

# **Cultivating the Strategic Mind**

# Cultivating the Strategic Mind

Growing from Leader to  
*Visionary, Creator, and Architect* of Strategy

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# I Foundations

*When I was a child, I spoke as a child, I understood as a child, I thought as a child — but when I became a man, I put away childish things.*

1 Corinthians 13:11

# Disillusionment

## Monday, December 22nd/3:50 PM

We stood on the cool marble floor within a quietly cavernous corporate lobby. With just three days to go before Christmas, there was an unusual urgency in the request to meet with a colleague and me. Generally, the last two weeks of our year are quiet, and while the prospect's corporate offices were an eerie ghost town, we took it on good faith the meeting could not wait. We were told it would be imperative to begin fleshing out some sort of strategy for this potential client prior to his year-end.

Momentarily, a purposeful-looking assistant exited the elevator and motioned us to step inside. We ascended soundlessly to the 25th floor and into the living-room-like office. Sinking deeply into the rich, warm leather chairs, we awaited our C-level executive at CorpBank<sup>5</sup>, a growing financial company with many divisions and thousands upon thousands of employees. Within minutes, a striking man in crisp attire entered and shook our hands firmly. He was tall and, though not the CEO, had silver "CEO hair," as a friend likes to say. Very quickly, we huddled around an intimate coffee table and my colleague and I became enraptured as Mr. Kane revealed the business challenges and aspirations of his organization. Arms flailing, knees bouncing, and periodically pacing across the plush carpet, Mr. Kane's overview ranged from a diatribe of CorpBank's missteps to an exoneration by way of its noble intentions. He passionately poked at every nook and cranny of the business, from his peer group to business development to paperwork hassles and ethical quandaries. By the time he completed exorcising many demons and outlining a few dreams, his muscular frame had begun to shine with the sweat of his effort. Our hair was blown by the wind of his rhetoric, and we had a fairly complete first impression of the business, its history, its outlook on the future, and the current state of employee morale and the culture.

We arrived at five perceptions that we shared with Mr. Kane:

1. The industry was consolidating, and within five years it would likely be dominated by just three primary players, with also-rans being relegated to niche positions in the marketplace. The organization was committed to being one of these top three players.
2. The culture was atrocious, with exactly half of all newly hired employees leaving within six months. For every 1,000 employees hired, 500 would be gone within the first 180 days. Within one division alone, turnover costs topped \$46,000,000 in 2001. The organization was viewed by most employees as a sweatshop, and there was an appalling paucity of leadership bench strength. Most employees described their leaders as supervisors or managers, not leaders.

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<sup>5</sup> To preserve anonymity, a pseudonym has been created.

3. There was significant churn at the highest echelons of the company, with transparent political jockeying and positioning occurring on a regular basis.
4. Employees were paid extremely well, and strictly monetary compensation had long been the only carrot to assuage the sweatshop culture.
5. There were many *undiscussables* in the organization, ranging from a hostile work environment, management by fear, employee fraud, ill-equipped individuals in positions of power, and total disillusionment among most employees.

As we summarized these themes, we described the importance of leadership and culture but found Mr. Kane uncomfortable with these topics. “*Culture?* I don’t like that word. Too touchy-feely. If we engage you, you can’t use words like that. Use *company*. And don’t use the word *organization*. Too nondescript and airy-fairy. *Leadership?* This is a company that has thrived historically because of management practices, not leadership. I’m sure leadership has merit, but it’s hardly part of our company and I don’t know that anyone here could wrap his arms around what *leadership* means.”

Like a bloodhound on a scent, Mr. Kane repetitively and pathologically chased quantitative metrics of the business. Most everything he alluded to as indices of success was numerical. I asked what I thought to be a necessary and fair question. “Does CorpBank value things that are immeasurable?”

“Like what?” he asked.

“Well, I don’t know. Say...trust, direction, operating principles?”

“No. While I can’t speak for anyone else, I – myself – wouldn’t even know where to begin measuring things like that. I suppose I’d have to look at what the outcomes of those things are, then find a way to measure those.”

