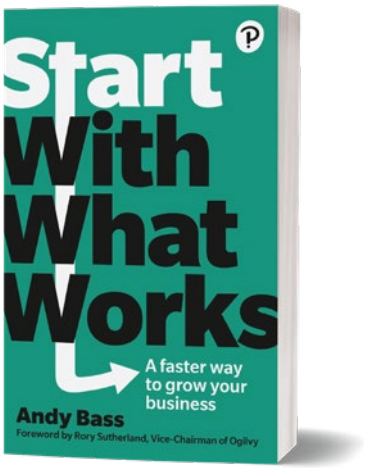
RETURN ON HIDDEN ASSETS

How ambitious leaders can uncover overlooked value, create new strategic options, and move their organizations onto the next growth curve



Andy BASS



"The commercial equivalent of cash in the attic."

Rory Sutherland,
Foreword to
Start With What Works by Andy Bass

"Rather than waiting for a magic bullet, make your organization better, starting today. Andy helps you see the resources and talents you have already, but just haven't got around to using properly or fully enough. Even better, the process creates engagement and excitement among employees, because the process honours their expertise and abilities."

Rooney Anand Former CEO of Greene King Plc; Senior Independent Director, Morrisons plc

"Andy Bass is exactly the guy that every president or CEO needs. He'll call you on gaps in your thinking and when required, steer you towards something better."

David J. Pritchett President, Rieke Packaging Systems (A TriMas Company)

"Andy's focus and trenchant questions have been invaluable for me. I wholeheartedly recommend him to anyone trying to turn their ideas into reality, and who don't want to get lost, derailed, or diluted along the way."

Alex M H Smith Bestselling Author of No Bullsh*t Strategy

"If people only 'half understand', they can only 'half commit'. In Committed Action, Andy teaches you to translate your leadership message from terms that make you want to act into terms that make them want to act."

Jurga Žilinskienė MBE *Founder and CEO, Guildhawk*

"IAC people benefitted hugely from Andy's expert guidance in aligning our people with our objectives and turning strategy into action."

Jens R. Höhnel Global Co-CEO & President Europe, International Automotive Components Group (IAC)

Who this is for

This approach is designed for positive, ambitious leaders with responsibility for growth and return on investment: chief executives, managing directors, business-unit leaders and others who can make decisions and commit resources.

The clients who get the most out of this are savvy and decisive, but open-minded enough to listen deeply to the organization. They suspect that frontline employees, technical specialists and other groups have more to contribute than current structures allow. They understand that middle managers are essential to execution, while also recognising that internal incentives and career concerns can make novel opportunities appear personally risky.

This is not primarily a turnaround proposition for organizations needing emergency balance-sheet restructuring, dramatic cuts or financial rescue.

It is for established organizations with real strengths but a sense that there is more: businesses that want to renew, reinvent or move onto their next growth curve.

CONTENTS

Seeing The Opportunity 1

The Central Idea 5

Avoiding The Temptation Of 'Saviour Solutions' 6

Boosting Your Return on Hidden Assets 9

- Discovering Hidden Assets 10
- Evaluating Hidden Assets 13
- Activating Hidden Assets 16
- Leveraging Hidden Assets 18

D.E.A.L In One Page 20

What This Approach Can Produce 21

How To Get Started 22

About Andy Bass 23

RETURN ON HIDDEN ASSETS

The opportunity may already be inside your business

Leaders seeking to grow are often too quick to look outside. They ask what they should buy, who they should hire, which technology they should implement, or which company they should acquire. Those may all be sensible questions. But they are rarely the best first question.

The better first question is: what do we already have that we are overlooking, undervaluing, or using below its highest-value potential?

Established organizations accumulate far more than products, property and cash. They build knowledge, relationships, reputation, data, ways of working, unique capabilities, intellectual property and capacity for judgement. Many of these are overlooked. Others are visible but taken for granted because they have become part of everyday life inside the organization.

These Hidden Assets can provide the raw material for new revenue, stronger differentiation, better customer value, more confident strategic choices, leading to EBIT growth and ultimately a more valuable company. The purpose of this document is to show why they are so often missed, what becomes possible when leaders learn to see them, and the four questions an organization must resolve to turn overlooked strengths into sustained commercial results.

