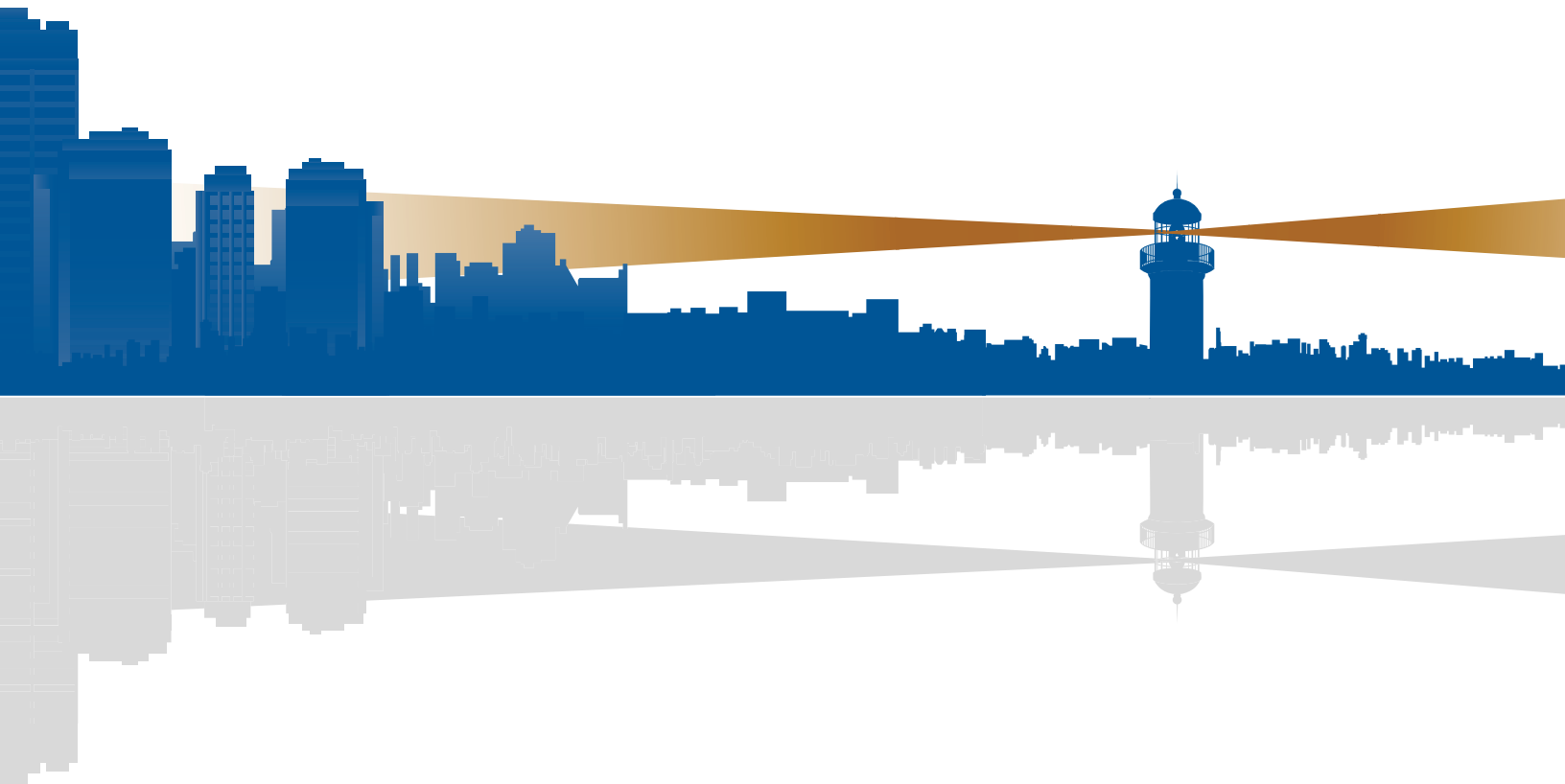




THE BEACON GROUP

Survivor's Guide to the Unfolding Universe

First Quarter Report
April 2009



Executive Report on Leadership & Business Strategy Effectiveness
- as impacted by the current global economic crisis





In My View ...

