Quick takes

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These brief summaries highlight the key points and action steps in the feature articles in this issue of Strategy & Leadership. Larry Goodson, an S&L contributing editor, is a veteran strategy consultant based in St. Louis, Missouri. He is a Partner at LDGA Consulting, which offers Lean operations and strategy development services (ldgoodson@msn.com)

Does Wall Street buy your growth story? For how long?

Rita Gunther McGrath, Alex van Putten and *Ron Pierantozzi*

Amazon's stunningly successful growth strategy has created a context in which, as one observer put it, "no profits, no problem." But is this strategy just valid for this moment in history, a consequence of a brilliant innovator surfing the economic tsunami of this digital era?

For years founding CEO Jeff Bezos has convinced investors that profits should be immediately invested for even more growth. Some pundits, however, are vexed to explain why Amazon isn't punished by investors for promising innovation and growth but not conventional returns. Even growth companies, they argue, must eventually turn a profit. Amazon is a prototypical example of a company that is built to thrive in the "transient advantage economy.

The Imagination Premium™: a measure of confidence in a growth strategy

The answer can be measured in The Imagination Premium™ metric. It assesses the confidence of the investing community in a business' growth strategy. It's a measure of the additional value investors are placing on a firm's potential for growth and consequent share price appreciation [see calculation methodology in article].

The collapse of a high Imagination Premium: Tesla

In the case of Tesla, this additional value was much of the imagination premium, inspired by Musk's ability to paint the picture of a total transformation in the automotive space in which his company would be the undisputed market leader. Unlike Amazon, however, Tesla has failed to deliver on its growth story and competition looms.

The markets don't like a lack of imagination either

In many sectors firms are hobbled by an imagination premium number that is low or even negative. As these cases suggest, the Imagination Premium™ offers a potentially forward-looking metric for evaluating a firm's growth strategy. Too low, and a firm doesn't have a convincing growth story, and as a consequence may face acquisition, activist actions or a shift in leadership. Too high, and a firm risks a bubble-bursting punishment.

Traditional metrics used to evaluate investment proposals, such as Net Present Value, can lead firms to over-invest in existing businesses that show predictable cash flows but will likely falter as markets are disrupted.

There are several essential implications for leaders. The first is that when investors doubt your growth story, either because you're not telling it well or because you haven't delivered in the past, you are likely to be vulnerable to an activist, criticism from shareholders and otherwise at risk. The second, however, is that sky-

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high expectations for growth can be dashed by external events over which leaders have little control. Unless companies show, as Amazon has historically done, that they can turn expectations into gold-spun reality, lofty investor expectations can become a liability.

Creating digital transformation: strategies and steps

Haydn Shaughnessy

Almost every major company is in some phase of "digital transformation," an on-going company-wide initiative requiring a multitude of technical and cultural changes. The entire company must constantly be mindful that the true goal of their work is providing value to their customers.

The FLOW-Agile framework

Looked at in terms of customer value and work flow it is possible to define a new set of practices that focuses on creating a flow of multi-layered, daily innovation delivery rather than a schedule of individual digital projects. The FLOW framework formalizes a visual representation of a company's adaptive value-seeking process being implemented by Agile teams.

Digital transformation powered by FLOW-Agile involves:

- The large-scale visualization of all work so that all teams perceive their role in producing value.
- A concept of work done in units that are more modifiable, flexible and fluid and therefore faster and more adaptive on a daily basis.
- Adoption of new social values that promote intensive, ongoing collaboration in the firm.
- The prioritization of value-seeking activity in all work, whether in the executive suite or the call center.

Significantly, FLOW-Agile does not focus on technology, but instead on the people and the power of their interaction.

Making work visible

Making visible representations of digital projects that reflect the goal of customer value allows people to track important work-in-progress, and when work is visible people interact around it.

Creating new units of work and greater velocity and adaptability

Visible work on its own would not necessarily foster transformational velocity and adaptability. But by breaking out of the project mindset developers have adopted even shorter time units of work. The consequence is a continuous delivery of change and innovation. Everyone can and should contribute to the design of the work, thus increasing the collective intelligence.

Improving social interaction – especially around business goals and IT work – and to promote collaboration

Given the sheer volume of work required to deliver digital systems, teams can't afford to take the time to set up a sequence of processes to do the same thing repetitively as a test and then hand it forward. Instead, multidisciplinary teams must collaborate in defining how the enterprise is going to define and deliver value.

The how-to steps

A digital company employing FLOW-Agile to seek and deliver customer value has these distinctive features:

- Creating visual work processes that reflect customer value goals.
- Creating new units of work and increasing velocity and adaptability.
- Improving social interaction to create value.

The benefits are better interaction around units of work, a more collaborative work environment and faster innovation at lower cost.

How industry leaders enhance the value of ecosystems
Steven Davidson, Edward Giesen, Martin Harmer and Anthony Marshall

Ecosystems, a web of interdependent enterprises and relationships aimed at creating and allocating business value spanning public and private institutions and consumers, redefine the way organizations manage and govern their business. They can facilitate access to new markets, introduce new capabilities and foster new customer propositions.

The ecosystems rapidly arising across industries and geographies produce multiple benefits: engaging in ecosystems can be the most effective way to access new markets and through intensive collaboration within new partnering arrangements, ecosystems have become an essential resource for building new capabilities.

But despite the clear business benefits inherent in ecosystem expansion, a recent survey of more than two thousand C-suite executives revealed that a significant majority of business leaders remain unconvinced of the business case for increasing their commitment to ecosystem engagement.

