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And go to't with delight."
-William Shakespeare, Antony and Cleopatra*

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Virtual Strategist is currently seeking papers for our 2003 Summer issue. Original articles will focus on strategy, technology, and business transformation and should reflect a style and content attractive to our senior management readers in industry and consulting. Submissions can fall into many categories including feature articles, interviews, book reviews, commentary, and subject-matter tutorials. Target length for most articles is 2000-4500 words. Articles should provide rich content for readers, not sales "fluff." As a free publication, The Virtual Strategist does not pay for contributions. VirtualStrategist.net has the sole right to evaluate and accept/reject any submissions. Contact editor@virtualstrategist.net for a complete listing of our editorial guidelines.

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As the business environment becomes increasingly hostile, more and more companies are discovering the value of brand as a strategic asset and a source of competitive advantage. According to a study by the consulting firm Brand Finance, nearly 72% of shareholder value is tied to intangible assets. And in most cases, brands are the most significant intangible assets.

Traditionally, financial institutions have enjoyed an enviable position where they were faced with little competition. But in an increasingly competitive financial services arena, these traditional advantages have virtually disappeared. As the entry barriers in terms of regulatory restrictions have decreased, making it easier for new firms to enter, consumers are presented with a plethora of options from both traditional and non-traditional players. Due to increased competition, product or service innovations have ceased to be a sustainable source of differentiation. In such a scenario, competition often revolves around price, thus depressing the margins for all the players in the industry.

In such a scenario, brands can serve as an important means of differentiation. But the financial services industry is notoriously lacking strong brands. A consumer research done by Interbrand, the leading brand management consultancy, in mid 1999, revealed that only two financial services firms - Citigroup and American Express Co., figured in a list of world's 60 best-known brands. A similar study by Booz Allen Hamilton studied the measures of brand strength and brand recognition. It was found that while brands such as Sears and Coca-Cola were recognized by 94% of the surveyed group, financial services brands were recognized by only 29% of the respondents.

The traditional business model in the financial services industry has been somewhat antithetical to branding efforts mainly because of the perception that brand building is expensive and carries no assurance of guaranteed returns. There is skepticism among fund companies about the applicability of traditional packaged-goods marketing and branding theory to financial services. But the value of a financial services brand is real. Booz Allen calculated the value of a financial services client's brand equity based on brand related revenues and expenses. The institution's brand equity translated to \$ 4 billion in market capitalization.

The changing market scenario coupled with the value that a brand can generate makes it imperative for financial services companies to initiate brand-building efforts. Their ability to attract and retain customers will now depend upon how fast they can strengthen and communicate their brands. Products or services in this industry revolve around something that is extremely important to customers: money. Thus, trust is an important factor influencing their decisions. And this is where a strong and well-recognized brand plays an important role. Moreover, the increasing complexity of financial products increases the importance of the brand as a tool for disseminating important information to the customers. For financial institutions today, the strength of their brand has become one of the critical parameters for differentiation and success. A strong brand influences customer preferences, maximizes return on investments in marketing efforts and strengthens the bottomline. The players, who are able to build and communicate strong brands, will be best posi-

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tioned to gain substantial competitive advantage in the marketplace.

However, not many financial service organizations have adopted a strategic approach to brand building. Some established organizations still see brand as an aid to awareness and recognition. Many brand-building initiatives in these organizations are characterized by sporadic, unplanned and uncoordinated efforts. But some new aggressive entrants view brand as a centerpiece of their corporate strategy and are aligning all their communications, operations and systems to deliver their brand promise. Interbrand, the leading brand consultancy firm conducted a survey to study how financial services firms are defining and managing their brands. The survey results revealed that there are four types of brand use among financial institutions:

- **The brand as a visual identification system:** For the companies that are at the first level of brand development, brand is seen only as a means of generating awareness and recognition. These companies place very little emphasis on developing and associating any values with the brand.
- **The brand as a focus for stand-alone product development:** In the second type of brand use, the operating brand is usually separated from the parent brand. The established brand is used for traditional services while a new brand is created for new services like telephone banking, Internet banking etc. The rationale for this strategy is that it takes a long time to change the underlying beliefs of an organization; therefore, the new brand needs to be separated from the parent brand so that it can be managed professionally.
- **The brand as a catalyst for organizational change:** These companies recognize the need for building a strong brand. These companies want to enhance their competitiveness by raising the standards of their customer service. They have also realized that powerful brands emerging in the market derive their strength from superior customer service. So, they focus on building their brands to compete more effectively. In these companies, the brand has a central, strategic role to play.
- **The brand as a centerpiece of corporate strategy:** Here, the brand is an embodiment of company's vision. Corporate brand is used as a vehicle to drive change. These companies are characterized by a brand driven organizational infrastructure, comprising of a senior management, which is visibly committed to the brand. The brand vision is deeply rooted in the organizational culture and the brand values are reflected in everyday activities.

