

## CHAPTER 1

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# ***Beware the Big Blue Catfish***

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We will now discuss in a little more detail the Struggle for Existence.

—Charles Darwin

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**A**s a business leader you enjoy connecting the dots between your own experience and new ideas. That's how you've always learned. Reading about Shockproof businesses and their successes has gotten you fired up. You begin to think about the last time you had a chance to step back from the daily grind and get a fresh perspective. It was at a conference in New York several years ago; where investment bankers and C-suite executives spoke in mostly Darwinian terms about winning and what it takes to compete. You remember an especially entertaining speaker talking about a predatory, big blue catfish that had wiped out several other species of fish with the relentless focus of a trained assassin. The same charismatic speaker referenced celebrity chef Mario Batali, who regularly quips about humans sitting atop the food chain. He'll put it this way, the speaker quipped, pointing at a PowerPoint picture of a chef inspecting a table of unsuspecting diners: *If you're slower than me, dumber than me, and you taste good . . . pass the salt!*<sup>1</sup>

He also presented a video clip of the African savannah, featuring a kudu running for its life, having been cut out of the herd by a pride of lions. The speaker's style was polished and his delivery was engaging, but it was the wide array of stories and examples related to his claims about the natural world that most captured your attention. The message and the intended "takeaway" was clear: "It's good to be the king!"

The next speaker used different analogies, but the message was basically the same: Everybody wants to win and

be the top dog, or lead lion, or big blue catfish—pick your species—but the message is the same. It’s even woven into our popular culture. The song “Only the Strong Survive”<sup>2</sup> has been recorded three times since 1969. The songwriter and Darwin seem to agree that certain species have the ability to adapt, survive, and flourish in the face of long odds, whereas others don’t. Size doesn’t always matter. T-rex only comes to life in fantasies like *Night at the Museum* and *Jurassic Park*; but those pesky cockroaches? They’ve been around for quite a while, and it doesn’t look like they’re going away anytime soon.

Of course, while you might have a boss whose management style resembles that of a T-rex, and a few annoying, insectlike associates, the blinding flash of the obvious is that the corporate world hotly embraces the concept of survival of the fittest. Take it to the bank. Corporate board rooms, blogs, and conference calls echo daily with various versions of Mario the predator or the big blue catfish or the kudu on the run. *Kill or be killed*, *eat or be eaten*, *grow or die* are clichés, for sure, but they get lots of airtime.

Once you hit the airline lounge at LaGuardia on your way home from the conference, you found a moment to think. Over meticulously sliced pieces of cheese and a glass of wine, you began to reflect on what you heard. You realized, even then, that your company’s strategy was not centered around an *eat or be eaten* growth mentality. For years your CEO had emphasized your company’s high level of customer focus as its “special sauce”—irresistible, and the envy of your competitors. This level of customer intimacy is not a “bigger is better strategy”; rather, it is about your business developing its own winning game and sticking to it, without becoming distracted or derailed by the aggressive tactics of others.

There is something you read about the teaser on “Being Shockproof” in *Fortune* that recalls the sentiment you experienced in the airline lounge three years ago. A core principle is the belief that every business needs to find its own “best game” and stick to that game, learn to play it better than anyone else, and focus on improving personal best, versus beating the competition at their game. You know you have little personal interest in you or your business turning into “a big blue catfish.” You always liked the idea of your company providing something of unique value, versus being “too big to fail.” After all, so much of your company’s success has been achieved through unique products and services that are hard to mimic, along with a hardwired respect for cooperation and collaboration with your suppliers and customers. Kudus and catfish? Hmmm . . .

There is a very clear and intriguing contrast between the ideas you remember from the conference and the type of thinking that initially got you enthused when you read the *Shockproof* summary.

You fire up your iPad, call up that *Fortune* article, and hit the next Learn More link under Shockproof. “That’s more like it,” you whisper under your breath, looking for a comfortable spot to settle in and get to the goods. You have often wondered how *Good to Great*<sup>3</sup> profiled companies, which not too long ago were high flyers and front runners, ended up losing their edge and fell to the back of the pack, or went out of business altogether.

