

# FOCUS *FORWARD* LEADERSHIP

Maximizing Profits in the  
Artificial Intelligence Age



JOHN ROBERTSON

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Artificial Intelligence Age

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# CONTENTS

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Foreword..... v

## **PART I**

Why Focus-Forward Leadership Matters..... 1

1. They Didn't See It Coming..... 3

2. How Big Is It?..... 13

3. Focus-Forward Leaders..... 25

## **PART II**

What Focus-Forward Leaders Must Master..... 37

4. Lead To What You Believe..... 39

5. Lead Through Others..... 49

6. Lead To A Destination..... 59

7. Lead to Profits..... 69

8. Lead To Achieve..... 81

## **PART III**

How Focus-Forward Leaders Succeed In

Maximizing Profits..... 93

9. 4/12/365: The CEO Way Of Doing Business... 95

10. It's Up to You..... 107

Appendix: About The Author..... 111

Works Referenced..... 113

# PART I

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## Why Focus-Forward Leadership Matters

# CHAPTER 1

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## They Didn't See It Coming

It was Boxing Day, December 26, 2004, and a beautiful morning at Patong Beach on Phuket Island, Thailand. The sun was shining, the temperature was about 80°F, and the waterfront was filled with tourists lounging beneath colorful umbrellas. All in all, a perfect day in the midst of a perfect winter vacation at this seaside resort.

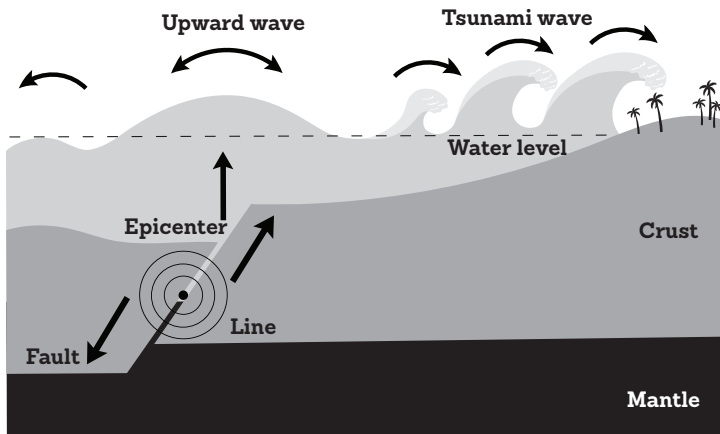
Then, unexplainably, the water in the bay retreated. Everyone stopped to gaze at this strange event. Then it struck. A wall of water more than fifteen feet high moving at 500 miles per hour crashed into the beach and drove inland for a half mile. More water continued to rush in. Tons of fast-moving seawater in a series of huge waves crushed everything in its path. Survivors later reported the seawater was relentless.

In the blink of an eye, this blissful scene of serenity and peace was now a fight for survival. Debris of all kinds swirled and rearranged everything from deck chairs to local economies. Water overturned cars and destroyed hotels. Families were separated, businesses were disrupted, and chaos reigned. What happened? A tsunami. It was later named the Boxing Day Tsunami. *No one saw it coming.*

## Tsunamis Are Powerful

Tsunamis are powerful, and they are known for their invisible start. Except for the seismology reading that tells of a major change deep under the sea, there is no visible evidence of the destruction coming. NOAA, the American National Oceanic and Atmospheric Administration, monitors the ocean for sudden displacements in the sea floor. It could be a tectonic plate shift, a landslide, or volcanic activity.

The Pacific Warning Center in Hawaii knew that an earthquake had taken place but there was confusion about its size and magnitude. There was no tsunami warning system in the Indian Ocean. The people on Patong Beach did not know it was coming.



As shown in the graphic, a tsunami wave increases in height as the shock of the disturbance rebounds off the sea floor. As the tsunami wave nears the shore, the shock waves rebound more quickly, causing the ocean's waves to grow higher and higher. By the time

a tsunami wave reaches land, the wave is very high, moving very quickly, and transporting enormous amounts of water.

At Patong Beach, the impact was massive and very destructive.

### **Business Tsunamis**

Today, we hear similar tsunami warnings in the business community, but there is no one central voice like NOAA. Instead, there are many voices, often providing conflicting information. But when a tsunami hits, it rocks the business world with many of the same effects as the Boxing Day Tsunami at Patong Beach.