Is a new signing the answer to all a team's prayers?

When I was writing my book Start With What Works, I discussed my ideas with Paul Faulkner, the former CEO of the storied English football teams Aston Villa and Nottingham Forest.

As I talked to him about the bias towards new resources, Paul started to laugh.

"This is exactly what it was like running a football team," he explained. "I lost count of the number of times the coaches would ask me for: 'Just one more player.' I'd reply to them that there was little point buying even the best striker in the world if the team couldn't gain and keep possession of the ball and then supply it to that striker. I'd urge the coaching staff to work on rethinking what we did with the existing squad. I figured that then, if we did buy an expensive new player, we'd be better able to use them. And maybe we'd find that the players we already had—including last year's star signing that the coaches now seemed to be less enthusiastic about—could really flourish and bring us the results anyway."

The same principle has successfully driven profitable growth in many businesses including Lego, Amazon, Lotus Cars, Cardinal Health as well as a bunch of successful but less famous companies.

Why I have come to see businesses this way

For many years, my work has involved helping leaders improve performance without beginning from the assumption that the organization is broken. I have worked with senior teams, technical specialists, commercial leaders and frontline employees in organizations that were often already successful, but whose leaders sensed that the business could do more.

My experience spans more than 30 industries and 12 countries, from the UK and continental Europe to North America, Mexico, India and China. I have advised leaders in global financial institutions, professional services firms, manufacturers, consumer brands and technology businesses such as Deutsche Bank, L'Oréal, DLA Piper and Collins Aerospace, and taught executives at Oxford Saïd, Warwick, Strathclyde and Aston business schools. My clients have ranged from global brands to mid-sized businesses that are leaders in their niches. I don't mention these names to impress you, but to demonstrate that the patterns I'm about to describe show up across industries, geographies and business models.

The experience of seeing those patterns led me to write Start With What Works for Pearson.

Its central idea is simple: before importing a solution, begin by identifying what is already producing value, including the resources and capabilities that existing success implies must be present. My later work on committed action, organizational alignment, horizontal collaboration and the relationship between technical and commercial people has deepened that approach.

Across those industries and countries, I've repeatedly seen organizations discover that they are stronger than they thought. They are not as resource-constrained as they assumed. Their people know more than the formal system captures. Their existing relationships open doors they have not considered. Their apparent limitations contain clues to strengths that can be scaled.

The revelation is encouraging, but it is not merely motivational. These are concrete assets with economic value.

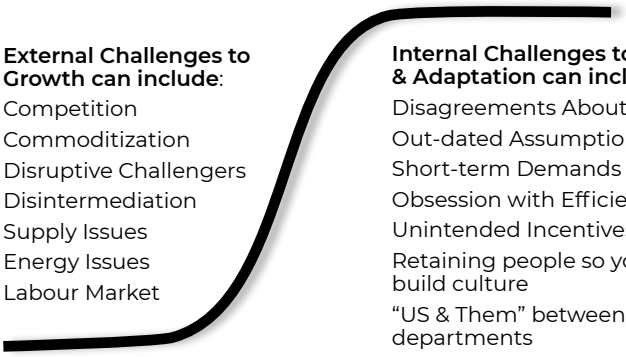
THE CENTRAL IDEA

> *Ambitious organizations can create their next source of growth by uncovering the distinctive assets they **already** possess, matching them to emerging customer value, mobilising the organization around the opportunity, and deliberately compounding the results.*

I don't argue against hiring talented people, investing in technology, using AI, or making acquisitions. But I've found that external investments are most valuable when leaders first understand the internal assets they are designed to amplify.

Increasing your Return on Hidden Assets is especially relevant when a business is growing but its curve is beginning to flatten; when leaders sense greater potential but cannot yet articulate it; when the senior team understands an opportunity that the rest of the organization does not; or when changing customer needs require the business to define its next strategic position.

