



Welcome to the first issue of the Stemke Consulting Group’s Know-How Newsletter. Our purpose is to share ideas and stimulate discussion to help you achieve outcomes in business growth, talent development, cost optimization and innovation. As you’ll see in the first article, these are the top priorities of CEOs around the world.

This journal is intended to be a living document. Each item starts out as an entry in the [Know-How Journal](#) blog. At the bottom of each item is a link to the blog entry. I hope you will help make this a conversation by sharing your ideas and comments on the blog.

--Jeff

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## What Keeps Your CEO Awake?

Annual surveys by [The Conference Board](#) (CB) and [PricewaterhouseCoopers](#) (PwC) ask hundreds of CEOs to identify their top business priorities. In 2011, both surveys found very similar results. The Conference Board identified and ranked the following priorities:

1. Business growth
2. Talent development
3. Cost optimization
4. Innovation
5. Government regulations

It is not surprising that all of the challenges relate to business growth. Talent, cost and innovation are clearly sources for both top and bottom line growth in both revenue and markets. Government regulation varies widely on a global scale; it can create obstacles or provide assistance.

The CB survey also asked about specific strategies that CEOs planned to implement for each challenge. As summarized below, strategies focus on business elements ranging from products and services to

processes, business models and organization structure. Talent management and innovation are common themes. Effective execution will require alignment, coordination and teamwork across multiple business units and corporate functions.

### Top Strategies for U.S. CEOs

**Business growth** relies on new ideas, new products and new markets, all of which are dependent on people with the right skills, experience and relationships. Strategies include: introducing innovation and new value propositions, entering or expanding into new customer segments and entering or expanding into emerging markets.

**Talent development** processes are recognized as key business strategies for the entire workforce. Strategies include: improving leadership development programs to grow talent internally; enhancing effectiveness of the senior management team; providing employee training and development and improving leadership succession planning. Employee skills and experience at all levels need to be aligned with innovation and productivity goals.

**Cost Optimization** in the form of continual improvements in processes and productivity are critical to dealing with rapid change, increased competition and sustainable long-term growth. Strategies include: redesigning business processes, improving employee productivity, investing in new technologies and automation and achieving economies of scale. Outsourcing and downsizing rank far down the list.

**Innovation** is another critical driver of business growth that focuses on culture, talent, technology and strategic partnerships. Strategies include: applying new technologies (e.g., product, process, and information);

fostering entrepreneurship, innovation, and appropriate risk taking; engaging in strategic alliances with customers, suppliers, and/or other business partners and finding, engaging, and motivating key talent. Strong, consistent leadership is necessary to build a culture that can balance the short-term focus on cost and productivity with the longer-term rewards and risk-taking necessary for innovation.

The PwC survey presents additional insights on growth, talent and innovation. As the global economy picks up, business growth is targeting increased revenues in regions where recoveries are strong. CEOs identified three focal points to drive strategic change internationally: innovation, talent and a shared agenda with government.

Strategies for managing talent are seeing the largest increase in effort as “66% of CEOs report that a lack of the right skills is their biggest challenge.” Compared to the last few years of cost cutting, lower hiring and less than anticipated retirement, companies are now seeing shortages of people with the right skills, particularly in their target international markets. PwC’s report draws the following conclusions:

- The talent crisis is here and is threatening business growth and prosperity.
- There is a lack of understanding of what talent management really means and how to create a sustainable talent pipeline for the long term.
- Many companies do not know who their key talent is and whether existing incentive models sufficiently reduce the risks and impact of losing that talent.
- Only the most forward looking companies are executing processes most likely to deliver real competitive advantage. Most are doing what they’ve always done, which may not be good enough.
- The HR function will be a critical business partner in achieving long-term growth. They need to be accountable for the strategic thinking about human capital and for helping business units execute necessary actions.

The PwC report also contains an in-depth assessment of innovation practices. That section establishes the imperative for innovation; it highlights several

management misconceptions and how to correct them and it describes how to set the stage for success.