Expanding opportunities

Organizations can drive greater value from ecosystems in three important ways:

- Increase the strategic impact of ecosystem engagement on their business.
- Improve access to skills.
- Expand the scope of strategic business opportunities and initiatives.

It's not what your ecosystem role is, it's how valuable you make it

Companies engaging in ecosystems can selectively adopt their roles.

- Experience providers execute a variety of differentiated and unique functions enabled by their ability to combine characteristics across multiple partner organizations.
- Asset providers stock or manage physical assets used for production either within supply chains or networks, or other critical activities within ecosystems
- Process providers manage ecosystem processes and service-level agreements across shared services, functions and activities with the objective of optimizing process efficiency.
- Platform providers own the information platform, often a significant source of value. However recent analysis indicates all value is not locked into the platform.

Experience providers, asset providers and process providers can each reap rich rewards within ecosystems if what they offer is sufficiently valued, differentiated and difficult to replicate.

Orchestrating activities

One of the central activities within ecosystems is orchestration, or providing rules, governance and facilitation to determine how collaboration occurs across the system.

Orchestration also addresses how tensions and conflicts are resolved.

Organizations might play more than one role in ecosystems, either serially or concurrently. And to sustain a differentiated, valued role, businesses need to match their own organizational capabilities with functions, roles or activities needed in the ecosystems in which they participate.

China's "New Silk Road" initiative – implications for competitors and partners, near and far

Brian Leavy

The geo-economic story of China's spectacular growth and modernization has recently taken a new turn under the leadership of President Xi Jinping, There has been a major shift towards a more expansive and outward-looking economic policy, most evident in President Xi's newly articulated "Chinese Dream" vision and related "Belt and Road Initiative," and his call for a new model of great power relations.

The "Chinese Dream" and the "Belt and Road Initiative"

As articulated by President Xi, the "Chinese Dream" is a proclamation of national rejuvenation intended to restore China to the position that it once held in Asia as the continent's pre-eminent power. The centerpiece of President Xi's drive for regional leadership is the new strategic vision, currently called the "Belt and Road Initiative" (BRI).

At the heart of the BRI is the belief that a primary enabler of China's own economic revival over the last 40 years has been its massive investment in infrastructure and connectivity as catalysts for higher levels of trading activity between the provinces. China now seems able and eager to take on such an equally ambitious role in the global economy in the 21st century.

The BRI as a "shaping strategy"

China's Belt and Road Initiative might be better understood as a "shaping strategy" that promises benefits to all who adapt to the new terms." Such a strategy strives to "shape global ecosystems" and thereby fundamentally alter" industry landscapes. Many experienced China watchers believe the BRI to be also highly motivated by a number of key domestic goals.

- Enhance national security.
- Accelerate the spread of its newfound economic prosperity to its more distant, and still chronically underdeveloped, landlocked provinces.
- Grow export markets for its major infrastructure companies, both state-owned and private.

Challenges and wider implications

The vision for BRI is large and bold, but this latest phase in China's infrastructure diplomacy faces many challenges for potential partners. Asia's infrastructure needs are huge. For China, the record of its infrastructure diplomacy in Asia has been quite mixed.

China also has competitors for its infrastructure diplomacy in Asia, most notably Russia to the west and Japan to the south, so potential partners do have options.

For China, allaying anxieties about what might be the true nature and extent of its leadership ambitions in Asia is likely to be its biggest challenge in trying to build support for the BRI.

An exciting vista with a note of caution

Many countries across the globe are responding very positively to the BRI, if also somewhat cautiously. Some caution seems prudent, in spite of China's best efforts to play down the potential geostrategic implications.

How to write a company value statement that will achieve strategic impact

Herman Vantrappen and *Rien de Jong*

Many companies promulgate a "company values" statement articulating the principles that should inform the behavior of their employees. But all too often, companies fail to live up to the promise implicit in the value statement. The shortcomings and failures of value statements continue to occur in spite of the solutions that scholars and business advisors have offered for making value statements more meaningful and impactful. So is there a better way to craft a set of values that will support company strategy?

The most popular company values

An analysis conducted by Akordeon consultancy in the summer of 2016 found that 58 of the 100 largest companies in the *Fortune* Global 500 state their values explicitly on a prominent place on their website, most often as part of the section describing the company's mission, vision and strategy. Most companies select their values from more or less the same set. It is not surprising; what company would not want to be seen as morally upright, professionally demanding and collectively smart?

What's wrong with company values?

To assess the effectiveness of a value code, we should first ask why companies find it important to proclaim values. Generally, companies seek to achieve one or more of three goals:

- To codify certain behavior that is supposed to be the basis of its success.
- To signal to internal and external stakeholders certain enduring traits that set it apart from competitors.
- To provide a moral compass to employees so that they know how to behave in situations fraught with ambiguity, moral hazard or conflict.

All three goals are absolutely relevant, but are they actually achieved? The evidence is not encouraging. A study of the relations between certain dimensions of corporate culture and company performance concludes that "proclaimed values appear irrelevant."

An alternative concept for company values

We suggest three steps to follow when considering a values initiative:

- Question whether you really need to state your company's values expressly.
- Define behavioral parameters in the company code of conduct.
- Pick values that set your company apart and give it a strategic edge.

The benefits of an alternative approach

We offer a five-step alternative approach. It considers a value to be a capability; that is, a resource that requires investment and development, one that helps the company to be more effective than its competitors and that its competitors would find hard to imitate readily.