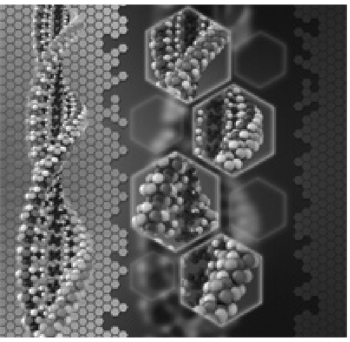


The Living Organisation

Norman Chorn
NormanChorn.com

Foreword

The Living Organisation is a collection of articles, short papers and blogs I wrote during 2011.

Some have appeared in a variety of publications, while others were written as part of my monthly newsletter series of *Leadership Insights*.

They are a collection of views and perspectives on *The Living Organisation*.

Living Organisations are those that may be described as both adaptive and resilient in these turbulent conditions we experience post the GFC.

I look forward to sharing my ideas with you in 2012.

Norman

PS: To receive copies of my monthly newsletter and articles *Leadership Insights*, click here to subscribe

Contents

The times are a changing - why aren't our organisations?

A new form of organisation is emerging - one that is better suited to the new technology and uncertainty of the times. This organisation no longer has "machine" as its dominant form of design.

THE HISTORY OF TECHNOLOGY

It is said that the history of humankind's cultural traditions is the history of technology. This is, perhaps, a bit too far removed from our discussion on organisations. But what if we consider how the various waves of technology have influenced the shape of organisations?

Klondratief's work [1] as referenced by Moody and Nogrady in their book, *The Sixth Wave* [2], demonstrates how successive waves of technology have directly impacted on the emerging shape of organisations. Technology has influenced both the nature of work and the dynamics of markets - and this impacted on the resultant shape of organisations operating in those conditions.

In essence, Moody and Nogrady argue that each wave of technology has been accompanied by a different model of organisation. The "machine" model has dominated much of the previous waves, but there is a shift away from the "machine" model indicated by the present use of information and communication technology.

Instead, we note that most organisations still use the "machine" model in their design and the way they are managed. Why is this? Is it simply a reluctance to change? Or were there real benefits that derived from the traditional machine model?

This paper suggests that a move to another model may well be imminent.

WAVES OF TECHNOLOGY

As we see from the table, each of the successive waves of technology have produced a reasonably different form of organisation. From the initial owner manager, organisations have evolved through a simple hierarchy into a complex

	Wave 1 Cotton, iron and water power	Wave 2 Rail, steam power and mechanisation	Wave 3 Steel, engineering, electrification	Wave 4 Oil, cars, mass production	Wave 5 Information and communication technology
Heyday Period	1780 - 1848	1848 - 1895	1895 - 1940	1941 - late 1970	1980 - ?
Technologies	Cotton spinning, bleaching, water wheels	Railways, steam engines, machine tools	Electrical equipment, heavy engineering	Cars, diesel engines, aircraft, oil refining	Computers, software, telecomms, biotechnology
Transport and comms infrastructure	Canals, sailing ships, roads	Railways, telegraph, steam ships	Steel railways, steel ships, telephone	Radio, motorways, airports, airlines	Internet, information highways
Organisation	Owner manager	Hierarchy	Division	Matrix	Networks
Organisation model	Manual labour	Machine	Group of machines	Group of connected machines	???

web of mini-organisations that we now call matrix. This is an inherently complex form of organisation, incorporating multiple axes of control and priority.

Throughout these different organisational forms, however, the "machine" model has dominated our thinking. The notion of an organisation of independent parts linked together by a connecting control system, is still the dominant metaphor. The only thing that has changed is the level of automation and sophistication of the control system. Our current wave, dominated by information and communication technology, is really testing the limits of this model. So, will the machine model still be able to describe and define the new organisation form required for this wave of technology? Or is there another model that more adept at dealing with these challenges? This is the question being posed in this paper.

But first, we examine the current "stickiness" of the machine model. Why has this proved so useful until now?

BENEFITS OF THE MACHINE MODEL OF ORGANISATION

As we might expect, the machine model of organisation has produced significant benefits for organisations - and many of these have enabled the advances we have experienced through the period of the industrial revolution.

The key benefits have included:

- Standardisation - and the resultant benefits of improved efficiency
- Specialisation - resulting in the reduced complexity of tasks
- Goal alignment - enabling leaders to set clear objectives
- Hierarchy - enabling authority to flow from the top of the organisation
- Planning & control - allowing leaders to make forecasts about the future
- Extrinsic rewards - enabling leaders to secure the compliance of people.

The major downside, however, is that these advances have mostly come at the expense of adaptability. Sadly, the "machine" organisation is proving incompatible with both the demands of a rapidly changing environment and the possibilities afforded by the new prevailing technology.

History has shown us any model or species that is incompatible with its environment, eventually fails and becomes extinct.

So, if the current "machine model" is no longer viable for dealing with prevailing conditions and technological possibilities, what is? Are there any other models that we might consider as a basis for designing and building more appropriate organisations?

"LIFE" AS A MODEL FOR ORGANISATION?

In terms of survival and the ability to thrive in difficult conditions, it is hard to go past the example of life. Despite the ravages of floods, fire, drought, earthquakes and famine, life continues to flourish and multiply on our planet. Why is this? What are its unique features? What can we learn about life's ability to adapt to prevailing conditions that we might apply to the creation of our organisations?

If we examine biology - the study of life and living organisms - we can identify a number of key principles that inform our discussion about organisations' ability to adapt to prevailing conditions and technology.

I have identified five of these principles - and there are many others - and outlined their implications for the design and creation of modern organisations. Organisations that are better suited to the current technology and the needs of an uncertain and continuously changing environment.

1. THE GOAL OF LIFE IS REPRODUCTION AND ADDING VALUE TO THE ECO-SYSTEM

"The purpose of an organisation is best defined in terms of its contribution, or value-add, to its customers. The purpose of an organisation is NOT to make a profit. Rather, the profitability (or otherwise) of an organisation is an indication of how well it is meeting its purpose of adding value to customers. It is a measure of performance, not the reason for the performance.

This places customer needs at the centre of the organisation's design and business model. While functions, business processes and products are important activities within the organisation, they should not be the prime determinant of how the organisation is designed.

Since the business definition of an organisation (ie what is the business of this organisation?) is the starting point of any strategy or planning process, the implication is that the organisation should be defined in terms of the outcomes it produces for customers, rather than the products or services it produces. Eg: "Our business is solving customers' travel problems" rather than "We book airtravel and accommodation for customers".

2. LIFE CONTINUOUSLY CHANGES AND ADAPTS TO THE SURROUNDING ENVIRONMENT

Any living organisation - one that remains relevant to the changing environment - will continually be changing form and function in order to meet customers' needs. There are two key implications of this principle.

Firstly, organisations should begin by defining the customer groups that they serve according to the needs and behaviours of these customers. This means using psychographic criteria rather than the traditional demographic segmentation criteria. Eg: we will group our customers by whether they require a customer intimate relationship with a vendor or whether they prefer to deal with a vendor in an arm's-length manner.

The goal of life is reproduction and adding value to the eco-system "The purpose of an organisation is best defined in terms of its contribution, or value-add, to its customers. The purpose of an organisation is NOT to make a profit. Rather, the profitability (or otherwise) of an organisation is an indication of how well it is meeting its purpose of adding value to customers. It is a measure of performance, not the reason for the performance.

This places customer needs at the centre of the organisation's design and business model. While functions, business processes and products are important activities within the organisation, they should not be the prime determinant of how the organisation is designed.

Since the business definition of an organisation (ie what is the business of this organisation?) is the starting point of an y strategy or planning process, the implication is that the organisation should be defined in terms of the outcomes it produces for customers, rather than the products or services it produces. Eg: "our business is solving customers' travel problems" rather than "we book airtravel and accommodation for customers".

WHAT CAN LIFE TEACH US ABOUT ORGANISATIONS?

Secondly, organisations will develop specific value-propositions for each of these customer segments. Eg: the "intimate relationship" segment will receive a value proposition that augments the core product with a related service package, while the "arm's-length" segment will be provided the core product only - usually through a different channel.

3. SPECIES CO-EXIST BY SEEKING NICHES WITHIN THEIR ENVIRONMENT, AND THEN DIFFERENTIATING THEMSELVES TO UNIQUELY SUIT THAT NICHE. BUT THIS DIFFERENTIATION ALWAYS COMES AT A COST

As with life, organisations are usually engaged in a battle for survival within a resource constrained environment. In order to survive and thrive, organisations need to identify a niche (market segment) within their industry that they plan to serve. In order to develop a competitive advantage in this segment of the market, they will need to develop a form of positioning that appeals in a unique way to the customers in this segment. Positioning refers to the value proposition and the distinctive capabilities the organisation brings to this segment.

The important implication is that this positioning comes at a cost to the organisation. This cost is usually in the form of set of trade-offs that are made (ie: the competitive advantage is achieved by a focus in a particular space that precludes a simultaneous focus in another).

So, the strategy decision to do something is also a decision NOT to do something else. Strategy is about deciding what you will not do as much as it is about what you WILL do.

4. THE PROCESS OF ADAPTATION IS DRIVEN BY NATURAL SELECTION. NATURAL SELECTION IS ENABLED BY BIO-DIVERSITY, ONGOING EXPERIMENTATION AND BUILT-IN REDUNDANCY

The manner in which organisations adapt to constantly changing conditions is much the same as life adapts to a changing environment.

Adaptation is enabled by natural selection - the process whereby one set of attributes proves more effective at coping with prevailing conditions than another. Essentially, this is achieved by having a broad diversity of opinions and capabilities - and then experimenting with these competing ideas and views.

Organisations that successfully adapt to changing customer needs do so by ongoing experimentation as well as an element of redundancy. This means that we might attempt several pathways to solving a new customer need before one eventually succeeds. We may even develop several alternative solutions that compete with each other until the optimum is found. In the same way as robust systems have several pathways to a goal, the living organisation has redundant capabilities to address the changing needs in its markets.

Importantly, this is achieved by the harnessing of diversity as well as ongoing experimentation.

5. LIFE DOES NOT SURVIVE IN EXTREME CONDITIONS - AND DOES NOT GIVE RISE TO EXTREME CONDITIONS

Clearly, organisations will not survive for an extended periods in extremely hostile environments.

In most cases, they seek more inhabitable surrounds - ie markets that offer greater opportunity. However, unlike other forms of life, organisations do not always respond proactively by seeking other markets when they perceive conditions to be deteriorating. Instead, they often pursue excessive cost cutting and destroy the very fabric of the organisation - a type of "anorexia industrialosa".

In addition to making life unbearable for their people (they then leave the organisation), this response only prolongs the agony and often results in a painful demise.

The living organisation will be constantly attuned to the changing conditions in the market and recognise the point at which it is no longer capable of supporting viable life. Because of diversity and ongoing experimentation (see 4 above), new opportunities are uncovered before the current market is exhausted, and the ongoing cycle of life can continue."

WHAT DOES THIS MEAN FOR ORGANISATIONS?

As the uncertainty and volatility in our markets intensify, we may be witnessing the end of the "machine" era - an era in which we attempted to design and lead our organisations as if they were machines in which we worked. In order to reap the benefits of adaptation to the new conditions, we could be looking to the model of "life" with which to create our organisations.

A model of "life" would guide us in:

- Defining the overall purpose of the organisation in terms of meeting the needs of chosen customer groups
- Designing and building the organisation around the specific needs and behaviours of the key customer groups
- Positioning the organisation in a unique way by making some specific choices and trade-offs so as to achieve competitive advantage in a particular part of the market
- Accommodating diversity, experimentation and redundancy in the way we lead the organisation
- Proactively seeking out new market opportunities before the current market niche is "exhausted" and our unique positioning is eroded.

QUESTIONS FOR LEADERS

Based on this analysis, I would urge leaders to ask the following questions of their own organisations:

- Have you defined a higher purpose for your organisation - one that centres on adding value to your customers?
- Have you designed your organisation around the specific needs of your key customer groups? Do you have specific value propositions for each of these customer groups and segments?
- Is your organisation positioned in a way that produces competitive advantage in your key markets? Have you made the necessary trade-offs to make this positioning sustainable?
- Do you have the requisite diversity of opinion, capability and personnel in your leadership team and management? Do you encourage experimentation and allow for planned redundancy?
- Are you actively exploring new market opportunities while pursuing business as usual? Are you attuned to signs of market "exhaustion"?

NOTES

[1] N Kondratieff, The Major Economic Cycles, 1925

[2] JM Moody and B Nogrady, The Sixth Wave, Random House, 2010

Is your Organisation dying?

Living Organisations display five vital signs that indicate their health. The absence of these vital signs can produce dangerous symptoms that, if left unchecked, can lead the organisation down a path of demise. Is it time to breathe new life into your organisation?

THE LIVING ORGANISATION?

The relentless change and uncertainty in our environment means that organisations have to constantly change and adapt in order to remain relevant to customers and stakeholders.

In trying to describe this, much of the management and organisation literature implicitly makes use of the "machine" metaphor in the theories and models they use. Even systems theory, which can cope with high levels of complexity and interdependencies, uses the machine metaphor. It uses language and metaphors such as "linkages", "components" and "connections" as it seeks to understand the way that organisations change and respond to external shifts.

I have begun to use a biological metaphor as a lens in a hope to achieve some new insight and understanding into the way that successful organisations work. In doing so, I have found that much of my work takes on new meaning. Indeed, it has helped me to integrate much of the research I have done in the past.

I define the Living Organisation as one that continuously adapts and responds to the changes in its environment - in much the same way that a living organism seeks to do. Based on this, I have identified five vital signs that describe these Living Organisations. Of course, it is possible to use these vital signs to recognise the symptoms of a dying organisation as well. For this article, however, I am content to describe a Living Organisation and will allow readers to extrapolate those principles themselves to decide whether the organisation they know is sick or even dying.

FIVE VITAL SIGNS

In general, Living Organisations display the following vital signs:

1 MAINTAIN A MEANINGFUL DIALOGUE WITH THEIR CUSTOMERS

In essence, this is a function of the way they define their major customer segments and then formulate value propositions to these segments. The Living Organisation is more likely to use needs and / or behaviourally based segmentation criteria rather than the more traditional demographic or geographic criteria. This allows for much deeper insights and understanding into why customers use your products / services and they way they are used.

This understanding and definition of the segments will promote a more meaningful dialogue with customers - as their needs and behaviour are at the forefront of discussions and the formulation of value propositions. Accordingly, the Living Organisation is more likely to develop value propositions that solve real problems and add real value to customers. This approach also promotes the perception of customers as “people” with needs and preferences, rather than simply a set of numbers and data in a market.

2 CONFIGURE AND DESIGN THEIR ORGANISATION WITH A CLEAR AND OBVIOUS LOGIC

This is not as easy as it sounds. It involves being clear and explicit about the key axes around which you plan and build the organisation - and then agreeing on which of these axes have priority. This is particularly important when you have a matrix organisation that may have several axes around which it is organised. Failure to specify the priority axis can produce real anxiety and inefficiencies when staff face conflicting demands on their time and resources (and this happens often in matrix organisations).

Part of the organisation design challenge involves the recognition that one size does not fit all. The Living Organisation is usually managed as a portfolio of businesses, rather trying to create “one culture” for the whole organisation. The issue of organisational alignment often presents challenges for leadership, and I plan to deal with that in a separate paper. However, it is important to state that I don’t support the idea that culture is the “glue” that holds organisations together. This role is far better served by the organisation’s purpose and vision. Trying to create a single culture across an organisation can often place a straightjacket on certain functions and really stifle innovation.

3 PROMOTE CHANGE AS A MEANS OF STAYING RELEVANT TO THE MARKET

Again, this is more difficult than it sounds. Jack Welch made a point of advocating that the speed of change in the market should never outstrip the speed of change in the organisation. In order to meet this challenge, the Living Organisation has clear pathways that outline its patterns of growth and development into the future. These pathways indicate the directions of the change and development clearly, rather than making a series of generic statements such as "we will achieve 5% growth in XYZ segment" or " we will develop greater flexibility in our responses to customers".

Assembling and maintaining a portfolio of "strategic experiments" is also critical to the capability for change. The Living Organisation will develop a range of diverse projects and prototypes that explores business opportunities for the future. They set up quasi "investment committees" to evaluate new possibilities and use a stage-gate approach to manage and evaluate these at regular intervals. Importantly, the criteria and measures that are used to monitor these experiments are quite different to those used for managing the base business (business as usual).