Most Indian financial service organizations would fall in the first category. Though many of them have initiated some brand building activity, the objective of most of these initiatives is to generate awareness and recognition. However, if these organizations want to leverage their brand as a source of competitive advantage, they need to view the brand as a centerpiece of their corporate strategy.

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Creating and nurturing a financial services brand is a long and investment intensive process that goes through following steps:

- Defining the role of the brand in the business and outlining the leverage that it provides across markets.
- Choosing a suitable positioning strategy which clearly defines how the brand is different from competitor's brand
- Planning all the brand building programs and communication
- Organizing to support these brand -building activities
- Constant monitoring and tracking of the brand value

Defining the role of a brand

The first step in the brand building process is to clearly define the role of the brand in the business. The role of a brand can be to inform customers and to generate awareness about the product, to communicate product attributes or to create a differentiated position in the marketplace.

To understand the role of a brand, the marketer should understand how its customers and employees perceive their brand vis-à-vis the competitor's brand. For instance, in the case of a complicated financial product, a well recognized brand serves as a shorthand way of communicating critical product attributes and helps to present the offering in a simplified way. On the other hand, brand can also be used for highlighting unique product attributes. When Citibank launched its Suvidha savings account scheme in India, the Suvidha brand name was used to highlight its unique attributes that distinguished it from the competition.

Positioning the brand

The primary objective of brand building is to carve a niche for the company in the marketplace and own a distinctive position in the minds of the customers. When a brand is built, branding efforts should focus on owning a word in the prospect's mind. A word that nobody else owns. Once a brand owns a word, it is almost impossible for a competitor to take that word away from the brand. For example, Mercedes is strongly associated with "prestige", "safety" is owned by Volvo. Now, it would be a Herculean task for any new competitor in the marketplace to position itself on these attributes.

A brand's positioning strategy helps it differentiate itself in the marketplace. A brand's positioning platform defines the space that it wants to occupy in the customer's mind. It is an invisible basis that gives long-term

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identity to the brands. A distinctive positioning in the marketplace helps maintain 'distance' and dissimilarity between brands in the 'perceptual space' of the prospect.

The marketplace realities demand that financial services firms discard the traditional product based value proposition and compete on the basis of their core competencies. These core competencies can be a source of differentiation in the marketplace and can serve as their positioning platform. According to a framework suggested by IBM research, financial services firms can adopt any of the following four business models:

- **Customer Centric Model:** Building and nurturing customer relationships is the core competence of the companies embracing this model. These players understand customer needs very well and generally control the point of interaction with the customer. They empower the customer through education, knowledge and convenience and fulfill customer needs by partnering with fulfillment organizations.

A US based company, myCFO, offers a set of tailored personal financial management solutions via online interactions. This company is adding the physical channel as well by developing brick and mortar locations. Sony also plans to leverage its knowledge of customers by entering the financial services industry through an online bank. It has tied up with JP Morgan and Sakura bank for industry expertise and channel support. Such developments pose a threat to traditional financial services players. They can regain control over customer relationships only if they create customer centric organizations that deliver superior customer value. Companies like Citibank are well positioned to adopt this model. These companies can then leverage this core competence and position their brands on superior customer service and experience.

- **Production Centric Model:** The companies who operate on the basis of this model have developed competencies in production of financial products or services. They either meet the customer needs directly or serve as a resource for other business models. These businesses compete on the basis of price, quality or convenience and they can position their brands on any or all of these attributes.

For example, the Royal bank of Scotland group outsources its backend banking functions to companies offering such services. RBSG views its backend operations as a production centric line of business. The primary focus of the companies offering these services is production efficiencies and they take advantage of economies of scale to reduce their costs.

- **Market Centric Model:** These businesses offer value added services to both buyers and sellers. Often they provide a platform for transactions. They can also provide infrastructure, price discovery mechanism or supply chain support. E-bay, the online auction house exemplifies this market centric model. It understands the needs of both buyers and sellers and provides them with a platform to transact. The ability of these businesses to understand the needs of buyers and sellers can serve as their

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positioning platform.

- **Fulfillment Centric Model:** Businesses that are fulfillment centric, focus on identifying and fulfilling the needs of buyers and sellers. Their expertise lies in transaction completion and settlement. They provide distribution conveniences, fair price relative to the speed of delivery, reliability and dependability and post fulfillment services. Ito-Yokado, one of Japan's largest retailers is entering the financial services domain with its venture IY bank, which will enable customers to withdraw funds from IY bank or any other bank from ATMs installed in Ito - Yokado stores. Such businesses differentiate themselves on supply chain and infrastructure efficiencies and the intelligent use of next generation technologies to enable enhanced payment and transaction processes.