Conversely, you wonder, why are some companies simply more resilient than others? Some businesses that you would have bet against surviving, or assumed would be gobbled up, are still standing. Whether it was cunning or strength or just plain hard work, companies like IBM have

somehow survived and thrived, and a revitalized Apple is prospering, with new product launches and stock at all time highs. Jerry Butler wasn't writing about corporate America when he penned "Only the Strong Survive," but as an anthem for the businesses that remain high performers in the face of economic, social, and political challenges, it is a highly appropriate sentiment. After all, you don't want to be the one glimpsing Mario over your shoulder with the salt shaker. Yet, you believe that acquisitive growth for the sake of size is outdated. There must be more; a different way.

You hit the Collapse Themes icon after touching all three of the articles that popped up earlier, and discover a few interesting similarities among them. These are summarized in a text table that shows up in the hologram feature of your device.

Businesses that stay the course stand out because their leaders are hardwired to pay attention to critical connections between their strategy, how their organizations are designed, and how they manage talent. These businesses demonstrate a sixth sense that makes it possible to see what their competitors cannot when it comes to interpreting market trends and customer needs, product innovation, process improvement, and defining the skills needed in the future. Just as important, these businesses can "take a hit" and bounce back from situations where a product or an idea falls short of their original expectations, or when a competitor temporarily leap-frogs their capabilities, products, or service offerings. Simply put, they rebound in response to challenges, and they are agile enough to adjust and capitalize on new opportunities.

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You highlight the Definition tab on your reader to get the most recent definition of *Shockproof* to show up on the Web:

- Agile, and can quickly reprioritize goals and objectives as business conditions change.
- Led by leaders who understand how to mobilize people and deliver results.
- Highly flexible structures and practices that ensure the right people are doing the right work at the right time.
- Staffed with a workforce that is adaptive and inherently motivated because they are performing work that is directly connected to the business strategy.
- Defined by people who are energized by change and the rewards of success.

Reading on, you discover that not all Shockproof companies demonstrate each of these characteristics in equal measure. In some cases, they might have developed the traits organically over the years. Some companies exhibit the traits because their leaders have been paying close attention to value creation and have adopted over the years sound leadership practices and operating principles that are now firmly embedded in their companies' cultures. In other cases, through pure trial and error, business leaders may have stumbled on the key to becoming Shockproof. But when capability is combined with the intention to focus on these characteristics, it is rare that the results are anything less than potent and sustainable.

Like a race car driver at the front of the pack, who suddenly spins out, only to regain traction and go on to win the

race by a large margin, a successful company might lose its way, then regain its sense of direction and go on to be more successful than ever. In some circumstances, businesses that always seem to “qualify to start at the post” continually refine their performance through the efforts of not just talented “drivers of value,” but their proverbial “pit crews” who are able to somehow carve away extra seconds of time to propel the business to Victory Lane. And like the race team who can never seem to put their driver into a position to win, or rarely qualify for a race, we’ve watched as companies continued to stumble, never to regain their balance. We’ve also seen companies breathe the rarified air of success, only to abruptly hit the wall and spiral right out of business.

Shockproof companies are more resilient and successful for a reason: They get the connections right between strategy, organization, and talent, and calibrate them effectively in response to changing business conditions. Then, like the synchronized cylinders in the winning race car pumping with energy and power, and a team with a singular focus, they figure out how to stay ahead of the field. When they encounter a challenge, they adjust and overcome. When they encounter an opportunity, they are quick to change course and pursue it with impressive focus and discipline. These companies may also lose a few races; but when they do, they learn. They learn what kind of fine-tuning is necessary to their strategy, their organization design, or their approach to managing talent. They learn how to make calibrations or adjustments along the way, dynamically and in real time. Seeing what adjustments need to take place, and understanding how to make these calibrations, is the work of leaders. When leaders act to align strategy, organization, and talent, their businesses get better at winning at their *own*

game, not the game devised by others, with the cards stacked in their favor.

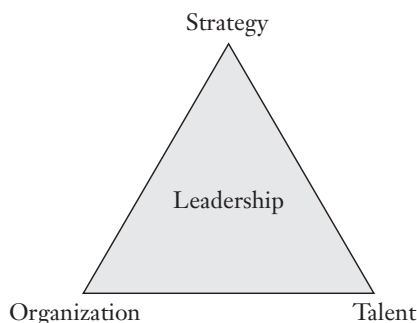
## **SHOCKPROOF ELEMENTS: LEADERSHIP, STRATEGY, ORGANIZATION, AND TALENT**

Prioritizing the alignment between strategy, organization, talent, and leadership is the foundation for creating a Shockproof organization. Most organizations are multifaceted, and excelling in one, or even all of these areas fails to address the most critical issue—the issue of sustainability. Alignment among the elements contributes more to ongoing success than excellence in any one area, because the environment changes daily, and can quickly throw organizations out of balance.