In recent months we have talked to a wide variety of executives, in a wide variety of industries, across a wide variety of geographies. During the course of those conversations we have obtained what we believe is a unique insight into what is happening around us, and we wanted to share it with you.

In fact, we intend to publish a Quarterly Report with updates on the unfolding universe, as we see it. This is the first such report.

At the end of the day, our objective is to provide you with fresh and unique perspective and we hope it will be of some value as you and your colleagues continue to face the challenges of the current times. Our views are summarized in a provocative manner and, perhaps, we even dare to challenge some conventional thinking.

The aim, at the end of the day, is to ensure leaders know they have choices.

To paraphrase President Barack Obama, "this is too good a crisis to waste".

We hope you agree.

Yours truly,

R. Douglas Williamson
President & CEO
The Beacon Group
April, 2009

Fascinating Times :: Curious Responses

We know there will be some who disagree and, no doubt, many who would choose another term to describe it, but we at The Beacon Group have made a choice to see these as ... fascinating times. They represent an unprecedented learning opportunity and a chance to examine, in "real time", what works and does not work when it comes to Leadership Effectiveness and Business Strategy.

While the mood across all sectors and national frontiers is sombre, it is important to recognize that responses to this crisis have hardly been uniform. There will be both winners and losers. As a result, we can't help but find this to be an important moment in terms of business, economic, social and leadership history.

It's a time to:

Watch Reactions ...

- How leaders are choosing to frame the challenges they face
- How they are responding to the decisions they must make

Judge Leadership ...

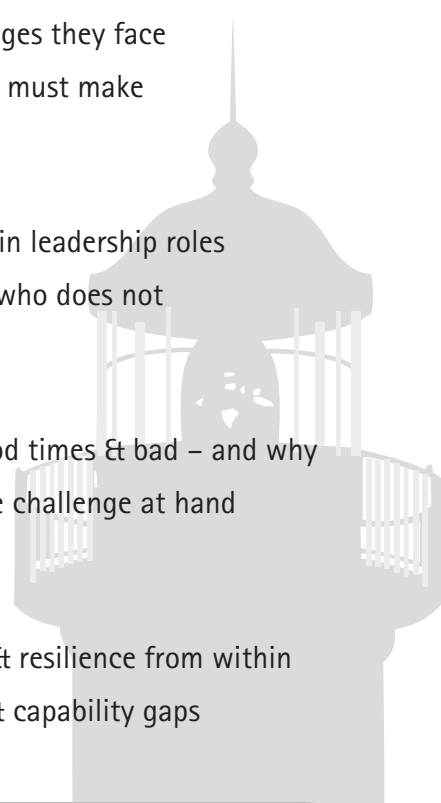
- In terms of both the actions & words of those in leadership roles
- Seeing who remains true to their principles & who does not

Examine Strategies ...

- The ones that have proven to work best, in good times & bad – and why
- Those that have left others ill-equipped for the challenge at hand

Observe Cultures ...

- How some organizations are finding strength & resilience from within
- Others who are jeopardized by both capacity & capability gaps



Our Forensic Assessment ...

We, at The Beacon Group, enjoy a privileged position.

The very nature of our work and the wide variety of organizations we come in contact with affords us a unique opportunity. We can not only observe the "macro trends" unfolding around us, but can weave them together into a complete image.

It's curious – very curious!

It is as though we are seeing a rush to the confessional by many who have suddenly awakened to the error of their ways and wish to repent by acknowledging omissions and oversights. The "confessions" seem to target six principle themes:

1. Back to Basics
 - An admission that they have lost sight of what really matters
2. Focus on the Core
 - An admission that they have been lured into misguided adventures
3. Reconnect with Customers
 - An admission that they have forgotten who really pays the bills
4. Be more Discriminating
 - An admission that they have allowed unwise pet projects to flourish
5. Make Better Decisions
 - An admission that they have not applied good, wholesome judgment
6. Lock down the Talent Base
 - An admission that they are vulnerable in the "War for Talent"

Eye of the Storm ...

