



The Most Important Question CEOs Should Ask Before Next Earnings Season

By Colleen Murray

Switching your focus from reactive and defensive strategies to future-focused growth requires leveraging your true strategic differentiator. This article provides a framework for future-proofing your business.

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Many CEOs have once again spent earnings season focused on the past—and often on the defensive.

Yet the best ones use moments like these to go on the offensive. They see them as opportunities to change the discussion from the past to the future. When done right, they can allow you to clearly articulate for yourself—and your teams—what you're going to double down on.

Making a compelling case about the future begins with what seems like a very basic question: **What do we do that no one else can do?** Only in this way can you identify your true strategic differentiator.

Are you rolling your eyes? I get it. More than a few of my clients start off seeing such exercises as soft and fluffy, unnecessary detours from more pressing matters. But with so many industries facing existential threats, no one's buying the traditional playbook.

Just ask Bob Iger. Even with the sure-bet CEO back at Disney (at least, for now), Wall Street isn't swayed by the plan to simply cut costs and offer dividends by the end of the year. Why should we believe that Disney can navigate its threats in a way that also positions it for growth? What about the succession plan when Iger moves on (again)? We don't know—and I'm not sure they do either at the moment.

To help my clients avoid similar scenarios, I ask them to go through the exercise with me in which I ask them what their organization does that no one else can do. They quickly realize it's not as simple as they thought. They'll start by talking about their assets and capabilities like their mobile app or their front-line staff.

Retraining your brain

I tell them that sounds great for right now, but it may not help them in the future. Their problem, like most of us, is that we've been trained to focus on advantages like pricing and product features. Yet these can be wiped away with any change in the marketplace. Witness how ChatGPT is now wreaking havoc on tech.

As a result, company leaders, from CEOs to marketing chiefs to division heads, often have difficulty explaining what actually makes their company different. The key for you is in defining your differentiators.

Let's go back to our example of Iger. In my opinion, he's more convincing and successful when he focuses his strategy and story on Disney's ability to work with creatives. After all, it's something they're known for doing far better than anyone else.

In the face of uncertainty and increasingly rapid change, companies and leaders are better off when they focus on their unique abilities – their differentiators – rather than their assets.

Case in point: Microsoft's Satya Nadella. Yes, investing in OpenAI was a savvy business move. But that's not the whole story. Nadella has defined Microsoft not by what it has, but what it can do – and will continue to do – better than anyone else.

In the company's fiscal second-quarter earnings call, Nadella discussed Microsoft's capacity to learn and its ability to build platforms for large organizations. He demonstrated how he's focused on the future and how the organization will continue to innovate. Microsoft shares have climbed since the call.

And consider Apple. Yes, they have iPhones and Apple Watches and a new, wickedly fast processing chip. But that's not why its market cap has more than quadrupled in the last decade. Consumers see it as a constant innovator continually solving the problems of everyday life, uniquely trusted to deliver what you paid for. One example: it's taken a strong stand on emphasizing its privacy features, at a time few, if any, competitors were doing the same.

What happens next

Once you pinpoint what your organization does that no one else can, it's time to get to work. I recommend interviewing key internal leaders about past successes. What led to those wins? The key is in listening to the stories people share. It becomes very clear what your organization is truly capable of doing.

Once your answer becomes clear, it's time to bring it to the public – whether it's an earnings call, your annual, all-company town hall meeting or even a focus group of executives.

Of course, you still have to articulate what happened and share yesterday's dollars and cents. And yes, investors, analysts and employees alike want to know how you're prepared for possible short-term pain like a recession and other macro-economic pressures.

But that's not enough. Not today. Industry-wide existential threats loom. Are streaming and subscription business models dead? How do we create for the metaverse? How can we compete with generative AI and other LLMs? How will we attract, retain, and train the talent and leaders we need for the future?

When you've answered what your organization does that no other organization can do, you're no longer a company that's described in the same way as 10 others. You're able to address your particular existential threats. You've fashioned yourself as unique with a clear place in the future. And you've established a way to stay on course and hold yourself and your teams accountable.

CEOs would be wise to consider this before their next earnings call. By identifying now what makes your existence critical, you can better visualize your distinct role in the future. Investors will respond accordingly.

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