



TEL EPISODE #041:

***Overfished Ocean Strategy* with Nadya Zhexembayeva**

Show Notes: <http://www.theelpodcast.com/tel-041-overfished-ocean-strategy-nadya-zhexembayeva/>

Welcome to The Entrepreneurs Library, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.

WADE: Thank you for joining us on The EL. Today we have Nadya Zhexembayeva, author of *Overfished Ocean Strategy*. Welcome, Nadya, and thank you for joining us on The Entrepreneurs Library.

NADYA: My pleasure.

WADE: Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

NADYA: Sure. My name is Nadya Zhexembayeva. I live in multiple worlds and wear a few different hats. On one side, I'm a business owner, and it happened to be that within our group of businesses, one of the businesses is consulting, which is the one that I curate most closely. So that leads me to the consulting world. It's a wonderful experience to work with many different companies and many different industries and sizes and geographies.

And then connecting with that my other realities, which is being an academic. I do have a position in Slovene Business School, but I also teach in other business schools around the world, primarily to executives. I've been working in executive education since 2006 nonstop. So it's a nice connection; I can work in business and then, in my academic life, reflect on what has been happening for me and other people I look at through my consulting world, and then teach and share those ideas with others.

WADE: Nadya, thank you for sharing that. Let's jump right into your book, *Overfished Ocean Strategy*, which was just made available for purchase on June

2nd, 2014. We're going to move fairly quickly, but really we're going to cover the top questions that our listener/reader would really like to get answered.

The first one is, what was the inspiration behind writing *Overfished Ocean Strategy*?

NADYA: Sure. The book is always with me an accident. I've been researching an interesting pattern that I noticed among my friends, my colleagues, and my customers in consulting business, which was a new wave of innovative business models and strategies for companies trying to deal with resource depletion. I was trying to understand what makes companies enter this new domain, and those who do pioneer in this approach, what makes that path successful.

So that was kind of an accidental research, and a few publishers asked me if I would be considering writing a book on the topic. The book came out of that dialogue.

WADE: What makes your book different from others regarding the same topic?

NADYA: I'm not sure if it's different or not. The exciting part for me was to create an experience rather than a book. When I got the reviews, as my publisher Berrett-Koehler requires third party reviews from different people in the industry, one of the reviewer's words really made me smile. They said it's an experience, not just a book.

My hope was to help business owners, managers, executives, students of business, to have a conversation and sense-making around this idea of disappearing resource base, and how can we not only survive, but thrive in that market reality?

WADE: That audience that you just talked about, how would you want them to engage with your book? Would you want them to start at the beginning and read straight through? Or is this more of a book where they can jump in and jump out, utilizing different resources within your book?

NADYA: I would say that the entrance point into the book is still with the first two chapters that kind of lay the foundation, a lot of facts about what's going on in the economy that generally speaking is not widely discussed. The stories I hear in media and stories I hear in the boardroom are such "this is a crisis or post-crisis era, but soon we will come back to business as usual."

What I'm trying to show and speak about in this book is that there's a deeper transformation going on. There is no "business as usual" anymore. So I would enter with the first chapter, or at least first two chapters. And after that, it's all about principles of innovation; there, there's no sequence. You can enter and exit wherever you find interesting, whatever draws you.

WADE: Nadya, this next part of the interview is not only my favorite, but I believe it's the most important part. That's where we really just hand over the mic to you and allow you to completely take us through your creation or your baby, really give our listener/reader a great explanation of what they can expect when they pick up your book.

NADYA: Sure, I appreciate that. Let me try to be concise but at the same time as deep as I can describing the story of this book or the kind of storyline.

As a business owner, but also as an academic, I've been trying to understand what's going on in the last 5 to 7 years with the global economy, and how do I personally prepare my own company and my customers' companies for what is ahead? As I mentioned before, the stories in the media, the stories in the business is that we will come out of recession and then everything will be all right.

What I noticed, however, is that very few people are talking about a much deeper thing that is going on in our economy, and that is the disappearing resource base. Let me just give you a few examples. In the 20th century, the 100 years behind us, we have seen a relay huge increase in the use of our resources. Specifically in this era, our population quadrupled, our economic output went up about 20 times, and the demand for different resources jumped between 600% and 2000%. That's the recent numerical data.



But the surprising thing is that what microeconomics has told us for ages – when the demand for resources or the demand for a product goes up, so does the price – that didn't happen in the 20th century. Actually, throughout the 20th century, the price for key resources kept falling and falling. If we measure them by any of the commodities indexes, they fell by almost half in real terms.

So we live in this illusion that we can keep increasing the production, growing our business, using more and more resources, and the prices will keep falling and falling because they've done just that for 100 years. But the reality is that the sweet times of using resources is over, because we already see huge jumps in the prices. In the last 100 years, we've been looking at the decrease; already in the first 10 years of this century, we had a 147% jump in resources.