4 APPROACH THE FUTURE WITH PURPOSE

This issue deals with the differences between planning and strategy and the need to use these approaches appropriately as you chart your way forward. In essence, planning is how objectives and strategies are developed in order to achieve specific goals. It is useful in conditions of relative certainty where predictions can be made about future operating conditions. Strategy, on the other hand, is the process of positioning the organisation and developing capabilities for the future. It is used in situations of uncertainty and where there is a need to undergo learning as the process unfolds. (For more detail on this issue, see ***Release Your Strategic Intuition*** on Page 49).

A Living Organisation will embrace the inherent uncertainty in the environment and envisage a range of alternative futures as it ponders the future. An appropriately designed strategy process will recognise that the future can unfold in several ways and that the organisation has to be prepared to deal with all of these.

Living Organisations also augment their strategy processes with the views and perspectives of outside stakeholders and / or consultants. They recognise that monarchies rarely foment their own overthrow, and that the organisation needs a regular injection of objective viewpoints in order to ensure it avoids "groupthink".

5 BUILD A GROWTH AND LEARNING CULTURE

This is a job for leadership. The Living Organisation accommodates experimentation and failure in its culture and performance management system. The leaders will understand that failure usually precedes success - and the resultant learning is vital for innovation and growth. "Every day is a school day" is a comment I overheard in one such organisation - the recognition that each day brings experiences from which to learn.

Matt Ridley[1] describes "rational optimism" as the confidence that comes from an understanding of the whole system of which you are part. Living Organisations are rationally optimistic - they understand the leverage points in the system that can be influenced in order to get change and enable them to move ahead.

And finally, Living Organisations promote thought leadership amongst their people.

They encourage the creation, exchange and use of information to continuously improve their operations and view of the way forward. And the speed of this exchange is important as well - the faster the better!

The velocity of information exchange may be likened to the notion of the "quick-thinking" individual who is able to capitalise on some change or disturbance in the environment.

For further detail on this concept see *Lift your Organisation's Knowledge Quotient* on Page 52.

BREATHE NEW LIFE INTO YOUR ORGANISATION

As you would imagine, some of these vital signs can be quite subtle and "off the radar" of many leadership teams. Indeed, the ailments brought upon by not following these practices can often be quite gradual and creeping. In one period the organisation posts a great set of results. In the next, things begin falling apart. This is quite common in my experience.

It reminds me of the slow and steady onset of type 2 diabetes that afflicted me some two years ago.

After enjoying a long period of sustained health, the slow and steady creep of my blood-sugar levels brought the need for radical adjustments to my lifestyle. If I had not done so, I might have done irreparable damage to my major organs.

Monitor the vital signs in your own organisation and take early precautions to ensure that you maintain its health.

NOTES

1 Matt Ridley, The Rational Optimist, Harper Collins, 2010

Not getting the results you want? Your design may be wrong

Poor design accounts for 50% of strategy failure! Good organisation design is the deliberate alignment of your organisation to the market and your strategy.

ORGANISATION DESIGN - WHY BOTHER?

Many people would regard the design of their organisation as rather less important than the clarity of their strategy or the positive attitude of their staff. Sadly, they could be quite wrong. Research[1] shows that poor design accounts for something like 50% of strategy failure!

Why is this so? Because organisation design - or the way you have configured the capabilities and resources of the organisation - is the ULTIMATE expression of your organisation's strategy. It reflects the priorities and trade-offs you have made in the strategy, even if you have done so quite unconsciously.

My experience and research identifies seven key questions you should be asking when reviewing your organisation design to see if you're maximising your chances for strategic success.

SEVEN QUESTIONS OF YOUR ORGANISATION DESIGN

1. DO YOUR MARKET SEGMENTS DEFINE THE REAL NEEDS OF CUSTOMERS?

Most enterprises divide their market into several segments in which they operate or compete. But how many define these segments in terms of customer needs or the solutions these customers seek? In most cases, organisations segment their market according to the demographics of the customers, ie: how large they are, what product[2] they purchase, or where they are located.

But these segmentation criteria don't really help you understand the way your customers use you product, the problems that they need you to solve, or the value that you are expected to add to their businesses. For example, customers in a given set of postal codes don't share the same challenges. and all medium-size enterprises don't necessarily use your product in the same way. In most cases, these demographic segments are employed because they are easily understood and customers are quickly classified. But they don't help you develop clear and focused value propositions for each segment in which you operate.

2. DO YOUR CUSTOMER VALUE PROPOSITIONS DELIVER OUTCOMES FOR EACH SEGMENT?

As mentioned above, market segments should group customers according to the outcome they seek by buying and using their your product.

Your value proposition outlines the value you seek to provide within the segment. The more clearly defined you define your segment, the more sharply focused your value proposition will be.

Value propositions should be defined in terms of the outcomes they produce for customers. Instead of describing the features of the product, they should be focused on:

- the problems they solve for the customer
- the positive difference (value add) you make to the business of your customer.

Viewed in this way, the value proposition becomes the core of your business strategy within the segment. Having a sharply focused value proposition ensures you have a well focused and easily communicated business strategy.

3. IS THERE CLEAR OWNERSHIP OF EACH CUSTOMER SEGMENT?

Given the importance of the customer segments in shaping the business strategy, you need to ensure that each of the segments is "owned" by a senior manager. (This is not the same as having a regional manager who oversees activity within a geographic region). The segment manager is accountable for the customers within the segment. This means that they develop domain expertise for the challenges, problems and opportunities of the customers in this segment. They become, in effect, the voice of the customer within the organisation.

Since the segments are defined in terms of common needs and outcomes, the customer manager is responsible for delivering the value proposition to the customers in the segment. This means that they are responsible for customer satisfaction and value within the segment. They are also responsible for developing the business strategy and providing input into the ongoing development and refinement of the value proposition.

4. IS THERE CLEAR ACCOUNTABILITY FOR EACH VALUE PROPOSITION?

If your business has several different products and a series of value propositions, it is sensible to have clear accountability for each value proposition, usually at a senior level as well. The role of the value proposition manager is to manage the ongoing design and development of the value proposition - to ensure that it meets both the current and emerging needs of customers.

Since the customer manager is accountable for delivering the value proposition to customers and to ensure customer satisfaction, the value proposition manager is a resource and support to these customer managers. The value proposition manager's primary role is to manage the value proposition through its life-cycle and to act as the organisation's thought leader for that particular space. This ensures that the development of the organisation's value proposition is ongoing and responsive to the changing needs of the market.

5. HAVE YOU DEFINED THE DOMINANT AXIS AROUND WHICH YOU ARE ORGANISED?

By having customer managers (responsible for managing a customer segment) and value proposition managers (responsible for the development of the value propositions), you have two possible axes around which you can design your organisation[3]. In other words, you could make it a customer-based organisation by organising around the major customer segments. Or, you could choose a value proposition focused design and create several value proposition (or product) divisions.

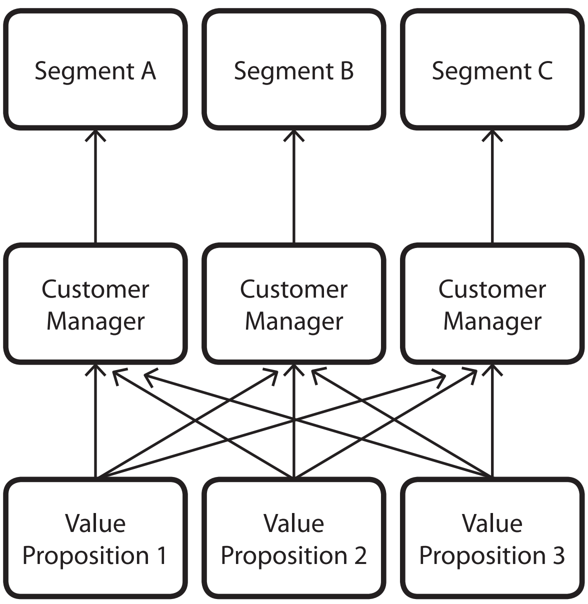


Diagram 1: Define the customer as the strong stream.

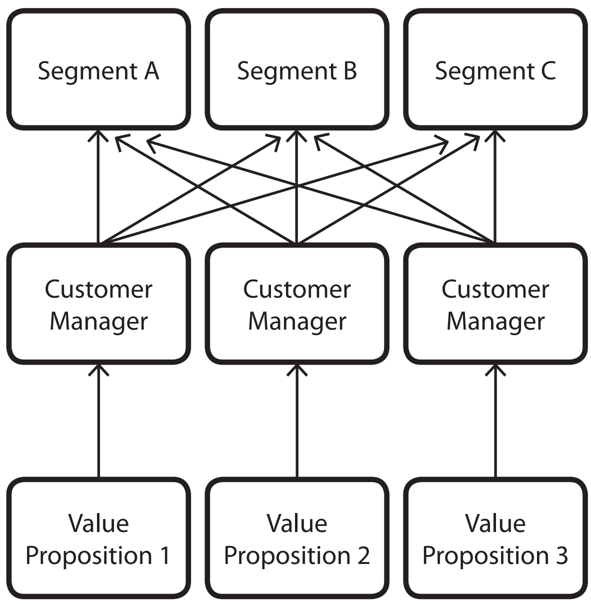


Diagram 2: Define the value propositions or products as the strong stream.

By having both customer and value proposition accountability, you create a matrix design, ie two axes of management and control. Matrix organisations are somewhat more complex to manage, but they are made more manageable by explicitly defining the strong and weak streams. If you organise around the customer segments (diagram 1), you define the customer as the strong stream. In this case, the customer managers drive the business, supported by the value proposition (or product) managers.

If, on the other hand, you define the value propositions (or products) as the strong stream (diagram 2), they will drive the business, and the sales managers will act as their agents in the market.

6. ARE YOU TRYING TO CREATE A "ONE-CULTURE" ORGANISATION?

I know of many leaders who seek to create a common culture in their enterprise. They are keen to have a common way of doing things across the different parts of the organisation. Unfortunately, this is not only very difficult to accomplish, it is also quite counter-productive.

Culture defines the way we do things - in essence, the pattern of behaviours and decision-making. These patterns of behaviour and decision-making drive the manner in which the strategy is implemented. So, if different parts of the organisation have different value propositions being implemented for different customer groups, it stands to reason that their strategies will be different. Accordingly, it makes sense that their cultures and styles are different as well.

Unless you have a simple business with one value proposition and one customer, it is more useful to think of your organisation as a portfolio of businesses. In that way, one size does not fit all. The organisation will have a series of cultures, each focused on the task it has to perform. Culture will not be unifying "glue" that holds the organisation together - this role is best performed by organisation purpose or vision.

7. IS YOUR ORGANISATION CHANGING AS QUICKLY AS THE MARKET?

Jack Welch, the legendary CEO of General Electric, was famous for urging his businesses to change more quickly than the market place. He knew that it is necessary to continually adjust and review the design of the organisation, the way the major customer segments are defined, and the value propositions delivered to each of these customer groups.

As I mentioned at the start of this article, organisation design is the ultimate expression of your strategy. So, if the market is changing, it makes sense to adjust the design of your organisation - in particular the way you define customer segments and your value propositions.

THE LIVING ORGANISATION

The organisation is your vehicle for implementing strategy in the market. It is the way you configure and allocate resources to the priorities you perceive. It responds to both changes in the market and your strategic intent. In that sense, it can be seen as a live network of relationships, communication and material flows. Ensuring the optimal design of this network is closely related to achieving strategic and operational success.

I hope that these seven questions assist in the process.

NOTES

1 Danny Miller, CEO Tenure and the match between organisation and environment, Management Science, vol 37, 1, 1991; J Lamar Pierce, Organisational Structure Affect Firm Strategy and Performance, UCLA, 2003; Gill Corkindale, The importance of organisational design and structure, HBR Summary, February, 2011; Norman Chorn, Strategic Alignment, Woodslane, 2010

2 For purposes of this argument, I use "product" to also mean the "service" you sell and deliver

3 In reality, there are several other axes around which the organisation can be designed. These include process, function, programs/projects and external issues. For purposes of this article, I have limited the discussion to the most common axes of customer and product.

Economy of Scale is a Myth - Why Shared Services Don't Deliver

Shared services are being introduced into organisations at an increasing rate. They are based on the assumption of economies of scale through centralisation and standardisation. But the evidence suggests that these benefits do not necessarily follow...

IN THE HORNS OF A DILEMMA

"We want multiple value propositions for the different market segments we serve, but also need to reduce our costs by eliminating duplication of services".

This is a typical conversation I've been having with clients since my recent newsletter on strategies for winning and keeping customers. They acknowledge the need to have a series of different value propositions and customer experiences for the different market segments they serve, but they are also keen to remain cost-competitive. And so the conversation turns to the creation of shared service facilities inside their organisation....

What's the problem here? Surely, the creation of a shared service capability, such as HR, IT or Finance, allows us to achieve economies of scale by sharing expensive resources (people, office space, computers etc) and standardising processes through the organisation?

Well sadly, there is little evidence to suggest that the total costs of the service provision are reduced[1]. Yes, there are efficiency gains in the costs of many of the individual activities, but the overall costs of the exercise are usually higher due to what has become known as failure demand. Failure demand is the additional demand that arises from the organisation's inability to meet the customers' needs properly the first time, and the rework required to fix the problem caused. And that doesn't take into account the customer dissatisfaction and possible defection to another supplier.

I've seen this problem in many organisations. They want to save costs by eliminating (what they see as) duplicated costs across different parts of the business. And so they create a shared service capability which aims to share expensive resources and standardise processes across the organisation. In this way they aim to achieve greater efficiencies and cost savings through economies of scale.

But the "internal" customers, who are essentially captive to these services, are increasingly dissatisfied and have to make other arrangements to work around the service deficiencies. This often includes hiring contractors for "special projects" to supplement these services, or simply suffering the inefficiencies of poor service levels.

And the "external" (real) customers? They simply have to keep coming back and trying to get their needs met and problems solved. All at a high cost - both in resources and lost customer franchise. This is the nature of failure demand.

WHY ARE ECONOMIES OF SCALE NOT PRODUCING EFFICIENCIES?

What's the real cause of this problem? Well, it seems as if there are several causes that relate both to the nature of the work and the way it is organised:

1. ECONOMY OF SCALE HAS ONLY A LIMITED IMPACT ON PEOPLE WORKING IN A KNOWLEDGE-BASED SERVICE ORGANISATION

The research shows that knowledge-based workers involved in service delivery are not motivated by the same criteria as piece workers in a manufacturing operation. So, getting them to work more quickly or efficiently by organising them into a "production line" is usually counter-productive. And, as we centralise the services to save on duplication, we increase the complexity of the processes geometrically by way of the need for handovers and integration. This causes the increase in failure demand, and a resultant increase in total costs to the organisation.

The economy of scale hypothesis is based on a manufacturing context where the key challenge is to produce outputs at the rate of customer demand. In service provision, the challenge is to design a system that absorbs the customers' demand for variety.

2. STANDARDISED SERVICES ONLY RARELY MEET THE NEEDS OF DIFFERENT CUSTOMER REQUIREMENTS

In a service environment, the "product" is only created at the point of interface with the customer - ie in the interaction between the customer and service provider. This is unlike the manufacturing scenario, where the product is made centrally and then shipped out to the customer. Because each customer interaction is relatively unique (customers are all slightly different), the service product has to be created slightly differently each time. It is this ability of the organisation to absorb the customers' demands for variety that actually reduces the total cost to the organisation.

The reduction in total cost due to the reduction in failure demand may, at first, seem counter-intuitive. After all, we seem to be suggesting that allowing for variation actually reduces the total cost to the organisation!

But, the standardisation of services increases the number of handovers in the process - and this increases the degree of fragmentation in the provision of the overall service. This increased complexity inevitably results in more errors and rework - with a resultant increase in demand failure.

So, the standardised service is certainly busier with a greater volume of throughput - but much of it is rework and duplication to correct the errors made by not meeting the customers' precise needs.

SO, WHAT DOES PRODUCE EFFICIENCIES?

It is ironic that so much of the thinking on efficiency within a service organisation is based on "lean thinking", but often overlooks the fact that a key driver in this approach is the elimination of waste. And waste is eliminated by, amongst other things, improving the flow through the process. So, it is not the volume of transactions that produce the savings, but the elimination of waste through improved flow.

In this context, economy of flow means that:

- the process matches the requirements of the customer and is able to absorb the customers' demand for variety
- the number of handovers and resultant integration is reduced so as to limit the overall complexity in the system
- the failure demand (requirement for rework and duplication) is reduced to lower the total cost to the organisation.