A coherent and consistent positioning strategy is a prerequisite for building a strong brand. The positioning strategy should clearly communicate the product benefits to its target segment. In the Indian financial services arena, though many players have stepped up their brand building efforts through advertising, not many players have been able to carve out a unique position for themselves. A few like ICICI, who have succeeded have identified their value proposition clearly.

Planning brand building programs

Once a brand's positioning platform has been clearly defined, the main challenge before financial services companies is to communicate this brand to the customers. Communication involves all points of contact between the brand and the audience, including product design, new products, and distribution strategy. A product story is usually communicated through advertisements, publicity and personal selling. It is often misunderstood that building brands is nothing more than advertising. In fact, brands can be built through variety of media, which include promotions, publicity, direct marketing, retail branches, the web, and sponsorships.

Advertisements

It is one of the most potent tools for building a strong brand. Financial services companies, which were hitherto protected from competition, did not feel a need to advertise. However, with the intensification of competition, they have become vulnerable to the attacks of more aggressive competitors who have inundated different media with their advertisements. Therefore, it has become imperative for other players to increase their advertising expenditure.

The most important component of a brand's advertising campaign is the message conveyed to the customers. The questions that need to be answered first are: what should be the message conveyed to the customers? What will the communication campaign focus on - product features or emotional benefits? The next important decision is the choice of the media to convey this message.

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The choice of the message is primarily governed by the positioning strategy. For instance, if a bank has chosen to position itself on the customer service platform, the message should be centered on attributes such as convenience, fast and efficient service and friendly staff. In the Indian market, ICICI bank has adopted this positioning strategy and its advertisements depict a friendly and convenient bank that is also a one-stop shop for all financial products.

The media mix traditionally chosen by financial services firms has also undergone a significant change. Traditionally, print media used to feature predominantly in the media plan. Now the changing competitive scenario has necessitated the use of electronic media as well. Media like television and the Internet are being extensively used by financial services firms.

Promotions

Promotions, which were once considered appropriate only for consumer goods marketing, are increasingly being embraced by financial services marketers. Promotional tools like reduced fees, zero balance accounts, pre-approved loans are used to lure customers to try the product.

Publicity

The general role of publicity is similar to advertising, but publicity usually addresses a wider public than the firm's customers. Press releases, news conferences and the offer of some exclusive features are different ways of seeking publicity. Publicity is more powerful in brand campaign because for customers and other stakeholders it is important to know that what others say about your brand. In spite of the growing Internet blaze and new advertising trends, publicity works best in brand campaigns. Global marketing power houses - Microsoft, Intel, Dell, Compaq, Cisco, SAP and Sun Microsystems - were created in the pages of The Wall Street Journal, Business Week, Forbes and Fortune, by publicity, not by advertising.

Strong brands are created through brand building programs that are coherent and consistent. The message should be relevant and powerful and the media chosen should be able to reach the target audience effectively.

Organizing for brand building

For delivering the brand promise, it is essential to create an organization that includes the right skills and structure to execute the brand strategy. Citibank, for example, has recruited a number of people with brand-building skills, including William Campbell, formerly the marketer behind many of Philip Morris' successes.

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It is not enough to create a brand management department and entrust the entire brand building responsibility to it. The brand image, especially in case of services, is primarily determined by the customer's entire experience with the brand. In case of financial services, the employees play a crucial role in delivering the brand promise. Therefore, it is important to rally the entire organization behind the brand. All the employees must understand and believe in the brand promise and work towards delivering that promise. Internal communication is as important as external communication. Moreover, senior management commitment lends a lot of support and credibility to brand building programs and helps the brand message percolate through the entire organization. The organization must be aligned with the people, products and services, physical network and service level required to communicate and reinforce the brand message every time a customer comes in contact with the organization.

The staff represent the "face" of the corporate brand. They meet, greet and serve customers in a variety of different ways, face-to-face, on-line, via telephone and so on. Customer relationships depend on their attitude and their loyalty. If there is less loyalty between the employee and the employer, then the employee's approach becomes transactional which threatens the longevity of customer relationships. To build a motivated team of employees who are committed to the brand promise, it is necessary for communication to flow horizontally and vertically to all staff levels. This process of communication should include the brand mission, philosophy and core values. The staff should be empowered to make decisions related to the level of customer service. This process is even more critical in enterprises that are going through some form of transformation- mergers, alliances, downsizing.

Monitoring and tracking the brand

Finally, for a brand to be effective in the marketplace, the brand should continue to reinvent itself with the changing customer needs and preferences. Once a brand-building program is implemented, the results should be constantly tracked to determine how the brand is performing in the marketplace.