Internal & External Limits to Growth



External Challenges to Growth can include:
Competition
Commoditization
Disruptive Challengers
Disintermediation
Supply Issues
Energy Issues
Labour Market

Internal Challenges to Learning & Adaptation can include:
Disagreements About Priorities
Out-dated Assumptions
Short-term Demands
Obsession with Efficiency & Cost
Unintended Incentives
Retaining people so you can build culture
"US & Them" between departments

Avoiding The Temptation Of 'Saviour Solutions'

When growth slows or the world changes, the natural temptation is to search for a saviour solution. The proposed answer may be a star hire, a new CRM or ERP system, an acquisition, a transformation programme, or the latest form of AI. Each can be valuable. Each can also be costly, difficult to integrate and less transferable than it first appears.

That 'rockstar' you are tempted to hire may have succeeded because of the team, brand, market timing, product quality and organizational support surrounding them. A technology investment may automate a poor process or create a programme that overruns before benefits appear – we've all seen that many times. And acquisitions are notoriously tricky - they may import assets while destroying the relationships, culture or tacit knowledge that made them valuable.

The mistake is not looking outside. The mistake is looking outside before understanding inside.

This outside-first reflex has three further consequences. It makes businesses converge on the same solutions as their competitors. It encourages an excessive focus on the cost side of the profit equation rather than entrepreneurial value creation. And it causes leaders to underestimate the confidence and energy generated when people recognise that the organization already contains the seeds of its next success.

The alternative is to ask how existing resources can be moved towards their highest-value uses. Because those resources are shaped by the organization's particular history, customers, relationships, people and experience, they are also more likely to support genuine differentiation.

AI: Substitute, Saviour or Amplifier?

AI is changing what organizations can do. As dramatic as the promises are, the technology doesn't remove the need to understand where real value comes from. If anything, AI makes that understanding more important.

Here are three ways of thinking about AI:

1) AI as substitute: Get the machines to perform work currently done by people and save a bucketload of cost. Such promises have always been irresistible. Many rush in enthusiastically - and of course it can create a lot of value if done strategically. But efficiency is not the same as advantage – and cutting people can mean cutting knowledge, judgement and relationships that were never recorded on a balance sheet. Remember all those companies that got caught up in offshoring their customer service and then reshored it because of the damage to their brands? What appears to be a saving may also be the disposal of a strategic asset.

2) AI as saviour: Here the gameplan is to declare an ambition to become "AI-enabled", acquire impressive technology and expect transformation to follow. Vendors are clamouring to assist you. But remember the classic distinction between delegation and abdication. Managers who give powerful technology ill-defined objectives may find themselves cast in the role of the Sorcerer's Apprentice. New York City launched a chatbot to

guide small businesses through city regulation, calling it a "once-in-a-generation opportunity." Within months it was telling business owners they could pocket staff tips!

3) AI as amplifier. Every established organization possesses accumulated – and often overlooked – knowledge, relationships, data, reputation, intellectual property, practical judgement and distinctive ways of working. Much of this is fragmented, inaccessible or trapped inside departmental and professional silos. AI can help people discover that hidden gold, detect patterns across it and envisage combinations that would otherwise remain unseen. Morgan Stanley, for example, has used AI to give its advisers rapid access to the firm's own extensive research and knowledge. The technology did not create that asset; it made more of it usable.

As increasingly capable AI becomes widely available, the technology itself becomes less distinctive. Sustainable advantage comes from applying it to assets competitors do not possess, in combinations they cannot readily copy.

As well as asking what AI can do, are you asking what AI could help you see – and what it could help you do with what you already have?

Before you ask what AI can replace, ask what it can amplify.

Boosting your Return on Hidden Assets:
THE D.E.A.L. PROCESS

The work follows four linked stages. Each stage answers an important strategic question and creates increasing value with each step.

STAGE	THE CENTRAL QUESTION	THE VALUE CREATED
D **DISCOVER**	What strengths and resources are we overlooking?	A truer and more optimistic view of what the business can draw upon.
E **EVALUATE & ENVISAGE**	Which assets matter most, where could they create value, and what could we become?	A distinctive and credible strategic opportunity.
A **ACTIVATE**	Are we ready, capable and aligned?	Committed action across the organization, not merely senior-level agreement.
L **LEVERAGE**	What further value does the result make possible?	Compounding gains, new resources and sustained growth.