The situation is clear.

There is no doubt, no denial, no dismissal of the fact we are in the eye of the storm.

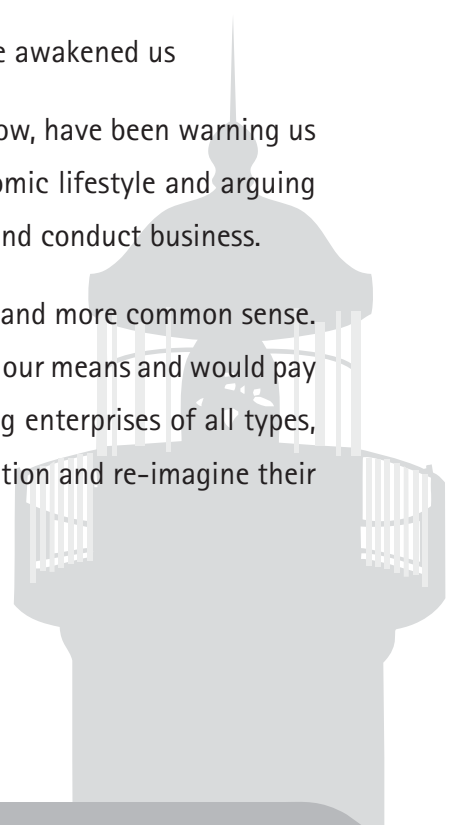
A tsunami of unprecedented proportions has rocked the shores of the global business world and will certainly leave behind destruction of unimaginable scale. However, not everyone was blindsided. Some, hopefully many, will re-emerge in even better shape.

But the fact remains:

- We should have all seen this coming
- It should not have really been such a big surprise
- The inevitable need for readjustment was rather predictable
- The changing winds and gentle tremors should have awakened us

Truth be told, there have been those who, for many years now, have been warning us about our "addiction" to a flawed and unsustainable economic lifestyle and arguing for a fundamental re-examination of how we should lead and conduct business.

There were those who preached loudly for greater restraint and more common sense. There were those who suggested we were living well beyond our means and would pay the price for our overheated frenzy. There were many asking enterprises of all types, sizes and shapes to rethink their fundamental value proposition and re-imagine their core business strategy.



Soothsayers & Sages ...

Those voices have, since the mid 1980's, sought to convince leaders that, in light of mounting empirical evidence, nothing short of massive transformational change would be needed to respond to the broad reaching seismic shifts in the classic business foundation.

These soothsayers have included such highly regarded academics as:

- Henry Mintzberg of McGill University
- Richard D'Aveni of The Tuck School at Dartmouth College
- Dr. James Canton of Northwestern University

It has been advocated by well known business gurus such as:

- Tom Peters author of *In Search of Excellence* & *Re-imagine*
- Jim Collins author of *Good to Great* & *Built to Last*
- Ram Charan author of *Execution* & *The Game Changer*

Finally, it has been pursued in "real-life" business situations by leaders including:

- Steve Jobs at Apple Inc.
- James Kilts at Procter & Gamble
- Sir Howard Stringer at Sony

Grounded in Reality ...

It would be very tempting indeed to allow the nightly news reports, endless musings and never ending "in-depth" interpretations of well intended people like Ali Velshi, Lou Dobbs, David Gergen and Bill O'Reilly to totally shape our reaction - both visceral and emotional - to what is happening around us.

While it is true there is much that is beyond our control, it is also true there is one thing we can control. It is the way we choose to ... look at things.

