



# Growing pains

**Evolving a company to survive in the new economy takes a radical approach, but some suffering is unavoidable, believes Robert F Koenig**

**C**ontinued success in today's rapidly changing environment is a real challenge for any company. The new e-economy brings new and potentially devastating challenges to existing companies, and how do the new dot coms (internet-based companies) survive after their spectacular debut? Thought leaders in Tomorrow's Company suggest a new approach to taking a company to continued success.

In 1990 Charles Handy gave a lecture at the Royal Society for the encouragement of Arts, Manufactures, and Commerce (RSA), entitled 'What is a company for?' RSA followed up this lecture in 1993 by bringing together a group of companies under the leadership of Sir Anthony Cleaver to conduct a business led inquiry entitled, 'Tomorrow's Company: the role of business in a changing world.'

The inquiry's findings were published in 1995 and are based on the experience of the group of business leaders involved in the inquiry. Their conclusion was, 'Companies that will sustain competitive success in the future are those which focus less exclusively on shareholders and on financial measures of success, and instead include all their stakeholder relationships and a broader range of measurements in the way they think and talk about their purpose and performance. In short, it is the Inclusive Approach, which differentiates tomorrow's company from yesterday's companies.'

This means that business success relies on achieving a higher sense of purpose, a vision and set of values which are believed and owned by all engaged in the company. It demands a balanced view of meeting the needs of the key relationships – typically customers, employees, business partners, investors and the wider community. Companies adopting this philosophy outperform and outlast those focusing on shareholder value alone. An example is seen in the statistic of Britain's top profit-makers (published by the Journal of General Management/Management Today). Out of eleven companies that won the award between 1979 and 1989 only four are still profitable.

The Inclusive Approach has five essential stages:

- define purpose and values
- review key relationships
- define success
- measure and communicate performance
- reward and reinforce.

The Inclusive Approach means seeing every relationship as an opportunity to add value. It means a deep understanding of the nature, needs and values of the people on whom the business depends. Inclusivity is not about straight lines. It is a cycle of continuous improvement and innovation. The cycle starts with leadership.

#### Tomorrow's leaders

Leaders of tomorrow's companies will have to be more competent, more articulate, more creative, more inspirational and more credible. The leader's world is about:

- mobilising human resources (commitment, alignment and empowerment)
- relationships (building mutual trust with all stakeholders)
- legitimacy based on trust, integrity and competence
- creating vision, mission and values.

This means setting clear purpose and direction and specifying the values by which the organisation intends to live. Being forced to think about what need the company serves in all its relationships, regarding every relationship as an opportunity. The better the company understands and meets the need it serves, the more chance it has of uniquely exploiting its strengths in the marketplace.

There is a clear distinction between values and ethics. It is important to have a code of ethics but an inclusive company will go further. Values help define the personality of the company – what the company uniquely stands for. Ethics are about the application of a company's values to defined situations. An inclusive company will have ways of measuring the extent to which it lives out its unique values.

#### Mapping out success

Leadership and values are not enough. The success of the organisation should be mapped and planned. Indeed the Success Model will clearly set out purpose and determine the way in which the organisation will achieve the value delivered to customers, suppliers, employees, investors and the community. The inclusive company will define measures and monitor the process to ensure the contribution not only from but also to the key relationships upon which it thrives.

In the Inclusive Approach leaders at every level in the organisation will constantly be asking, 'Which relationships are crucial to the future of the business?' with a focus on the future and an acknowledgement of the value of the trust built up in the past. This leads to an inclusive framework of measurement.

Measurement is at one and the same time an act of observation – so that it can lead to corrective action – and an act of communication. It signals to everybody what is important. This

includes for example key measures relating to the effectiveness of leadership, customer and employee satisfaction. Measurement is also the basis of remuneration. How a company assesses performance and what balance of results and behaviours it rewards, is a critical determinant of its inclusivity. In an inclusive company performance-related pay would not be linked to share price or short-term profitability alone, but in a balanced way to the drivers of future performance. It would also have a clear rationale for the differences in pay between those at the top and those at the bottom.

#### Audit the measures

It is upon measures that the organisation can make meaningful reports and exercise appropriate accountability and engage in challenging dialogue, whether with its board or its shareholders or the people and communities with whom it deals. For the dialogue to be meaningful there is an increasing pressure to audit the new measurements. A framework of reporting is needed through which the company sets out its principles, reports on its progress against these and then invites its stakeholders to have a dialogue with it about whether the principles are the right principles and whether it has in practice lived up to them.