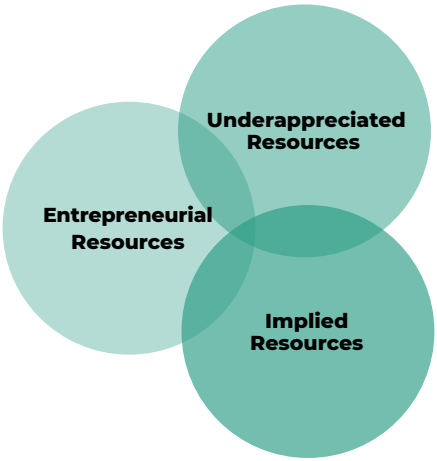
D → Discover: What strengths and resources are we overlooking?

The first stage is like putting on a set of night vision goggles. Leaders and teams learn to notice resources that are absent from formal asset registers, hidden in ordinary routines, or obscured by a problem-focused view of the business.

The objective is to uncover sources of value by exposing blind-spots, so as to reveal what the organization has stopped noticing.

Three Discovery Lenses

What resources do we have apart from money, that an entrepreneur would love?



In places where we may be underperforming or have a demanding stretch target, how come we aren't worse?

What must be there in order for us to do what we do?

1. What must already be present for us to do what we do?

Existing performance implies resources. A business that repeatedly delivers an outcome people pay for must possess capabilities, judgement, coordination, relationships or know-how that make that outcome possible, even if nobody has named or codified them.

The value is the discovery of implied resources: strengths that are evidenced by results but remain invisible in the organization's own account of itself.

Lotus, for example, turned suspension and engineering expertise developed through motor racing into services for other manufacturers. Unipart similarly recognised that the operational-improvement capabilities developed and proven within its own business could become a valuable consulting offer in their own right.

2. What resources do we have, apart from money, that an entrepreneur would love?

Adrian Slywotsky's classic question reveals entrepreneurial resources: access, credibility, specialist knowledge, installed relationships, underused space, proprietary data, trusted channels, unusual combinations of talent, and other assets that could be redeployed.

The value is a shift from 'we would need more budget' to 'we may already possess much of what is required to create the opportunity'.

For years, LEGO overlooked its community of adult fans – an asset hidden in plain sight. Adult Fans of LEGO (AFOLs) proved to be far more than a niche customer group: their spending power, ingenuity and devotion have strengthened the brand and helped drive profitable innovation across products and branded media, including competitions and TV shows.

3. Why are we not doing worse?

This question is especially useful in areas that appear disappointing. Instead of asking only why performance is

not better, it asks what is preventing it from being worse. The answer often reveals underappreciated people, routines, customer loyalties, informal workarounds or fragments of good practice that can be strengthened.

These might be called Cinderella resources: valuable contributors that perform essential work without receiving the attention, status or investment they deserve.

In the early 1990s, IBM looked like an unwieldy collection of declining businesses and was preparing to split itself apart. Lou Gerstner recognised that this apparent liability concealed a Cinderella resource, hidden because it was scattered: IBM's ability to combine hardware, software, services and customer knowledge into integrated solutions. He kept the company together and made that integrative capability central to its revival.

What Discovery Changes

A successful discovery stage leaves the organization seeing itself differently. Leaders recognise that the business is stronger, richer in resources and less constrained than they had assumed. Teams gain confidence because the optimism is grounded in evidence rather than slogans.

An initial one-to-one conversation can reveal promising lines of inquiry. The greater power comes when a wider group is brought together to surface the knowledge, exceptions and assets distributed throughout the organization.

One client who was trying to get his operationally focused leadership team to be more strategic said, "The best leadership team meeting we've ever had!"

E → Evaluate and Envisage: What is the highest-value opportunity?

Discovery creates possibilities, but not every asset deserves equal strategic attention. The next stage identifies which resources can matter most, where they can create customer value, and what kind of organization their use could make possible.