We believe responses in uncertain times are shaped by five things:

Perspective

- Whether or not ... your lenses are set at the right aperture

Framing

- Whether or not ... you have a complete & accurate picture

Outlook

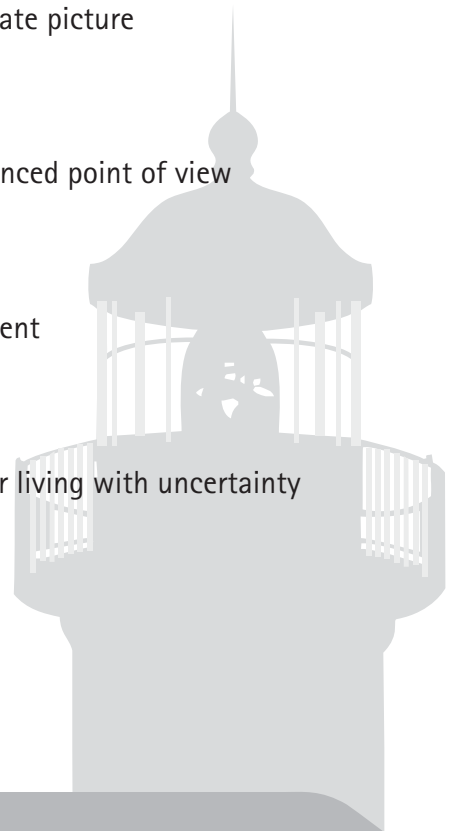
- Whether or not ... you have a clear mind & balanced point of view

Disposition

- Whether or not ... you have the right temperament

Appetite

- Whether or not ... you have the constitution for living with uncertainty



The Power of Mental Models

As we have listened to business leaders over the past several months, we have seen a variety of mental models that have shaped their decision making processes and strategic responses. The fact of the matter is, there have been some good decisions made in the sober, long-term best interests of organizations. Decisions that will help set those organizations up for future success.

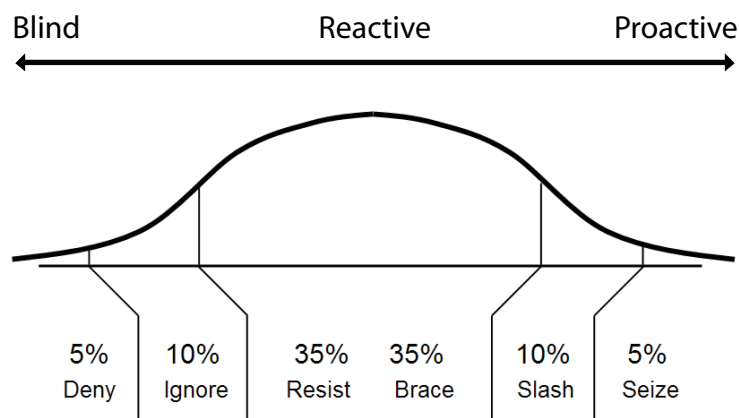
On the other hand, we have seen more than our fair share of well, let's just say, curious choices. Decisions that have been made in a totally reactive manner, based upon a toxic combination of lack of preparation, lack of insight and lack of judgment.

Let's be clear.

Ensuring survival is the first step for any organization in distress to take.

The question is – what kind of survival?

The simple point we want to make is to remind people that, while events may not have been of their choosing, the way in which they respond is. Based on what we have seen, the reactions run along a continuum as follows.



The Facts :: Just the Facts

The executives we speak to, the organizations we serve, the newspapers we read, the websites we visit and the observations we have made on our own, all lead us to the following conclusions.

Fact #1

A very large number of current business models are broken and, as economist Joseph Shumpeter proclaimed back in the 1930's (and John Kenneth Galbraith re-affirmed in the 1950's), the process of "creative destruction", however painful, is natural. As many people are coming to know, it is currently alive and well and roaming freely within executive suites and boardrooms across the world. The models we built have, in many cases, proven to be:

Outdated | Based on false premise | Not sustainable | Not fundamentally sound

Fact #2

The fundamental value proposition for many (maybe even most or all) has changed. The very things that customers have wanted, shareholders demanded and investors sought will now have to be delivered in a more reliable and sustainable manner. The demand will be for serial success based on sound, long-term basics, not on short-term, self-serving opportunism. Simply put, the value proposition has, in far too many cases, been:

Inwardly focused | Illusionary | Not credible | Non accretive

Fact #3

We have failed to take a "systems perspective" when it comes to recognizing the intricate web of relationships that exist between all facets of business responsibility. Despite knowing better, we have chosen not to see business as the delicate "ecosystem" it is and have squandered future value for short-term satisfaction. Many have simply been:

Shortsighted | Selfish in their actions | Detached in their thinking

The Prediction ...

