

Video-Blog #2

Changing the Seen & Shaping the Unseen
What They Don't Teach You in Business School
Part I of III

Transcription

Carlos Dias: This is another important session, John. A turning point for your professional life. Turning you to a higher, more clear thinking position.

John: I'm excited, Carlos, ready to listen to your thoughts and comments about changing the seen and shaping the unseen. What does that mean?

Carlos Dias: Management at most companies today is in denial John. As a result, management is shortsighted. By not having the correct information at hand, it doesn't know what is happening today and how today's events would be reflected in the future. If they don't know that everything they do won't work, why? Because their decisions are based on wishful thinking John.

John: I agree Carlos. I myself was in denial before starting this series of mentoring sessions and learn through your elearning programs, the fundamental difference between a tactician operational CEO or executive and a strategic thinking CEO. I still remember the positive impact in our first mentoring session had on me titled The Leadership Mindset for Turbulent Times. By the way, I was shocked to learn that research from respected institutions shows 35% of executives including CEOs are wishful thinkers and 50% have limited knowledge and little understanding about how a business works in a fast moving and turbulent world.

Carlos Dias: Correct John. Correct. Eighty-five percent of CEOs and executives unfortunately don't master the key skills to succeed in a fast moving and turbulent world. That is why we wrote The CEO Who Sees Around Corners book. A fast moving and turbulent world is a keen to a tsunami. You cannot outrun a tsunami. It moves faster than you or your car can travel. The only way to avoid being engulfed by a tsunami is to climb to higher ground before the waves arrive. If you wait for an official tsunami warning, it's probably too late. In today's fast moving world, the growth of knowledge is like a tsunami.

John: Yeah, it's true Carlos. New knowledge overtakes and engulfs you unless you start planning today before any warning to the fourth or better fifth stage in the leadership mindset. This is the only way to survive and thrive in the turbulent world.

Carlos Dias: In accurate, the strategic thinking CEO always considers both, the effects that can be seen and those that must be foreseen. A tactician operational CEO on the other hand confines himself or herself to visible effects alone. This is maybe the only difference, but the difference is tremendous for it will most always happen than when the immediate consequence is favorable, the later consequences are disastrous and vice versa. Thus, it follows that the tactician pursues a small present good that will follow by a great evil, by a great evil John, while the accurate thinker pursues a great good to come at the risk of a small present evil, a risk of a small present evil John.

John: Confining himself or herself to the visible is how a tactician operational CEO or 85% of the executives today can track self-inflicted damage disease that makes him or her not only shortsighted but also completely unaware of his or her shortsightedness.

Carlos Dias: In business, the most damaging attack John is always self-inflicted, always self-inflicted. That is due to the law of incompetence.

John: Carlos, could you expand on that? What does the law of incompetence mean?

Carlos Dias: Actually John, first it's important to understand the Peter principle. A concept in management formulated by Laurence Peter and published in 1969. It states that the selection of a candidate for a position is based on the candidate's performance in his or her current role, in his or her current role John, rather than on abilities for the new position. It's crazy but true John.

John: I didn't know about the Peter principle but I assume that such a principle today would be obsolete in a fast moving world. You can be an excellent and efficient sales VP but without the required competencies, you'd be an ineffective CEO. A fast moving world makes everything obsolete.

Carlos Dias: I will not say obsolete John. In fact, it is still valid today. However, the Peter principle became obvious in a fast moving world. Let me be more explicit with another example as it is an important [inaudible 00:05:46]. Let's say you are a brilliant marketing executive. You know everything about your clients and work with amazing efficiency, creating value maps and successfully positioning your products or services in the market. After a few years, you are promoted to chief executive officer, a reward for your skills and competencies. There you are, probably having risen to a level of incompetence and likely unaware of it John and likely unaware of it. Your marketing skills like [Dorman 00:06:27] while your new position requires new skills.

Surely you are a good communicator, but since you have not been prepared to acquire new skills or required by your new duties, you fail as a CEO, you fail as a CEO John.

John: I should recognize this as this also happened in my organization. By now, I learned that without continuous learning, it's impossible to become a leader for a fast moving and turbulent world.

