ROSS LOVE

SENIOR PARTNER AND MANAGING DIRECTOR
THE BOSTON CONSULTING GROUP

LEADING IN THE DIGITAL AGE
A WHOLE NEW BALL GAME?
Silicon Valley is re-writing the rules of our industry
Travel tech investment is soaring

Nearing all-time highs from 2015

- ~1,100 deals last four years
- $10+B deals last four years
- 300+ 2017 estimated deals
- $4B 2017 run rate

Travel tech annual global financing history

1. 2013-2017 year to date as of 5/10/2017
Fortune 500

Present

Backward
Running the company

Fortune Future 50

Forward
Reinventing the company

Future
Five key dimensions are considered to measure vitality

1. Market potential
   - Developing growth options

2. Firm capacity
   - Thinking differently

3. Technology and investments
4. People
5. Structure
   - Building the right capabilities
### Back-up: Core beliefs translated into weights via model

<table>
<thead>
<tr>
<th>Operational variables</th>
<th>Sign based on theory</th>
<th>Coefficient in full model</th>
<th>Final, regularized weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key technology investments</td>
<td>+</td>
<td>0.3%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Patent cliff percentage (inverse)</td>
<td>+</td>
<td>0.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Patent quality (citations)</td>
<td>+</td>
<td>0.0%</td>
<td>-</td>
</tr>
<tr>
<td>Key technology acquisitions</td>
<td>+</td>
<td>0.3%</td>
<td>2.0%</td>
</tr>
<tr>
<td>&quot;Smart money&quot; pattern</td>
<td>+</td>
<td>0.4%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Organic investment</td>
<td>+</td>
<td>0.3%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Board stability</td>
<td>+</td>
<td>0.2%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Ethnic diversity</td>
<td>+</td>
<td>0.0%</td>
<td>-</td>
</tr>
<tr>
<td>Gender diversity</td>
<td>+</td>
<td>-0.6%</td>
<td>-</td>
</tr>
<tr>
<td>Youth of executives</td>
<td>+</td>
<td>0.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Smaller board size</td>
<td>+</td>
<td>0.6%</td>
<td>3.6%</td>
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<tr>
<td>Agility (small size)</td>
<td>+</td>
<td>2.2%</td>
<td>13.1%</td>
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<tr>
<td>Youth (low age)</td>
<td>+</td>
<td>1.3%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Higher past growth</td>
<td>+</td>
<td>0.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Sustainability score</td>
<td>+</td>
<td>0.0%</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Feature Selection
- Align with theory
- Coefficients w/ magnitude >0.1%
- Sums to 50%

### Notes:
1. Explanation provided in the backup
2. Coefficients in a linear regression against sales growth after normalizing (i.e., translating each variable to a z-score)
3. Coefficients after removing variables with coefficients that have low magnitude (below 0.1%) or a sign that does not conform with theory and performing ridge regularization

Σ = 50%
Quantum change
Adaptive expertise

Incremental change
Routine expertise
Crystallized Intelligence (Book Smarts): What you know and your lifetime accumulated knowledge, including skills such as reading and mathematics.

Fluid Intelligence (Street Smarts): Agility and adaptability ‘raw intelligence’ that is NOT the result of learned knowledge and skills; and is used to solve new/novel problems in uncharted territory.

- Agile
- Adaptable
- Flexible
- More Strategic
- Innovative
- Creative
- Pivot
- See around corners, etc.

Changes in “crystallized intelligence” and “fluid intelligence” - J. L. Horn & Donaldson, 1980
"You can't command initiative, creativity or passion...and the difference in productivity is 10x"
What we were designed for

What we were facing

“In addition to being a fascinating and colorful read, this book is an indispensable guide to organizational change.” —WALTER ISAACSON, from the foreword

TEAM OF TEAMS
NEW RULES OF ENGAGEMENT FOR A COMPLEX WORLD

GENERAL STANLEY McCHRISTAL
U.S. Army, Retired

with Tantum Collins, David Silverman, and Chris Fusell
Values become a key foundation for leadership behaviors

Impact
- You set ambitious goals with clear outcomes
- You have a strong grasp of our business
- You take both short and long term actions
- You collaborate with colleagues to achieve collective results
- You make decisions despite uncertainty
- You focus resources on what matters most
- You simplify things that are complicated
- You know what must be perfect versus get done

Adapt and learn
- You are curious and invest energy to learn and innovate
- You look outside our company and outside our industry to discover new ideas
- You are willing to try new concepts
- You can quickly adapt when circumstances change
- You take thoughtful risks to improve our business
- You know when to stand your ground, and when to concede

Unlock potential
- You earn commitment and inspire others
- You build trust
- You align people on outcomes, rather than detailed instructions
- You are an effective coach and mentor
- You engineer opportunities for people to develop
- You readily bring new talent in, and release talent in your own team, for the good of the business

Advocate
- You actively contribute your views to management team discussions, and also readily advocate team decisions once they are made
- You value the companies overall success over success in any one team
- You speak your mind and listen to other opinions
- You draw out and value diverse views
- You develop people that do not defer to hierarchy or the status quo
Initiative

Reluctant to take on new tasks; waits to be told what to do; defers to others

Willing to step in and take charge when required to do so

Takes charge spontaneously when problem needs attention

Volunteers for new work challenges; proactively puts in extra effort to accomplish critical or difficult tasks

