



# Total Effective Leverage

An Interview with Peter E. Isaac, Managing Partner and Chief Executive Officer,  
The ISC (Innovation and Strategic Competency) Group, London and Fort Lauderdale, Florida



Peter E. Isaac

**EDITORS' NOTE** When asked to explain what makes ISC stand out among its competitors in the rapidly expanding field of management consultancy, Managing Partner and Chief Executive Officer Peter Isaac suggests that it is its ability to provide "a truly leading-edge methodology to looking at a total business." As he explains, "until we developed this approach, there really wasn't a methodology anywhere to give the CEO the ability – the X-ray vision – to look at the total business." Notably, ISC's approach does not provide clients with the traditional segmented vision, which, Isaac maintains, can lead to the ultimate loss of a gained asset in some other area of an enterprise. Instead, it employs what it calls its Total Effective Leverage product, so that CEOs can see "the total business – not just the pieces –" and thereby "substantially increase the bottom line."

With a master's degree from Oxford University, Isaac began his career with Mobil Oil in 1970. Three years later, he moved into the consultancy field, and since then, he has held several senior management positions in both the United States and Europe.

**COMPANY BRIEF** Based in London and Fort Lauderdale, Florida, with partners around the world, The ISC (Innovation and Strategic Competency) Group is a

management consultancy that specializes in rewiring the "brain" of corporations, so that they can see and then fulfill their untapped potential. Founded in 1997, the company invested four years in developing and testing its approach prior to a September 2001 launch.

## Who is your target market?

Our target market is really any business in any sector anywhere in the world with annual revenues of over \$75 million. What we offer is applicable to both the public and private sectors, and has been proven to work in service industries as well as process and manufacturing sectors. In the end, it's all about people and transforming a total organization, including how it thinks and acts.

## How does your flagship product work?

We call the product Total Effective Leverage, which relates to the way a business utilizes all of its tangible and intangible assets. What we've been finding is that most businesses grossly under-leverage their assets. They often launch discrete interventions in terms of initiatives – in fact, companies often suffer from initiative overload because they're always looking for the flavor of the month – but those initiatives all tend to be very stand-alone. Nothing really addresses a total business. That's what we provide: a truly leading-edge methodology to looking at a total business.

## So Total Effective Leverage helps corporations to consolidate their initiatives?

Yes. Many businesses are struggling unnecessarily and significantly under-achieving what they could realize in shareholder value. For example, a company may look at an initiative and determine to proceed with it because it's going to save that company \$8 million. But rarely, if ever, does that \$8 million transfer directly to the bottom line, because the \$8 million that initiative is meant to save dissipates in other areas of the business. Unless you control all aspects of a company, the dissipation of gains permeates the business. If you have, say, eight initiatives that are

each going to save you \$8 million – let's say one is an acquisition, one is in supply chain, one is in staff training, and so on – you may think your corporate bottom line is going to improve by \$64 million. That never happens, however, because what you gain in one area is often lost in another. Any type of intervention in a business changes the company's dynamics, and this is rarely appreciated. For this reason, many investments and acquisitions fail to deliver their theoretical value. ISC now has the technology to prevent this.

## Who makes the decision to engage ISC? Is it the CEO?

Yes, it's the CEO, the chairman, the CFO, or the total executive team because we look at a holistic picture of the business. The vice president of manufacturing tends to concentrate on manufacturing, and the vice president of sales looks at the sales or marketing aspect. Because we look at the total business, we have to deal with the admiral's view of the fleet. He, she, or they can finally now control the total business – not just the pieces – to substantially increase the bottom line.

## But chief executives are already engaged to watch the bottom line.

Yes, they are, but they don't really have the lenses through which to view the total business. They look at it through balance sheets or year-over-year comparisons, but the speed of change is so fast now that just doing a little better year over year may no longer be good enough. You have to know your real potential and make a quantum change. Until we developed this approach, there really wasn't a methodology anywhere to give the CEO the ability – the X-ray vision – to look at the total business. We'd all like to have X-ray vision in terms of knowing what's wrong, and having an X-ray machine is the key. It highlights areas of hidden weakness before they manifest themselves. So CEOs tend to welcome our product because it gives them this new pair of lenses.

## And so your product is unique.

Yes, it is. Because ISC has not only developed but also implements this unique and really holistic approach throughout all levels of an organization,

the CEO can look in depth at all the variables at the same time. This enables a much surer base for investment or acquisition decisions, as complex integration scenarios can be simulated.

#### **You really have no competition?**

As of today, we don't see anyone doing anything like we're doing. There are companies that claim to add to or create shareholder value, and some try to sell what I would call "FANCI" numbers, with "FA" standing for favorable, "N" for notional, "C" for consultant, and "I" for indicators. But while you may see indicators that look very good, they tend to be in one sector of the business. So again, unless you look at and manage the whole, having theoretical value creation or cost savings in one area may appear good at first sight, but it hardly ever ends up in full on the ultimate bottom line.