Sometimes, due to the noise in the marketplace, the message that the marketer wants to convey to the customers might get distorted. Consequently, the customers might create a brand image that is different from what the marketer intended. Financial services marketers have to guard against this as it renders most of the brand building programs ineffective. An effective solution to this problem is to constantly track the brand image as perceived by the customers and compare it with the brand identity that the marketer wanted to convey. If there is any mismatch, corrective action should be taken immediately.

Moreover, in a marketplace where customer tastes, technology and competitive landscape, all are changing at a lightening fast pace, the primary challenge for marketers is to keep their brand relevant. This requires an understanding of the nature, impact and magnitude of these changes and then repositioning the brand to reflect these changes.

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Experience Branding

As already discussed, most financial services firms equate branding with awareness and name recognition. This approach is the lowest common denominator of branding. It creates awareness but does not provide a compelling reason for customers to choose one brand over another. The next step is functional branding where product features are sufficiently differentiated and brand communications emphasize different product attributes. This position, however, is very difficult to defend as the competitors can easily copy the product features. Another approach is image branding where the focus is on creating an image that appeals to the aspirations of customers. But given the abstract nature of financial services this approach is very difficult to implement. In financial services industry, the most appropriate brand building approach is experience branding, i.e., orchestrating a superior customer experience through all the points of contact with the customer. This position, though difficult to achieve, can be a source of sustainable competitive advantage.

Experience branding is possible in financial services industry because the customer has frequent contact with the company. The image of the brand as perceived by the customer is primarily determined by his or her experience with the brand. A consistent and satisfying experience can create a strong brand. The effort of the company should be to provide a highly differentiated, consistent and positive experience across all the channels.

To ensure a reasonable return of investment, the level of customer service and therefore the customer experience, needs to be differentiated according to each customer's profitability. A high net worth customer would expect and should be given fast, efficient and personalized service. Value added services like advisory services would be extremely important for such a customer. On the other hand, a transaction-oriented customer requires a no-frills, but fast and efficient service. Financial services companies need to analyze and segment their customers on the basis of their profitability and offer them differentiated levels of service.

Brand building on the web

Financial services companies are facing a considerable threat due to globalization and deregulation. These realities have forced them to identify new ways to offer value to their increasingly diverse and demanding customers. The Internet and other emerging technologies such as wireless hold a lot of promise for this industry. Many financial services firms have identified marketing their services online as a strategic imperative. According to one recent study, financial services companies across the globe will spend an estimated \$200 billion on e-businesses in the next three years.

Though the usage of these technologies in India has been slow to take off due to a variety of reasons, the rate of adoption in other parts of the world is very high. Industry analysts estimate that 27 million Americans—one in 10—now do at least some of their banking online, up from 9 million a year earlier. European

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customers have also moved online. According to Jupiter Communications, Europeans will open a projected 34 million online banking accounts and 12 million online trading accounts by 2003.

This growing customer base is surely attractive but in addition to this online banking is lucrative because according to a Goldman Sachs study, it provides more revenue per customer and costs less per transaction than other methods of access. For example, Wells Fargo earns 1.5 times more revenue from online customers than it earns from other customers. Moreover, cost per online transaction is 86% of the offline transaction. According to a McKinsey & Co. estimate in 2002 online financial services will contribute 10 percent of the total \$400 billion in gross revenue of the financial services industry.

Though the scenario in India is not so attractive at present, the future seems to hold a lot of promise. Therefore, the players in Indian market need to redouble their efforts to build an online brand. The principles of branding followed in the physical world are equally relevant in the virtual world. A strong brand is based on five key ingredients: a financially-optimal customer target; a powerful positioning; clear and consistent communication of the brand's "reason to buy" message; communication of the company's marketing message using an effective mix of promotional vehicles; and delivery on the brand's promise through exceptional products and services.

A strategic issue while branding on the web is whether traditional brands should merely extend themselves online or create an entirely new identity, as Bank One did when it adopted the name Wingspan for its online venture. Although there are divergent perspectives on this issue, the fact is that customers want a trusted, traditional name in banking. Therefore, for incumbent firms it makes sense to leverage their strong brand online.

Another critical issue is the alignment of offline and online brand image. Most companies see online and offline branding efforts as two separate initiatives which are often driven by different brand building strategies. This creates an inconsistency in the brand image across the physical and online channel. Both online and offline brand building programs should be a part of holistic brand building strategy which attempts to create a consistent and positive brand image across all the channels.