Proactively seeks high-impact projects; steps up to challenges even when things are not going well
Results orientation

Focuses on fulfilling activities at hand; unsure how work relates to goals

Takes actions to overcome obstacles to achieve goals

Independently acts to exceed goals and plans for contingencies

Documents activities and outcomes to learn from past; introduces incremental improvements to raise the effectiveness of team

Invents new approaches with measurably better results; works to deliver best-in-class performance improvements

Source: Stanford University Business School Application Assessment
Communication, professional impression and poise

Struggles to get point across; neglects to understand audience’s input or perspective; lacks confidence and gets flustered under pressure

Works to get point across; acknowledges feedback; reframes statements when necessary to make them clearer; speaks politely; remains composed in known circumstances

Presents views clearly and logically structures content for a broad audience; listens and responds to feedback; prepares in advance to appear confident; leaves a positive and professional impression; responds confidently in unfamiliar situations

Uses tailored language that appeals to specific groups; restates what others have said to check for understanding; comes across as confident; responds rapidly and strongly to crisis; looked to for advice and guidance

Maintains composure when challenged; solicits opinions and concerns, discusses them openly and adjusts communication; when in strong conflict or crisis, remains cool under pressure; channels strong emotion into positive action

Source: Stanford University Business School Application Assessment
Influence and collaboration

Does not seek input and perspective of others

Accepts input from others and engages them in problem solving

Seeks first to understand perspectives of others; takes actions to gain their support for ideas and initiatives

Uses tailored approaches to connect with others, influence, and achieve results

Uses tailored influence approaches to create and leverage a network of strategically chosen individuals to improve collective outcomes

Source: Stanford University Business School Application Assessment
Respect for others

Unwilling to acknowledge others’ points of view

Open to considering others’ views when confronted or offered

Invites input from others because of expressed respect for them and their views

Praises people publicly for their good actions; ensures that others’ opinions are heard before their own

Uses empathy and personal experience to resolve conflicts and foster mutual respect; reinforces respect with public praise when individuals solicit and use input from others

Source: Stanford University Business School Application Assessment
Team leadership

Struggles to delegate effectively (e.g., micromanages); does not organize activities or provide appropriate information to complete tasks

Assigns tasks and tells people what to do; checks when they are done

Solicits ideas and perspectives from the team; structures activities; holds members accountable

Actively engages the team to develop plans and resolve issues through collaboration; shows the impact of individual/team contributions

Recruits others into duties or roles based on insight into individual abilities; rewards those who exceed expectations; provides strong organizational support

Source: Stanford University Business School Application Assessment
Developing others

Focuses only on own growth; critical of others’ efforts to develop

Encourages people to develop; points out mistakes to help people develop and praises them for improvements

Gives specific positive and negative behavioral feedback to support the development of others

Provides overarching practical guiding principles and recommendations that are applicable in multiple situations to direct or focus efforts on specific areas of development

Identifies potential in others; inspires others to develop by providing feedback, mentoring/coaching, and identifying new growth opportunities as well as supporting their effort to change

Source: Stanford University Business School Application Assessment
Trustworthiness/integrity

Follows the crowd; takes path of least resistance; gives in under pressure

Acts consistently with stated intentions, values, or beliefs when it is easy to do so

Acts spontaneously and consistently with stated intentions, values, or beliefs despite opposition

Initiates actions based on values or beliefs even though the actions may come with reputational risk; demonstrates the values of the team or organization publicly

Demonstrates high personal integrity even at personal cost; holds people accountable to the team or organizational values
Adaptability/resilience

Prefers existing ways of doing things; fears failure; becomes anxious under challenging situations

Adapts to new methods and procedures when required to do so; remains calm in unfamiliar situations until confronted with obstacle

Champions adoption of new initiatives and processes; exhibits calm in unfamiliar situations until confronted with obstacle

Seeks out disruptions as an opportunity for improvement; remains optimistic and forward-looking in difficult situations that may result in failure

Energized by projects with high uncertainty but potential for high reward; seeks to be the first into unknown or unfamiliar situations; welcomes learning opportunities created by failure; learns from mistakes and rebounds quickly from setbacks

Source: Stanford University Business School Application Assessment
Self awareness

Lacks awareness of how he/she is perceived; denies or offers excuses when confronted

Acknowledges fault or performance problem when confronted with concrete example or data

Describes own key strengths and weaknesses accurately; welcomes feedback from others and discusses opportunities to change with select individuals

Actively seeks out feedback to explicitly address desired improvement areas or build on strengths; explores reasons for problems openly, including own faults

Seeks out challenging and potentially risky experiences to improve; identifies and engages with resources - people, processes, or content - to maximize strengths or mitigate weaknesses

Source: Stanford University Business School Application Assessment
Strategic orientation

Focuses on completing work without understanding implications

Understands immediate issues or implications of work or analysis

Develops insights or recommendations within area of responsibility that have improved near-term business performance

Develops insights or recommendations within area of responsibility that have shaped team/organization strategy and will have impact on long-term business performance

Develops insights or recommendations beyond area of responsibility with impact on long-term business strategy and performance

Source: Stanford University Business School Application Assessment
Finally (!)
My list

Imagination
Audacity
Generosity
Accountability
Purpose