Carlos Dias: That is where the law of incompetence comes into play John. It's a thoughts bias in which low-ability individuals suffer from illusion superiority mistakenly assessing their abilities much higher than reality.

John: I understand Carlos, but how does a Peter principle and the law of incompetence apply today? Is that why 85% of CEOs and executives are not prepared to manage a company in the fast moving and turbulent world?

Carlos Dias: That is why I called today's session a point of inflection, an event that results in a significant change. In fact, a dramatic change in the progress of your company, your people and you John.

John: Hey a question Carlos. How do the Peter principle and the law of incompetence correlate with the title of today's session The Leadership Mindset for Turbulent Times?

Carlos Dias: Here we go John. Any executive committed to succeeding in turbulent times needs to know three important things that are not taught in our educational system today. The first is a strategic awareness, subject of today's session. The second purpose and the third, systems thinking.

John: What does strategic awareness mean?

Carlos Dias: Strategic awareness is about knowing what happens around you and your business. When you acquire strategic awareness, your business comes with new ideas and innovations are constantly generated. Look at the screen John. Let's walk through it.

John: I can see everything starts with data and information. I also see truth. What does it mean?

Carlos Dias: Truth is an agreement with facts, only facts, not wishful thinking. Yes John, everything starts here and unfortunately ends here for most companies. Why? The truth is not present in most cases. Management collects data and management information based on dubious assumptions, based on dubious assumptions John and wishful thinking instead of reality. Intelligence asks for accuracy, free from error. It started with the gathering right data, only then you can come with realistic studies that lets you see what others don't. Sadly those studies are sometimes influenced by personal or political agendas. If you look for the truth, you are aware and if you are unaware or in denial, you have no idea what's going on. It means you are caught off guard or by surprise.

Either way, you have got your head in the clouds about something important that is happening around you. Think for a moment, that is what happened to all of Marissa Mayer's 52 Yahoo acquisition. The reason for Yahoo's decline are complex, but what is clear is that those acquisition rescue strategy has not been able to save the company from itself. I can tell you other examples, like Kodak and BlackBerry. Management for those companies were unable to see the unseen. They were tactician operational incompetent strategists, the Peter principle and law of incompetence in action in John. How in the world can you look at something you cannot see? You probably wonder John. I'm talking about how a business creates wealth.

These are forces that are unseen for those executives unable to see how to connect the dots in a business. Now executives having business understanding

are able to see natural forces which always, always John work when you set them in motion.

John: Carlos in fact, since you can't see the unseen, you're unaware of it so you can't shape the unseen. There are opportunities around you, but you can't see the unseen. Thus, you're only seeing risk where others see opportunities.

Carlos Dias: Correct John. That is why everything starts and for most executives ends here with collecting data and managing information. Why? Because we deny or lack of skills, you are unable to shape the unseen.

John: In other words Carlos, most businesses are trapped in their own denial created world, so what is the next component? I am becoming more and more excited to know everything about the six mandatory components of awareness Carlos.

Carlos Dias: The second component of awareness is knowledge. There are two types of knowledge John; intellectual and practical. Intellectually, I can explain to you how to ride a bike but the sense of how doesn't imply that I can or have the ability to do so. Having the ability to ride a bike involves some sort of practical knowledge and this practical knowledge is this thing that from having intellectual knowledge. Both however are important to succeed. Academia deliveries intellectual knowledge alone. Intellectual knowledge alone John, but that is pure theory. You can learn everything about business models and a strategic competitive position. There are thousands of books about it written by professors and gurus.

However, intellectual knowledge needs to be actionable to succeed in your professional life, so you need practical knowledge. That is how to do it. I rarely see in my entire global career executives excelling at both, intellectual and practical knowledge. Those who excel in practical intelligence were most of the time operational tacticians. What that does mean? It means that what they need to succeed in a fast moving world is to learn by doing how to build unique business models and designing singular competitive positioning strategies. What I'm telling you John explains why companies are unsuccessfully looking for talented accurate thinking strategists. Why does this happen? Because our educational system doesn't deliver practical knowledge.