A strong brand is a strategic asset that provides tremendous leverage in the marketplace. A strong brand translates into price premium and also enhances the efficiency and effectiveness of marketing expenditure. Building a strong brand requires appropriate senior management commitment, carefully crafted positioning strategy and well-designed communication programs. Branding a financial services brand is more a "business science" than "marketing art".

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Organizational Diagnostic “Molecular” Model

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Robin Cook

Robin Cook is a seasoned change agent with an extensive background in organizational development/innovation, change management/culture change, strategic planning, and training, and over 27 years of experience; a George Land World Class Innovator Award recipient; and an Innovation University Fellow.

Introduction

The Organizational Diagnostics Molecular model is designed to be an effective diagnostic tool for organizational innovation practitioners. The model captures the key elements that make up Innovative organizations and uncovers their interactions and influences on each other. Developing a key understanding of these elements will allow a practitioner to analyze any organization and develop an approach for organizational change that will move that organization towards constant, self-sustaining innovation. While this model was originally conceived for use specifically in the context of organizational innovation, it has application in a very broad spectrum of Organizational Development contexts and issues.

Model Conception

Between January of 1998 and April of 1999, fifteen professionals from across the U.S., as well as from Canada and the U.K., came together to form the second class of the Innovation University Best Practices Fellowship. During five sessions, each in a different city, the team visited or heard presentations from roughly 20 of the most innovative organizations in the world including but not limited to Dell Computer, GSD&M, Nortel, Manco, Roberts Express, and Cirque du Soleil. Perhaps the most striking lesson we learned was just how much these disparate organizations had in common. Virtually every one of the organizations we visited displayed nine shared characteristics:

- Strong, clearly expressed shared values
- An appreciation of/for the whole individual and everything they bring to the organization
- Cultures that encourage openness and playfulness
- Celebrate successes constantly
- A strong, clearly communicated sense of history
- Intense customer focus
- Clear focus on trends, even those that do not seem to directly effect current businesses
- Cross functional teams

The conception of the molecular model was based on these observations and is an attempt of the team to distill the key learning in the form of a tool that would have broad applicability towards diagnosing and solv-

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ing complex organizational issues.

Building the Organizational Diagnostic Model – One step at a time

The first step towards developing the model was to identify the key elements of an innovative organization. The team identified these elements to be those of Mission, Values and Culture.

- **Mission** - The underlying purpose of the organization, toward which all activities are ultimately directed.
- **Values** – The underlying principles that are commonly subscribed to & are employed (or not employed) to fulfill the mission.
- **Culture** - The mores & norms, both implicit & explicit, that define all levels of behavior within an organization.

Given the strong influence each of these elements have on each other and virtually every other aspect of an organization, we decided to place them in the center of our model and view them as the “nucleus” of our molecule.

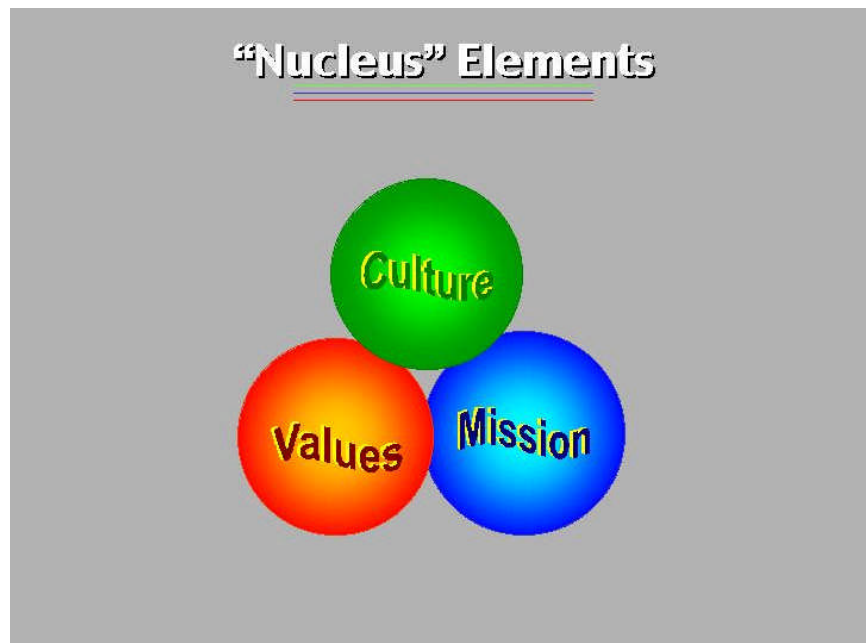


Figure 1: “Nucleus” Elements

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Our next step was to identify additional elements that play critical roles in an organization and the nucleus element that influences them most heavily. We identified these to be those of Systems, Structure, Strategy, Environment and Management style.