While we are aware of the risks, not to mention the scorn and ridicule that have beset Nostradamus and others who stick their neck out to make predictions, we feel sufficiently well informed and suitably grounded in reality to make some of our own. We are quite comfortable in suggesting that, with time, the following will turn out to be well proven facts rather than reckless supposition or simple guesswork.

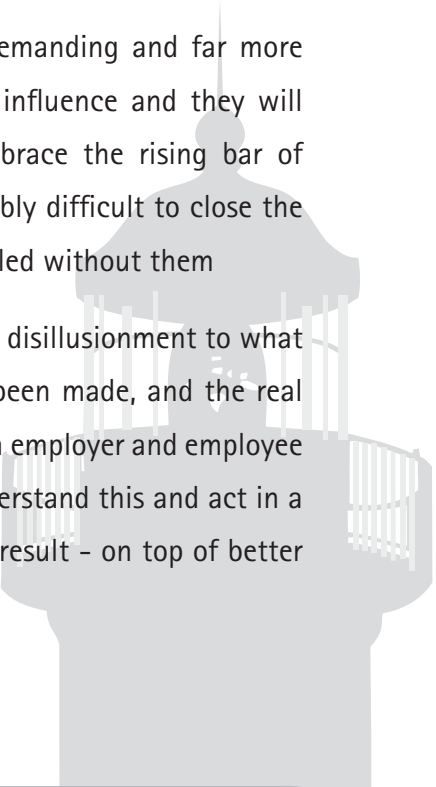
The Likely Negatives ...

- We are not going back to Kansas. Things are just not going to be the same on the other side of this "great inconvenience". If they are, we will have learned nothing from the pain and the opportunity crisis will have been for naught. Those who do not begin the process of re-invention right now, will come to regret their timidity, their caution and their failure to seize the moment.
- Beware of the Shadow. Once things have settled, there will be many "walking dead". There will be organizations who have been so severely wounded by the situation that, while having survived the fire, they will later die in hospital. There will be those who did not take steps to think and plan beyond the crisis and to what the future will not only look like, but demand.
- Aftershocks are the real killers. There is a very real risk of a "second wave" of stress and turmoil that will hit our shores from overseas. It will come just as we begin to rebound and it will be from countries who have come to depend socially, politically and economically on the riches of our overheated engine. They will face massive readjustments and will be asking their people to do so on an already fragile foundation.



On the the other side of the ledger, there will be a series of opportunities and benefits that will present themselves for those smart enough to prepare and quick enough to respond. It will be these organizations, their leaders and their people, who will gain the advantage. If they seize it, it will shape their future for years to come.

The Likely Positives ...

- Some will emerge with speed, stealth and surprise to reshape the "new order". In fact, this has already begun. Even in the midst of today's chaos, we can easily spot those who have positioned themselves well ahead of the curve. They did not wait for an external crisis to jump start the re-imagination process. They began the brush fire themselves and, in so doing, are streaking ahead with a revolutionary strategy, a legion of capable leaders and a mass of highly engaged and motivated employees.
 - Customers in all sectors will emerge stronger, more demanding and far more discriminating. They will have more voice, power and influence and they will exercise it - ruthlessly. Those who have failed to embrace the rising bar of customer expectations before this crisis, will find it doubly difficult to close the ever widening gap after the crisis. The boat will have sailed without them
 - Gen X and Y will react with despair, disappointment and disillusionment to what the boomers have done to the promises they felt had been made, and the real "War for Talent" will begin. The implicit contract between employer and employee will have changed forever. Those organizations who understand this and act in a smart manner will become magnets for talent. The end result - on top of better strategy, they will also have better people.
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Steps to Take :: Actions to Consider

The time to act is now!

Yes, we understand the need to focus ... but the question is on what?

Yes, we understand difficult trade-offs have to be made ... but which ones?