HOW CAN THIS BE ACHIEVED?

If the goal is to improve customer focus and to improve the efficiency of the system, how can this be achieved in an organisation?

Returning to the opening quote of this newsletter, this was a conversation with a client some while ago. The organisation is a major transport and distribution company who faced a multitude of clients across the market. In my previous newsletter, we described how we segmented the market for this company so as to allow for economy of flow within each of the newly defined segments - see the tables on the next page.

By defining the business of the company around the three key market segments, we were able to produce economies of flow within each segment. This meant that the company was able to set up three "business units" - one to deal with each of the market segments. While this approach required some duplication of resource

KEY CUSTOMER NEEDS	KEY ISSUE FOR TRANSPORT & DISTRIBUTION COMPANY	CUSTOMERS
Action Orientation & Urgency Low Cost & Efficiency	Time Critical and Reasonable Cost	Same Day Newspapers Livestock Fashion Shows Fresh Produce Legal Documents
Low Cost & Efficiency Empathy & Partnering	Reliable, Low Cost Solution Through Close Partnership	General Produce Next Day Newspapers Food Manufacturers Government Furniture Makers
Innovation & Flexibility Empathy & Partnering	Specialised Solutions Through Close Collaboration	Advertising Agencies Recording Industry Exhibitions Dangerous Goods Concerts

to enable a series of different customer interfaces, the reduction of waste (total cost) across the whole business was substantial!

The organisation design - and the recognition that efficiencies would be produced by allowing economy of flow - mean that each business unit was able to more readily absorb the demand for customer variety. Indeed, they were set up for that very purpose. Consequently, the failure demand reduced dramatically and the company was able to achieve high customer focus and a reduction in operating costs.

This solution obviously requires a different approach to the way that the organisation is designed and built.

HOW CAN WE ACHIEVE CUSTOMER FOCUS AND COST REDUCTIONS?

While there are no silver bullets to resolve this problem, there are a few key pointers that should be borne in mind:

- Economies of scale - increasing the sheer volume through a process - will not necessarily produce efficiencies in a knowledge-based service organisation
- Standardising of services will often produce an increase in failure demand and total cost - because of the inability of the system to absorb the variety in customers' demands
- Efficiencies and cost reductions are more likely to result from economies of flow in the system. This is an outcome of better market segmentation, business definition and organisation design.

[1] I would like to acknowledge the ideas of John Seddon in Freedom from Command and Control. His thinking has inspired some of my views on organisation design and flow.

Design your future: The role of organisation architecture

Organisation Architecture is the natural domain of leadership. It's the way that leaders can design the future of their organisation and shape the operating environment.

WHAT CAN LEADERS REALLY DO?

Can organisations influence their future? Can they shape their operating environments? The answer is YES, if you believe in the role of enterprise leadership.

But what leverage does the leader have on the enterprise? How can they impact on its future?

The reality is that, except in the smallest of organisations, leaders have only an indirect influence. Notwithstanding this, this indirect influence can still be very powerful. This power is wielded through the design of the ORGANISATION'S ARCHITECTURE.

THE ORGANISATION ARCHITECTURE

Like any building or structure, an organisation has a natural architecture. Like the building's architecture, the organisation's architecture is a response to the demands placed upon it. In this case, the organisation's architecture reflects its business model and how it has decided to go to market.

In terms of this, we can identify four major spaces in the organisation's architecture - each with a number of important building blocks.

FOUR IMPORTANT SPACES

The four spaces that form the core of the organisation's design are:

1. The arenas in which the organisation has chosen to be active
2. The capabilities the organisation has deployed in order to operate effectively within these arenas
3. The relationships that are in place to enable the organisation to operate effectively within the arenas
4. The financials that result from operating within these arenas.

Our experience suggests that these four spaces - the core of the organisation's design - are the natural domain of enterprise leadership. Not only CAN they influence these areas, they are EXPECTED to show clear Thought Leadership in this domain.

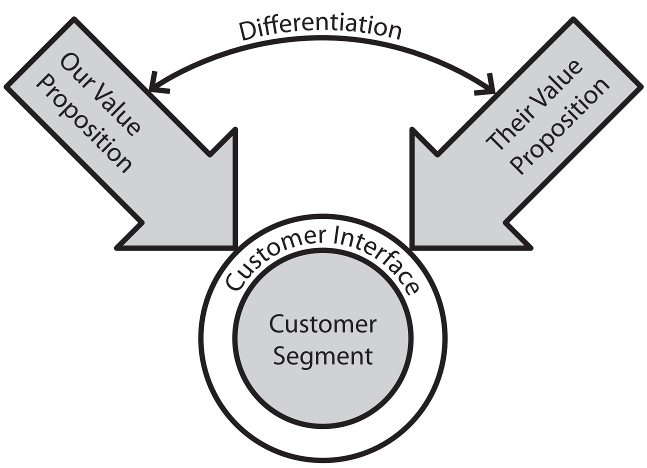
As we see on the following page, these four spaces have nine building blocks - each with clear decisions to be made by enterprise leaders.

ARENAS - SPACE 1

The arenas define the various competitive spaces in which the enterprise operates - see diagram below. There are 4 key building blocks in this space:

1. How we segment our customers
2. What is our value proposition to meet the needs of that segment
3. How we interface with our customers in that segment
4. How our offer is differentiated from that of our competitors.

The competitive position of the enterprise is shaped by the way the customers are segmented and, therefore, the way that the various strategic arenas are defined.



CAPABILITIES - SPACE 2

This space defines the ability the enterprise to successfully deliver its value propositions to meet customers' needs. Two key building blocks make up this space:

• What are the key business processes and activities that create the value propositions
• How should we configure the key resources and organise the reporting structures of the enterprise.
The business processes and organisation structure are best determined after we have defined the value propositions. This is why defining the strategic arenas is the obvious starting point for developing the organisation architecture.

RELATIONSHIPS - SPACE 3

This building block defines the key partnerships that are required to "create" the value propositions and "go to market". Accordingly, we can define the following relationships:

Go to market partners:

- alliance or joint venture partners
- channel partners
- key influencers of your customers

Supply partners:

- suppliers and vendors
- license holders or technology partners

FINANCIALS - SPACE 4

Two key building blocks make up this space:

• Revenue streams derived from the value propositions. This includes pricing, discounting and volume incentives
• The cost structure of the business, including the make up of fixed and variable costs.

THE LEVERS FOR CHANGE

Enterprise leaders have four key levers for making change and shaping the enterprise's effort. The strategic arenas, capabilities, relationships and costs spaces are key elements in the organisation's architecture - and they represent viable levers for leaders to influence the future and shape the operating environment.

It’s a question of focus not balance

Effective organisations are not necessarily well balanced. The evidence suggests that FOCUS is a more common characteristic. And focus is IMBALANCE.

A CONTROVERSIAL STARTING POINT

I know that several readers will find my opening argument quite controversial - after all, it goes against much of the conventional wisdom about effective organisations. But, effective organisations display more focus than they do balance. So what’s the difference between focus and balance anyway, and why is it important?

The question is best addressed by examining the origins of competitive advantage in organisations - a concept that makes sense for both profit and not-for-profit organisations[1].

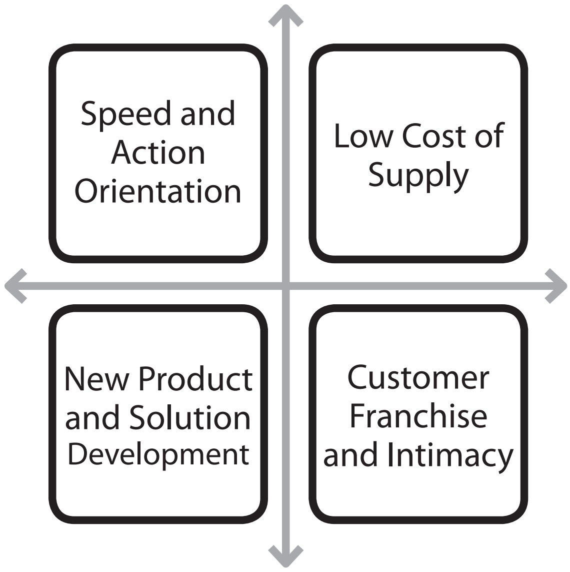
I argue that in order for an organisation to develop competitive advantage, it has to pursue elements of focus in its resource allocation - and this is, in effect, an imbalance.

PATHWAYS TO COMPETITIVE ADVANTAGE

As the diagram depicts, there are four generic sources of competitive advantage within organisations. Each pathway makes specific demands upon the resource configuration of the organisation - and these are not readily changeable in the short term.

This means that an organisation adopting a speed and action orientation posture will require a flat organisation with decentralised decisions and high degrees of empowerment. An organisation which elects to compete as the lowest cost supplier will require a more highly structured design with strong controls and process rules. The customer franchise and intimacy platform requires a premium on team work, shared values and collaborative decision-making; while an organisation competing on innovation and new product development will have a fluid, network-style organisation with high levels of individual accountability and performance.

These resource configurations can be mixed. but a simple examination will show that they represent trade-offs and compromises. For example, the speed posture is significantly different to the customer intimacy posture - and they are not easily combined in the same part of the organisation.



In other words, when a part of the organisation focuses on speed and action as its particular pathway to competitive advantage, it makes a series of deliberate decisions to over-allocate effort in certain areas of the organisation at the expense of others.

This is in effect, an imbalance of one set of factors over another. Hence, focus actually resembles an imbalance in the organisation.

We're not suggesting that all is forsaken in the quest for focus - there are obviously elements of all issues in any organisation. But there is a definite focus in favour of some issues over others.

A PORTFOLIO OF FOCUSES

So, how do you achieve coverage of different focuses across the organisation? For example, how do you pursue customer intimacy in one market segment and speed to market in another?

Well, the answer is NOT to try and achieve a balance in all parts of the organisation. By simultaneously pursuing all four pathways in a particular part of the organisation, you are likely to achieve a "stuck-in-the-middle" position - and so fail to become good at any one thing. It is a "jack of all trades" solution.

Instead, you can elect to pursue different strategic focuses and postures in different parts of the organisation if you follow a few key organisation design guidelines:

1 RECOGNISE THAT ONE SIZE DOESN'T FIT ALL

Many organisations have a preference for standardising their performance management frameworks. This usually means that all management and staff operate to the same expectations and get measured in the same way. This is clearly counter-productive where we are trying to pursue different focuses in different parts of the organisation. Different parts of the organisation will have different strategic agendas - they will therefore need to be measured and managed in different ways.

Trying to achieve a common culture and way of doing things across the whole organisation is not only very difficult - it can be highly unproductive if we are pursuing different strategic objectives in different parts of the organisation[2].

2 MANAGE THE ORGANISATION AS A PORTFOLIO

Unless the organisation is a simple one-market, one-product business, it is likely to have portfolio of businesses across several market segments. Organisations such as these should be managed like a portfolio, allowing each business in the organisation to define its business strategy in a manner most suited to the market and competition it faces.

This means that there should be a clear separation of corporate strategy at the centre (what is the shape of the portfolio and how will we fund it) from the business strategy (how will we compete in this particular business) that is developed in the business unit. Mixing the two inevitably causes confusion and represents an inherent conflict of interest - and the result is that neither strategy is well developed nor executed.

3 ENSURE THAT THE STRATEGIC AGENDA OF A BUSINESS UNIT MATCHES ITS MARKET

While each business unit should adopt the posture that permits it to achieve competitive advantage, this should be linked to the requirements of the market it serves. So, a particular business unit might pursue an innovation strategy because this will give it an advantage in the market it serves. However, this is different to the case of a business unit pursuing a particular pathway because it is the preference of management - unrelated to the customers it is serving.

Differentiation in strategic style and culture that simply serves the preferences of management is likely to lead to unnecessary fragmentation of the organisation. On the other hand, differentiation linked to the needs of customers is the source of true competitive advantage.

MANAGING THE FOCUS AND IMBALANCE IN THE ORGANISATION

A truly competitive organisation will allow business units to pursue pathways to competitive advantage that are related to the needs of their different markets. And they will accommodate the necessary differences in style and culture across the organisation that facilitates this diversity.

Each business unit will be focused in a different way. Each business unit will display a series of inherent trade-offs that produce the quite healthy imbalance in different parts of the organisation.

Culture is not the glue to bind disparate parts of the organisation together. A common culture is not only difficult to achieve, it can be quite unproductive in an organisation with diverse strategic challenges.

Leaders can achieve superior results by defining clearly the common purpose of the organisation and allowing the different parts of the organisation to develop the requisite style and culture to deal with the particular challenge.

NOTES

1 I make the point that not-for-profit organisations (such as public sector agencies) are also subject to the requirements of competitive advantage, as they have to demonstrate that they offer the best option for deploying the funding they have received from government or other public sources.

2 See my analysis of how diverse organisations are held together - culture is NOT the binding glue in a diverse organisation. The strategic purpose and vision performs this task. (Norman Chorn, Strategic Alignment, Woodslane, 2010).

Eight Traits of Resilient Organisations

Resilient organisations have a lot of things in common that enables them to change before it is forced upon them.

CHANGE BEFORE YOU HAVE TO

Most definitions of resilience focus on the ability to get back up after being knocked down. This is an admirable quality, but at the corporate level that's usually too late and too costly.

Strategy expert Gary Hamel has described this kind of turnaround as a "tragically delayed transformation" because organisations go through serious pain and loss of confidence while enduring the process. Instead, we are being challenged to see resilience in a broader light—the ability to anticipate and adjust to the change before it knocks us over.

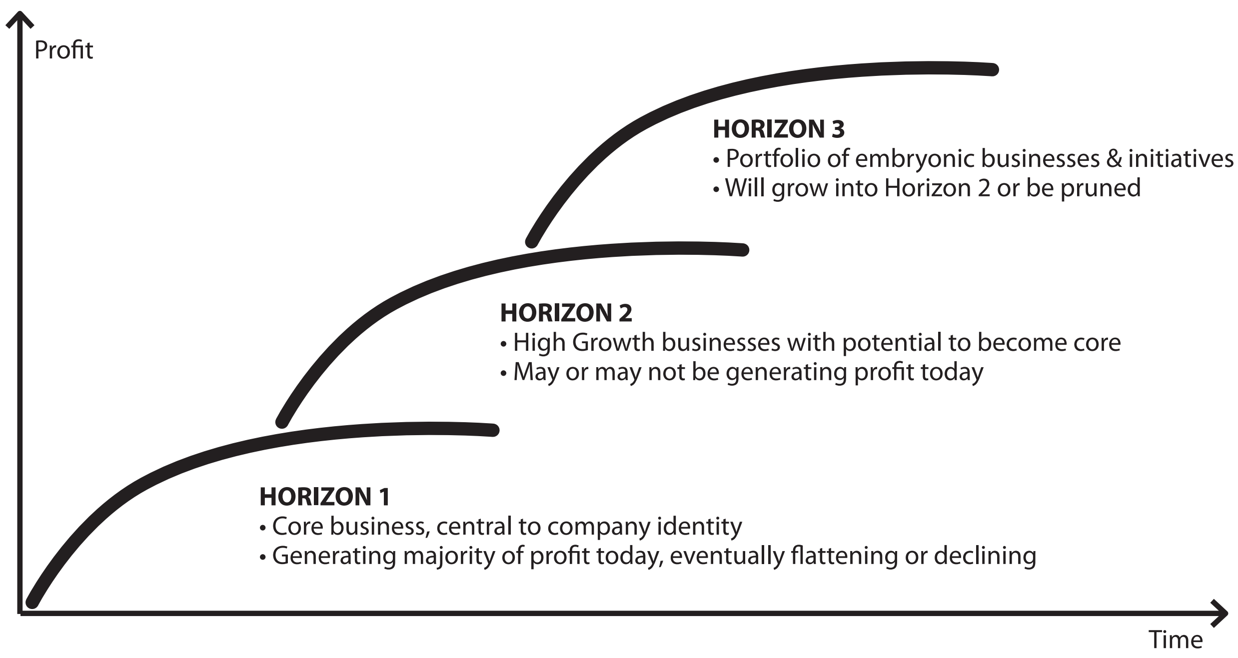
General Electric boss Jack Welch always encouraged the corporation's divisions to "change before you have to". It would seem that our existing momentum is rarely sufficient to keep us going into the future. The challenge is to be efficient in both operations and strategic renewal.