- **Systems** - The infrastructure, including workflows, methodologies, and technologies that support the structure.
- **Structure** - The network of formal & informal relationships, including lines of communication & authority, etc., that allow an organization to function.
- **Strategy** - The tactics and methods used to achieve the mission.
- **Environment** – The physical surroundings, including facilities, workspaces, and meeting areas
- **Management Style** - Management’s manner of relating to the organization, its employees and its mission amongst other things.

In our experience, Systems and Structure were most strongly influenced by Mission, Strategy was most strongly influenced by Values and Environment and Management style most strongly influenced by Culture. We represented these five additional elements in our model as orbiting their primary influencing nuclear elements.

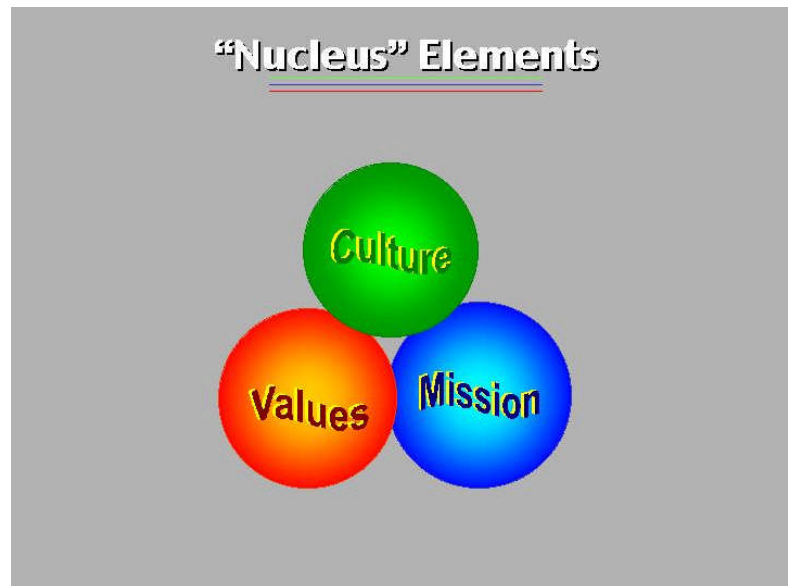


Figure 2: “Orbital” Elements

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Lets analyze each of these elements in detail.

Systems

The organizations we visited were living examples of innovative systems at work. When American Greetings decided to develop a line of topical cards, they realized that their usual product development system, which operates on an 18 to 20 month cycle, would simply not work. The new product development system cut that time down to approximately 6 – 8 weeks . The YMCA of Metropolitan Chicago has developed 1, 2, and 3 day Imagineering Institutes as part of a methodology for generating ideas for new products and services and developing creative solutions to operational problems. These are marketed both internally and externally to other non-profits and small to medium companies. Dell University offers another example of innovative systems at work through the use of the company’s intranet to develop and foster a new learning model.

Structure

There has been considerable discussion over the past several years about “flattening” organizational structures. Over the course of the site visits and panel presentations of the Innovation University program, we realized that the organizational structures at truly best of the breed companies at innovation were analogous to the quantum physics model of an atom. The organization’s leadership would form the nucleus of the atom, with the rest of the organization in a constant state of flux around them, much like the atom’s electron shells, constantly changing orbits, and energy states. Individuals would constantly move around and redistribute themselves along new elements and team as tasks change and teams formed around new projects.

Strategy

We saw many examples of brilliant strategy at work within the companies we visited including American Greetings’ efforts to migrate at least a portion of its business to the Internet, Manco’s trademarking of the Duck for its duct tape products and Roberts Express’ emphasis on customer service.

Environment

Environment to a large extent is influenced by Culture and could be said to be a component of culture. However, we decided to treat Environment as a discrete element of our Molecular model to reflect the critical role it plays in an organization’s culture. During our site visits, we observed many examples of environments that foster innovation. Again, GSD&M topped the list. Their “Idea City” headquarters utilized bright colors and cutting edge graphics/decor. There were numerous, informal meeting areas scattered throughout the building, each with a different motif. These spaces encouraged spontaneous interaction among staff. There were whimsical sculptures and even a section painted by graffiti artists. Each major client had its own, dedicated

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space, decorated to reflect that particular client. The Southwest Airlines section, for example, included an actual airport gate and a row of airplane seats.

At American Greetings, all the employees are encouraged to decorate their cubicles with examples of their work, whether product related or personal. There were also highly visible displays throughout the facility highlighting the company's history and origins.

Nortel's Corporate Design Group had a workspace, which was organized by teams, with extraordinary shared team workspaces. eLab has open loft-style offices which include a “Napatorium”, a “Leave-Me-Along” room, and a full wall where teams display the status of their projects, open for comment and feedback from other staff.