“I find it interesting,” I said, “working with so many organizations...um, *companies*, I mean...that adhere to an ‘if we can’t measure it, we don’t do it’ mentality.”

“Why is that *interesting?* It seems only *logical.*”

“Well, sure. Logical. But that’s the point,” I said. “Some of the most important aspects of the human condition – the things that define us as living critters – are immeasurable. Without them, life would be meaningless. And to ignore them; to de-value them because they’re immeasurable, is to miss the largest puzzle piece, and frankly – creates a company with no soul. A company that, yes, though rooted in logic, fails to appeal to the most natural and intrinsic motivators available.”

“Give me an example,” he said.

“I’ll give you ten. Faith, hope, love, justice, liberty, freedom, compassion, engagement, connectedness, purpose. Without these, and others like them, what sort of workplace does one create? A sterile, clinical lab – nothing more. As people – as employees – we hunger for elements like these, not for the metrics you rattled off. Sure, those are helpful, if only because they’re measurable. But they’re lame surrogates for what really matters. Consider this, for example. What’s the difference between Nordstrom and JC Penney? Between Starbucks and Seattle’s Best? Between Southwest Airlines and practically every airline? I hate to say it, Mr. Kane – because you won’t like the answer. But frankly, the difference is leadership and culture and, as a result, the experience that is created...for both the employees who work and live there, as well as the customers who

interact with them. Yes, these organizations have many measurables, and for good reason. But unlike CorpBank, they *get it* and understand that what you dismiss as *the soft stuff* is actually the hardest stuff, and they work at it daily.”

Over the course of our dialogue, Mr. Kane became increasingly intrigued with our impressions. He agreed that our summary was on-target, but it would be a gross exaggeration on my part to say that he became a convert during our hours together. I remained disappointed by his reliance on economic and measurable indicators (to the exclusion of those more intangible factors that were clearly roiling beneath the surface). What he could not measure or point to within his massive three-ring binders held little interest or sway with him; this man was a metrics-guy, not an intuitive, visceral, gut-guy. I’m sure his *logic-only* approach had served him well throughout his career, but like many blind spots...we don’t know what we don’t know, and I sensed this absence of self-awareness might prove challenging going forward. Fortunately, in the current conversation, he was clearly distressed by the turnover, the politics, the “culture” – and although the organization was having an incomprehensibly wonderful financial year – I believe he became more open-minded about the softer underbelly of the organization (leadership and culture) being at the root of many of the business’ ailments. In the end, however, these issues perhaps remained too trivial, as they eventually seemed to be eclipsed by things he could measure. This was a financial enterprise, after all, and without issues submitting to numerical inquiry, they were anomalous, and as such – unworthy of study and analysis. This is an all too common reality in business, both domestically and internationally, as we’ll explore in greater detail later.

My colleague and I concluded the meeting with a few specific action items that would be addressed the following week and wished Mr. Kane a great holiday. “I’ll be here while most of my employees are taking a day to spend with their families, so I’m not sure how great it’ll be. We desperately need to turn this ship around though, or we’re going to lose anyone who has alternatives. I look forward to your help and am ready to start as soon as you are.”

We left carrying the ominous weight of Mr. Kane’s concerns and fatigue. We agreed to begin work imminently, and Mr. Kane’s organization contracted with us to bring our full resources to bear on the problems and opportunities.

I share this CorpBank story for many reasons, but primarily because it is a wonderful cautionary tale that is representative of the much larger reality: too few leaders are strategists and subsequently, few strategies are holistic enough to account for all the elements required by contemporary organizations. As the CorpBank project moved forward, Mr. Kane’s commitments to us were more frequently broken, his attention waned, and he was embroiled in the ongoing issues he described to us weeks prior. He postponed appointments, became less available, and was altogether distracted with sales, volume, and economic interests. The market was great in 2004, the margins were healthy, and hundreds of individuals became quite wealthy. It was not unusual at all to see a thirty-year-old employee without a college degree driving a Lamborghini, Ferrari, or Rolls Royce to the office. Thirty-somethings were frequently earning \$600,000 to \$2,000,000 per year, and we learned of one gentleman in his early forties who earned no less than \$1,000,000 in commissions each month for twelve months in a row.