In 2004 we started working with 16 organisations that had weathered the storm of a series of market and environmental shocks including new competitors entering the market, changes in customer preferences, and technology innovation that shifted the basis of competition. Wholesalers, retailers, service providers, information providers, not-for-profit organisations and companies in the pharmaceuticals, building materials and transport/logistics sectors were all represented in the sample.

Each organisation had introduced significant strategic and cultural change without losing ground in the market, and several appeared to gain momentum along the way. They developed the ability to respond to change before it knocked them over.

By focusing not only on what these organisations were doing, but also on some of their beliefs and values—who they were—we were able to identify eight characteristics that seem to describe resilient organisations.

PERFORMANCE AND RISK MANAGED ACROSS DIFFERENT HORIZONS



The resilient organisations appeared to simultaneously adopt quite different focuses in the way they managed their performance and risk.

In general, they 'protected' their base or core business. They were quite cautious about disturbing the success formula and established processes. At the same time, they recognised that the base business couldn't last forever.

In order to explore new opportunities, they conducted a series of 'experiments' designed to test improved or additional value propositions. Most were fairly manageable in size and relatively insulated from the base business activities. These experiments were in response to requests and suggestions from customers, as well as new ideas that had emerged from inside the business.

In each case, however, they applied quite different standards of measurement and risk management to these when compared to the base business. The organisations had established different performance and risk horizons for different parts of their business, recognising the inherently different challenges and skill requirements in each. They specifically avoided a one-size-fits-all approach and did not insist on standard management and reporting practices across the different parts of the business.

A WIDE ARRAY OF INFORMATION TO MAKE DECISIONS

The resilient organisations had several established processes for information-gathering, but they almost always supplemented these by seeking out alternative sources.

This was a fascinating discovery because we anticipated that we would find strictly-followed processes for gathering information and making it available for decision-making. We certainly found well-established processes, but they were usually supplemented by a wide array of additional—and sometimes ad hoc—sources of information.

In many instances, decision-makers would go to great pains to filter out the filterers. They would not rely on the usual chain of command to report on situations in the field. Instead, they would often cultivate their own more direct sources of intelligence.

Many executives would "go to where the change happens" and get first-hand insights into key issues facing the organisation. Examples included senior executives going with technicians on service calls or working a shift on the 1800 customer service line. One general manager of a business unit worked with the team installing equipment a customer had bought.

The resilient organisations also use a few key processes to focus on new and emerging issues. These include setting up what we called 'pathfinder groups' made up of articulate and contrary thinkers who are close to the organisation's customers and technologies. Because they have little vested in the status quo, the groups make suggestions that often challenge the established order.

As C K Prahalad commented in the 1998 book *Thought Leaders*, "No monarchy has ever fomented its own overthrow".

A BROAD PORTFOLIO OF STRATEGIC OPTIONS

While they have their established core businesses, the resilient organisations also seem to have a broad portfolio of new opportunities for the future. These 'experiments' are usually small and manageable, indicating that the key is to have many small opportunities rather than betting the business on the success of a few large, higher-risk ventures.

The performance of the overall portfolio seems to be what counts, and this implicitly accepts the notion that some failure is inevitable—and indeed a sign that innovation is underway.

Moreover, the portfolios are rich in variety and diversity. Many different things are attempted and championed by a wide range of personnel throughout the organisation. In many cases, the variety often exceeds the scope of change envisaged in the industry.

We suspect this is a key factor in dealing successfully with change. By experimenting with a wide range of options and possibilities within the portfolio, the organisation is better prepared for the real thing when it comes along. It's almost like a dress rehearsal in front of a critical audience to prepare for opening night.

Also noteworthy are the funding practices several of the organisations adopted. They separated the allocation of funds for experiments from the normal management structure. Rather than have the funds allocated to a specific department through the regular budgeting process, the funding for experiments is allocated through a bidding process and given to the individual/group that conceived the idea. The allocation system is 'market-based' as it is dispassionate and objective.

EFFECTIVE GOVERNANCE STRUCTURES AND PROCESSES

The governance structures that function well have three things in common.

Firstly, the organisations pay particular attention to the way their boards are selected, trained and used. While having the right balance of skills is important, far more important is the board's ability to engage and challenge management in an open debate about strategy. Board members need to be schooled in the fundamentals of the industry - they need to understand the sources of competitive advantage and industry drivers.

Secondly, these organisations provide good- quality information to their board members. Information about strategic direction, resource allocation, operational controls, management priorities and performance potential is provided in a timely and succinct manner. And the CEO is happy to be challenged about this in an open and non-defensive way.

Finally, there is a realistic view taken on the total corporate risk the organisation faces. In many cases, this extends beyond the traditional risks such as compliance or natural hazards and includes the major earnings-driver risks as well as cultural risks. Earnings-driver risks include product innovation and customer concentration, while cultural risks involve factors such as change management and misalignment of incentives with strategy.

CLOSE ALIGNMENT WITH THE OPERATING ENVIRONMENT

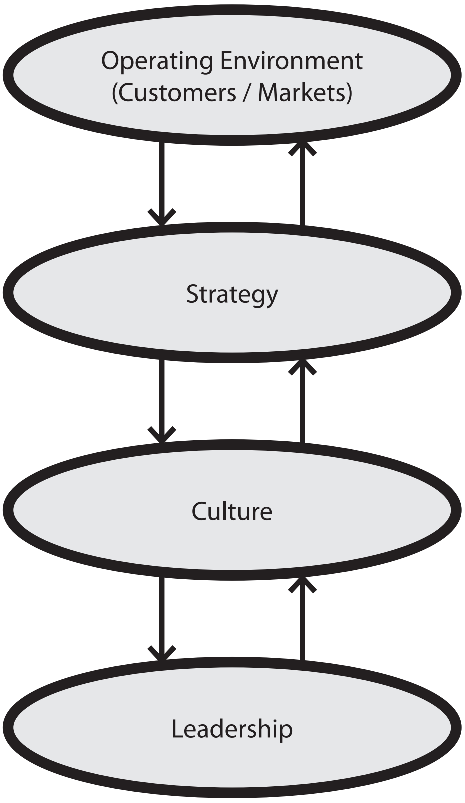
Resilient organisations play close attention to the way they are aligned with the demands and challenges of their operating environments. They recognise that different parts of the environment pose different challenges, and they know the organisation needs to respond with a specific offering or strategy in each of these segments.

A number in the organisations in the sample have quite deliberate approaches to the strategic alignment they have created between themselves and their environments. They have designed and resourced parts of their organisations in direct response to the demands of the various segments. This includes having different sub-cultures and leadership approaches to suit the different challenges.

Others seem to have created this arrangement intuitively and can't articulate how it has been achieved. But they have managed to create a strong alignment between the demands of the market segment being served and the resource configuration in the organisation.

Common to both groups is that they view their organisations as a portfolio of activities rather than a single-purpose machine. And they recognise that a one-size-fits-all approach is not useful.

While they insist on having a clearly articulated and understood strategic purpose running through the whole organisation, they are comfortable about accommodating diversity and sub-cultures within their portfolio.



SEPARATION OF RESOURCE ALLOCATION AND DEPLOYMENT

The organisations derive great benefit from separating the process of deciding what opportunities to pursue from the process of deciding how to operate in these spaces.

Deciding what business to be in is a corporate strategy issue. It needs to be debated and decided at a corporate level without

undue influence from the asset owners—that is, the managers who actually run parts of the business. Once this decision is made, it can be handed over to managers who are focused on the business strategy—how do we compete or operate in this business?

The regular management structures are not necessarily the most efficient in allocating funding for new opportunities. Organisations' management structures are organised around resources and chains of command. (We are not referring to the culture in this instance, but rather the fact that managers have accountability for the performance of their resources and seek to make decisions that optimise their usage.)

This 'managerial' structure is well suited to the deployment of resources. But the allocation of resources is more effectively done by way of a market structure—one that is dispassionate, objective and can truly focus on the future opportunities unconstrained by what is current practice.

The organisations are creating a market-like forum to review their strategic options and future opportunities. In many cases, this ensures that the funding goes to the most promising new opportunities, irrespective of how this may threaten the status quo.

STRONG SENSE OF PURPOSE AND VALUES

This characteristic proved harder to pin down than the others. Almost all organisations in the sample had statements of purpose and values that appeared to guide behaviour and decision-making. We encountered an enormous range in the language they used, and the 'soppiness' of the sentiments they espoused and how well they were crafted.

There were all the usual suspects: 'innovation', 'integrity' and 'teamwork'. But we wanted to know what deeper strategic message was being relayed to the staff. Was there anything that gave a clue to the potential resilience of the organisation?

Fully effective organisations are strategically aligned externally and externally. Where an organisation faces multiple (and different) market segments, it may have to develop an organisation design that permits multiple alignments without destroying the overall integrity of the organisation.

In these cases, it is useful to think of the organisation as a portfolio of businesses, rather than a single business.

This is still work in progress, but two common themes emerged in their purpose and values.

The first relates to the way the organisational purpose is expressed. Resilience may be linked to the fact that the purpose is expressed in the overall value proposition (outcome) for customers. This is non-perishable and goes beyond listing products and services. It recognises that the product may be a variable that could change over time as customers and markets change. It suggests that change is inherent in the base business, and the organisation will explore new ways of meeting customers' needs in order to fulfill its overall purpose.

Secondly, resilient organisations find a way of capturing their essence in the way they outline their purpose and values. In many cases, the organisation can be recognised from the purpose statement even when the corporate name is removed. Concomitantly, the purpose statement can't be transposed with that of another organisation and still make sense.

Senior managers use this when they make presentations to staff and customers. They speak of the organisation's uniqueness and the clarity of the overall strategic purpose. This seems to go a long way in developing a sense of commitment and shared purpose.

RESILIENT ORGANISATIONS appear to have four forms of energy that underpin the traits described above:

• Emotional energy that governs the recognition of and response to stimuli;

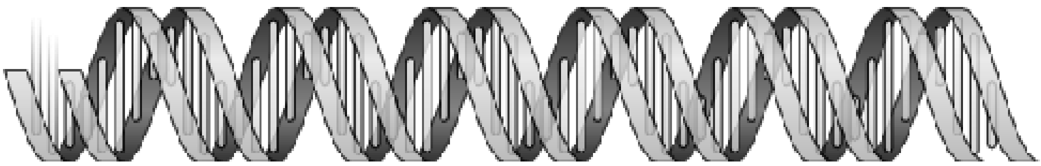
• Intellectual energy that drives the generation and development of strategic options;

• Physical energy that shapes the focus and application of effort; and

• Spiritual energy that assists in generating commitment and purpose.

We believe that these energy forms can be developed via a series of specific processes and deliberate effort by management.

The DNA double helix is an innately resilient structure. Can we design and develop an organisation with the same characteristics?



Winning and keeping customers in a changing market

It's difficult to win and keep your customers in changing and uncertain conditions. We consider the problem and outline three specific approaches to address it.

IT'S TOUGH OUT THERE

Are your markets in a constant state of flux? Do your customers change their minds frequently and prove difficult to satisfy? Maybe you feel that you don't really understand their needs. Or when you do, you can't seem to respond quickly enough to meet these needs. Perhaps you're experiencing high levels of customer churn? You work hard to win them, and then they leave?

There are some of the concerns my clients express as they do battle out there - they seem to take one step forward and two steps back. Why does this seem so prevalent these days? Are customers just getting more fickle because they have wider choice? Are attitudes to loyalty changing? Is it simply because markets have opened up and rivalry has intensified with global competition?

All of these factors contribute to the more difficult business conditions. And certainly, customers have become better informed and are cautious in these post GFC TIMES. But I believe there is a deeper reason for why business is more difficult these days. And these reasons have existed for a while - its just that the post-GFC "new normal" conditions accentuates their impact.

WHAT'S CAUSING THESE PROBLEMS?

I believe there are three underlying causes to these problems that businesses face today. They have been evident for a while, but the difficult trading conditions have amplified their impact on organisations:

1. INTERNAL DEFINITION OF THE BUSINESS

Organisations continue to define themselves in terms of what they do or the products/services they provide - eg: "we manufacture and sell building products". This type of definition is generally the easiest to come by, but it creates an internal focus within the organisation and staff. Moreover, organisations then follow this up with goals and objectives that emphasise issues such as profitability or market share. Most staff don't get out of bed in the morning to improve shareholder returns or gross margin.

Instead of clearly signaling that the business is focused clearly on solving customer problems or adding value to customers, these businesses are focused internally on their own issues and objectives. This does not engender market or customer focus.

2. INEFFECTIVE CUSTOMER SEGMENTATION

Many organisations use simple demographics to segment their customer base and market - criteria such as geography, sector, age or income levels. An example might be a business that decides to focus on the Melbourne market, or the manufacturing sector, or males between the ages of 25 - 45. While these segments tell us a little about the type of customer we are likely to encounter, they reveal little about the real customer needs or preferences. Importantly, they are not effective in describing what the customer might describe as "good service".

Our research, and many other similar research programs, reveal that customers have different definitions of "good service" - and that these will be applied to decide whether to buy from a particular vendor or to remain loyal to that vendor. Unfortunately, standard demographic segmentation does not reveal these important differences, and leads to businesses delivering a similar approach to members of a segment. So, while the service or product is targeted to a particular segment, the needs within the segment are different. This means a fairly random approach to meeting customer expectations in a given segment - undermining the whole purpose of segmentation in the first place.

3. GENERIC POSITIONING IN THE MARKET

Thirdly, I find that many businesses position themselves somewhat generically within their target market - and fail to signal clearly what the market may expect from them, eg: " we are a 2nd tier accounting firm serving medium sized businesses in Brisbane", or "we are a small engineering firm that makes pumps".

This positioning does not speak directly to customer needs or value-adding. Perhaps more importantly, this generic positioning does not support excellence or competitive advantage as it generally attempts to be all things to all people. As we will argue, competitive advantage emerges from making choices and trade-offs that produce a particular focus to position the organisation in a specific way. And, making trade-offs is a lot more than simply setting priorities and objectives within the organisation.

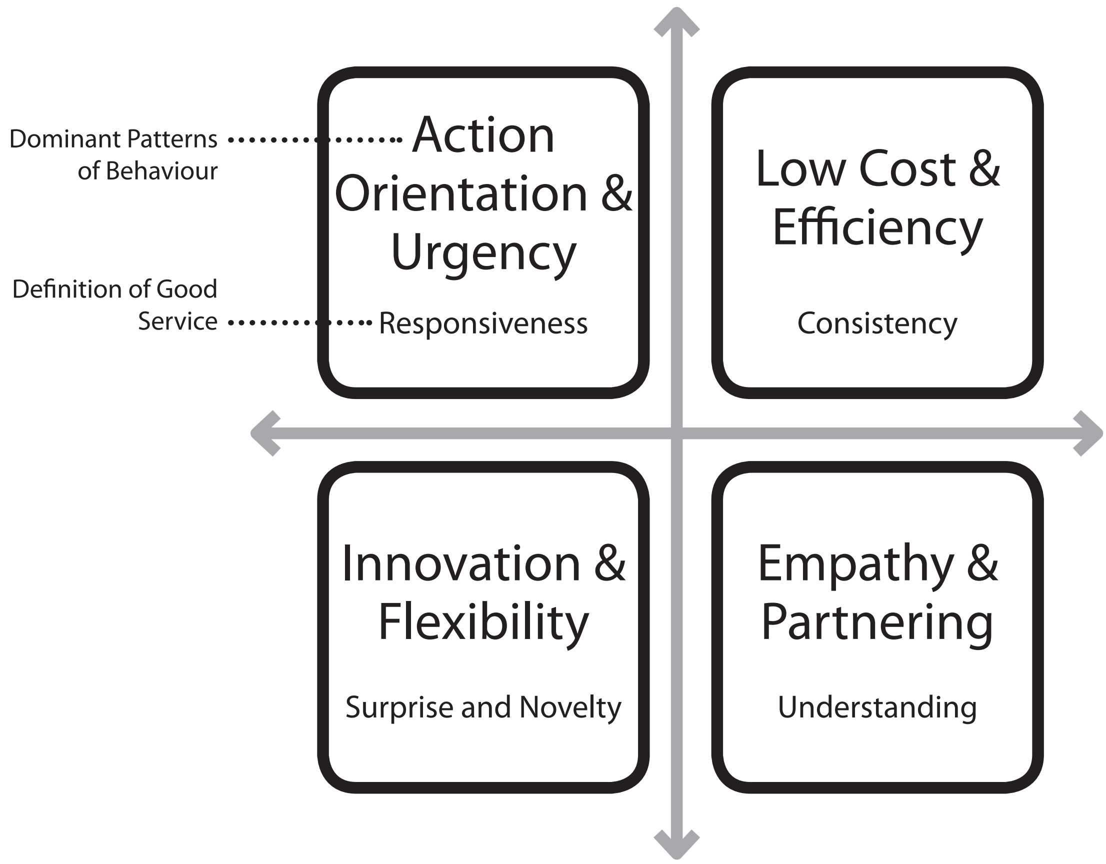
WHAT ARE THE SOLUTIONS?