1. Which assets matter most?

Some assets are useful but widely available. Others are valuable, rare, difficult to imitate, and supported by the organization in ways that make their value sustainable (the so-called VRIO criteria). The strategic question is which discovered assets have the greatest potential to differentiate the business or strengthen its position.

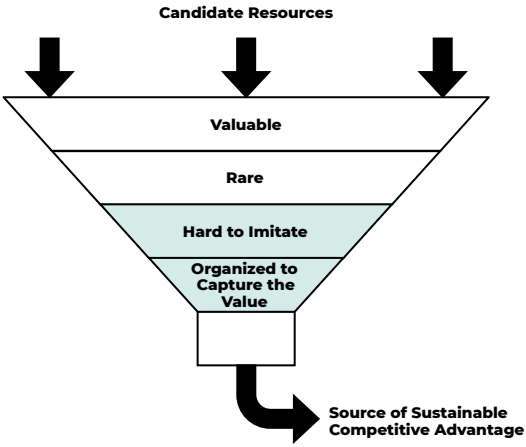


Figure 4.1. Based on Barney (1991). Starting with what works can lead you to your own inimitable advantages

The value is focus. The organization avoids treating a long list of interesting resources as if every item were equally important.

VRIO criteria From Start With What Works (2021, Pearson) by Andy Bass, based on original work by Jay Barney.

2. Where could those assets create value?

Assets become strategic when they meet a meaningful requirement. That requires an outward view: what is changing for customers and potential customers? What problems are becoming more urgent? What new value will customers seek?

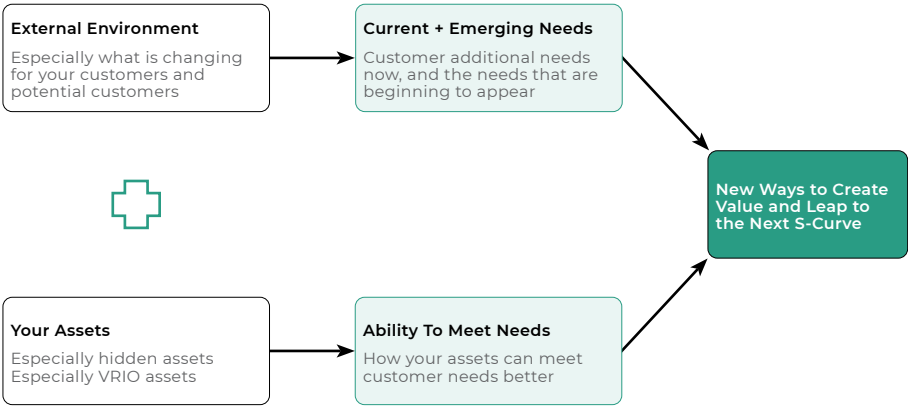
The opportunity lies in the fit between emerging need and distinctive capability. Looking at the customer's changing world, rather than simply extrapolating the organization's current offer, helps reveal positions competitors may not see.

> *Strategic opportunity sits where emerging customer needs meets a distinctive organizational capability underpinned by unique, potentially hidden, assets.*

3. What could we become by exploiting them?

The organization now gets to imagine the stronger future that these assets could support. This is more than just deciding what product to launch. It's an opportunity to explore new strategic positions, business models, reputations or roles. It's asking, "given the assets and opportunities we have identified, what view of us could become credible in the customer's mind?

To keep things real, that ambition is tested against the organization's capability, appetite and ability to build what is missing. The result should be exciting enough to matter and compelling enough to create committed action.



Strategic value emerges where changing needs and distinctive assets meet

Some examples:

→ Cardinal Health's Presource business shows how commodity products – surgical instruments and consumables – can be recombined around a higher-value customer need. It uses its product knowledge, clinical insight, data and distribution capabilities to provide surgical kits tailored to specific medical procedures. The packs reduce picking, waste and errors for hospitals. The value lies not in supplying another individual item, but in improving the workflow and hassles around its use.

→ Rolls-Royce provides the classic example of servitisation. Its power-by-the-hour model combined engineering knowledge, maintenance capability and support infrastructure into a service charged at a fixed cost per flying hour. Customers buy dependable performance, not merely an engine and Rolls Royce gets ongoing revenue (very useful during the Covid pandemic).