Financially, the organization was an unstoppable juggernaut, the market was burgeoning, and those who survived thrived.

It was during this year of financial overflow that we were ultimately tasked with building a curriculum for leaders. A “rainy day” curriculum as Mr. Kane described it, “so when the market tanks, we’ll have real leaders in place.” Disappointingly, our advice to respect the Peter Principle and not promote people based solely on personal financial production went unheard, and more and more individual producers were promoted into the ranks of management. Cancer continued to spread clandestinely throughout the organization. Mr. Kane and the entire Learning & Organizational Development group viewed *training* as the answer, whereas we know from the field that real solutions arise from formulas that include job structure, special projects, role models, feedback, informal and formal coaching, mentoring, evaluation, linking behaviors to compensation plans, job rotation, developmental plans, and yes...external or internal training.

Detached from the organizational and operational processes that generally increase the likelihood of success, our leadership “project” devolved and we were handed-off to no less than four subordinates across the next fourteen months. The Friday before our alpha-pilot for the new curriculum was unveiled to twenty participants who had flown in from across the country, Mr. Kane’s right-hand man stormed out of a meeting and tendered his resignation. Mr. Kane continued leading (managing?) an extremely dysfunctional business, leadership staff, and management population through a declining market.

Where was the *Strategic Mind* in all this? It could not be found among the physicists at corporate who had designed the most sophisticated software in the industry. It could not be found along mahogany row, where politics and fear ruled the day. It could not be found in Mr. Kane’s office four years ago, or today. This organization blossoms more like the poisoned rose or a Greek tragedy than anything else, with lessons and morality tales popping up week after week. There was no evidence of *systems thinking* or the *Strategic Triune* or the six elements of the *Mind Map* (each of which we’ll explore in Part Two). Only hubris was demonstrated by ignoring the aspects of the *Omniscience Octagon* (also explored in Part Two and which would have provided a roadmap for resolving CorpBank’s many challenges with respect to culture, employees, and environmental realities and future) and CorpBank’s culture continues to devalue and thwart employee involvement or constructive criticism. The *Four Pillars* (Part Three) of great organizations were largely ignored, with only one-and-a-half of the four pillars really mattering to this organization: *processes/performance* and *sales*. As a result, the customer service side of the organization has been downsized and complaining customers have fewer venues in which they can resolve their issues. Fascinatingly, CorpBank is so vilified by many angry customers and former and current employees alike that a hateful web site sprang up that airs its dirty laundry on a real-time basis. I occasionally observed employees contributing to the web site from within their cubicles – just feet away from their managers.

“You know, Blake,” the right-hand-man said two weeks after he left, “you told us three years ago that turning a blind eye to leadership would be our downfall. We paid marginal attention to your input, mostly because we were successful in spite of ourselves. In hindsight, leadership should have been our primary focus, because it’s clear to me today

that financial success is not sustainable in a culture without strong, ethical leaders. Ironically, for years I had so many staffers tell me that CorpBank treats people like crap, but it wasn't until I experienced it in the past few weeks that I appreciated the gravity of their comments. If I had to do it all over again, and I know I will somewhere else, I would have spent 80% of my time building leaders and a healthy culture rather than focusing so exclusively on paying producers and selling my soul for the sake of volume and margin."

Today, CorpBank remains economically viable, albeit marginalized. It is not one of the primary players in the market as hoped, and with the retirement of key leaders looming on the horizon, its fate remains more precarious than ever. Turnover has increased as the juicy, red portions of the market watermelon have been consumed by the ordinary, and only the most savvy employees can survive while squabbling over the rind that remains. Literally thousands of employees have joined the exodus of the company in the past year and the venomous web site hosted by employees and irate customers denouncing CorpBank's leadership and cultural practices grows exponentially month after month.