Clearly, there are no silver bullets that will solve these problems immediately. But my research offers some guidelines for addressing the issues:

1 ADDRESS THE BEHAVIOURS OF YOUR CUSTOMERS

Focusing on the behaviour patterns of your customers in the purchase or usage situation reveals much about their preferences and actual needs. Indeed, my research1 demonstrates that this can tell you more about actual needs than the information the customer may give you. This is because behaviours often reveal the trade-offs and real preferences held by customers - factors that they may not be fully conscious of (or not willing to admit publicly).

Furthermore, these behaviour patterns also reveal the definitions of "good service" held by the customer. The diagram below outlines this more clearly:



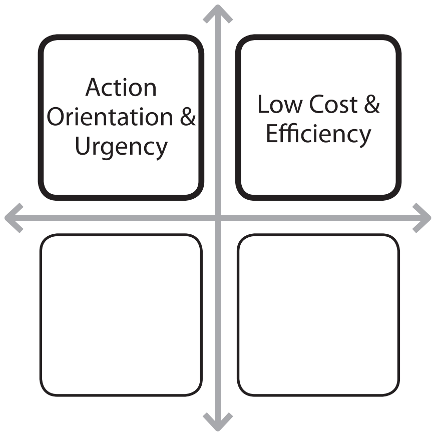
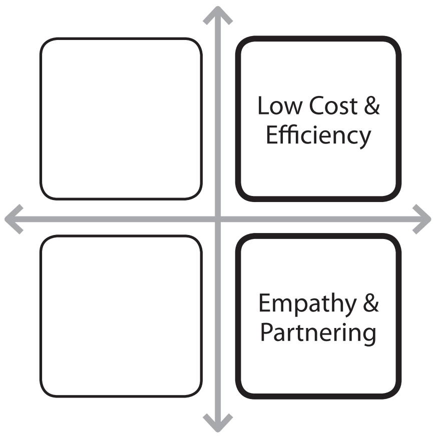
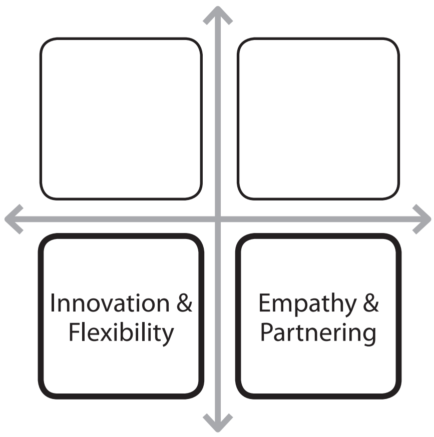
Customers whose strategy and style emphasise action and urgency will define good service in terms of your speed of response, while those that focus on empathy and partnering with their customers will expect you to display good levels of understanding and intimacy in the way you deal with them. And so on.

We're not suggesting that the other factors are excluded in the way a customer might define good service - its just that there is likely to be a strong emphasis on on or two of these four definitions. And these combinations are generally not diagonal, as our discussion below will reveal.

If we use patterns of behaviour to segment our customer base, we are likely to get a different outcome - one that addresses the key needs of customers, rather than simply their demographic characteristics.

I used this approach with a major transport and distribution company a while ago and produced the following results:

Transport and distribution company example

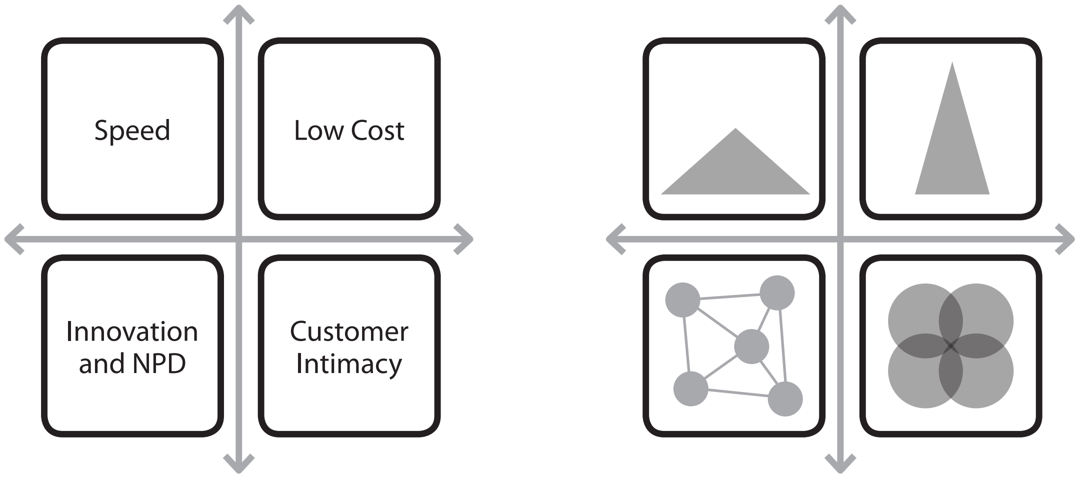
KEY CUSTOMER NEEDS	KEY ISSUE FOR TRANSPORT & DISTRIBUTION COMPANY	CUSTOMERS
	Time Critical and Reasonable Cost	Same Day Newspapers Livestock Fashion Shows Fresh Produce Legal Documents
	Reliable, Low Cost Solution Through Close Partnership	General Produce Next Day Newspapers Food Manufacturers Government Furniture Makers
	Specialised Solutions Through Close Collaboration	Advertising Agencies Recording Industry Exhibitions Dangerous Goods Concerts

Each of the segments is characterised by a particular pattern of customer needs and the manner in which they define "good service". This allowed the transport and distribution company to target a specific value proposition to each of the segments - even though the segments contained a variety of demographically defined customers.

Issue	Time critical service	Reliable service	Specialty service
Value proposition	Emphasis on fast response and action-oriented approach	Emphasis on low cost and systems-driven reliability	Emphasis on innovative and flexible approach
	"Whatever it takes"	"We will do it cheaply and efficiently"	"We'll find a way to make it work"
Organisation design	Courier division	General freight division	Logistic and special projects division

2. FOCUS AND MAKE TRADE-OFFS TO PRODUCE COMPETITIVE ADVANTAGE

The patterns of behaviour also relate to the different pathways for competitive advantage in organisations. In essence, organisations can pursue four different pathways as they seek to build competitive advantage in their markets.



Again, vertical and horizontal combinations are possible, but diagonals cause significant internal conflict and prevent the internal focus that creates excellence and competitive advantage. This becomes evident when considering the very different internal configuration of capabilities and resources necessary to support each of the pathways.

Focus	Internal configuration of resources and capabilities
Speed	Flat structure, decentralised decisions, empowered staff, broad job roles
Low cost	Tall structure, centralised decisions, emphasis on controls and measurement of process
Innovation	Fluid network structure, individual autonomy and accountability, emphasis on risk and creativity
Customer intimacy	Team oriented structure, partnering and collaboration, participative decision making

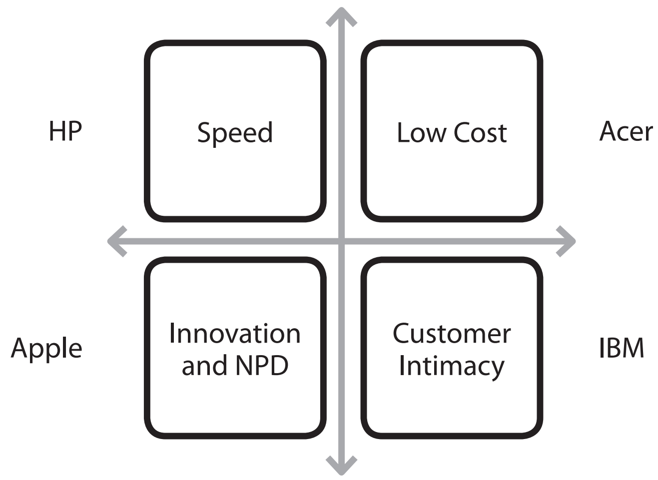
The key insight from this analysis is that competitive advantage is produced by focus and the willingness to make trade-offs. For example, the "Speed" strategy is achieved by making some trade-offs in the way the organisation is designed. In this case, some of the team orientation and participative decision-making is traded off in favour of decentralised decisions and highly empowered staff.

In our case study of the transport and distribution company, the Courier division achieves its Time Critical Service ("Whatever it takes") focus by making these sorts of trade-offs. Similarly, the General Freight division achieves Low Cost and Systems Driven Reliability ("We'll do it cheaply and efficiently") by trading off speed and innovation in favour of efficiency and partnerships with the customer.

3. DEFINE THE BUSINESS IN TERMS OF THE VALUE PROPOSITIONS TARGETED AT CUSTOMERS

The third guiding principle for winning and keeping customers is to design and position the organisation around the key value propositions.

It is possible to position the whole organisation around a particular proposition to the market, as the example in the ICT sector illustrates:



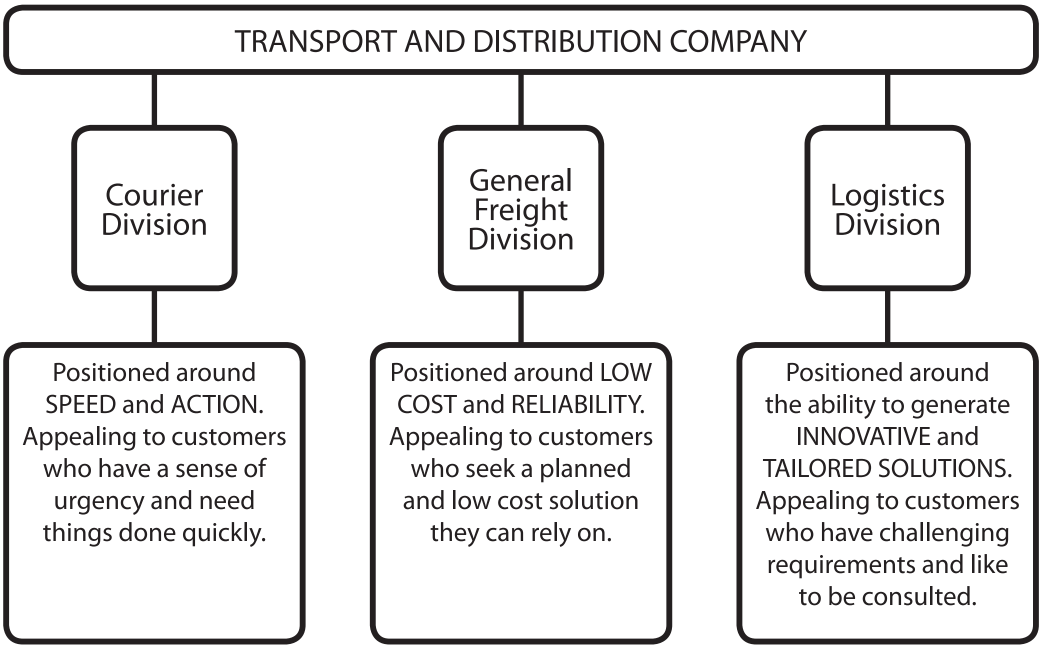
Or, if the organisation deals with several different customer groups, it may be desirable to have several units or divisions - each positioned in terms of the customer group they are serving

In the transport and distribution case study, the organisation positioned itself in terms of the three key value propositions for the market. In other words, it focused on delivering a portfolio of value propositions to the market - each supported by a unit of the organisation that addressed a specific set of needs for customers.

Importantly, the company recognised that "one size does not fit all" and allowed each division to develop a style and culture best suited to the customer group they were serving. This requires a somewhat different organisation design and form, one that we will discuss in the earlier article Not getting the results you want? Your design may be wrong.

SO, HOW DO YOU WIN AND KEEP CUSTOMERS IN CHANGING AND UNCERTAIN MARKETS?

It is clear that external conditions are changing rapidly and your customers face a stream of potential new suppliers and product / service offerings. However, despite this continuous change in the market, the basic drivers of customer satisfaction



(and their underlying needs) remain relatively robust. If we can be sure that we understand the real customer drivers - what the customers really need - and then deliver the appropriate value propositions to them, we can achieve greater success in winning and keeping them as customers.

Our research[1] shows that we should be doing 3 things to achieve this success:

1. identify the real drivers of customer needs by using behavioural segmentation instead of the traditional demographic approach
2. develop clear value propositions that deliver against these real needs
3. position the business clearly by making the required trade-offs to achieve competitive advantage - and then signal this position explicitly to the market.

In essence, this means taking a very different look at your customers, how you position yourself in the market, and how you achieve competitive advantage. Not an overnight fix, but one that may be worthwhile as you seek success in these changing and uncertain times.

QUESTIONS FOR LEADERS

- How do you segment your customer base? Are you using simple demographic criteria because its easier to classify customers?
- Do you have clear value propositions for each customer segment? Are these propositions based on the product or service being provided, or do they emphasise the problem you solve or value you add to the customer?
- Are your pathways to competitive advantage clear for the different segments of your market? Do you position your business explicitly within these segments and signal this to both customers and staff?

NOTES

[1] Chorn, N, Strategic Alignment, Woodslane, Sydney, 2010

There's no future in predicting the future

Conventional planning no longer works. Setting strategy for the future involves accepting and practicing 7 key principles. The future can't be predicted - but it can be influenced by your actions.

THE NEW NORMAL

The term "new normal" has been coined to describe this period of incessant change and uncertainty. It outlines the fact that we have new rules and dynamics in the global economy, new social and political structures, strong pressures from our distressed environment and a technology revolution that continues to disrupt all of the above.

Because the environment is in a state of continuous flux, our conventional planning approaches are no longer effective. Why? Because they rely on a series of assumptions for variables such as exchange rates, market growth and customer preferences. These assumptions are nothing short of predictions about the future - bets we take about future conditions in order to achieve our planning objectives. When these prove invalid because of unexpected shifts in the environment, our plans become useless. No wonder that numbers of executives have abandoned planning in these uncertain times!

DEVELOPING STRATEGY FOR THE FUTURE

But is possible to set strategy for the future. We just have to change the way we approach the challenge.

Our research shows 7 key principles underpin effective strategy in changing and uncertain environments:

1. THE FUTURE DOES NOT EXIST A PRIORI

In essence, this means that the future is not pre-determined or "waiting" for us to reach it. The future is not a reality that exists in another time dimension. Fatalism has little place in setting strategy for the future!

2. THE FUTURE IS A SET OF POSSIBILITIES THAT CAN BE INFLUENCED BY OUR PURPOSEFUL BEHAVIOUR

The choices we make today will drive our actions. These actions will always have a set of consequences that we then "discover" tomorrow. The discoveries we make will then influence and shape the choices we make on the following day. And so, we can influence the shape of our future.

3. NO MONARCHY HAS FOMENTED ITS OWN OVERTHROW

Because the elite in organisations and society usually have a vested interest in retaining their positions of power, it is difficult for them to envisage a future that is radically different to the present. Others, unencumbered by by power and privilege, are better suited to studying and envisaging the future.

4. EMBRACE THE UNCERTAINTY IN THE SITUATION

Rather than attempting to predict the future, it is better to embrace the uncertainty inherent in a situation. Accept that events can unfold in different ways due to this uncertainty.

5. RECOGNISE THAT ALTERNATIVE FUTURES ARE POSSIBLE

As the uncertainty presents different pathways for events to unfold, it is best to recognise that the organisation faces alternative futures. Instead of attempting to predict which future will unfold, accept that there are alternative futures with which the organisation will have to contend.

6. FOCUS ON DEVELOPING THE CAPABILITIES NEEDED FOR THE ALTERNATIVE FUTURES

The essence of strategy in an uncertain and changing environment is to understand the "winning" position in each of these alternative futures, and then to identify the capabilities that will be needed to support these positions. Capability development is the key to success in this approach.

7. IT IS BETTER TO BE VAGUELY RIGHT THAN PRECISELY WRONG

As Clem Sunter[1] remarked, we cannot be precise about the nature of the future. Much like NASA's journey to the moon, we set off in the right direction and keep modifying our approach as the information become more precise and we keep learning.