In this book, we will describe and illustrate how leaders align strategy, organization, and talent to create lasting success (see Figure 1.1).

- a. *Strategy*: What a company does to meet its objectives and create value.
- b. *Organization*: The roles, activities, business processes, decision-making rights, and structure that must be in place to execute the strategy.
- c. *Talent*: The people in the organization who do the work to execute strategy.
- d. *Leadership*: The role leaders play to align and sustain the linkages between strategy, organization, and talent.

Every book ever written about business uses these terms, often with different meaning. When we use these terms to build Shockproof capability, here's how we define them:



**Figure 1.1 The Shockproof Model**

## ***Strategy***

Business strategy is how companies intend to reach their stated objectives, creating value by differentiating themselves from competitors and focusing on the right markets and customers. There are seemingly endless approaches and battalions of business gurus available to companies to help them understand their customers, competition, and markets. Business books, some more readable than others, abound with diagnostic tools that can be used to assess market opportunity and identify relative strategic positioning, as a precursor to developing a plan for profitable growth. Most businesses take advantage of one form or another of the counsel available to them. On paper, many of these businesses have a decent strategic plan. These plans usually outline clear goals and objectives, desired market position, product mix, desired market share, and revenue and profit targets.

A strategic plan is important, but it's not enough. A thoughtful plan, elegant though it may be, must be absolutely workable. If your company doesn't have the capability and talent—or *chops*, as a jazz musician might say about another musician's ability to play an intricate chart—to execute a plan as written, then the investment in time, resources, and

manpower will have been misspent because it is unlikely to work. Effective execution of a strategy requires painstaking realism and objectivity about the gap between where your business is today and what it will take to get it where you aspire to be tomorrow.

## **Organization**

Organization refers to how work is *designed* at the individual, team, and organizational levels—and the term is responsible for whole forests being cleared to supply enough paper to document thinking on the subject. With a quick Google search you will be inundated with contrasting and sometimes conflicting views on organization and how to get it right. Essentially, organization addresses the processes that are performed to execute the strategy, or as people often put it, “to get the job done.” Organization design can include everything from core business processes that cut across multiple functions to how a particular job is designed in a customer service center, for example. Often grounded in engineering and production control disciplines, management thinkers have for some time been drawn to the idea of designing better work processes to improve the efficiency and quality of the products and services delivered by their companies. Methodologies like Six Sigma or Lean Manufacturing, for example, have been deployed to evolve work processes and reduce variance and waste while increasing efficiency and effectiveness. For most of us, we first think about structure when thinking about an organization. But structure is only one element of organization, and probably not the best place to begin to assess whether a company’s organization design is fit for its purpose.

When Shockproof companies are fine-tuning or calibrating their organizations, they tackle areas of much greater

impact than can be addressed by simply redrawing the boxes and lines or changing the players who occupy the boxes within a typical organization chart. Organization is about how people, functions, and processes interact to make products and deliver services. Clarifying the interactions that occur between people and functions in the white spaces *between* the boxes and lines often has a far greater impact on performance than redrawing the organization chart. How people work together, how decisions are made, how leaders lead, how customers are served, and how the processes can ensure effective execution are far more important than the organization chart. This white space between the boxes and lines is the “real estate” where the work of building effective organizations often takes place.

## **Talent**

Talent refers to either individuals who have unique and valued capabilities, or the collective skills and capabilities of a workforce. Over the years, management practices and theories have focused heavily on the people inside and outside organizations who are charged with carrying out the work necessary to successfully implement strategy. Important research has been conducted on the subject, including that by McKinsey & Company, published in 2001 as *The War for Talent*.<sup>4</sup> The authors advised companies “to recognize the strategic importance of human capital because of the enormous advantage that talent creates.” That might seem to be a blinding flash of the obvious, but as with strategy and organization, there is an abundance of how-to resources available for organizations to learn how to better manage *talent*, who, after all, are *people!* Add to this a flood of talent management software applications that companies can use in an attempt to manage everything from employee sourcing and hiring to performance management

and rewards. Many of these applications are promising; others are long on style but short on substance. Some applications make the strategic mistake of focusing on efficiency rather than effectiveness. They encourage leaders to focus on performance measures like “cost to hire” without assessing the effectiveness of new hires on the job. Ultimately, the way in which leaders manage talent has a tremendous influence on the extent to which they are Shockproof. Being Shockproof is about executing strategy effectively. And, since it is people who execute strategy, take author Jim Collins’s advice and “make sure you have the right people on the bus.”