According to an economist at the Federal Reserve Bank in Philadelphia, as of the year 2000 in the U.S. economy, \$1 trillion was invested in intangible assets and \$1.1 trillion in tangible assets. Now many programs enable the creation of value in certain pockets, but unless you fully leverage both tangible and intangible assets at the same time, you'll only scratch the surface of what a business can really achieve. That's why we don't see today any product offering or technology that does what we do for a business.

#### **Is your product currently available globally?**

Yes, we're marketing it globally. We already have a partner, LSI, in Australia, New Zealand, and parts of the Far East, and we're in the final stages of negotiations with a company in Tokyo that wants our technology exclusively in the Japanese and Korean markets. And in the United States we're talking with a Nasdaq company that wants to use this technology exclusively in the health-care system.

#### **So your growth strategy centers on building partnerships or alliances.**

Yes, but it differs by market. For the most part, the two local ISC operating companies will serve Europe and the United States. However, we'll consider an exclusive partnering in certain European countries and in certain U.S. sectors, which is also our model for the rest of the world. The key is to have good distribution channels.

#### **How is your brand-name awareness worldwide?**

We're still in the early stages because our product – which we believe is the most leading-edge product in the world for businesses – took four years to develop. We launched it only last September in the United States, Europe, and the Far East. Early signs show it's being very well accepted because it does speak directly to what businesses really need.

#### **Will new technology change the way the product is offered?**

Possibly. There are five types of capi-

tal in a business: intellectual, human, market, operational, and financial. The speed and readiness of information will increasingly help to harness those five forms of capital, and the interaction or balance of those five is the power of our process.

#### **Is there a way for CEOs to preview your product?**

We've now posted on our Web site [www.iscbusiness.com] a preliminary diagnostic so that any CEO can, in about 30 to 45 minutes, assess how well leveraged

■

One

third of the

*Fortune 500* companies

won't exist in seven

years.

■

his total business is. The tool has to be generic because it's Internet based and thus applies to all businesses, but it does give CEOs and CFOs the understanding that, unless they change, the future could be bleak. Just a few years back Charles Handy of the London Business School made the rather sobering observation that one third of the *Fortune* 500 companies won't exist in seven years. Considering recent events, I believe that the seven-year period is now grossly overstated; I think it will be more like four or five years. Unless businesses start to challenge themselves more deeply and leverage all of their assets, there are going to be many more failures and collapses of well-known companies.

#### **Does the implementation of your product pose problems for chief executives who have to balance short-term earnings with long-term performance?**

There has to be a balance of the short term, middle term, and long term. By successfully balancing the interaction of the five forms of capital I mentioned, you can look at the short, middle, and long term within a total strategic context, because the left hand can exactly play off what the right hand is doing. This multiplies the effectiveness of the process exponentially. At ISC we're so convinced of the robustness of our approach that we tie 50 percent of our fees to real bottom-line value creation in the short and midterm time frame, which we measure, for example, in growth of earnings per share.

In our survey of just over 100 CEOs, a very alarming statistic came forth. When we asked chief executives, on a scale of 1 to 10, to rate their organizations on how much day-to-day innovation occurs, only some 2 percent gave their own organizations more than a 5 out of 10. Innovation is the only sustainable competitive advantage of tomorrow. Gone are the days when you could rest on your product, market, design, or process because the world is smaller. There's always someone, somewhere, who's making something smaller, faster, cheaper, and so forth. Innovation is the key to growth, and the speed of response directly relates to success. The successful business of tomorrow will focus on speed and innovation – the two key aspects that the ISC approach unleashes in a business.

#### **Do you license your product, or is it a one-time purchase?**

Unlike a lot of other companies, we want to transfer all of our technology to the client so that the company doesn't have to come back to the well. We want to give that client what we call "strategic competency," so that it has the ability to follow this approach year after year, without having to call ISC or other consultants for assistance.

#### **Has ISC progressed from its early development stages the way that you expected?**

It's taking longer because more and more aspects of the challenge began to unfold as we went through the process. We started working on the theory in 1997. I worked on a seminal book with a woman named Danah Zohar, the author of *Rewiring the Corporate Brain*. That book, in essence, started to launch our way of thinking. Peter Senge had authored the book *The Learning Organization*, which outlined a very good theory, but there wasn't a road map to show how to implement a learning organization. There was always a gap between academic theory and real, hard behavioral change and practice. Therefore, we started to narrow that gap and to devise a product and methodology whereby any sound management theory can now be implemented in real time in a real organization to effect permanent change.

#### **What do you enjoy most about the job? Is it seeing that implementation happening?**

What I enjoy most is showing people something differently, and then seeing them start to think differently and to toss away some of the baggage they carried for the previous 10, 15, or 20 years. Seeing the light come on in their eyes is the most rewarding. It's almost like when Saul saw the light and became Paul on the road to Damascus. That's the magical moment. Showing a well-experienced CEO who's running a multibillion-dollar corporation how to look at it in a totally different way is the real reward. ●