→ IKEA illustrates the importance of the complete VRIO test. Flat-pack furniture alone is neither rare nor especially difficult to copy; its advantage comes from an organized system in which price-led design, supplier relationships, efficient logistics, self-service retail and a distinctive brand reinforce one another. Competitors can copy individual elements. But it's much harder to imitate the whole system.

A → Activate: Can the organization turn opportunity into committed action?

A strategy can be intellectually attractive and still fail to move the organization. Activation is the point at which an opportunity becomes a shared commitment rather than a presentation that just excites the senior team.

This matters particularly in successful organizations. The CEO may see the need to move to the next curve while layers below remain attached to business as usual. People may agree in principle but hesitate because the opportunity appears to threaten established priorities, identities, reporting lines or career prospects.

So activating the organization to exploit the opportunities to use hidden resources, required, at a minimum, three things:

1. Readiness

Readiness means more than acknowledging that the market is changing (sometimes all that produces is a 'head in the sand' response). The organization must recognise why movement is necessary, why the proposed direction is worthwhile, and must recognise the cost of delay and *inaction*.

The aim here is the genuine willingness to act rather than passive compliance with a senior decision, or worse, lip-service agreement that then goes unsupported.

2. Execution capacity

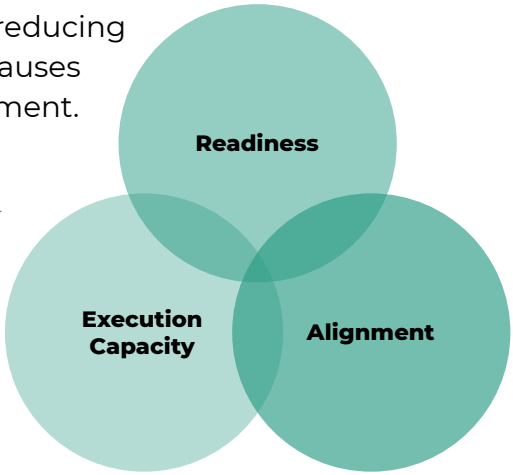
The organization needs the practical capacity to pursue the opportunity: leadership attention, decision rights, relevant skills, coordination and the ability to learn as action produces new information.

Captain Jean-Luc Picard of the Starship Enterprise could just say, “Make it so.” Most real-life could develop more of that kind of disciplined capacity.

3. Alignment

Alignment does not require universal enthusiasm or identical views. It requires sufficient shared understanding of the objective, alignment of incentives, and rules for resolving tensions.

The value is coordinated commitment across functions and levels, reducing the friction that otherwise causes promising initiatives to fragment.



Readiness, capability and alignment can be treated as a three-part activation diagnostic.

Weakness in any one of them can explain why an apparently good strategy is not moving.

Toyota shows what happens when readiness, capability and alignment reinforce one another. The Toyota Production System embedded a shared purpose, frontline participation and routines through which people could identify problems, act on them and develop further capability. Over time, millions of small improvements accumulated into a self-renewing system. Competitors could copy the visible techniques but they often failed to reproduce the results.

L → Leverage: What further value does the result make possible?

There is an entrepreneurial attitude that distinguishes certain organizations and can create tremendous value – it has to do with thinking more moves ahead. For example:

- → A new offer may produce additional profitable revenue, but the value is more than the immediate cash: maybe that revenue can fund entry into another market.
- → A successful collaboration may solve an immediate problem, but also create knowledge, reputation and relationships that support further growth.
- → Improved performance may free up management attention for higher-value work, attract stronger talent or increase the confidence to pursue a larger opportunity.

Amazon illustrates this kind of entrepreneurial sequencing. It repeatedly used the gains and capabilities created by one move to enable another: its retail growth justified investment in fulfilment infrastructure, that infrastructure strengthened

the highly-successful Prime offering and supported services for third-party sellers, while the tech developed to operate at scale helped give rise to AWS. The lesson is not to imitate Amazon's scale, but to ask of every opportunity: what cash, knowledge, relationship or capability will this create – and what larger move could that make possible?