## **Leadership**

Shockproof leaders are transformational leaders. They are focused on how they and those they lead can grow and learn every day to improve strategy execution and results. They establish norms that encourage people to discuss successes and failures, and make it comfortable for them to ask for help from others on the team, not just the designated leader. These leaders encourage dialogue about what good leadership looks like, and they make sure that people are engaged in meaningful ways while adding value to the business. They value a feedback-rich culture, the benefits of change, and the growth that comes from understanding their own capabilities, motivations, and aspirations. They think systemically about the external competitive market and the internal capabilities needed to capitalize on opportunities and overcome challenges.

Shockproof leaders focus on breaking down the complexity in business today and helping colleagues and employees see the connections between what they do on a day-to-day basis and the company’s path to success. These leaders ensure the ongoing alignment among strategy, organization, and talent. It’s a significant responsibility, and not all leaders are

**Table 1.1 Shockproof Lens Definitions**

The *Systems Lens* enables people to see patterns and polarities in information that help to identify opportunities for improvement.

The *Value Lens* helps people continually attend to the true drivers of value and to revise their strategies and tactics as strategy evolves.

The *Change Lens* aids people to pay attention to the complex mechanics and dynamics of change situations.

The *Interpersonal Lens* assists people to inspire trust and respect through the skillful use of various communication methods.

The *Self-Awareness Lens* keeps people authentic, yet conscious of how their behaviors and actions are perceived by others.

naturally “tuned in” to see the connections or identify when they are out of sync. Shockproof leaders understand what creates value, and they know how to lead and manage change. They value and invest in building relationships. They appreciate the criticality of developing their own emotional intelligence and are comfortable with deep self-reflection. They exhibit five key capabilities, which we call the Shockproof Lenses. These will be briefly introduced here, in Table 1.1, and will subsequently be fully explored in later chapters.

## THE SHOCKPROOF MIND-SET AND CAPABILITIES

Three-dimensional glasses enhance the viewing experience for the moviegoer; similarly, business leaders must look through different lenses to create a Shockproof business or

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to effect real change. Leaders can train these lenses on the external competitive market and on every level of the organization and its people to assess necessary adjustments.

In addition to creative, nontraditional thinking, leaders need to develop deep business acumen to understand what actually *creates* and *sustains* value. Extending far beyond being able to understand the company's P&L, this requires an understanding of the activities and capabilities that must be executed to unlock and sustain value. Knowing what to focus on and what not to focus on, in equal measure is a strong sign of business acumen. And the top of the house can't be the only place where this acumen resides. It must be woven tightly throughout the depth and breadth of the organization to ensure an almost maniacal concentration on what drives the ultimate measure of value, whether it's total return to shareholders, EBITDA, or other concrete results. In some companies, the definition of value has evolved beyond financial results and value created for customers and employees to include consideration of the company's impact on the communities in which they operate. They must also understand how to successfully implement and manage change inside the company's four walls, as well as in the markets where it competes. Shockproof leaders also require a high degree of interpersonal competence and self-awareness. They need to be able to effectively communicate their ideas, get in touch with their own strengths and weaknesses, motivate their colleagues, become comfortable working collaboratively, and, ultimately, create a way for people to contribute to making something extraordinary happen.

When leaders consistently apply the Shockproof lenses in an effective manner, the company becomes hardwired to expect adjustments and calibrations, all aimed at creating value.

## CONNECTIONS AND CALIBRATIONS

Strategy, organization, talent, and leadership are the building blocks of a Shockproof company. Companies falter when they overinvest time and resources in one or two of these building blocks at the expense of the others. Leaders can avoid this faltering by intentionally engaging the right connections between the three building blocks. They also risk failing when they rest or stay “flat-footed,” assuming that the connections require no further calibration or adjustment. The fact is that Shockproofing a business requires dynamically assessing and adjusting the connections to create alignment in response to challenges or opportunities. When this mindset becomes hardwired, people in the company won’t even blink when a needed adjustment is suggested. In fact, they get used to change. They expect it and accept it. They accept change because leaders throughout the organization are on the same page about what the priorities are for customers and the business. They accept change because they would rather deal with dynamic changes and adjustments than unforeseen chaos. They accept change because they have experienced the incredible results that can be delivered by Shockproof companies, whether they are in turnaround situations, making course corrections, or, for the enviable few, sustaining profitable growth.