Today’s CEOs are facing significant challenges and strenuous competition in achieving desired business growth. Forces such as globalization and information technology have leveled the business playing field. People will be the major differentiator. Talent and skills, workforce performance, productivity and innovation supported by a culture that develops and rewards employees and creates successful partnerships are common threads that connect the top priority challenges and strategies. Successful, sustained efforts in these areas will require strong, consistent and visionary leadership.

#### References:

- “The Conference Board CEO Challenge 2011: Fueling Business Growth with Innovation and Talent Development”, The Conference Board, 2011
- “14<sup>th</sup> Annual CEO Survey”, PricewaterhouseCoopers, 2011

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## Book Review – That Used To Be Us

“[That Used to Be Us](#)”, by Thomas L. Friedman and Michael Mandelbaum, Farrar, Straus and Giroux (2011)

America, considered the world’s dominant political, economic, cultural and philanthropic force for most of the twentieth century, is struggling to remain a superpower. Since the end of the Cold War, the nature of life and work has changed slowly but relentlessly. Friedman and Mandelbaum recount the many alterations: we’ve outsourced much of our blue collar manufacturing jobs, other countries now supply talented white collar resources at lower cost, infrastructure is crumbling, and a partisan legislature is largely paralyzed – forgetting how to compromise but not how to spend. Progress is slowing to a crawl; we’ve lost our focus and our optimism is turning into frustration. We’re lamenting: “That used to be us” while China is striving to take our place.

The authors identify four major forces responsible for changing the playing field: globalization, information technology, soaring budget deficits and the energy demand and climate change imbalance. Most of us seem to have been caught by surprise. It took decades to get to the current state. There aren't any quick solutions.

The authors recommend a package of long-term actions including: political compromise on regulation, immigration, taxes and spending; accepting the reality of global warming; reducing our reliance on fossil fuels and achieving major changes in the education system.

A focus on knowledge and knowledge transfer is an important factor. Millennials are entering the workforce with suboptimal math, science and critical thinking skills. Older generations need to be reskilled as their jobs have changed due to globalization and digital technologies. Policies and shaping behaviors affecting learning, saving and entrepreneurialism need to be priorities.

The problems and proposed solutions are not new. But Friedman and Mandelbaum have done an excellent and comprehensive job organizing and reporting the story. Right now it is hard to see how we can escape from our current short-term focus to begin planning meaningful, long-term change. The authors suggest creating a new "national challenge" such as green energy as we did successfully with the "space race" in the 50's and 60's. That idea nicely addresses many of the forces we must manage.

The authors are optimistic that there is time to make a difference. It is a cause that impacts each of us.

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To learn how you can unlock the value of knowledge to achieve outcomes such as business growth, talent development, cost reduction and innovation, contact Jeff at:

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## The Buzz – Interesting Posts

- The [KM Meta Model](#), an online concept map shows the factors that drive successful KM programs and the ways in which those drivers impact an organization. Created by Brian Moon and David Griffiths (LinkedIn)
- [How can you retain the knowledge of a departing manager?](#) – a discussion of practical ideas and wishful thinking. Started by Jayne Musumba (LinkedIn)
- [Most crucial trends in KM](#) captures thoughts on the future of knowledge management. By Arno Boersma (CKO Forum - LinkedIn)
- Interested in social network analysis? This methodology provides an excellent way to map the invisible flows of knowledge, influence and work to see what is actually happening in organizations and processes. Here's a [list of practitioners](#) collected by John Maloney.

## "Know" Brainer – Thoughts on Knowledge Transfer

[Best Practices – Love 'Em and Hate 'Em](#), YouTube video with Tom Peters explaining that following best practices as a business strategy can be effective, or not.

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## "No" Brainer – Examples of "Not So Great" Practices

[Bad News About Multi-tasking](#) (Michael Lovitch)

Do you sit in meetings where people have their laptops open, responding to email or IM? Do they say, "Can you repeat that?" when asked for comments?

This article presents the scary idea that multi-tasking negatively affects performance and can actually lower your ability to pay attention and juggle tasks.

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