The most recent business tsunamis were the housing bust and financial crises of 2008 and the dot-com bust of the year 2000. Like literal tsunamis, both had beginnings in circumstances that went practically unnoticed.

The 2008 financial crisis started very quietly. Some say it was the result of mistrust between banks. Other say it started with the Graham-Rudman act in 1986 when banks were allowed to invest in complicated investment vehicles called derivatives. Facts point to the derivatives.

Banks used derivatives to provide subprime loans for home mortgages. After 1986 and for the next twenty years, derivatives became hot commodities and were traded like stocks by many, including hedge funds and brokerage houses, such as Lehman Brothers



and Merrill Lynch. Their investors included insurance companies and pension funds, among others.

Then, on September 15, 2008, the tsunami struck; Lehman Brothers declared bankruptcy and Merrill Lynch had to be rescued by the Bank of America. The housing crisis followed, with devastating effects. Too many loan defaults overwhelmed the banking system. Many people lost their homes. Investment banks went out of business, hedge funds collapsed, and the real estate market in some places devalued as much as 38.5 percent.

Prior to the bust, many in the financial media proclaimed the benefits of new housing starts and new homeowners. There were also many doomsayers who derided the irresponsibility of the financial markets. Conflicting information creates confusion and raises questions: who to believe?

*The innocent never saw it coming.* The informed could not stop it.

## **Every Tsunami Starts With A Silent Earthquake**

Another silent earthquake had a very inauspicious beginning in the 1960s. It was simply a design to help large contractors work more quickly with the agencies in the Department of Defense. It did not look or feel like an earthquake when it started. It was just a quiet ripple that was eventually named the internet.

When the public was introduced to the internet, it was like learning about a car. We did not even know

## CHAPTER 1

how to get it started. Then we fell in love with it, and soon it became essential to our lives. As it gained acceptance, the tech community began providing the public with such things as email for free. Investors began to see opportunities for building immense wealth. By 1997, it seemed every dot-com effort was successful on a large scale and could be projected to be profitable because of the massive number of potential customers.

After the Taxpayer Relief Act of 1997 was passed into law, dot-com investors went wild with company stock offerings (IPOs or Initial Public Offerings). IPOs often drew in big money. As is typical, successful business ideas are frequently copied, and it seemed every new dot-com IPO offering had the same business plan, which was to take command of a business sector through the rapid capture of the business network and sell direct, without the added costs of a middleman.

Business tsunamis begin quietly and have devastating effects, even when the business plan is developed by very smart businesspeople. The bloom quickly came off the rose of the dot-coms in early 2000. The dot-com bust was devastating. As many as 45 percent of dot-coms disappeared. Of those that survived, most lost 90 percent or more of their value. Amazon, a rock star today, saw its stock decline from \$100 per share in April 1999 to \$6 per share in September 2001. Today it has rebounded, but many others have not.

*Most could not see the tsunami coming, and they don't see the new ones forming.*

## **New Tsunamis Are Forming**

Business tsunamis hit industry and business sectors independently as technology is developed. Even with warnings sounded by academics and other experts in their fields, CEOs tend to think they are prepared. In the end, every business tsunami must be handled independently and uniquely by every individual business in America and around the world.

An artificial intelligence tsunami is quietly forming with each new technology idea that serves to make our lives better and our activities and pursuits more convenient. Like the unsuspecting beachgoers at Phuket, many leaders are unaware of this hidden obstacle to their success. Just as the housing bust of 2008 had a quiet start with Graham-Rudman and the dot-com bust had a quiet and unassuming start as an unintended consequence of a tax relief bill, this next tsunami has not yet been recognized, either.

Let's look at the often unnoticed and ubiquitous business of personal transportation. Just like the other tsunamis, this earthquake occurred with little notice.

*There was no warning; businesses did not see it coming.*

It began when the Apple iPhone was introduced in January of 2007. In the beginning, the iPhone simply seemed to be the new toy on the block. It was a more fun, convenient phone. It did not start out as the smartphone we know today. It had no support for

third-party apps, no GPS, no SD card support and no real “smarts” as we think of them when we think of smartphones today. But it quickly gained enthusiastic followers who liked its ease of use and convenience. Apple welcomed the enthusiasm and expanded the phone’s capabilities in subsequent generations (well, except adding SD card support, which remains an Android-only feature to this day) to meet their consumers’ requirements.