Most of us know someone who has lived the experiences described in my recollections. Employers who focus solely on what's most measurable miss an important truth: "*People will forget what you said, people will forget what you did, but people will never forget how you made them feel.*"<sup>6</sup> Companies that pursue extrinsic, financial rewards at the expense of something more meaningful build their house on shifting sands. From beginning to end, this story is a solid illustration of the *absence* of a *Strategic Mind*. We generally learn far more from our failures than our successes and from life's harder roads than its easier ones. This is true for all of us, and particularly for the strategist.

In subsequent months following our efforts to help CorpBank, we were approached by a half-dozen exiting executives seeking employment and each of them had a journal-full of horror stories about the internal machinations of their former employer. Individually, each story would warrant a chapter unto itself. Collectively, they are discouraging commentaries on the sins of man, ranging from sexual escapades and blackmail to drug addiction and customer identity theft. Where in this darkness was leadership? Shockingly, in more instances than I care to recall, we were told that many of these acts were committed *by* leadership, and it is likely that, in time, CorpBank's economic glory will be reduced to rubble like Sodom and Gomorrah.

The CorpBank story reveals some *good news* and some *bad news*. Among the *good news* are these morsels:

1. Thanks to the internet, we live in a world where *Information Leveling* and *Knowledge Parity* are omnipresent. Via Google, blogs, and grass roots web sites like [www.consumerdemocracy.com](http://www.consumerdemocracy.com)<sup>7</sup>, consumers can now have a united voice – and with voice comes influence and power. CorpBank and other

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<sup>6</sup> The venerable Maya Angelou.

<sup>7</sup> See also, [www.mouthshut.com](http://www.mouthshut.com), [www.my3cents.com](http://www.my3cents.com), and mainstays like [www.consumerreports.com](http://www.consumerreports.com) or [www.epinion.com](http://www.epinion.com).

large employers that have provided less than desirable service to employees and customers alike are frequently exposed on the world wide web. Skulduggery is now met with spotlights, empowering consumers by the millions to make more informed choices. With so much information at our disposal, the adage *caveat emptor*<sup>8</sup> is less foreboding than before.

2. The Sarbanes-Oxley Act (SOX), created in the wake of corporate scandals and investigations involving Enron, Worldcom, Global Crossing, Tyco, Peregrine Systems, iVillage, Adelphia, HealthSouth, McKesson, Qwest, and others, represents a watershed event in contemporary American business. Transparency and telling the truth are the orders of the day, and it is extremely hazardous for organizations to engage in even the most remotely questionable activities with regard to reporting their earnings and opening their books. I believe this transparency will permeate beyond accounting practices and eventually extend well into the practices of management and how leaders interact with employees. While there will be no equivalent to SOX with respect to “leadership,” the ongoing influence of unions in this country, combined with the war for talent and a general leader deficit following the Boomers will afford job candidates more choices than ever before, requiring leaders to not only be on their best behavior, but to be the best in as many aspects as possible.

*The bad news* is this: Despite being several centuries into the social sciences and study of organizations, more downfalls occur for timeless reasons like *the nature of humankind* rather than ignorance. As English historian J.A. Froude wrote in the 1800s, “Morality sees farther than intellect.” This is a reminder that, despite our intellectual progress and capacity to access and perhaps even ingest more knowledge and best practices, it is our morality, not our cognition, that often betrays us. And so, while *Cultivating the Strategic Mind* and the preceding centuries’ volumes of scholarly pursuits certainly steady our aim, it is our dark hearts that destroy. While we cannot leave such important discourses to the moral philosophers alone, I will limit my focus a bit herein, or else succumb to scope-creep, thereby diluting my aim with this book and unwittingly undermining its intentions.