The story of the book is really about how do businesses understand this reality? We're not only talking about the usual suspects, the oil and gas and other resources related to energy, but really across any resource that you can imagine, whether it's nutrition, food, the agriculture products, any type of metal, any type of mineral, anything we get out of the earth, and of course the fish and the other resources [inaudible].

The question is, what do we do about it? What I was happy to discover is that there are a number of companies that are really taking this challenge as an opportunity to drive innovation and strategic realignment in a really drastic way. These companies, when you look at them across industries, across sizes, across geographies, they have something in common.

The book takes you through five things that I've been able to find that really are similar between these companies. These are the different principles of innovation that really separate these pioneers from the mainstream business.

So what are those principles? Principle #1 is moving from linear economy to circle economy – moving from line to circle. This is really about the stories that have been showing up from time to time in different media or in different scientific research, but hasn't been taken mainstream. Today, circle economy is finally going mainstream.

This is building on the wisdom of nature. Nature doesn't have linear economy. At the end of a line, if we take the traditional linear economy, we mine something or we grow something, take something out of the earth; we use it barely once, and we trash it at the end of the use. Nature doesn't do that. Nature has a cyclical economy. When I die, my body, being a precious resource for nature, is being decomposed by millions and millions of microorganisms who make out of that important components for soil, which then grows into a beautiful vegetable or flower, which then feeds different animals and then ends up being another human again.

So the cyclical nature is what many companies, such as Shaw Industries, which is a carpet manufacturer, or Mudd Jeans, which is a jeans and apparel manufacturer, are using and really successfully protecting its own ability to compete while at the same time distinguishing itself from its competitors. So that's Principle #1, from Line to Circle.

The second principle is a little bit more difficult to comprehend for many customers I talk to, but there are a few, especially in the energy industry, who immediately got it. This is about moving away from a very narrow focus to entering a much wider focus, one way to search for a new competitive advantage. Most of the time, we are taught to look really nearby, to our customers, our competition, and our suppliers, for ideas for new competitive advantage. If we want to put out something new in the market, we look around. What do our customers want? What do our competitors have in their ovens? What do our suppliers develop that we can use?

But the surprising thing is that the pioneers of *Overfished Ocean Strategy* don't look nearby. They actually expand their horizon and move away from their immediate nearby community and go far away in their supply chain. So all the way up to the supplier of the supplier of the supplier of the supplier, or all the way downstream to the customer of the customer of the customer, and discover really unique sources of competitive advantage there.

So the second principle speaks about not only the vertical orientation and vertical integration, but horizontal. That's why the name of the principle is moving your way from Vertical to Horizontal.

The third principle in the book speaks about new sources of growth. If you take traditional companies, the growth comes from selling more things to more people. That's where we usually have growth. "Let's sell more to more. When we talk about resource depletion; it's very simple: we cannot sell more to more if we run out of raw materials. So how do we deal with that?"

What I see is that the pioneering companies try to look at the product or service they provide not from the traditional perspective, but from a perspective of value. Let me illustrate that. When I ask my audience usually "Have you ever heard of the company Rolls-Royce?", of course most people heard of this brand. It's a very famous brand. When you ask them "What does Rolls-Royce produce?", some would say cars, of course. Many know that the majority of business for this company comes from airplane engines. If you think of airplane engines, this is as brick-and-mortar, or in this case metal, of a product as you can imagine. This is very real product, real economy, and it's definitely not a service.

Yet if you look at the composition of the earnings of Rolls-Royce, you will see that today, the company makes more money as a service company than it does as a product company. How does it do it? Instead of selling airplane engines, Rolls-Royce sells an hour of flight. If you think about that shift from product to end value, it's a huge change in the business model, but it's also an opportunity to make sure the company is able to control its precious raw materials, its resources, and take the airplane engine back at the end of a life cycle and be able to remanufacture it into a new airplane engine.

So it's not only better for the customer, the airline then is able to control its cash flow much better this way, but it's also much better for the Rolls-Royce as it's able to provide better service and also control its resources. So that's Principle 3, Growth to Growth.

The last two principles of the book – and I will not speak about them in depth – are taking its attention away from the external orientation to internal orientation. The first three principles are all about how should a company look out there and create resources of competitive advantage, but the internal principles, Plan to Model and Department to Mind-Set, speak really about how should we organize inside the company? What do we need to do to prepare ourselves for a resource-depleted world, and how do companies change their ability to compete from the perspective of reorganization, from the perspective of culture, communication and people?

So that would be a quick walkthrough through the logic of the book.

WADE: Nadya, that was an excellent walkthrough, and you went through a ton of great content. That leads me to my next question, which is if the reader could only take away one concept or principle or action item from your entire book, what would you want that to be?

