
Event Report

World Out of Balance: A Presentation by Paul A. Laudicina

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On September 11, 2007, Columbia Business School's Management Consulting Association and David and Lyn Silfen Leadership Series welcomed Paul A. Laudicina to campus to discuss his latest book, World Out of Balance, with a near-capacity crowd of students and faculty members. Mr. Laudicina is managing officer and chairman of the board for A.T. Kearney, a global management-consulting firm. He has spent more than 25 years working with corporate and government clients across a broad range of strategic, corporate and public-policy issues. In addition, he has authored numerous articles and books. World Out of Balance was selected by Soundview Executive Book Summaries as one of the top business books of 2005.

Quoting from A.T. Kearney's vision statement, Paul Laudicina stated, "Our success as consultants will depend upon the essential rightness of the advice we give and our capacity for convincing those in authority that it is good." Evoking these teachings of management consulting pioneer and A.T. Kearney founder Tom Kearney, Mr. Laudicina argued that corporations could no longer deliver results to shareholders without doing so in a socially and environmentally responsible manner. He spoke at length about today's changing global business environment and the implications of these changes for the business community by stressing that today's business leaders carry significant responsibility not only as stewards for their customers and clients but also as champions of responsible growth and globalization. Mr. Laudicina went on to discuss several key factors necessitating these changes within the business community and, more broadly, throughout society.

He argued that the era of benign globalization—an era in which policy liberalization and technological breakthroughs enabled rapid-paced growth and the accumulation of massive amounts of wealth—has ended. In its place, a sense of catatonic fear and an overwhelming

awareness of risk have taken hold. Events such as the terrorist attacks of 9/11 and the collapse of the tech bubble and increased volatility in global financial markets have pushed the world away from what Mr. Laudicina described as an era of “risk promiscuity in the roaring 1990s.” As a result, he argued, many corporations in their current states of risk aversion have lost the ability to grow their respective top lines to the same extent as before.

Mr. Laudicina reasoned that, in spite of obvious cultural differences between peoples in different parts of the world, fundamental wants remain more or less constant across demographic segments—for example, the desire of the current generation to see that subsequent generations are better-off. Drawing on his own experience, Mr. Laudicina noted that, similar to his own parents, he worries about the standard of living his children will enjoy in the future. However, while past generations generally held an optimistic outlook on the future, today’s generation is far more apprehensive and anxious about future prospects for the next generation. He attributed this pessimism in large measure to an increased sense of risk across the world, this despite tremendous ongoing economic growth and knowledge transfer.

Describing today’s global business environment, in which market conditions evolve rapidly, Mr. Laudicina argued that companies must simultaneously maintain focus on their goals of top-line growth while adapting quickly to changing markets. He believes that without this commitment companies will be unable to seize growth opportunities in a timely manner.

Mr. Laudicina harkened back to his days in the oil industry during the 1970s when he worked as a strategic planner, noting how the creation and use of five-year plans for all business entities served as the primary driver of business strategy. At that time, strategic plans were developed using business assumptions that were deemed to be more or less fixed. Mr. Laudicina said that today this is clearly not the case. As a result, many companies have stopped formal planning, believing that any plan based on assumptions would prove to be purely speculative and very likely wrong.

He stressed that planning does not necessarily have to bind companies to a fixed strategy and set of tactics but instead needs to be sufficiently structured to articulate corporate goals while permitting flexibility when business conditions inevitably change. Using his own firm as an example, Mr. Laudicina discussed A.T Kearney’s corporate vision statement for 2015, an aspirational set of principles intended to guide the firm over the coming decade through the use of a continuously evolving set of strategies.

He also stressed the importance of technological advancements as a driver of change. Recounting past innovations like the wireless telegraph, the microprocessor and the Internet, he described the advent of each of these technologies as an inflection point in history, where society fundamentally changed as a result. Mr. Laudicina sees today's era of ubiquitous computing in a similar light. With innumerable gadgets, appliances, tools and toys connected through networks, the opportunities for information exchange and quality-of-life improvements are substantial, he said.

Touching upon the growing focus on consumption of natural resources and the environment, Mr. Laudicina also reasoned that it is no longer possible to deliver results to shareholders without appropriate consideration for environmental and social responsibility. "Gone are the days of doing good in return for something," he said—a testament to the changing nature of corporate social responsibility. Furthermore, he explained, with both the consumption of resources and an awareness of resource limitations at all-time highs, business leaders need to reconcile the desire to grow with the need to do so in a responsible and sustainable way.

Having spent a good portion of his professional career either in the public sector or working with public-sector clients, Mr. Laudicina urged those in the audience not to overlook the important roles of governments, policymakers, and regulators in today's global business environment. As an enabler of growth opportunities, Mr. Laudicina said, "the public sector creates policy to help the private sector be successful so that both the public and private sectors can deliver on the broad needs of society."

While at times tempering his optimism, Mr. Laudicina remained bullish on the prospects for global growth and greater economic and social prosperity. He believes that if business leaders can identify risk accurately, adapt to developing market conditions and recognize the evolving responsibilities of corporate entities, they can achieve their own corporate goals while doing so in a socially responsible way.

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