## THE SHOCKPROOF DIFFERENCE IN ACTION

The exciting glimpse into the future offered in the Prologue is not that far away from being realized today by leaders committed to calibrating the links between strategy, organization, and talent in their companies. These businesses are seeking and achieving better outcomes for shareholders, the planet, and for all people associated with the enterprise.

## ***Qualcomm Inc: Where Leaders Are Hardwired to Align Strategy with Organization and Talent***

Qualcomm Incorporated is one of the best technology companies in the world. As of this writing, it sits shoulder to shoulder with Apple, Oracle, Accenture, and IBM as a top stock pick by Wall Street's most critical analysts. Though technological breakthroughs and rigorous intellectual property protection remain at the heart of the Qualcomm story, the *rest of the story* hinges on the thoughtful and intentional way talent has been managed and the organization has been designed over time to support Qualcomm's enduring sources of value creation. During Qualcomm's 25 years of climbing to the top of the NASDAQ, talent and organization strategies have also stretched and bent a bit, but not too far. Tamar Elkeles, PhD, in her role as the head of Learning at Qualcomm, comments that the "perseverance of a Qualcomm culture has been important to Qualcomm's success. The culture is one that is highly engineering-centric with a very heavy emphasis on promoting product and process innovation."<sup>6</sup> It is well documented that Qualcomm engineers are carefully selected not only for the match of their credentials and accomplishments with the current and emerging business needs, but for their ability to thrive in an environment that allows room for, and even demands, ambiguity, collaboration, and adaptation. "The business is organized around technologies to ensure depth of talent, at all times, within each technology group," Elkeles continues. Since Qualcomm grew so rapidly, most of its engineers were brought in from the outside, versus grown on the inside. After new engineers are signed on at Qualcomm, they are onboarded, deployed within their assigned technology group, mentored, and grown within their talent pool as preparation

for new responsibilities. The goal has remained constant over time: “Develop the bench.”

In its Finance Department, Qualcomm invested in a rotational program available to everyone in the talent pool, moving them through assignments in strategy, accounting, and tax. This has resulted in very well-rounded contributors who can be readily moved to a variety of roles as the business continues to expand. The Qualcomm way is to remove barriers to people performing at their potential. Learning is typically on demand, with few, if any, mandatory learning events. Experiences and spaces are created to help people collaborate and pursue innovation; and when practices or expectations creep up that interfere with the goals of the initiative, the culture is so strong the roadblocks are blasted through. People peak at different times in their careers, so talent pools allow for folks to either “bake” a bit longer or jump out of the frying pan and into a ready role. It is the role of HR to support the learning needs of those they serve. As needs pop up through affinity groups, climate surveys, and discussions with leadership, the HR organization explores the scope of the needs and then mobilizes the right cross-functional team to explore systemic solutions.

Because the company is designed to serve engineers and the technologies they support, silos tend to materialize, making collaboration challenging. However, rather than eradicate the silos for the sake of integration, HR works with the silos and creates other opportunities to move knowledge and networks outside of each silo. HR works to help their business partners see the needs of the business more systemically and less parochially, and to reward leaders for moving talent, versus hoarding resources. In some cases, they have been constrained in how they design the organization, based on SEC

regulations and governance particular to their circumstances. Elkeles believes that Qualcomm's leaders are moving in the direction of being committed to the learning and development of others. This includes improved pay for performance that is linked to ensuring that the right talent can be made available as needs arise, and raising the awareness of leaders about the impact to the larger business of narrow decision making concerning talent. "Innovative learning approaches have helped keep the culture intact," Elkeles continues, "while stretching leaders to think beyond the boundaries of existing ways of getting results." These approaches include creative channels of distributed learning, among them 52 Weeks of Stories to help leaders learn from each other, award-winning online learning curricula, assessments, coaching, followership, and a variety of just-in-time learning solutions.