NADYA: I would probably summarize it in a very simple way: if your company doesn't have a strategy to deal with a resource-depleted world, it's time to develop one. That's it. We have come to an end of the time where we have unlimited growth opportunity. There will never be a chance to grow the way we grew before. There is a different growth pattern, but for that you need to understand the resource-depleted world and prepare a strategy for dealing with it.

WADE: Nadya, our audience loves quotes. Do you have a favorite quote that you wrote in your book? And if you don't have one, do you have one that maybe has resonated well with your readers?

NADYA: I have a favorite quote that is not mine that I use widely, and of course, I spoke about it in the book as well. Very often, people say to me "Well, if the resources are disappearing, then let's wait until they do and then we'll be forced to transform. Why do we need to transform now? What's the urgency? Why do we need to start working on that?"

I'm very happy to answer that with a quote by really the most equipped person that I know, former Oil Minister of Saudi Arabia, Sheik Ahmed Zaki Yamani, who spoke about the fact that we cannot wait until we run out of resources. His quote is very short but very powerful. He said, when he was asked "When will we see the end of the age of oil?", he said "The Stone Age did not end because we ran out of stones." I really love that. I think that summarizes this combination of yes, we're running out of resources, but we can innovate our way ahead of the wave that can swallow us.

In that sense, I can also quote my own favorite quote in the book. I close the book trying to make sense for myself where we've been, so this is what I said to the readers:

"The collapse of the linear throwaway economy is not a question of if but of when. The change is coming, and the rapidly oscillating prices on everything from rice to gold are a first sign of the new reality. The question is, will you ride the high tides with mastery and purpose, or will you be swallowed by waves that are unexpected and unnoticed until it is too late? I'm happy to say that if the endless list of *Overfished Ocean Strategy* innovations is any indication, we should make it into the new world just fine."

WADE: I find it shocking that people actually come up to you and ask you that question that you said they ask you as far as "Why don't we just wait until we're depleted?" That almost sounds like someone saying "I'll stop smoking once I actually have been diagnosed with lung cancer."

NADYA: Well, that's the reality most smokers are in right now, and that's the reality most companies sit in right now. I understand that it's difficult for companies; I understand that today, most are in a cash situation where they're just thinking about tomorrow, literally, or this quarter, or hopefully the end of 2014, but now "how do I survive in the long run?"

And I'm happy to tell to them that moving towards a different strategic path, a resource-intelligent path – this is what I call the *Overfished Ocean Strategy*, but you can call it whatever is most suitable for your company – that path brings fruits

in the long run. But the good news is companies are able to capitalize it in the short run. It really creates an opportunity to save the cost and to really cut the cost today while at the same time creating really untouchable revenues for tomorrow.

So it's not only a long-term view; it's an extremely short-term beneficial approach to strategy generation.

WADE: Nadya, I think your book is going to create some paradigm shifts for corporations. That brings us to our last question, and that's really what's a book that you've read that has created a change or impacted you greatly or created a paradigm shift for you? Will you share that with our reader?

NADYA: I have a number of great loves in books, but in terms of paradigm shift, there are a few that come to mind. There's one very unknown book in the business communities I met. It's a book by founder and CEO of Visa International, the card; his name is Dee Hock, and he published a wonderful book in the '90s called *Birth of the Chaordic Age*. He spoke about the merger between chaos and order and called it "chaorder." His book is about how do we make sense of this new era and navigate it. And I really have to say he was ahead of his time. He wrote it in the '90s, and the real Chaordic Age, for me, started in the 2000s. So it's a wonderful, wonderful book.

But there are a few others, of course. *The Fifth Discipline* by Peter Senge is tremendous for any business owner. And then the usual suspects – *Good to Great* is an amazing book for any business owner. There are many others of that kind.

WADE: Thank you so much for referencing those. Nadya, before we depart, can you recommend the best way for our listener to get more information on you and your book, *Overfished Ocean Strategy*?

NADYA: Sure. The book is available through any bookseller near you, including of course the giant online sellers such as Amazon or Barnes and Noble, or Wal-Mart for that matter. But you can also type "Overfished Ocean Strategy" in any search engine and you will come up to my website, where you will also be able to find



some free resources. I try to post TEDx talks, articles of mine, or any interviews I've done so that they become widely available and the ideas spread.

WADE: Nadya, thank you so much for coming on and sharing your creation, your book with us.

NADYA: My pleasure. Thank you for hosting me.

WADE: Thanks again for listening in today. If you would like to get your hands on *Overfished Ocean Strategy* or any of the other resources mentioned by Nadya, just look at the show notes at TheELPodcast.com. And remember, if there is a book you would love to hear reviewed by the author, please visit us on iTunes and leave us a review with the book title.

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