Executive Summaries

Putting Purpose into Practice: How Companies Can Deliver. **Paul Washington**, The Conference Board and **Thomas Singer**, The Conference Board

Investors and business leaders are calling on companies to articulate their purpose and the effects are beginning to show. Over the last five years, the number of companies in the S&P Global 1200 that have published purpose statements has almost tripled. But with limited guidance on this topic, companies may struggle to define what purpose even means, let alone to choose a purpose, articulate it, and put it into practice.

We offer practical guidance based on extensive interviews with executives at fifteen purpose-driven companies. When choosing their purpose, companies should ensure that it is closely tethered to the company's business culture; in articulating that purpose, they must focus on authenticity, composing statements that are aspirational but not generic. The board should engage deeply with vetting and approving their company's purpose, remaining mindful of the benefits and costs of implementing a purpose statement. Before putting the purpose into practice, company leaders should determine how the purpose will be governed, executed, and embedded into the organization. Crucially, companies must have a plan for when profitable opportunities are inconsistent with their purpose.

Corporate Responsibility in a COVID-19 World. **Paul A. Argenti**, The Tuck School of Business at Dartmouth

Is it the responsibility of companies to create value for shareholders alone or for all stakeholders? Can corporations behave responsibly in the Covid-19 era? If so, what does that look like? First, companies must take care of their own, viewing employees as assets, not liabilities. The reputations of those that have not taken this approach are suffering considerable damage. Next, companies must turn their attention to how core customers are affected by the pandemic and find ways to acknowledge this impact without exploiting the tragedy. They should also consider going above and beyond, finding more direct financial means by which to support their customers, from extending loyalty programs to relaxing terms of payment. Finally, companies must support their broader communities as much as possible. If they want to be remembered after this crisis for their responsible actions, companies and other large institutions, like hospitals and universities, will not be well served by a short-term financial focus. If ever there was a time to concentrate on the long-term and to think about the opportunity that comes from a crisis, that time is now.

Forget Dumb Luck - Try Smart Luck: Strategies to Get Lady Fortune on Your Side. **Paul J. H. Schoemaker**, The Wharton School, University of Pennsylvania

Effective leaders enhance their control over an uncertain world through scenario analysis, competitive gaming, options planning, simulation, and more. They recognize the surprising benefits that can result from taking a strategic approach to the uncontrollable elements of the future. While uncertainty is inherently hard to plan for, let alone control, these leaders believe that luck should not be left entirely to chance. Easy enough to say, but how can you learn the tactics that will allow you to shape new opportunities, recognize situations in which chance favors you, and seize those moments when they arise. I have distilled various meta-strategies which we can all use - in our professional and personal lives - to encourage Lady Fortune to smile on us more often. This approach entails moving away from a reliance on "dumb luck" and toward strategies for "smart luck." This reorientation will result in a rich stream of new opportunities wherever luck can strike. My strategic advice applies to individual managers as well as groups and entire organizations, so long as their leaders inculcate the right mindset.

A Future of Work and Organizations.

Arvind Malhotra, Kenan-Flagler Business School, University of North Carolina at Chapel Hill; **Ann Majchrzak**, Marshall School of Business, University of Southern California; and **Alpheus Bingham**, InnoCentive

Autonomy is central to the future of work and therefore to organizing that work. Future workers will demand three types of autonomy: temporal, locational, and affiliative. The organizations that accommodate these three kinds of autonomy will be "flash powered." Flash powered organizations are globally distributed collections of autonomous workers who briefly come together to address a particular complex innovation challenge. Most members of these flash crowds are freelancers rather than employees of the organization in the conventional sense. Flash powered organizations promote collective knowledge production, using technology platforms which allow those with the pertinent knowledge to share multiple perspectives that constantly redefine the central problem while solving it. The future of work will also be shaped by the concurrent increase in autonomy for human workers and the automation that reduces the need for them. The result will be "humobotic" work: coproduction by humans and machines working together. This fourth industrial revolution will require managers and researchers to think deeply about emergent issues such as how to attract autonomous talent by designing more meaningful work, creating the right motivation, and defining the role of future organizations.

Managing Mergers and Acquisitions: Perspectives from Human Resources.

Stefan Wuorinen, Broad College of Business, Michigan State University; **Brian A. Burgess**, Broad College of Business, Michigan State University; and **Patrick M. Wright**, Darla Moore School of Business, University of South Carolina

For decades, there has been pervasive evidence that mergers and acquisitions (M&A) often fail to meet their expected financial targets. Although researchers have suggested that many of the factors which contribute to suboptimal acquisition outcomes are "people issues," acquisition planners frequently give little thought to the people question. The human challenges of M&A are a core concern for human resource (HR) professionals, though they are often granted little influence in acquisition planning. We interviewed Fortune 500 Chief HR Officers to better understand common M&A HR challenges and to develop a set of recommendations for increasing HR's effectiveness during acquisitions. The collective insights of our participants provide an extensive list of considerations that can help to facilitate firm integration, manage people issues, and improve acquisition performance. The most critical points include creating a clear vision for the acquisition, managing cultural differences, prioritizing the retention of key talent, and clear communication between organizations. Our interviewees also suggested that a holistic understanding of the business strategy would make HR practitioners valuable contributors to strategy from early in the acquisition process.