◆  
**An artificial intelligence tsunami is quietly forming with each new technology idea that serves to make our lives better and our activities and pursuits more convenient.**  
◆

A little less than two years later, in December 2008, Travis Kalanick was sitting in an internet technology conference. He, too, was excited about the iPhone. During the conference, he had an idea about how to lower the cost of providing limousine car services using his iPhone. It was simple: “Call a car service with your iPhone.” His idea changed the world of limousine service providers and then the world of the taxicab companies. What Travis began with an idea he called UberCab in March 2009 launched as Uber in San Francisco in June of 2010.

Uber’s entry into the personal transportation or ride-hailing space had the same effect as a tsunami. The world of the cab driver turned upside-down. Everything in the streets was suddenly different. Riders were walking around cabs and getting into shiny new cars that did not look like cabs. Suddenly

Uber’s entry into the personal transportation or ride-hailing space had the same effect as a tsunami. The world of the cab driver turned upside-down. Everything in the streets was suddenly different. Riders were walking around cabs and getting into shiny new cars that did not look like cabs. Suddenly

the cab companies were sitting in traditional taxi lines, but they were not moving. All the cars around them were moving and taking their rides with them.

*They did not see it coming.*

What for years had been a scene of serenity and peace and stability for the cab companies was now chaos and a fight for survival. And oh, what a fight it has been. The fight for survival has gone from city to city and town to town, and from regulation to regulation. In the end, cab companies settled into a new niche; it is not as attractive as the one they previously occupied.

Uber, meanwhile, is now a household name in sixty-three countries around the world. Now we travel and talk about getting an Uber. We even schedule that Uber in another city, travel there, walk out of the airport, and get into the car, all coordinated with the aid of our smartphones. In fact, if you are an Uber rider, Uber can track you and provide a car for you anytime you want one. But it all began with Travis Kalanick in December 2008 with an iPhone and a little-noticed idea, which created a silent earthquake, which became a tsunami.

*Tsunamis have no warning. Companies will not see them coming.*

## **Technology In Waves**

A tsunami's destruction is not just caused by the first big wave, although that is very destructive. The real devastation occurs in wave after wave of water

## CHAPTER 1

and debris that fills every inch of the subsequently flooded landscape.

The coming artificial intelligence tsunami will visit wave after wave of technological change upon us, much like the waves in an ocean: in this case, an ocean of data. These waves are the precursor ripple waves of a huge tsunami called artificial intelligence. This tsunami will change every facet of our lives in the next few years.

The artificial intelligence tsunami will hit with such force and effect that it will engulf business in countless ways. Like the personal transportation business, this tsunami will overwhelm every industry it hits. People will adjust, and consumer requirements will be met, but businesses that are not prepared will be swept away. New businesses with an advanced technology model that meets the needs of the consumer will step into the breach.

Like the impact of the iPhone, the artificial intelligence tsunami is currently a series of quiet offshore earthquakes. Everyone is looking, but no one sees. These earthquakes are born out of technology innovations that have occurred over the last twenty-plus years. These innovations have come in little-noticed waves that added convenience to our lives and advanced our society.

Today, everyone can easily see the impact of these technology waves. We talk online through a host of different mediums, such as Facebook, Snapchat, Twitter, email, and other messaging apps. We buy

## FOCUS FORWARD LEADERSHIP

online from a variety of stores such as Amazon, Wayfair, eBay, and many others. We manage our money online through our banks and send money to others through PayPal, Square Cash, Venmo, and Google Pay. Technology has made our lives faster, easier, and perhaps more convenient.

These technology waves prove that the artificial intelligence tsunami is near. The way companies will be challenged with new ideas and new technology applications is difficult to imagine. What seems so common today is in for more big changes tomorrow. New solutions are introduced daily. There will be more ways to talk, more ways to visit, more ways to shop, more ways to travel, more ways to think, and perhaps even be more kinds of money.

Focus-forward leaders must *see it coming* for their business sector. We know that the tsunami wave will be bigger than any of us can imagine. The Boxing Day Tsunami was bigger than anybody could have imagined. It swept away the unprepared, but companies and structures that were built to withstand the forces of a tsunami recovered to do business again.

Focus-forward leaders must do the same. They must prepare for the worst, the most disruptive events, the most unexpected, so they can recover to do business again. However, even with all of their preparations, when it *does* hit their industry, they will say:

*"It was bigger and more powerful than we expected."*