Leverage means deliberately pursuing those knock-on effects. It asks how the initial gain can become the resource base for the next gain.

1. What further value does this result make possible?

The organization looks beyond the immediate objective to the second- and third-order consequences. Cash, knowledge, trust, customer access, credibility, confidence and learning may each unlock additional outcomes.

2. How can the gains be reinvested or reapplied?

Value can be directed towards debt reduction, new products, market entry, employee rewards, talent, capability building, further experimentation or another strategic priority. The important point is to make the choice explicit rather than allow the gain to disappear into normal operations.

3. What new assets and opportunities are we creating?

Distinctive resources are generative. Used well, they create further resources: experience creates know-how; know-how creates better offers; successful offers create reputation and relationships; those create access to new opportunities. Leverage turns hidden assets from a one-time discovery into a continuing growth system.

D.E.A.L. IN ONE PAGE

D → DISCOVER

- → What resources do we have, apart from money, that an entrepreneur would love?
- → What must already be present for us to do what we do?
- → Why are we not doing worse?

E → EVALUATE AND ENVISAGE

- → Which assets matter most?
- → Where could they create value, especially against customers' current and emerging needs?
- → What could we become by exploiting them?

A → ACTIVATE

- → Are we ready for change?
- → Do we have the capability to execute?
- → Are we aligned around the opportunity?

L → LEVERAGE

- → What further value does this result make possible?
- → How can the gains be reinvested or reapplied?
- → What new assets and opportunities are we creating?

What this approach can produce

The start of the DEAL process may be a new strategic option, a more differentiated offer, a better use of intellectual property, a new customer proposition, a stronger internal capability, or a route to the next growth curve. But the broader result is a different way of managing the business.

- → Leaders gain a more accurate and confident understanding of the organization's strengths.
- → Strategy becomes connected to assets the organization can genuinely exploit, rather than fashionable ideas available to everyone.
- → Customer change is interpreted as a source of opportunity rather than only a threat.
- → Employees become contributors to discovery and execution rather than recipients of a finished strategy.
- → The organization creates a repeatable ability to turn one source of value into the next.
- → The company becomes more valuable because its distinctive resources are recognised, developed and put to productive use.

Let's Have a Conversation

You can begin this work independently by reading Start With What Works and asking the discovery questions with your leadership team. Even a preliminary discussion may reveal resources, customer opportunities and organizational assumptions that deserve closer attention.

But the deepest value is often difficult to see from inside the system. Some of the most common reasons are:

- → People take their own strengths for granted.
- → Internal politics shape which ideas are safe to raise.
- → Functions see different fragments of the same opportunity.
- → And a strategy that appears clear at the top may look very different from elsewhere in the organization.

If you are leading an organization and this approach makes sense to you, let's have a one-to-one exploratory conversation. We will discuss where you sense unrealised potential, what may be changing in your customers' world, and where a deeper Hidden Assets investigation might create value. The purpose is not to pretend that a short call can produce the answer. It is to establish whether there is a worthwhile opportunity to explore together.

Contact Andy: andrew@bassclusker.com

The question is not simply what your organization needs to acquire. It is what your organization may already possess—and what it could become if that value were fully realised.

About Andy Bass

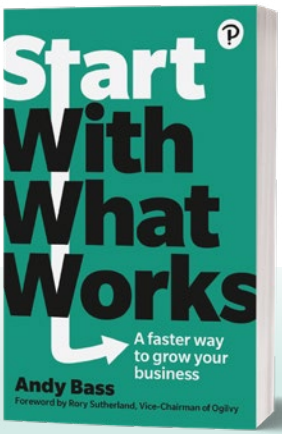


Dr Andy Bass is an independent advisor to CEOs and senior leaders of ambitious organizations, and the author of *Start With What Works* (Pearson).

andrew@bassclusker.com
www.bassclusker.com

Learn more about the book,

START WITH WHAT WORKS
A faster way to grow your business



GET A FREE CHAPTER
Or **email Andy**

RETURN ON HIDDEN ASSETS



Andy BASS

STRATEGIC
LEADERSHIP
ADVISORY

bassclusker.com