Why You Need an Operating Model: To Align Your People and Deliver Your Strategy.

Andrew Campbell, Ashridge Executive Education and **Mikel Gutierrez**, Siemens Gamesa Renewable Energy

For most organizations, there is a gap between strategies and results. This gap is caused by one of three things: a failure of design, in which insufficient effort or skill is put into designing the operational changes necessary to make the strategy possible; a failure of transformation, in which the organization is not sufficiently transformed to the new design; or a failure of management, in which the transformed organization is not managed in ways that bring the strategy to fruition. Most research to date has focused on the latter two reasons, failures of transformation and of management. The first reason, failure of design, can be addressed using something we call the Operating Model Canvas, along with a related set of tools. This method converts strategy into a high-level operating model which includes process maps, organization design, IT systems, locations, supplier relationships, a management calendar, and a scorecard. This high-level design is then used to guide more detailed planning and the transformation process.

Value Lab: A Tool for Entrepreneurial Strategy.

Teppo Felin, Utah State University & Oxford University; **Alfonso Gambardella**, Bocconi University; and **Todd Zenger**, University of Utah

To truly create new value, you need a theory. A theory helps you to see what others can't. Through contrarian or unique beliefs, a firm creates the underlying raw material for its theory of value. But unless you identify the specific obstacles to your contrarian beliefs, they are no more than cheap talk. Formulating and solving problems is therefore at the very heart of any theory of value. By identifying the right problems, you can spot valuable solutions, find bargains on assets, and make the right investments. And with a theory you can be more scientific about creating value by performing the right experiments. By developing their own theory of value, both start-ups and established businesses can draw the right lessons from their experiments and, if necessary, pivot accordingly. Perhaps most importantly, you can't rely on generic approaches or best practices to guide your strategy—you need a theory of your own. It will change how you see the world, allowing you to outthink competitors and create value unique to your firm.

Money or Friendship? Winning over Customers.
Kihyun Hannah Kim, Rutgers University and **V. Kumar**, Indian School of Business

Most firms devote significant resources to direct marketing in an effort to maintain close relationships with their customers. Nonetheless, we have a limited understanding of *when* to deliver *what* type of message to *which* customer. Direct marketing generally offers either *monetary* or *relational* value. Firms can therefore benefit from understanding how customers evaluate the marketing communications that influence their buying behavior. We tracked the marketing and transaction data of a sample of customers from four firms and analyzed customer responses to marketing messages. We first applied our empirical approach to a single firm, a *Fortune* 500 business-to-business (B2B) service firm. We concluded that (i) customer purchase behavior is affected by both types of communications in ways that interact and vary over time, (ii) past experiences influence customer purchases, and (iii) by understanding customers' preferences and spending accordingly, this firm could expect a revenue increase of 8.3 percent ($2.5 million) over four years. We then found that, by using this model, the other three firms could also expect an annual revenue increase of 2.1 to 3.2 percent. Moreover, by increasing their spending on marketing messages by 5 percent, they could increase revenue by more than 20 percent.

Admiral Jacky Fisher and the Art of Disruptive Leadership.
Jan-Benedict Steenkamp, University of North Carolina

Corporate leaders strive to achieve disruptive leadership. Yet any disruption you engineer is likely to meet with organizational resistance, which can bring you abruptly down. So what makes an effective disruptive leader? Admiral Jacky Fisher knew. He led the immensely powerful British Royal Navy between 1904 and 1910. In that time, he drove through a complete restructuring of the organization, cut countless serviceable business lines (ships), and introduced a new product (H.M.S *Dreadnought*) that made the organization's existing business, in which it had a commanding lead over its competitors, obsolete overnight. And he accomplished all that against fierce resistance both from within the organization and from outside stakeholders. Without his leadership, few doubt that the Allies would have lost World War I. Fisher's leadership illustrates six key factors in leading disruptive change. He was a brainiac; was always willing to disrupt his own frame of reference; prioritized the long-term over the short-term; had a high tolerance for uncertainty; was passionate about his organization; and developed a disruptive network of followers who helped him in his work and carried his torch onwards. Disruptive leaders of the 21st century have a great deal to learn from the leadership of Admiral Jacky Fisher.

Nobel Laureate Harry Markowitz: Creator of the Modern Portfolio Theory.
Suresh P. Sethi, The University of Texas at Dallas

Harry Markowitz's modern portfolio theory, by demonstrating that portfolio diversification can reduce investment risk, has become the bedrock of investment management practice and earned Markowitz the Nobel Memorial Prize in Economic Sciences. Modern money managers create optimal portfolios for their clients by maximizing the expected return for a specified risk tolerance. Trillions of dollars in institutional assets are invested under modern portfolio theory guidelines. Markowitz's portfolio theory also laid the foundation for the capital asset pricing model, a theory of price formation for financial assets.