"We know that our ability to stay at the head of the pack is related to our skill at sourcing, attaining, engaging, and retaining top engineering talent, and all the functional resources that ensure that talent remain the best in the business," adds Dan Sullivan, PhD, EVP, Human Resources.<sup>7</sup> He also explains that "in Qualcomm's case, organization design and effectiveness links to the needs of our talent. Our talent ensures we drive home our strategic goals. It is a winning combination; our profitability and operating margins remain healthy and rising."

## **WINNING ONCE VERSUS BEING SHOCKPROOF**

We all know organizations that at some point in their life cycle win big and have a great success, fail outright, or make a comeback. Maybe the market conditions were favorable to their strategies, products, and services. In other instances, careful orchestration, planning, and alignment won the day.

While winning once is worth a tip of the hat, consistently adapting to survive and thrive is the real prize.

Driving an automobile that isn't in alignment over a prolonged period can result in a variety of short-term and longer-term negative effects: difficult steering, tire wear, poor fuel mileage. You might even have a blowout or, worse, an accident. A business's alignment between strategy, organization, and talent, once put in place, also requires constant vigilance and maintenance. It's a difficult leadership task for any company, large or small. And it requires a special mindset that isn't taught at B-school, and rarely, if ever, developed within most organizations. Having leaders align strategy, organization, and talent requires a seismic shift in traditional, discrete, mechanical "old-world" thinking about how businesses operate. It requires a more holistic and systemic understanding of the interplay between strategy, organization, and talent. It is much more than thinking outside the box. There is no box.

Ultimately, *Shockproof* is about the journey that leaders in organizations take to shape themselves and their organizations. It isn't an easy or simple path, but it is well worth taking. Organizations that take this path continually evolve to overcome challenges and capitalize on opportunities. The customer-facing organization becomes more agile and responsive in the best sort of way—meeting customer needs and the needs of the organization at the same time. R&D becomes immediately relevant, and picks up pace because of a strong link to what customers actually want, versus what engineers would like to create. Leaders' lives are both easier and more challenging: Their organizations are increasingly self-led and accountability-driven; but at the same time, people challenge their leaders. The leader is joined on his or her journey by everyone in the organization, sharing ownership

and holding the leader's feet to the fire to live up to standards they themselves set.

Many entities, public, private, or not-for-profit, routinely rely on the talent of experts to achieve their objectives. It's only well-intended human nature that leads people to develop expertise so they can contribute to their workplaces and communities. As a result, we often build our identities around what we know and do best, and design organizations and work processes accordingly. Or, we create corporate strategy teams and hire consultants to craft *the* optimal strategy. We focus on process improvements or change strategies to reduce errors and speed up time-to-market. We build world-class corporate universities and hire the best faculty to teach our employees. Then we "spin" the business media, feeding them the easy-to-tell type of story they love, about the corporate silver bullet we used to solve a thorny problem, all in the hope that the subsequent publicity will garner us "great place to work" or "most admired" status.

The problem with media-driven image making is that it is, at best, an incomplete or one-dimensional perspective, if not self-serving. By focusing on the individual elements of strategy, organization, and talent, rather than on how they are interconnected, and relying on experts in each discipline or element, organizations risk missing the opportunity for long-term success. Like the blind man and the elephant, they fail to see the whole picture. Thus, as the environment changes, most companies fail to change *holistically*. People in Shockproof companies, however, realize that new challenges require them to constantly consider what they need to do, how they should do it, and who should do it. Rather than fighting to survive the forces of change, they welcome change as the lifeblood of their organizations. These companies thrive on uncertainty, while others wither; they overcome when others

stumble; and they are held up by their peers as examples of resilience and sustainability.

## **THE JOURNEY BEGINS**

In *Shockproof: How to Hardwire Your Business for Lasting Success*, we outline an integrated approach to help leaders make the right connections between strategy, organization, and talent. We equip leaders with a new way of thinking about and seeing their businesses in a more integrated and holistic way, through a set of five unique *lenses*.

We provide practical insights, examples, and anecdotes describing how leaders connect the elements and adjust or calibrate the connections. Our hope is that you will come away with a belief we share: That resilient trumps disposable, and that incubating and propagating the Shockproof mindset to build sustainable, profitable organizations is the new responsibility of leaders.

So read on.

Keep the big blue catfish at bay. Let him circle and then watch him give up and dart away.