We found the headquarters of Cirque du Soleil to be as unique as those of GSD&M. It had been designed so that the training and rehearsal spaces were along the exterior of the building with all the infrastructure and support functions housed in the interior. All interior spaces had windows looking out into the coaching and rehearsal areas, so that all staff, regardless of their function, could look up from their work and see the end result of their efforts.

Management Style

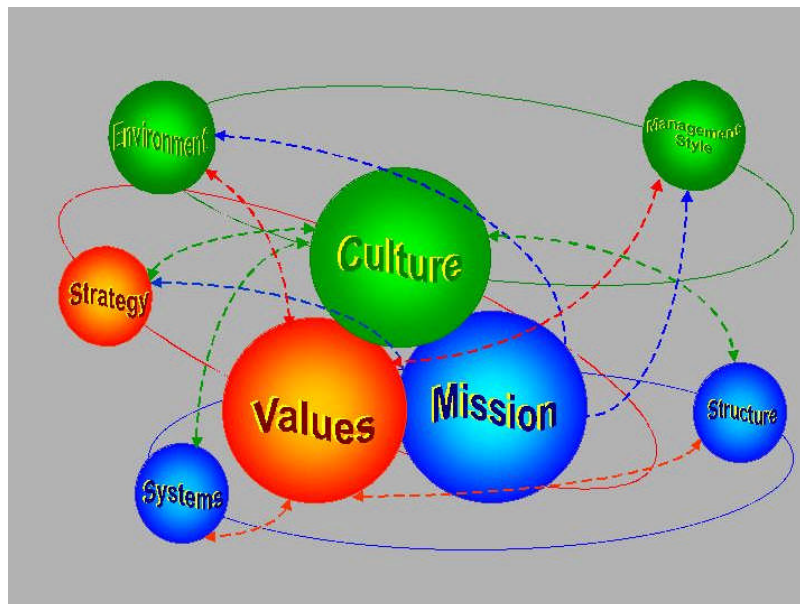
We decided to treat Management Style as a separate element for reasons similar to those that made us choose to treat Environment as a element in its own right, separate from culture. Open management styles demonstrating high levels of communication and information access were quite common in the organizations we visited.

The next step in the development of the molecular model was to capture the nature of interactions between the orbiting elements and the nuclear ones. We chose to depict both the relative strength and the direction of the influence through the use of arrows.

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For example, the reader will see that “Mission” heavily influences several of the “orbital” elements, however it is rare that these elements will return that influence. Thus, arrows illustrating the influences exerted by “Mission” are, of course, blue, and are uni-directional. Bi-directional arrows show that the influence travels in both directions. The color of the arrow indicates which direction the influence is strongest. Thus, a red, bi-directional arrow between “Systems” and “Values” indicates that while both elements influence each other, “Values” is a stronger influence on “Systems” than vice-versa.

Let’s explore each of these interactions in detail. Both Values and Culture influence Systems and Structure, and vice versa. However, in both cases, the influence is stronger from Values and Culture, hence the arrows are color coded accordingly. While Mission influences Strategy, strategy does not influence Mission - thus the unidirectional arrow. Culture influences and is influenced by Strategy, but, again, the influence is stronger from the nucleus element.

Both Strategy and Mission have reciprocal relationships with Values. In a healthy, innovative organization, Values should shape both elements, and, in return can be influenced by them. Mission should be strongly reflected by both Environment and Management Style, but if Mission is properly developed, it will not be influenced by either of these elements.

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Application of the Model for Organizational Diagnostics

This section uses the model to analyze an organization and suggest ways to improve its innovation coefficient.

Background: This organization has a strong, well defined mission. It's structure is rather unique balancing centralized standards and controls with a substantial amount of local autonomy. As a not-for-profit, its systems are relatively archaic, but the organization is in the process of upgrading its systems as limited resources permit.

The organization's values are strong, although they could be more explicit than implicit. It's strategy is solid, and has made extraordinary strides toward achieving its mission.

This organization's culture is very poor. It does not support or seemingly value its employees' skills or individuality. Employee recognition is minimal. There is little or no celebration of successes. While this organization has a very rich history, much of that history has been lost, due to extremely high staff turnover. There are no “organizational stories” to strengthen commitment to the mission and values.

The environment is inconsistent across the organization, but is not conducive anywhere to developing innovation or individual potential. This is largely due to lack of resources.

While the organization's leader is a true visionary, its management style is highly controlling and generally extremely poor. This is not likely to change.

Given this analysis, the model clearly shows that the area where an intervention would be most effective would be Culture. Although there are obviously several elements that need work, based on the resource and other constraints within this organization, focusing on changing the organizational culture would have the greatest impact, ultimately affecting 6 of the 8 elements of the organization.