Going forward, there are many changes astir that bode well for our collective futures and, specifically, that bode well for future strategists. The world is changing dramatically and our children are being born into a reality that values interdisciplinarity more than ever before.<sup>9</sup> Whereas many educational systems in the prior century erred by creating

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<sup>8</sup> “*Let the buyer beware.*”

<sup>9</sup> *The World is Flat*, by Thomas Friedman, is a great discourse on the value of interdisciplinarity. See also *How to Bring Our Schools Out of the 20th Century* pp. 52-56, TIME Magazine, December 18, 2006. One of the most progressive adult-education programs in the United States is provided by Union Institute & University, [www.tui.edu](http://www.tui.edu). Sadly, because its rich, interdisciplinary, meaningful, and student-centric approach is unorthodox in the United States and doesn’t readily lend itself to quantitative analysis, the school fails to appear on many prestigious academic lists. *Transformational education* is difficult to quantify using anachronistic scales.

graduates described as “an inch wide and a mile deep,” progressive schools are seeing the light and returning to more traditional (which is to say, ironically, what some might view as more progressive) educational systems. Learners in ancient Greece, Rome, or during the Renaissance experienced tremendous cross-pollination of knowledge, but we somehow got off track in recent years, pumping out students who knew everything about the pinhead, but very little about the world beyond. Sadly, this hindered society’s ability to provide the ideal soil in which to grow strategists, because the best strategists are more likely to spring from well-rounded, fertile, and deep environments than from rocky, dry, or shallow ones.

## Personal Case Study

### Anticipate the Application

I recall a gentleman named John who shared a story with me about his first *plowing* experience. His father harnessed the horse, attached the plow, and handed the young boy the reins departing with: “I’ll come back to check on you at lunch.” Hours later, his father returned only to find the most unparallel rows of plowed soil he’d ever seen. John described his approach: “I was really focused, Pa. I studied the ground and worked really hard to keep ‘er straight, but now that I look back across, everything’s zig-zaggy.” To this his father replied, “In the afternoon, just plow to the barn over yonder, son. Keep your head steady and your eyes fixed on the barn and you’ll be able to keep ‘er straight.”

I love this story and have since the moment I heard it. It is such a simple reminder of the importance of vision and the weakness of fixating on things held too close to us. I share it now for this reason: before we hop entirely on this little raft together and push ourselves from the tranquility of the shore, it might be good to visualize a destination and pre-think what you hope to get out of our journey. *Cultivating the Strategic Mind* is not for everyone. I have worked tirelessly, not to create something light and airy, but rather, of substance. Sure, if I have succeeded in some small way at making the content easy and breezy like an Airwick™ commercial, that’s fantastic and an added bonus, but by its very nature, strategy is a layered topic (though often made more complex than it should be). I have done my best to make the lessons portable and pragmatic, but there are certainly some chapters that will be much more meaningful if they receive your full attention and reflection.

To get started – *plowing to the barn* – please answer the following five questions before continuing:

1. What is strategy?

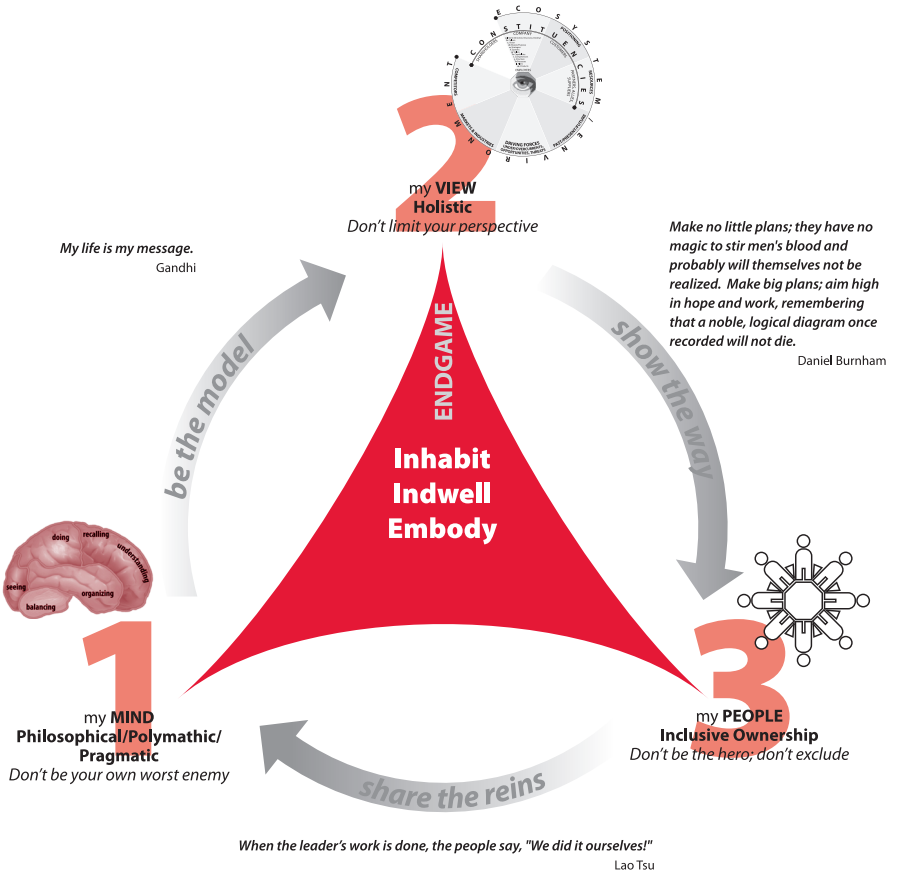


Figure 1: The Strategic Triune

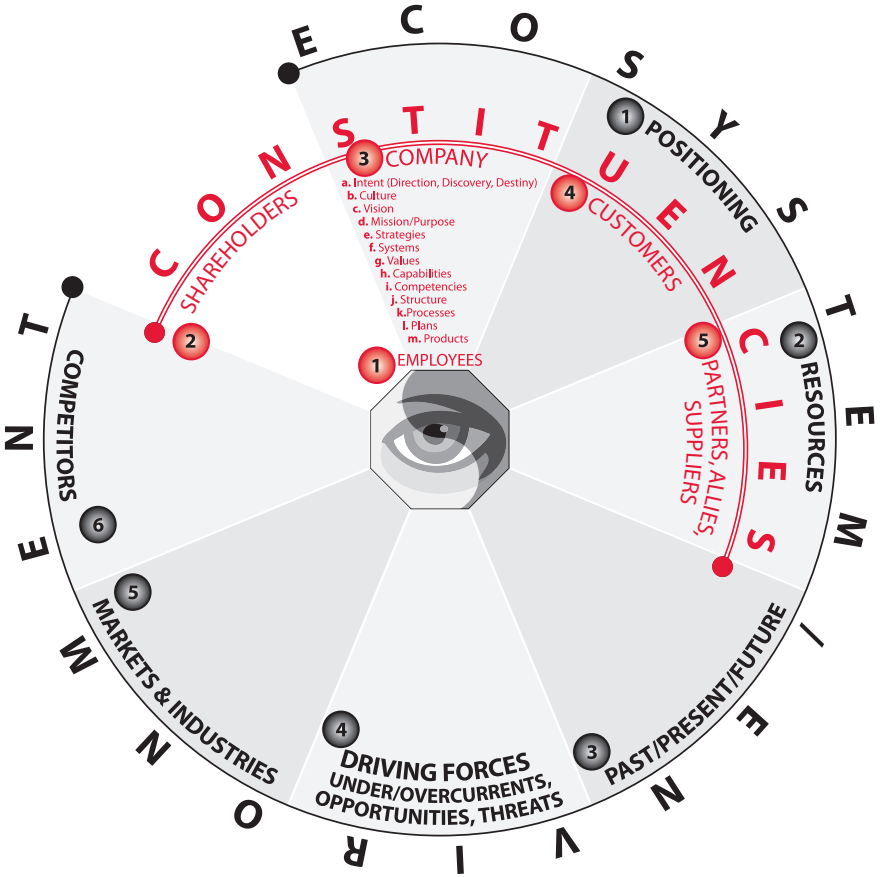


Figure 3: The Omniscience Octagon