John: You're so right Carlos. They don't know these three duties of a CEO in turbulent times such as today; set the strategic direction, set the cultural tone and build the organizational team. Most CEOs subcontractors strategic direction to their staff, the cultural tone to their human resources department, and the organizational team to external consultants. Most CEOs ignore that they are solely responsible for their organization's success or failure.

Carlos Dias: Correct John. Without a clear job description in their own minds, CEOs can easily get distracted and the core issues that organizations vitally needed to

focus on. Those CEOs lack of a business understanding, which as you can see on the screen is the third component of awareness.

John: What does business understanding mean? I thought knowledge was enough to succeed in a fast moving world.

Carlos Dias: No John. Knowledge alone is not anymore enough to succeed in a fast moving world. There is so much data, so much new knowledge required to succeed in this new world. It's true you can be drawn by data input, information, so much new knowledge that you cannot connect the dots on anything. However, since everything is in turmoil and everything changes, you need to understand the business to connect the dots. Business understanding means knowing the fundamental fruit of how a business should work to continuously, continuously John create wealth. I'll repeat John, create wealth under any environment leveraging all the forces available through all the members of the business ecosystem.

John: Carlos I'm sorry to pose two more questions to you. What is a business ecosystem and why wealth and not profits?

Carlos Dias: A business ecosystem is a community of interacting organizations and individuals producing goods and services of value for customers who are themselves members of the ecosystem. The members does include suppliers, lead producers, competitors and other stakeholders including employees and banking institution. Over time, their capabilities and roles evolve. It tend to align themselves with the directions set by one or more central companies. I will expand more about business ecosystems in part three of this series John. Wealth includes profits as well as sales and in particular assets, selected tangible and intellectual assets that let your company continually create wealth. Do you remember the strategic wealth creation formula John?

John: Yeah, of course I do Carlos. Management most important job is to make wise choices in allocating its assets. Anybody can make a profit by throwing a ton of money at assets but very few managers excel at making large profits with very little investment.

Carlos Dias: Let's go back to the third component of awareness, business understanding, then you will understand what connecting dots means for the future of your business. Business understanding means three things for an executive. First, know how a business creates wealth year after year. It means knowing the different leverage point, leverage points John in a business ecosystem where force can be applied. I'm talking particularly about a high leverage point in a business ecosystem, in which a small amount of falls causes a big and good change to the business ecosystem. It lets business continuously create wealth. Second, be able to clear on what event or events you are looking for to connect these different and distant leverage points to attain different strategic goals.

It could be increasing the number of active clients, increasing sales or increasing profits or any other element that will leverage and connected creates wealth in a business. Third, be able to create different repeatable, practical strategic thinking processes for making them scalable, easy to perform and in time, more and more powerful.

John: I see Carlos. Business understanding requires not only intellectual and practical knowledge but commitment to constantly look to find new ways to find leverage points in the business to become better at it. Can you show me an example of connecting leverage points in the business?

Carlos Dias: Of course. Look at the screen John. What do you see?

John: I see an executive with a perplexed state of mind and behind him are the laser sales and wealth creation formulas.

Carlos Dias: What do you see right now on this new screen?

John: I see more words all around them. He's apparently lost. He's really perplexed.

Carlos Dias: Correct John. He has knowledge but he doesn't understand. Why? Because he lacks business understanding. He's unable to shape the unseen. He's unable to shape the unseen John. He is like after reading a bestselling book about how to strategize, a lot of intellectual knowledge but not thinking process to convert theory into practice. Why does this happen? Because most gurus in academics lack business understanding. In fact, most never managed their business, never managed their business, so they cannot transfer skill that they don't have.

John: I see right now how important business understanding is and also understand now why business understanding is under the ordinary skillset taught by academia. I also know the meaning of 85% of executives lacking the skills to make their companies thrive in a fast moving and turbulent world. The growth mindset chart clearly illustrates that.

Carlos Dias: What do you see now John?

John: I see business understanding in action Carlos. It's changing the seen and shaping the unseen. How many leverage points do you have identified Carlos?