PLANNING IS NOT STRATEGY

Generally speaking, planning is about setting objectives and actions to achieve a goal. We make assumptions about future conditions and set firm objectives, based on what we know now. Strategy, on the other hand, is about positioning and equipping the organisation to deal with the future. Strategy develops objectives as the future unfolds and learning occurs. The focus is on having the capabilities needed to deal with the alternative futures facing the organisation.

THE FUTURE IS NOT WHAT IT USED TO BE

IMPLICATIONS FOR DEVELOPING FUTURE STRATEGY

- The world has changed. The "new normal" means that our conventional planning approaches - with their emphasis on assumptions and pre-determined objectives - no longer work
- We should not attempt to predict the future. Recognise that alternative futures are possible and should be accommodated
- We are likely to need to assistance of those outside the power elite in order to envisage a range of alternative futures
- The future can be influenced (and even shaped) by our purposeful behaviours
- Our focus should be on building positions and capabilities for the alternative futures
- Instead of running to where the football is, we should run to where the football will be.

This is different to the conventional approach for developing business and corporate strategy. But it seems more consistent with our views on organisations that learn and adapt to a constantly changing environment. Welcome to the world of future strategy.

NOTES

[1] Clem Sunter, The Mind of the Fox, 2001

Release your strategic intuition

Strategic Intuition is powerful combination of rational thinking and creative imagination. It can be released by following a process that recognises the differences between Strategy and Planning

WHAT IS STRATEGIC INTUITION?

Have you ever had a flash of insight where the solution to a difficult problem just comes to you? The answer seems to hit you suddenly and all the dots are connected. You have real clarity and you know exactly what to do.

This is what Duggan[1] and others have called strategic intuition, where the flash of insight is a powerful combination of rational thinking and creative imagination. This is how Zuckerberg conceived of Facebook, Richard Branson developed Virgin Airlines and Matt Church created Thought Leaders[2].

But strategic intuition is very different to expert intuition. Expert intuition is where you are able to make a snap judgement because you have vast experience and recognise a familiar situation. A good example is the para-medic who is able to make instant decisions when she arrives at a scene of an accident because she has witnessed many such scenes before. Strategic intuition, on the other hand, is slow and occurs when the situation is new and unfamiliar. It occurs when you recognise the situation as new - and turn off your expert intuition. This is an important distinction, because expert intuition is often the enemy of strategic intuition.

RELEASING YOUR STRATEGIC INTUITION

Releasing your own strategic intuition depends on a number of factors, as we shall see below. But an important aspect is the ability to develop the so-called "beginners mind"[3] - i.e. where you deliberately push aside what you know from previous experience and open yourself up to new insights. As we know, existing paradigms offer efficient solutions to common problems, but they can restrict our willingness to see new and different solutions.

It seems that we can learn much about releasing our own strategic intuition by examining the successful exploits of Napoleon as described by von Clausewitz[4] in 1832. Von Clausewitz identifies how Napoleon used the coup d'oeil (flash of insight) to conceive of many brilliant initiatives that not only defeated the enemy, but also left them completely flat-footed.

FOUR KEY PRINCIPLES

Translating Napoleon's exploits into lessons for modern strategy, we see four clear principles:

1. Study the history and theory thoroughly
2. Immerse yourself in the situation and empty your mind
3. Wait for the flash of insight - it will come
4. Act with conviction.

1. STUDY THE HISTORY AND THEORY

Good strategists are always well prepared. They have studied the previous case studies and understand the theory well. But they are not captured by any of the theory or case study of previous success. Napoleon was a brilliant student and graduate of the French Military Academy.

2. IMMERSE YOUR SELF IN THE SITUATION AND EMPTY YOUR MIND

Become "one" with the situation and make sure your thoroughly understand the context and prevailing issues. Then practice "beginners mind" and consciously push aside any pre-conceived ideas or solutions you might have. This is where you deliberately separate any expert intuition you might have from the situation at hand. The critical factor is to recognise this as a "new" situation and to understand that snap judgements will not suffice.

3. WAIT FOR THE FLASH OF INSIGHT

As you comb through the facts and details of the situation, your sub-conscious mind is hard at work - even though you may not realise it. Eventually, something will click and the fog will clear. You will have clarity and insight into the situation and be able to see the decisive point in the situation.

Napoleon used to identify the decisive point in a battle that would turn the battle around and put him in a position of advantage. Recognising the decisive point in the situation is the overall purpose of strategic intuition.

4. ACT WITH CONVICTION

Once you have "seen" the decisive point in the situation, you should act with purpose and conviction. This is the axis around which the situation will pivot, and it is your "winning" strategy. Failing to act purposefully at this stage may mean that the window of opportunity closes and your advantage is lost.

PLANNING IS NOT STRATEGY

As we see, strategic intuition is different to expert intuition. It depends on a recognition that the situation is different and casting aside the need to make a snap judgement. Moreover, it relies on you being able to make the distinction between Planning and Strategy.

Planning is where we set objectives and take actions to achieve a goal. We assume that the situation is relatively stable, and consequently, we are able to determine the objectives at the outset, before entering the situation.

Strategy, on the other hand, is where we seek to position and equip the organisation for the future. We recognise the uncertainty and instability in the situation, and accordingly, allow the objectives (in the form of the decisive point) to emerge as we are immersed in the situation. It is in these situations that strategic intuition will emerge.

Napoleon was a brilliant strategist. He used his strategic intuition by combining rational thought with creative imagination.

You can do it as well. But it depends on you recognising the situation as new and different and resisting the temptation to make snap judgements based on your previous experience.

NOTES

1 William Duggan, Strategic Intuition, Columbia University Press, 2007

2 Matt Church, Thought Leaders, Harper Collins, 2011

3 Miyamoto Misashi, A Book of Five Rings, Overlook, 1992

4 Carl von Clausewitz, On War, Penguin, 1968 (originally written in 1832 in classical German)

Lift your organisation's knowledge quotient

The Knowledge Quotient (KQ) of an enterprise reflects the amount of effort put into developing enterprise-relevant knowledge and IP. A high KQ is shown to be associated with greater competitiveness.

ENHANCING COMPETITIVENESS: WHAT CAN LEADERS DO?

I've had a big response to my article Competing on Thought Leadership in which we focused on raising the Knowledge Quotient (KQ) as a means of enhancing enterprise competitiveness. "How can we do this?" was the common question and point of discussion.

If we examine Porter's renowned work on the factors that drive competitiveness[1], we see that three of these might be considered as "external" to the enterprise (see diagram (a) on following page), but one remains firmly within the scope of enterprise leadership. Not surprisingly, this factor relates to the enterprise's strategy and structure.

Local research has shown that leaders can drive competitiveness by creating an enterprise that focuses on knowledge creation and innovation (see diagram (b).

How can this be done? It seems that the answer is to address the basic economic equation related to knowledge creation. In other words, enterprise KQ can be lifted by enhancing the economics of the knowledge creation process.

Like most economic issues, this is tackled by addressing the 3 key components of:

1. the supply and creation of enterprise-relevant knowledge
2. the demand and use of the this enterprise knowledge
3. the efficiency of the market that promotes the creation and exchange of the enterprise knowledge.

Each of these three issues are dealt with on the following page.

Diagram A: Porter's Factors that drive competitiveness

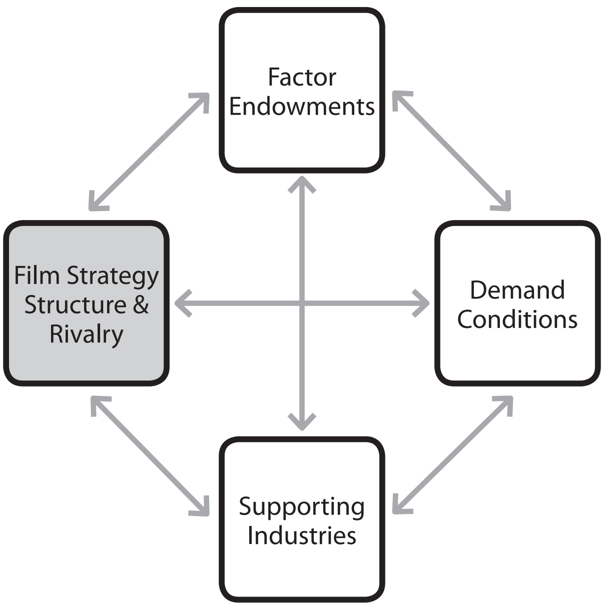
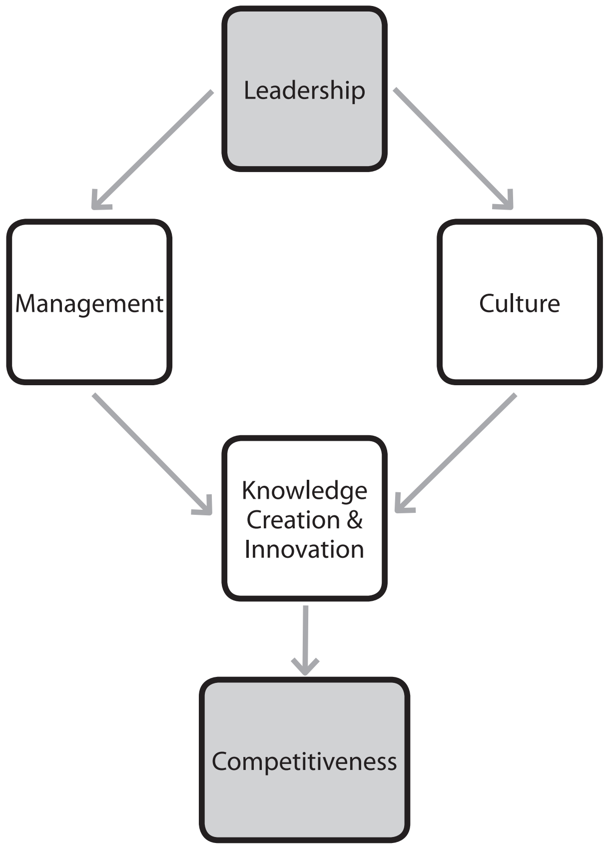


Diagram B: Leaders can drive competitiveness



THE SUPPLY OF ENTERPRISE KNOWLEDGE

The supply of enterprise knowledge is influenced by two factors:

• The propensity of potential enterprise Thought Leaders to capture, package and deliver their enterprise-relevant IP

• The freedom that these enterprise Thought Leaders have to connect and interact with others, both within the enterprise and outside with other Thought Leaders.

Leaders can facilitate the development of enterprise Thought Leaders by providing training and mentoring that assists them in the capture, packaging and delivery of enterprise-relevant IP. We deal with the development of an enterprise Knowledge Market below.

THE DEMAND FOR ENTERPRISE KNOWLEDGE

The demand and use of enterprise knowledge depends on:

- a culture of learning and continuous improvement
- evidence-based management and decision making.

These are both factors that leaders can influence through their own behaviour. While continuous improvement initiatives and processes are important, more important is the leader's focus on continually trying new approaches to find ways to move the organisation ahead. Constant prototyping is a style that fosters learning and improvement. In addition, leaders can demonstrate that they are not captive to a particular dogma or philosophy in their decision making by carefully considering the evidence before deciding.

Instead of showing consistency by making the same decision every time, they can consistently weigh up the alternatives by examining the new information.

THE EFFICIENCY OF THE KNOWLEDGE MARKET

As with most markets, the efficiency of an enterprise knowledge market has two key drivers:

- the unfettered flow of information between suppliers and users
- a proper price being established to balance supply and demand

Leaders have a key role in greasing the wheels of the market by eliminating political and ego barriers to the creation, sharing and use of knowledge across the enterprise. This is about celebrating the creation and use of knowledge, and also signaling strongly that the competitiveness of the enterprise depends on this taking place.

But leaders also need to ensure that a proper price is placed on the supply and demand of the knowledge. In part, this means that the enterprise Thought Leaders should be encouraged and rewarded for creating relevant knowledge and IP. This includes recognition both inside and outside the enterprise - and allowing the Thought Leaders to build their personal reputation. Astute leaders know that this recognition has a strong payoff for the enterprise brand and is invaluable for the retention of key talent within the organisation.

It is better to consistently consider the new evidence and make different decisions, than to make consistent decisions every time. In these cases, inconsistent leadership demonstrates that learning is taking place.

NOTES

[1] ME Porter, The Competitive Advantage of Nations, The Free Press, 1990

How to Craft Strategy in Uncertain Times

Crafting strategy in uncertain times is like peering over the horizon to see what's coming. You need the help of a sextant to guide you through.

WHAT'S THE PROBLEM?

I've had an ongoing conversations with several of my clients in the past months. It centres around the difficulty of developing their strategy in these highly uncertain environments. Some are dealing with the fluctuating exchange rate and its impact on imports and exports, while others are concerned about the uncertainty surrounding government's intentions on industry policy and future tax regimes.

They complain that the assumptions they set at the beginning of their strategic plans are usually incorrect a few months after the plans have been completed. Most tell me that they are fast losing confidence in the utility of these plans, while others tell me that they have all but given up doing them at all because of the uncertainty in their operating environments.

The irony of this situation is that, in times of great uncertainty, the importance of strategy increases. These clients probably need strategy now more than ever before!

SO, WHY DO ORGANISATIONS FIND PLANNING SO DIFFICULT IN THESE TIMES AND WHAT CAN WE DO ABOUT IT?

Before answering this question, it may be useful to recount a conversation between Christopher Columbus and his brother Bartholomew that took place over 500 years ago!

GO WEST, YOUNG MAN!

Christopher Columbus had just convinced Queen Isabella to finance his latest expedition to discover the "New World" and was engaged in a conversation with his brother Bartholomew, his partner in their chart-making business:

"Why do you think sailing west to the Indies is the right answer?" asked Bartholomew. "Because everyone confines themselves to what they know - I'm interested in what is possible".

But Bartholomew knew that his brother needed to be better prepared, and so he persisted "Since you cannot see beyond the horizon to plot a specific course, how will you know whether to head due west or north-west?"

Christopher explained that plotting a course into the unknown was like making a chart by using a sextant. He believed that the sextant had the ability to combine first-hand, situational knowledge with the enduring cycles of stars in order to chart direction.

The two brothers spent weeks going over old captain's notes, log books and other pieces of information that Christopher had accumulated form his previous voyages. Using a sextant, they created a working model of where the most favourable lands were likely to be found. They created a new map, based on the desired destination and star positions, that would guide Columbus at sea. Finally, they determined the distance and time - about 8 weeks at sea and some 2,400 miles - to go from Spain to the Indies.

And the rest, as they say, is history.

CAN ORGANISATIONS BUILD A MARKET SEXTANT?

So, why can't organisations build a market sextant that might guide them through the uncertain waters? Why is this so difficult in the context of modern organisations and their uncertain environments?

The issue seems to be related to the way that we conduct our business planning - and the fact that this planning does not seem to suited to our current conditions of uncertainty. Three factors are pertinent here:

1. A somewhat single-minded approach to the pursuit of objectives
2. Attempting to predict future assumptions in planning
3. Confusing "planning" with "strategy" .

1. THE SINGLE-MINDED PURSUIT OF OBJECTIVES

Most business plans will set a few, prioritised, objectives and then allocate resources to achieve these via a series of action plans. We understand the importance of focus, so we try not to get distracted by a range of other things that otherwise demand our attention.

Unfortunately, as we focus on the objective in our sights, we become quite single-minded. This single-mindedness tends to drive out learning and adaptation. As things become more difficult, we "try harder" - but usually by doing more of the same things. As a consequence, we don't really make much significant progress. We are unable to adapt to and accommodate the high rates of change that occur around us.

2. TRYING TO PREDICT THE FUTURE

Conventional business planning relies on making a series of assumptions at the beginning of the process. These assumptions that address factors such as market growth, exchange rates and the state of the political environment, then provide the context for the setting of objectives and action plans. Once these assumptions are proved wrong, the validity of the plan becomes questionable.

In reality, making assumptions about future conditions is like attempting to predict the future. While this may be possible in a relatively stable and orderly environment, current market conditions render this quite unsuccessful. As a consequence, our efforts at planning by using assumptions become quite unsuccessful in these turbulent conditions.

3. CONFUSING "PLANNING" WITH "STRATEGY"

A third factor is the confusion of planning activities with strategy. Many organisations speak of the need for developing their strategy, and then proceed to use a planning process instead. So, what's the difference?

In essence, planning is an event-driven process where we set an initial objective, and then pursue it via a program of actions. The objective is determined at the outset of the process, and the action plan is a way of focusing the organisation's resources around its key priorities.