Despite what may be happening around us, we still do have free choice. Rest assured, those who come after us will not hesitate to judge the choices we make.

So make good ones!

First

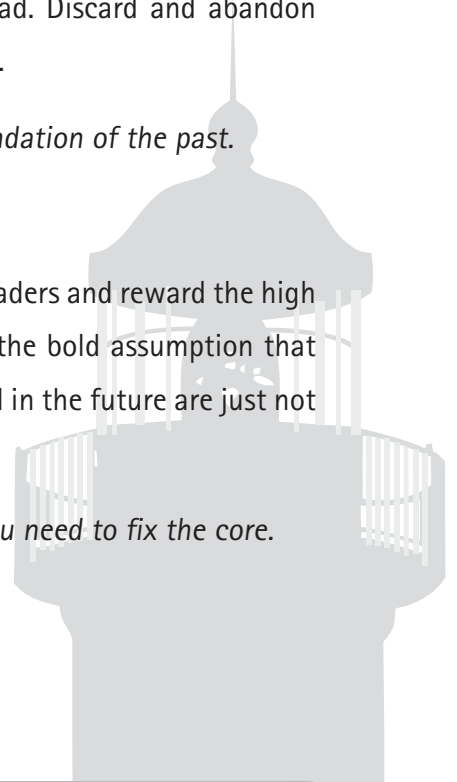
Invest in creating your own future. Don't wait for someone else to do it for you. Gain the first-mover advantage and begin to fundamentally rethink and re-imagine your core business model. Look around. Pay attention to the faint signals from the periphery that are telling you what lies ahead. Discard and abandon what no longer works, is irrelevant or fails to add value.

Don't build the new tomorrow on the faulty foundation of the past.

Second

Change the way you assess your talent, measure your leaders and reward the high performers. Re-tool and re-equip for tomorrow. Make the bold assumption that the qualities, skills, mindset and attributes you will need in the future are just not the ones you have used in the past.

Don't tinker with changes around the edge when you need to fix the core.



Third

Abandon the very premise of achieving sustainable advantage in your market. It simply does not exist anymore, for anyone. Instead, become hypercompetitive. Build your strategy around the ability to adapt quickly. Avoid the temptation to build models, strategies and people on the assumption you can achieve lasting stability and dominance.

Build your strategy for constant manoeuvring and serial opportunism.

Fourth

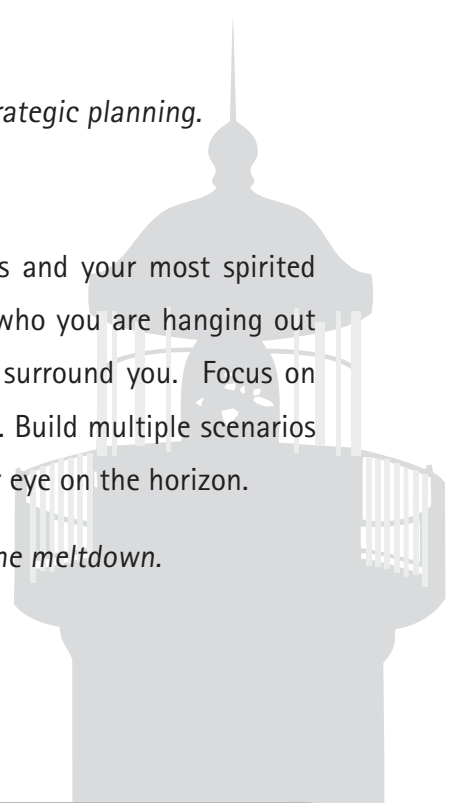
Change your thinking process. If the last six months have taught us anything, it is that random is the new normal, planning cannot overcome chaos and uncertainty is the table stakes for life in the business world. Organizations must move from linear to ad-hoc thinking.

Focus on more strategic thinking, not more strategic planning.

Fifth

Spend more time with your best brains, your deviants and your most spirited colleagues, customers and friends. Think twice about who you are hanging out with. Be judicious, even discriminating, in those who surround you. Focus on tomorrow. Focus on solutions, alternatives and options. Build multiple scenarios and always, like a good sailor in rough water, keep your eye on the horizon.