Carlos Dias: There are 30 dots in this example and over 20 leverage points in red in this match with a probable over 200 leverage points I have identified and made actionable through thinking processes I developed during my 40 years career. What you don't see yet are the different thinking processes used to connect the dots in a business.

John: I'm compelled to say Carlos how passionate and excited I am about seeing the opportunities my people and I have to acquire business understanding. Any

doubt in my mind that this session represents an inflection point for our business.

Carlos Dias: What you see in this new screen John is the miss in ingredients for success in a fast moving world in our educational system today. I will also suggest to you to pause to let you read the chart.

John: How do I learn business understanding and connecting the dots in my business?

Carlos Dias: In fact John, you and your people have already started to do it and that is how you and your people will look after following our program. I suggest to pause to carefully read all texts in this image. After toolkit number one, you will next learn by doing how to create a unique customer value proposition for your business and for each one of your products, services representing 80% of your sales. Next will be each one of the other four strategic thinking processes. As you see in the screen John, I make a pause to let you read it. Click at the bottom left to advance John. Let's walk through the last three components of awareness John. The fourth is mental models, the power that changes the course of destiny for any business.

John: I have already learned that Carlos. Let me define it to see if I understood why mental models have the power to change the course of my business. A mental model is an explanation of someone's thought processes and how something works in the real imagine world, the relationship between its various parts and the person's intuitive perception about his or her own acts and their consequence.

Carlos Dias: Correct John. You clearly understand why mental models changes the course of destiny. Mental models can help shape individual incorporate behavior. It's a keen to an algorithm, a set of steps or thoughts that has the power to change for better or worst your destiny. Now you clearly see why being in denial make business understanding worthless. You can be an accurate thinker and still fail to succeed John. You can be an accurate thinker and still fail to succeed. Always look for the truth and nothing but the truth. It's mandatory to strategize in a fast moving and turbulent world.

John: Let us walk now through the fifth component of awareness, mindset, growth or fixed. What does that mean?

Carlos Dias: There are people convinced that you are born intelligent or not, so they have a fixed mindset. They believe in IQ tests and if their IQ is low, they conclude they are not smart. Consequently, they think they will never become an accurate thinker executive. They think it's worthless to try to learn new skills. Of course, they are wrong, they are wrong John. Why? Because IQ measures teachable skills, rather than innate ones. I repeat John because it's important. IQ measures teachable skills rather than innate ones. Then you have people like you,

committed to continuously learning to develop new skills they need in a fast moving world. They have a growth mindset.

John: I see Carlos. That is the reason why many CEOs without a growth mindset don't invest in developing in their own or their employee's learning. For them, continuous learning is worthless. They are in fact afraid that if their people learn new skills, they will decide to leave for better pay elsewhere.

Carlos Dias: Yet John the reality is most executives decided to leave a company for lack of opportunities to grow there, not for pay alone. Let's walk through the sixth component of awareness.

John: That is corporate behavior results in habits.

Carlos Dias: Correct John. Corporate behavior is the actions of a company's employees collectively or as a group of people acting as a single body. It defines the company's ethical strategies and awareness. Look at Apple and compare its corporate behavior to Hewlett-Packard, what do you see?

John: I see the corporate behavior at Apple exemplified by its intense worth ethics and professionalism. Although the work environment is relaxed and causal, there was always a very strong commitment at all levels. Analysts summarized the work culture at Apple as fun yet demanding. I'm not sure that that is the case of Hewlett-Packard where they are driven by shareholder value which can explain the poor performance in terms of wealth creation.

Carlos Dias: In fact John, you noted a high awareness level at Apple, always looking for new customer wants more than immediate needs. Here is a company mastering sustainable wealth creation. No doubt about it. Apples masters the six components of awareness described in this session. That is the opposite to Hewlett-Packard, a lag out in regard to releasing new unique products into the market, with a poor culture reflected in its poor financial performance. Well, it's here that we come to the end of our session John. That is the first part awareness of three sessions in which I will introduce you to the three fundamental components to succeed in a fast moving and turbulent time.

John: Thanks Carlos for this exciting mentoring session and thanks for recording this session. It will be mandatory for my people to listen and watch it.

Carlos Dias: I appreciate your comments very much. You are very welcome John.