Strategy, on the other hand, is an ongoing, iterative process where the emphasis is on learning and adaptation. While the broad intent is clear from the outset, detailed objectives are not set at the outset - because, by definition, we don't know what issues will be encountered along the way. Instead, objectives emerge along the way as we encounter new situations, learn and adapt. As a consequence, strategy is better suited to uncertain and changing conditions where there is a need to learn and adapt to the environment.

HOW TO BUILD YOU OWN MARKET SEXTANT

Based on an understanding of these issues, how can we build our own market sextant to guide organisation through times of uncertainty and change? What can we learn from Christopher Columbus' approach? How can we develop effective strategy in these difficult times?

There are three key steps to follow:

- Study the existing maps
- Adopt an explorer's mindset
- Build a chart of the new territory.

1. STUDY THE EXISTING MAPS

We study the existing maps by considering all the available information and history about our market or industry. Generally, this includes studying and understanding three important forms of information:

- Key trends in the industry: These are developments that have established themselves and are unfolding into the future. Examples include factors such as the globalisation of the industry, generational change and the increased use of mobile communication
- Drivers of future change: These are factors that are changing the way that the industry works and develops. Examples include the capability of technology to produce equivalent experiences, customers' access to more information and impending industry legislation.
- Key uncertainties: These are "flip-flop" events that can radically change the outcome of future change - and which we cannot predict. Examples include the impact of political change, exchange rates and government policy.

In summary, this is about "doing our homework" thoroughly and having good insight into the way the industry currently works, and the factors that are capable of changing it.

2. ADOPT AN EXPLORER'S MINDSET

An explorer is someone who goes out seeking to learn and understand new phenomena. Importantly, they have "space in their heads" to accept new discoveries and ways of doing things. Three factors seem important here:

- Immerse yourself in the study or journey: Exploration is not an armchair activity. It is about being there and immersing yourself in the new information, situation or market. A good example is the use of ethnographic research, where researchers go up close and study their customers and observe their behaviour first-hand, rather than relying on broad statistical data to provide them with an understanding of customer needs. This is about people and events rather that just data.
- Develop a beginner's mind - be deliberately naive: This is about emptying your mind of pre-conceived ideas and theories and allowing your strategic intuition to take over. Ask the obvious questions, no matter how "stupid" you may think they are. Be available for new insights and understanding from your journey!
- Become a "Curious George": Just like the lovable cartoon character, be curious about your environment and observations. You need to act as a child who visits Disneyland for the first time. Seek to find out as much as you can and allow your curiosity to guide you. Its about finding out as much as you can and taking nothing for granted.

3. CHART THE NEW TERRITORY

Finally, you are ready to build a chart of the new and uncertain territory. Based on your new understanding of the industry and market, you can now construct a three-part chart of the way forward. In essence, this involves assembling three pieces of information:

- Define the problem or problems faced by your industry and market: This is best done with compassion and empathy, so that you develop a deep understanding of the issues current and potential customers face. Define these problems from the perspective of the customer and what they experience - rather than from your perspective in terms of what you may want to sell them. Be warned, this is much harder than it appears! You have to become truly customer-centric.
- Identify the causes of this problem: Here you begin to develop your "theory" or "model" of why this problem exists - ie what are the causal factors that contribute to this problem for customers or the industry. These theories or models should be developed and built with objectivity and rigour so that you are able to offer a sensible explanation as to the cause of the customers' or industry's problems.
- Propose the solution to the problem: Now that you have identified the cause of the problem, you may legitimately propose a solution. Accordingly, this can be done with confidence and legitimacy. Usually, this is expressed in terms of a value proposition to the market that can be communicated in several ways, depending on the particular circumstances of the customer or market.

HOW DO YOU NAVIGATE THROUGH AN UNCERTAIN ENVIRONMENT?

Crafting strategy in an uncertain environment relies on a deep understanding of the industry (and customers) in which you operate, and an ability to learn and adapt to the emerging problems faced by your customers.

The ability to study the existing maps, behave like an explorer and chart the new territory will ensure that you remain relevant to your industry and customers as the world changes. And this is the only way to prosper though the tough and uncertain times we encounter.

Create competitive advantage through strategic flow

Pursuing strategic objectives often results in us trying to undertake conflicting goals. But often, these goals can be reframed and successfully achieved.

ARE WE PURSUING CONFLICTING OBJECTIVES?

My article Economy of Scale is a Myth about using centralised and standardised shared services as a means of addressing multiple customer groups and keeping operating costs down. We referred to the resultant increase in failure demand as the organisation is unable to absorb the customers' demands for variety - and is then engaged in rework. This often results in an increase in total costs and a reduction in customer satisfaction[1].

This is a pervasive problem in many organisations, one that has prompted some commentators to conclude that the two goals - customer focus and operational efficiency - represent conflicting priorities within an organisation. Sadly, simply recognising this does nothing to resolve the real challenge that many leaders face - how to respond to multiple customer needs without an unacceptable blow out in operating costs.

ORGANISATIONAL "FLOW" MAY OFFER NEW INSIGHTS

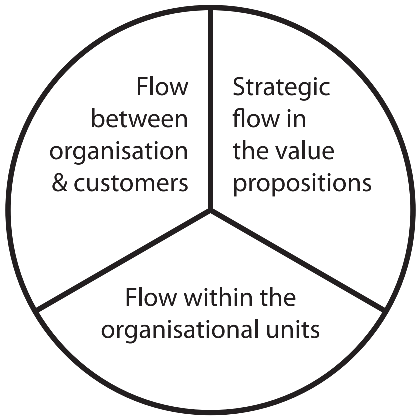
The challenge is to focus on the enablers of both customer focus and operational efficiency. Often, customer focus is viewed as an external orientation in the culture, while operational efficiency is seen as internal. This often forces leaders into making difficult choices in setting up and managing their enterprises.

By recognising that flow[2] is a key enabler of both customer focus and operational efficiency, we can explore the opportunity for building an organisation that produces good operational efficiency while displaying high customer focus across multiple customer groups. A customer-winning organisation that is designed to win and keep customers, and is still cost competitive.

THREE ENABLERS OF CUSTOMER FOCUS AND OPERATIONAL EFFICIENCY

The enablers that build a customer-winning organisation are related to flow in the processes and value propositions delivered by an organisation. These are:

- The flow between the organisation and its key customer groups
- The strategic flow in the key value propositions - and their propensity to develop competitive advantage
- The flow within the key organisational units:



1. FLOW BETWEEN THE ORGANISATION AND KEY CUSTOMER GROUPS

The critical factor here is to create a sympathetic flow between the customer demands and the organisation's propensity to respond. In my newsletter "Winning and keeping customers in a changing market", I advocated using a behaviour-based segmentation approach where we segment the customers on their patterns of behaviour instead of the traditional demographic approach. (see diagrams on the next page)

Once the key segments have been defined, we create a customer-interface unit that is responsible for delivering the relevant service to each of the key segments. But this is more than just an account management function - it is a unit of the organisation that is responsible for bundling the various elements of the service to the customer. And it delivers these services in a style and culture that is sympathetic to the behavioural needs of the customer group:

Because the style and culture of each unit is sympathetic to the customer group it serves, there is an economy of flow between each of the units and its customer group. As a consequence of this:

- Each unit's processes match the customer requirements and are so able to absorb their demand with a minimum of handovers and complexity
- Failure demand is reduced and the overall cost of servicing the customer group is lowered.

2. STRATEGIC FLOW WITHIN THE VALUE PROPOSITIONS OF THE ORGANISATION

The organisation produces customer-winning service when two conditions are met:

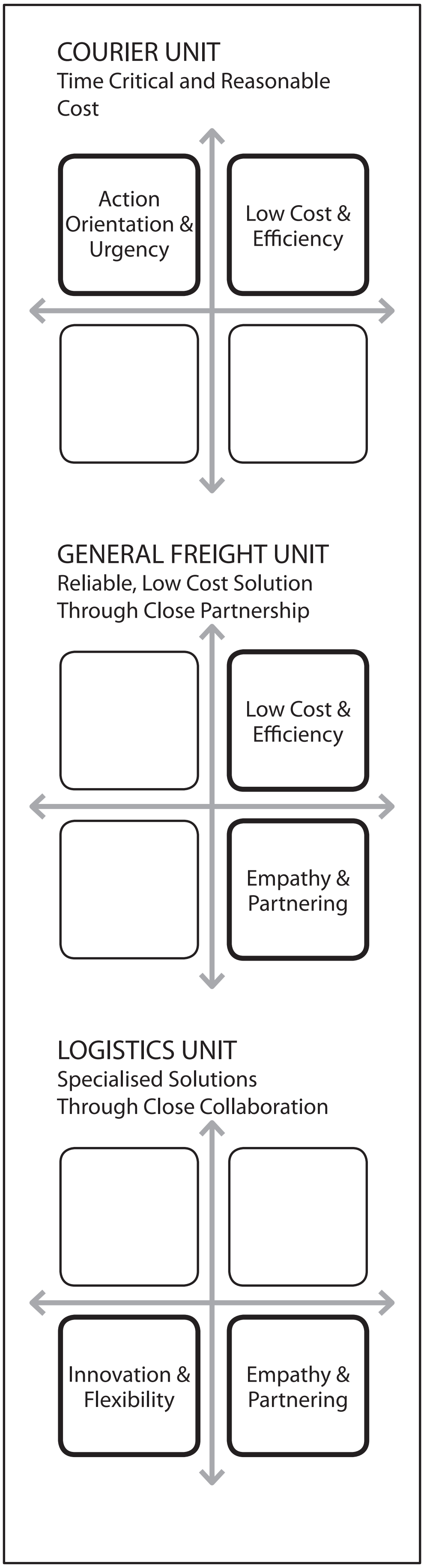
- The value proposition within each customer-interface unit matches the needs and behavioural style of the customer group in a unique way. This is about delivering a service that adds value and solves customers' problems
- There is strategic flow in the execution of the value proposition. This flow is produced when all the resources and capabilities within the unit are aligned to the value proposition.

It is the latter condition we are focused on here. Strategic flow occurs when you have made the requisite choices and trade-offs in the configuration of the organisational unit's resources and capabilities.

Importantly, strategic flow, and the resultant "excellence" that is produced, will deliver competitive advantage as the organisation outperforms its competitors in the way that it meets the needs of its customers.

As the diagram on Page 63 depicts, a speed and fast response is enabled when the structure is flat and staff are highly empowered, and so on.

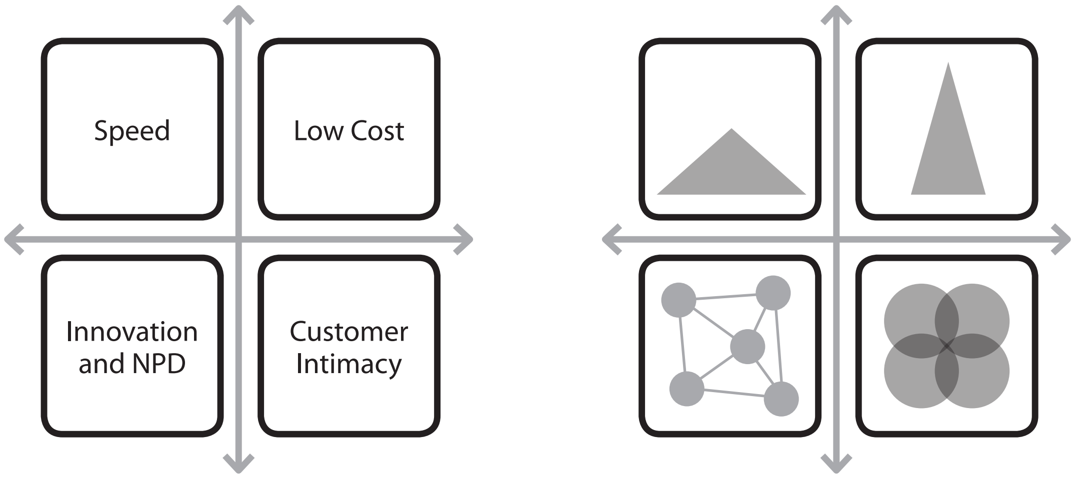
A further point worth noting is that strategic flow and competitive advantage are associated with focus in the organisational unit's configuration. In this sense, focus represents a deliberate imbalance and trade-off in the way the unit is designed and configured. For example, we can't be fast and highly responsive if we are also highly consultative and participative in our decision-making, and vice versa.



3. ECONOMY OF FLOW ACROSS THE ORGANISATION'S PROCESSES

As I wrote in the article Economy of Scale is a Myth, economy of flow is the application of lean thinking whereby waste is eliminated by improving the flow through the various processes of the organisation. This is achieved by aligning the resources and processes of the customer-interface units with the problems and solutions required by their respective customer groups.

But what of the resources & capabilities in the rest of the organisation that are not usually considered part of a customer-interface unit? I am speaking here of the traditional "support" activities that are often considered to be candidates for a centralised services initiative.



The current vogue is to strip out all of these "support activities" from the customer-interface units and set them up as a set of standardised shared services facilities - often named as "corporate services". As my previous newsletter outlined, the assumption is that we should then be able to achieve some cost savings via the resultant economies of scale. However, as we saw, this often results in an increase in failure demand as a result of the complexity in the handover processes.

So, is there any merit in setting up centralised service facilities in a knowledge-based service organisation? Of course there is, provided we pay attention to a few important principles in the way we do it.

In general, we want to ensure there is an optimum economy of flow through the key processes within the organisation.

Accordingly, it is best to embed all processes within the customer-interface unit that are closely associated with the solving of the customer problems and adding of value to the customer. This reduces the complexity of integration and propensity for failure demand. Even though some duplication of facilities might occur, this is still likely to reduce the total costs, because the organisation can meet the customers' needs first time and there is limited need for rework and handovers.

In certain cases, however, centralised services are warranted.This is because, for example, the resource is scarce or it cannot achieve critical mass when devolved through the organisation. In these cases, there are some principles that can be followed to minimise the chance of failure demand and an increase in total costs. These include:

- Ensure that the service is not a critical part of the value chain that the customer-interface unit relies on to deliver its value proposition. Doing so may impair the ability of the unit to absorb the variations in customer demand
- Ensure that the customer-interface unit doesn't lose control of the customer interface. This defeats the object of having the customer-interface unit in the first place and impairs the quality of the customer service
- Ensure that the "strategic logic" of the units served (by the shared service) are not too different. For example, if unit A is involved in a fast response strategy and unit B is delivering a slower, more precise and low cost strategy, their requirements for the delivery of the "standardised" shared service will be quite different. A standardised service is unlikely to meet both sets of needs to the same standard, thereby increasing failure demand and internal costs.

ENABLING CUSTOMER FOCUS AND OPERATIONAL EFFICIENCY

As the analysis suggests, it is possible to deliver several value propositions across different customer groups and still achieve operational efficiency. Rather than viewing these objectives as opposing mindsets and focuses within an organisation, we can address their common enablers - the achievement of strategic flow through the organisation.

An appropriate approach to setting up shared services can facilitate this and - despite some apparent duplication of services - still reduce the total costs of servicing customers. And the ability to absorb the inevitable variations in customer demand will produce better customer service and customer satisfaction.

NOTES

1 I reflect on my own attempts to resolve a billing issue with the centralised billing facility at my ISP.

2 See my previous newsletter Economy of scale is a myth for a definition of flow and how it reduces waste within the organisation.

Competing on Thought Leadership?

Thought leadership is when the sheer power of your ideas shape the direction of an industry or market. Thought leadership is how to capture, package and deliver your ideas with impact.

WHY THOUGHT LEADERSHIP?

Everything and nothing has changed. Writing this article in December, Australia was riding high and references to the GFC were merely being polite to those in the World less fortunate and less resource rich than the lucky country. And then....

Mother nature reminded Australia that it will not always be riding high or so easily able to tap into its rich veins.

All these resources and these riches have made us lazy and a bit complacent and arguably we have been left behind. According to World Bank data, Australia has a long way to go in developing it's knowledge economy. While worldwide economic growth is strongly driven by a rapidly expanding knowledge sector, Australia's GDP still relies primarily on its resources sector (as strongly demonstrated in 2010). As a comparison, Japan's productive capital is made up of 80% in knowledge capital and 20% in natural resources, while Australia's figures are the reverse.

There are many reasons for this relative under-performance in our knowledge economy. They include a lack of skills, low investment in innovation, and the sheer volume of our natural resources. However, the demonstrated need for innovation to ensure the maintenance of our standard of living and international competitiveness will depend on an appreciable increase in the "knowledge quotient"[2] (KQ) within the Australian economy.

