

ROKC

Leadership
built on the Return on Key
Component

by Alessandro Daliana

About the author

For over two decades, Alessandro Daliana has occupied leadership positions in international companies, and advised investors, boards of directors and executives on how to maximize shareholder value and stakeholder satisfaction through leadership. From this work and independent studies, Alessandro has developed the ROKC method, bringing value to companies across multiple industries.

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For business people everywhere

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*"... everyone who hears these words of mine and puts them into practice
is like a wise man who built his house on the rock."*

- Matthew 7:24-17

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Leadership built on the ROKC

Introduction

One night while at dinner with a client, we overheard two men at the next table engage in a very passionate discussion about God. This must have been very important subject for them because they talked about God for most of the meal. At one point, their exchange became so impassioned that my client said, “I wish our customers were as passionate about our products as these two are about God.” I thought this an odd comment and, brushing it off, continued our conversation. Many months later, that evening came back to me and it set off an “ah ha” moment. Religion is truly the world’s oldest business.

Don’t take me wrong, I mean no disrespect. All I am doing is drawing an analogy. In my view, religion has the same characteristics as any successful business.

All the successful businesses I know of are built around one asset that provides them with a competitive advantage in their market. In the case of religion, this is often a “God,” or many Gods. Everything the business does leverages this asset to provide customers with goods and services that bring them some benefit or another. As the business grows other businesses develop around it.

Introduction

In the context of religion, God has led to the creation of any number of businesses in areas as disparate as: real estate, publishing, education, music, merchandising, tourism, war, persecution, torture and so on.

From a business standpoint, “God” is similar to a brand because God has no physical manifestation. As such, God must be experienced. Even when God may be the same God for two or more groups of people, God is differentiated. Each group will experience their God differently. Think of the similarities and differences between Catholics and Protestants, Sunnis and Shiites, the three schools of Buddhism (Theravada, Mahāyāna, and Vajrayāna) as well as many other subdivisions, sects and belief systems. The same but different.

Most importantly, the experience of God creates community. Like any successful and robust brand God brings people together. People commune around their God.

Also of note is that, after so many centuries, the capital investment in the brand, God, is really quite small in comparison with the stream of revenues generated by all the businesses that revolve around the God “brand.” One might even say the return on investment is unquantifiable and unknowable.

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This asset that provides the competitive advantage and around which the business activities revolve is what I refer to as the “key component.” The term comes from engineering and refers to the component in a piece of machinery that makes everything else work.

I discovered the key component when I worked for Thomson Multimedia, a consumer electronics company. I was conducting an audit of an audio business where I learned that most of the components used in the CD player were sourced from vendors around the world because they were considered commodities. All the components, that is, except for the optical pickup. The company manufactured the optical pickup because it was the key component. The optical pickup is the device that captures the digital data stored on the CD so that this data can be processed and converted into music for your listening pleasure. In other words, without the optical pickup a CD player wouldn't work.

This component can also be used in other disk driven devices like the DVD player, BluRay player, gaming consoles and any other device that uses a disc medium to store and retrieve data; its community, if you will. Given all these different applications, it made sense to Thomson to build a factory to manufacture the optical pickup. The factory would be able to produce over many years and the profit generated would provide a nice return on the key component, or “ROKC.”

Introduction

For many years, I have used the idea of the key component whenever approaching a business because it is the “key” to the value-creating process. By giving the business its competitive advantage, the key component underpins and drives the business’s strategy and organization. Everything needs to come back to the key component. Therefore, all leadership decisions must focus on the key component to maximize shareholder returns and stakeholder satisfaction.

ROKC provides leadership with a methodology they can turn to time and again to keep everyone’s activity in focus. Reference to the ROKC reminds all stakeholders of why their business exists and why it does what it does.

The ROKC approach differs significantly from other techniques in its ability to consider the company in its entirety instead of just one facet at a time.

In today’s increasingly specialized world, there are a many management techniques vying for a company’s dollars, and more being packaged and put on the market every day. These techniques are probably very effective when applied one part of the business. However, leaders need to decide which to apply by taking the business as a whole or be perceived as delegating to others responsibility for decisions that they themselves should be making.

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As John Edward Huth wrote in his *New York Times* Opinion piece, dated July 20, 2013, entitled “Losing Our Way in the World”:

“Too often in the modern era, we rely on guardians to interpret events for us, and they’re too happy to step in and tell us what something ‘means’. But when we do this, we surrender the more primal empiricism that our ancestors surely possessed.”

Although Mr Huth is talking about life’s path, I find that this observation is equally applicable to business. Too often, business people allow technicians--what I call people with a technical knowledge--to tell them the “meaning” of events affecting their business. Worse, these technicians are brought in to define events that affect the business. Even if what these technicians describe may ring true, it lacks our own “primal empiricism,” our own conceptual framework.

In viewing the business as a whole, the ROKC method allows decision makers to pick and choose only those management techniques that will maximize the ROKC. Also, using the ROKC method helps the decision maker to better argue their choice as it forces them to examine underlying assumptions, as well as sharing understanding of the business with and increasing the involvement of their fellow decision makers.

Introduction

In this book, you will discover how to identify the business's key component and put it at the center of your strategy and organization. To help you better understand the ROKC methodology, I break it down into its two major components: the transformative process and risk management. The transformative process defines what the business does to convert the key component into a product the market wants to consume. Everything else is relegated to risk management. In the last section, I explain how to incorporate the ROKC method into your business, using the business planning process as a starting point.

As anyone who knows me will say, I can be verbose and complex so I have made an effort to keep this book short and to use simple language (except where a more technical term adds clarity). I hope I have achieved this goal and that you find the ROKC method as profitable as I do.

- *Alessandro Daliana*