Measurement and remuneration are however not enough. It is essential to the continued development of inclusivity that the company regularly and ruthlessly reports on its progress against its defined targets. Measuring inclusivity can be simple. It is essential to be able to capture your stakeholders views of your progress. Some key measures are identified below:

#### Painful initiation

The Inclusive Approach is not limited to organisations. The change of an organisation needs a lot of passion, innovation and commitment from everybody. It is very difficult for the board of a company to admit that they have to change and with them the organisation. If you want to implement the Inclusive Approach start with a small win.

Implementation of an ERP solution (integrated software from companies like SAP, Baan, PeopleSoft) is just such an opportunity. The current approaches are generally about replacing legacy systems. A team of mostly young people (knowing the software but not the business)

charging over UK£1,000 per day arrive and substitute the old system by an integrated software package. In many cases the project is created, developed and finalised in isolation of the rest of the organisation, let alone the other stakeholders. This leads to pain mostly in the roll-out of the finished solution to the rest of the organisation but the impact is wider and the other stakeholders need to be included in the development and delivery of the new solution.

Imagine a 'Pain-o-gram' charting the pain an organisation suffers as it implements an ERP solution. The pain to the organisation immediately jumps to a high, as the business must pull key personnel from operations to ensure that the ERP solution is configured to maximise the positive effect on the business. The pain increases through the project and takes another massive increase as the project goes live.

Employees are given minimal education on new processes and systems and expected to provide better service to customers immediately, even though this is the first they have heard or been asked to contribute to a major change in the organisation. Customers experience reduced service levels as the employees struggle to make the ERP solution work. Suppliers experience longer payment delays as the system beds down in the purchasing, even employee's families suffer as the users and project team alike are put under excruciating pressure to prove the value of the new

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system. The real return on the investment is prolonged due to the reluctance of users to expand the use of the system due to the painful initial introduction.

### Reduce the pain

Now apply an Inclusive Approach. The sharing of the decision to introduce a new ERP solution with all stakeholders will immediately reduce the pain. Employees should be included in the decision of which ERP solution to adopt. They should be constantly informed and asked for input during the design and development of the solution. Customers and suppliers should be constantly informed of progress, especially if there is likely to be an effect on their relationship with you. Imagine not only completing the project with a party, but also starting the project with a kick-off, which will include your business and personal partners and celebrate the start of something new and exciting. Create a project that will dazzle all included and influenced.

The project should include all stakeholders and the effect will be to reduce the pain throughout the process of introduction and usage. It will create a willingness in users and partners to expand the use of a system. Imagine the users asking for more use of a system not cringing at the next phase.

### New technology

Most e-Commerce projects mean getting closer to your partners. It is essential that all implications be considered. The whole advent of the e-economy will mean a reduction in the gap between an organisation and the customers/suppliers. In the e-Commerce world the Inclusive Approach is no longer a 'nice-to-have' but is an essential. Starting an Inclusive Approach now will mean closer and more meaningful ties with your suppliers and customers. This will enable you to take advantage of the latest in communication and e-Commerce possibilities to reduce the gap between yourself and some of your stakeholders.

Knowledge Management could be your

first step to creating an Inclusive Approach. The sharing of knowledge and communicating intentions is a crucial step in the creation of an inclusive organisation. The use of the latest KM technology allows your organisation to communicate measures internally and externally. It is also key to the ongoing development of an Inclusive Approach that stakeholders have clear ways for communicating any changes, criticisms and contributions that they wish. If you want to be successful you have to think and act inclusive.

### Reinvented approach

'Today's peacock is tomorrow's feather duster.' In a turbulent world, only the most responsive and nimble companies will survive. The evidence suggests that their endurance and growth will depend on their ability to learn from and inspire loyalty within relationships. The Inclusive Approach is not original. It is important and relevant because it reemphasises fundamental principles that have been obscured over the last few decades of business practice and that have been changed due to the introduction of things like the internet.

What has made our approach so very different is that a group of business leaders set up the Tomorrow's Company programme to give companies the opportunity to develop these key relationships with a view to achieving long-term business success. You might say, 'I'm doing this already. This is nothing new!' However, the inquiry's findings revealed a large gap between what most business leaders claimed they were doing and the priorities and activities their companies were actually taking forward. The approach is simple and has proven to be extremely effective.

A company has the opportunity to create an organisation that becomes the hub of an ecosystem that will return rewards to all involved. It is an opportunity to create an inclusive company.

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