It is clear that leadership in our enterprises, large and small, has a significant role to play in developing this knowledge economy. One of the ways these leaders can accelerate this shift is by engaging purposefully in Thought Leadership[3] within their organisations and industries.

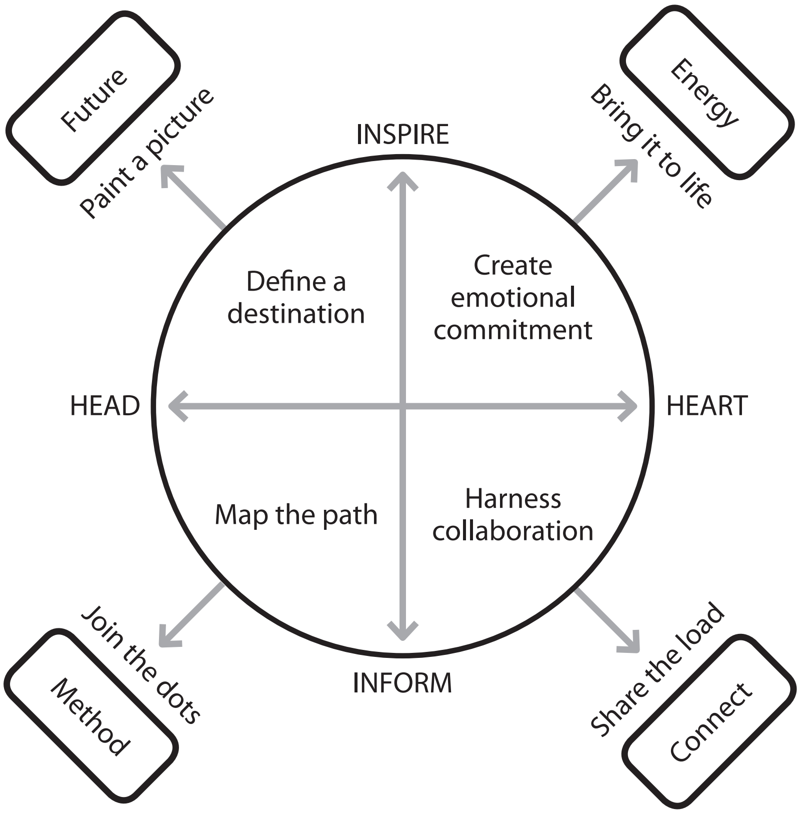
If you are not familiar with this concept, try a Google search. In early 2010 a search would have netted 1 million hits. Now in early 2011 it is up to 4,5m. 2011may well be the year when Thought Leadership becomes synonymous with competitive advantage.

Thought Leadership practices encourage and harness creative thinking - which can then become a significant competitive advantage as organisations deal with uncertain and changing environments.

LEADERS AND THOUGHT LEADERSHIP

Leaders play an important role in creating context and strategic direction within organisations. They do so by engaging in a range of activities within the organisation. The practices of effective Thought Leadership offer a powerful way of understanding and enhancing this impact.

Thought Leadership identifies four broad areas[4] in which leadership works. This is outlined in the diagram below.



© Thought Leaders

Thought Leadership manifests in four distinct areas within organisations

Leadership begins with a focus on the future. Defining a destination is not always straightforward in changing and uncertain conditions. Accordingly, Thought Leadership focuses on creating a range of alternative futures for the organisation by using an approach called FutureBuilding[5].

The next stage is to generate sufficient energy and excitement within the organisation so that people engage and commit to the strategy and course of action.

Because leaders should build support and collaboration through the organisation, the management of talent is vital in today's knowledge intensive markets. Creating opportunities for talented individuals to build their own Thought Leadership is becoming an important process for attracting and retaining talented people.

Finally, leadership is also responsible for joining the dots and mapping the path forward. This is achieved through establishing appropriate performance management and putting hard measures on the (often) soft variables. Improved decision-making is an outcome of this process as well.

I have strong reservations about the effectiveness of the so-called superleader - the leader that is effective in any context or situation.....it usually requires a good understanding of the strategic issues and context within the industry.

NOTES

1 This article was inspired by a series of conversations with Jennie Vickers and Steve Major.

2 "Knowledge quotient" refers to the proportion of economic value created by innovation and knowledge based enterprise.

3 Thought Leadership is the process whereby we capture and use our unique perspectives and IP to shift or to contribute to the direction of an industry.

4 Matt Church, Thought Leaders.

5 See *The Future Builders*, Chorn 2010

Strategy as Love

THINKING ABOUT STRATEGY

Most of us have, at one point or another, sat through a strategic planning session that addressed our organisation's position in the marketplace, our mission and objectives, our strengths, weaknesses, opportunities and threats. Most of this is based on the assumption that we are under some form of attack from competitors and that we have to win in order for the business to be successful. This "military" model reflects much of the traditional thinking about strategy – and makes sense when we recognise that the word strategy comes from the Greek word "strategos", the art of the general.

But what if there was a different way of thinking about strategy? What if we thought about strategy as LOVE instead of continually thinking about strategy as WAR? What new insights would that afford us? What are the implications for organisations as they plan for their futures?

On a recent visit to the USA, I had an interesting conversation with MIT Sloan School professor Arnoldo Hax, a well-known strategy expert and one of the authors of the book The Delta Project. We spoke about his approach to strategy, called "The Delta Model" (which is the title of an article he co-authored for MIT Sloan Management Review in 1999).

CUSTOMERS OR COMPETITORS AT THE CENTRE?

Most of the major frameworks of strategy start by recognising that the essence of strategy is to achieve competitive advantage. Potentially, this mindset can be extremely limiting, because it puts competitors at the centre of your thinking. And if you do that, then there is a tendency to watch your competitors and try to imitate them.

That imitation can create sameness. Sameness will never bring greatness, and, even worse, its final result is something which could spell disaster for a business - commoditisation. Commoditisation results in a business in which there is little that differentiates your offering. All you can do, therefore, is to fight for price. That leads to a very aggressive rivalry. In order for you to win, you have to beat somebody and sell at the lowest price.

This is strategy as war, and as we know very well, it is not a very effective way to manage a business. Wars just create complete devastation; they are the worst thing that could happen to mankind, yet we use that as a simile for management! Surely it's not the best metaphor to use.

Now, if competitors are not at the centre of management, who is at the centre? For many, the answer is obvious. The customer is. The customer is the driving force. You have to start by deeply understanding the customer's requirements and how you can add value to the customer in the most effective way. This changes completely the way you plan on and make decisions. You are now focused on LOVING the customer instead of making WAR on the competition.

Instead of trying to imitate somebody, you try to separate yourself from the rest of the pack. You try to produce a value proposition which is unique, which is differentiated, which adds value to the customer and expresses a great deal of care and concern for the customer. That value proposition should be based on mutual trust, mutual learning, mutual benefits, and transparency. This is strategy as LOVE.

LOVE CAN DRIVE OUT COMMODITISATION

Strategy as LOVE can also provide some useful insights for people who believe they are in a commodity business. In reality, the product you sell may be a commodity, but you are rarely in a commodity business. Take copper for example. The product cannot be differentiated, which makes it a commodity product. It's hard to day that Australian copper is superior to Chilean copper. But when you think of copper as a business with customers, you see the differences. Siemens uses copper in their power plants, Ford uses copper in their cars, Carrier uses copper in their air conditioning units – the copper is used and adds value differently in each case.

The customers are all different, and if you do not understand that, if you do not seek to understand deeply the needs and ways of the customer, you are commoditising the business. Strategy as LOVE is a way of addressing this issue and recognising that the customer should be at the centre of strategy.

Is good leadership a feminine thing?

SOMETHING DIFFERENT IS HAPPENING

You'd have to be asleep not to notice that conditions have changed - and times have become far more volatile and uncertain. Some observers have even proclaimed that it is now the "end of business as usual". These are clearly challenging times for organisations and leaders alike. We are being asked to consider significant changes to the way we design, build and lead our organisations - whether they are large corporates, small startups or not-for-profits.

This has placed enormous stress on managers and leaders at all levels in the organisation. As I work with my clients, I am witnessing signs of anxiety and even depression as they adjust to the new conditions. Many of the tools and practices they mastered on their way "up" just don't seem to work any longer. Some try harder in the hope that things will turn around, while others just seem resigned to the fact that they may be failing in this these conditions of "new normal".

WHY ARE WE STRUGGLING?

My observation is that many organisations are dominated by the so-called "masculine" values (Carl Jung's definition) that emphasise competition, independence and discipline. Contrast this with the "feminine" values as described by Carl Jung (table next page).

A review of the challenges that these organisations face reveals that they are likely to require a better balance of the so-called masculine and feminine values.

For example:

- The new competitive landscape places an ever greater premium on the ability of organisations to add superior value to their customers. Adding value to our customers becomes more important than focusing on what your competitors are trying to do and trying to "beat" them. As a metaphor for strategy, "love" seems more appropriate than "war" - see my previous blog "Strategy as Love". And the feminine values seem more accepting of this way of thinking.
- In a fast changing environment, competitive advantage is generated by the speed of learning and the ability to integrate the various organisational processes. Building bridges and interdependence across the organisation is an important leadership capability - again favouring a more feminine approach.

I'm not suggesting a wholesale shift towards feminine values in our organisations. This would create another set of weaknesses similar to those created by the dominant masculine model. But I do believe that a better balance between the two is required. We need to recognise the strengths and limitations of each, and aim for a more integrated approach.

Masculine	Feminine
compete	collaborate
hierarchies, rules	networks, alliances
infiltrate	adapt
explain	explore
independent	interdependent
firm	flexible, compromising
single-minded	understanding
tough	discussion, open
achievement	relationships
disciplined	learning

SOME SUGGESTIONS FOR MOVING FORWARD

Many writers have suggested approaches that would produce more integrated and realistic leadership to organisations in the "new normal", but I have added some from my own research and observations:

1 SHARE YOUR VISIONS AND PRINCIPLES GENEROUSLY

Leaders should, wherever practical, share what's on their mind and their overall intentions. This may seem like exposing yourself - particularly if things do not work out! But how else can you expect your colleagues to act in the best interests of the organisation if they do not understand your vision?

2 ENGAGE YOUR PEOPLE

This means that you have to do things with your people, and get involved in their work. We are not suggesting that you micro-manage them, but simply that you show an active interest in what they are doing and make yourself available to give them ongoing guidance and encouragement.

3 ARGUE STRONGLY WITH YOUR COLLEAGUES

At first, leaders may shy away from the notion of arguing with their colleagues. After all, we don't want to encourage conflict unnecessarily!

However, arguments are an opportunity for leaders to express their opinions, to stand up for what they believe in and to achieve real consensus. The issue is to stimulate conflict and disagreement so that people are compelled to put their assumptions on the table.

4 KNOW WHEN TO BE A FOLLOWER

The important counterpoint to leadership is followership. Without followers, there can be no leadership. Knowing when to follow is an important attribute of a successful leader.

However, one reason why some leaders are reluctant to follow is the notion that they are somehow expected to know everything, or always be right. Clearly, this is not a realistic approach in an organisation dealing with complexity and high rates of change.

Both the masculine and feminine sides of the coin are valid. I am not suggesting that traditional masculine value be swept aside. They have contributed much to the success of our organisations until now. But these values have to be complemented by a feminine approach - one that enables us to deal with a far wider range of uncertainty, complexity and change.

Be an Incomplete Leader

"Be a good leader. Be incomplete. Don't be perfect, don't even try..........."

There is evidence that the best leaders are distinctly far from perfect and simply incomplete.

When I look at my personal skills, this is the best news I've heard in some time!

An older article in the July 2007 volume of the Harvard Business Review caught my attention recently. *In Praise of the Incomplete Leader* is the collaborative work of a group of authors that includes Peter Senge (the Learning Organisation) and Deborah Ancona. The article resonated with me from the first read of the summary tag line:

"No leader is perfect. The best ones don't try to be—they concentrate on honing their strengths and find others who can make up for their limitations".

The authors state that it is time to stop visualizing the complete leader as a person at the top who has all the answers. They go on to say that leaders shouldn't even try to fill the gap. As they say,

". . . .the sooner leaders stop trying to be all things to all people, the better off their organizations will be. In today's world, the executive's job is no longer to command and control but to cultivate and coordinate the actions of others at all levels of the organization. Only when leaders come to see themselves as incomplete—as having both strengths and weaknesses—will they be able to make up for their missing skills by relying on others".

A quick summary of the author's findings suggests that a leader should focus on four essential capabilities:

SENSEMAKING

Trying to understand the contexts in which in which an organization and its people operate. Sensemaking is similar to creating a roadmap that the team can follow.

RELATING

Building relationships within and across the organisation. Building a community of confidants who can collaborate to solve problems.

VISIONING

Creating a compelling picture of the future. A leader should be able to articulate what the team wants to create.

INVENTING

Developing new ways to achieve the vision. Similar to the innovation skills required of entrepreneurs, this is more about execution than creativity.

Furthermore, leaders should diagnose their strengths in each of these capabilities and seek help from others if they believe they are deficient. Some clues about your potential deficiencies can be summarized as follows:

Capability	Look for help in this capability if you….
Sensemaking	• Feel strongly that you're always right • Feel resentful when things change
Relating	• Feel that you are constantly being let down by others – they can't be trusted • Frequently experience unpleasant, argumentative interactions with others
Visioning	• Often wonder "why are we doing this?" • Can't remember the last time you felt excited about your work
Inventing	• Have difficultly relating the organisation's vision to what you're doing today • Find that things tend to revert to business as usual

So, give up trying to be perfect. Recognise your incompleteness and seek contributions from others. You'll be a better leader for it.

NOTES

Based on some ideas from David Rock, Deborah Ancona and Peter Senge

Building the future means challenging the norm

We know that conditions have really changed in the post GFC environment. Economists refer to this process of continuos change and turbulence as the “new normal”.

Adaptation and innovation is required just to stand still, let alone to grow and thrive.

Being innovative often means that we have to question - even challenge - conventional and established processes. But to follow this approach blindly (ie always challenging convention) can be as dangerous as refusing to change and always following convention. Its useful to explore this issue a bit more broadly.

Scientists and researchers refer to existing approaches as theories or paradigms.

These represent short-cuts (the brain refers to these as heuristics) to solving problems or addressing challenges we come across frequently. It means that we don’t have to adopt first-principles analysis and problem solving every time we encounter an situation.

This way, we “save” our energy and resources to address unique issues or challenges that really require some original thought.

So, existing theories and paradigms are useful in that they allow us to be creative and innovative in areas that really need it.

But sometimes, the existing paradigm “blocks out” information and presents us with an incomplete picture of the situation. Usually the blocked information is represented by “outlier” data - ie data that no longer conforms to the “norm” of the theory.

In general, conservative people tend to ignore outlier data too long and don't question the validity of the theory.

Similarly, more radical thinkers tend to overplay the value of the outlier data and will question the validity of the theory at the earliest signs of data that doesn't conform to the theory.

Both approaches are dangerous - that's why I said that challenging the norm all the time is as limiting as never challenging the norm.

So, the key is to judge where your innovation and challenging the norm is best applied.

I'm interested in your take as to when / where to challenge the norm..........

Cheers

Norman

Norman Chorn

CONSULTING

Focus on improving organisational performance through better strategy and organisation design. Working in Australia, UK, NZ and South Africa for both profit and not-for-profit organisations

SPECIALIST SKILLS

To develop future strategy and align organisations with their current and future environments • Proprietary techniques and approaches to improve organisational performance

EDUCATION

BA (Economics) from the University of Cape Town, Postgrad Diploma in Management, MBA, and PhD from the University of Witwatersrand.

MEMBER

Advisory Board for Australian Institute of Management (AIM) • Mentor in the Thought Leaders community • Member of National Speakers Association of Australia (NSAA)

PUBLISHED

Contributed to a range of journals and international conferences

AUTHOR

His book *Strategic Alignment* has received wide acclaim in the management and business press and the 2nd edition has just been published.

SPEAKER

Presents at conferences on Future Strategy, Organisation Development and Strategic Leadership

Want More?

SUBSCRIBE

Keep up to date with the latest issues of Norman's monthly newsletter and articles *Leadership Insights*.

Visit NormanChorn.com or

Click here to subscribe

CONTACT NORMAN

To improve your organisation's performance contact Norman Chorn:

Email : norman.chorn@centstrat.com
Phone : +612 9959 1019
Mobile : +61 416 239 824