitable outcome of their actions.

Innovators use their historical understanding of the market as a springboard
Innovators are curious about the world around them. Linus Pauling once said, “The best way to have a good idea is to have lots of ideas.”

Innovators focus on creating a future that will bring new value to customers
Innovators find ways of destroying the past. Unlearning patterns of behavior is extremely difficult.

There must be a clear process for doing things and new things to do. There must be a culture that challenges everything.

According to Ber Peiper, president of construction firm Brown & Root, “When I was told we needed a mission statement, I thought it was just a lot of MBA jargon – but it’s been a powerful tool to get our people working and moving in the same direction.” The critical word is MOVING: The mission statement foster action.

Goran Lindahl – CEO of ABB

We start envisioning how the marketplace will function 10 years from now. What services will be in demand. Why wait for ten years. Why not do it now? We believe in innovation, creativity and passion. Innovation originates the novel solution that will make a real difference for our customers. Creativity has to do with making that solution real. It sets in motion and governs the dynamic forces that lead, step by step, to the hardware, service or whatever is needed to make a customer more competitive. And passion drives the project; it sustains the enthusiasm.

It is better to be fast and roughly right than 100% right, but slow.

We want to be known as a technology AND engineering company. We don’t sell products. We now sell functions and whole solutions. We sell complete solutions.

Nobuyki Idei, CEO of Sony Corp.

Our goal is to create new markets by discovering hidden, perhaps even unrecognized, needs and wishes. We do not imitate. This is the proudest, most challenging value in our culture.

We focus on things for the home with the television being the hub. Everything we make orbits around the TV.

Sony is committed to delivering innovative electronics to mass markets.

Incremental innovation is no less important to sustained business success.

For a team to work: The inner qualities of team members and their relationships and the capacity for vision and objectivity in the leader matter more than anything else. The team must have a certain purity. This means it must be free from political distortions – from animosity between team members, from egoistic ambition, and from internal pressure to make technical compromises. It must also be free from top management distortion. When this is so, all participants can concentrate on the technology and the team as a whole can catch fire.

The leader must have a certain distance. Think of a vehicle moving through unknown territory and imagine a bird up above looking ahead seeing what comes next. That is the leader's distance. Let others drive the car. The leader continues to look out and beyond.

Two types of knowledge:

Explicit knowledge is recorded. It includes books, manuals, patents, reports, libraries, policies, procedures.

Tacit knowledge is personal. It is beliefs and perspectives. It is the wisdom and expertise in people's heads.

Explicit knowledge is the rules of golf, while tacit knowledge is the spirit of sportsmanship.

CEOs must act to ensure that the most valuable expertise gets captured and made explicit, that the information technology infrastructure enables staff to find and use relevant knowledge, that people are encouraged and enabled to acquire knowledge from external sources whenever it is needed.

“A wealth of information creates a poverty of attention.” Economist Herbert Simon

Companies that effectively manage knowledge determine carefully what knowledge is vital to their success. The goal of knowledge management is to enable people to find relevant information quickly and easily.

What knowledge does the organization need to implement strategy? What organizational behavior is necessary in order to apply this knowledge?

Technology enables experts to share both explicit and tacit knowledge. Through intranets, companies can collect and distribute explicit knowledge such as presentations and competitor news. Intranets facilitate tacit exchange via e-mail, bulletin boards, work plans and real time communications.

Culture is the collective name we give to the distinctive values, activities, customs, aspirations, achievements of a society or group. In a corporation, it is usually a set of shared knowledge, skills and attitudes applied to any or every element of the business.

Corporate cultures can be influential in fostering growth and innovation, but they can also become obsolete and counterproductive. Management bears great responsibility for constantly reshaping culture to meet evolving corporate goals.

Using and sharing knowledge must be integrated into the fabric of people's jobs.

Sharing knowledge is very scary to much of management because they feel that their tacit knowledge is what got them to where they are now. Therefore, it is up to the CEO to champion a program of knowledge exchange and sharing.

Knowledge is not relevant unless we translate it into capability.



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