Focus hard on how you will emerge from the meltdown.





The Beacon Group is ...

An authority and global pioneer in the field of Organizational Health & Leadership Fitness.

We focus on helping our clients improve the effectiveness of the systems and processes that help shape their:

- Strategy
- Culture
- Talent
- Leadership

Our Approach

We design and implement integrated Organizational Effectiveness "systems" to help align and balance:

- Strategic Vision & Business Management
- Culture & Behavioural Competency Development
- Talent Assessment & Performance Management
- Leadership Development & Succession Planning

Our Core Values

In all aspects of our client relationships we commit to being:

Progressive - Forward thinking & pragmatically radical

Thought Leaders - Innovative & audacious

Responsive - Fast acting & in touch

Agile - Enthusiastic & nimble

Passionate - Loving what we do & creating passion in others

Customer Driven - Dedicated, involved & totally committed

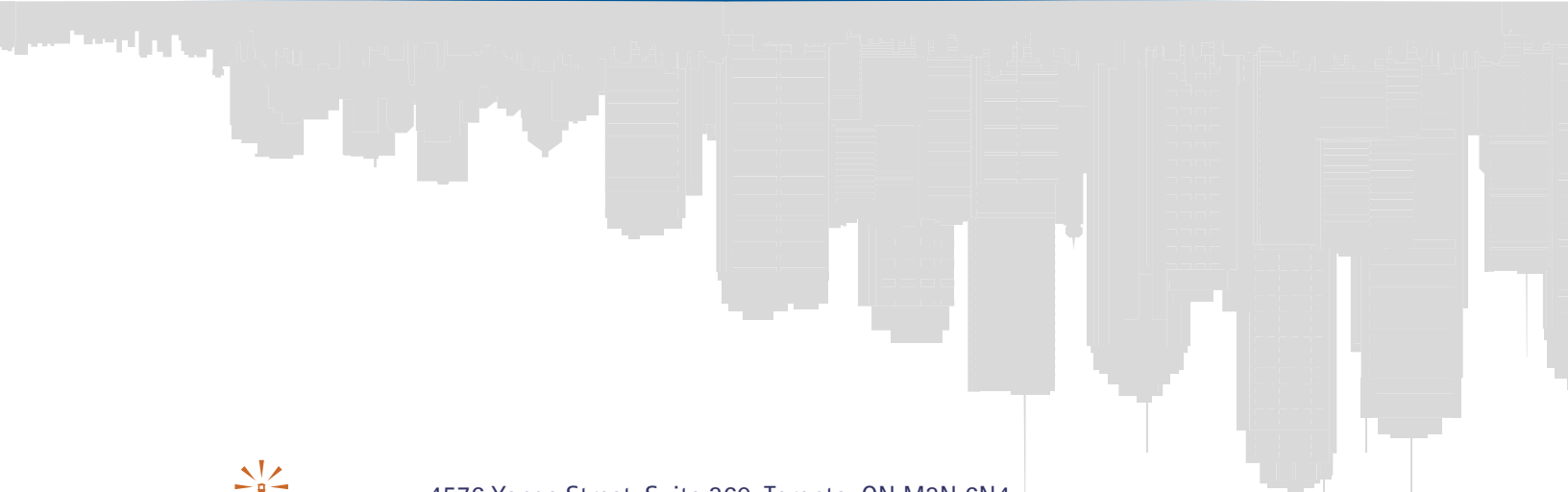


At The Beacon Group, we pride ourselves on our ability to meet the needs of a diverse client base. We currently serve clients in all sectors of the economy working with some of the largest multinational corporations and with some much smaller growth-oriented organizations, as well as organizations in the public and not-for-profit sector.

Our goal with each of our clients is to develop long-term, trust based relationships. We devote a considerable amount of time to learning about each client we work with, thereby allowing us to deliver the most appropriate solutions from our suite of services, which results in a truly lasting benefit to the organization and its people.



Strategy | Culture | Talent | Leadership



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