A typical organizational change effort would begin by developing a set of teaching stories in conjunction with an intensive new employee orientation process. Next step would be development of systems for disseminating and openly celebrating successes, followed by creation of an environment that truly appreciates the whole person and all she/he can bring to an organization. Lastly, mechanisms would be developed for encouraging cross-functional/multi-disciplinary teams.

If successful, these efforts would then radiate outward, affecting the remaining elements of the organizational model in positive ways that would ultimately create a far healthier organization that fosters ongoing, self-sustaining innovation.

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Conclusion

The organizational diagnostic molecular model is a useful diagnostic tool that innovation consultants can arm themselves with as they tackle complex people and organizational malaise issues at their workplace. The model is a step by step approach towards peeling the layers towards getting to the root of the problem and can be very effective in bringing about rapid change within organizations.

“Molecular” Model © 1999 Robin Cook, Greg Fleet, Mary Gravelle, Tim Mills

The Rise of The Intelligent Enterprise

Kemal A. Delic - Umeshwar Dayal

Kemal Delic is a lab scientist with Hewlett-Packard's operations R&D and a senior enterprise architect with relevant experience in knowledge management, Bayesian nets modeling, and realtime intelligent systems.

Umeshwar Dayal is with HP Laboratories. He is Intelligent Enterprise Technology Lab Director where he leads several teams performing research in data mining, knowledge management, and business process management.

The long history of fascination with human-like artifacts (machines) able to emulate certain behaviors dates back a couple of centuries when some famous people invented the whole range of automata being able to play music, dance, understand and write certain words or even appear "intelligent" [Living Dolls: A Magical History of the Quest for Mechanical Life - Gaby Wood's book].

More recently, in the 20th century, the mathematician Turing established a test for "artificial intelligence" (AI) according to which the ultimate proof is the inability of a human jury to distinguish answers from the machine from human answers. This eventually triggered half a century of research into AI. Whilst the elusive objective of this research was to create AI itself, the most concrete outcomes are to be found at lower and more modest levels in the same way that medieval alchemists trying to turn dirt into gold, while never reaching their original goal, nevertheless invented many valuable chemical processes and useful devices.

Thus, we can see today some AI-based, very practical solutions embedded, for instance, in modern cars (anti-skating), medicinal devices (initial image analysis), industry (robots, voice-recognition, scheduling of resources) etc. It would seem that AI is presently most successful where it is somewhat hidden in the form of crucial, but dependable and working embedded technologies. One may argue that developments in the field of Information Technology have been the key for such "intelligent developments".

Science fiction (SF) authors and movie makers have had much more freedom to indulge their dreams and fantasies in this area. Being futurists and projecting possible world(s) of tomorrow, they have depicted intelligent things, humanoid robots, smart cars, intelligent buildings and cities. While such visions have not been entirely fulfilled, some correspondence with modern reality can be discerned. In a similar spirit, this article will outline a vision of the future "intelligent enterprise" (IE) - a business corporation morphing into complex system able to behave as the biological system or ultimately to act as the intelligent human.

Intelligent Enterprise Defined

The notion of the IE is characterized by the ability of businesses to morph into new forms/entities with some surprising results. Today's enterprises deploy IT to do their business, which is introducing significant complexity. This technical complexity combined with organizational complexity can and does create internal "islands of inefficiency" which are difficult to deal with. We envision that in the future "Intelligent Enterprises" will be able to (automatically?) transform themselves into better forms by becoming "more intelligent". They will derive efficiencies through the automation of their core business processes, and the exploitation of knowledge. Agility will be improved by one or two orders of magnitude, intelligence density within the enterprise will grow sharply and problem-solving capacities will be dramatically enhanced. They will form dynamic partnerships with other enterprises to create dynamic business ecosystems, which will be self-managed, self-configured and self-optimized. Consequently, they will exploit new forms of business value creation, adjust-

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ing their behaviors to the markets by learning from them.

The question may arise why we are comparing engineered systems to biological, natural systems ? And why we assume that the adaptation is a key behavior, among all others ? This came from our belief that both systems share the same ultimate objective : to survive in evolving environment and changing circumstances. To achieve this, they should basically be able to sense it's environment, to understand situation and to create viable plan which will be then reliably executed. This seems as the situation in which both systems exhibit also learning behavior. It is very likely that engineered systems will never reach the level of sophistication, elegance and beauty of the nature-born systems, while from the pragmatic point of view, they will serve as the ultimate ideal to strive for.

Looking at current large and successful businesses, one can observe that many have already deployed some primordial forms of the future intelligent enterprise. The current acronym soup of CRM, ERP, EAI, EKM encompass enterprise activities aimed at improving efficiency or injecting intelligence into their operations.

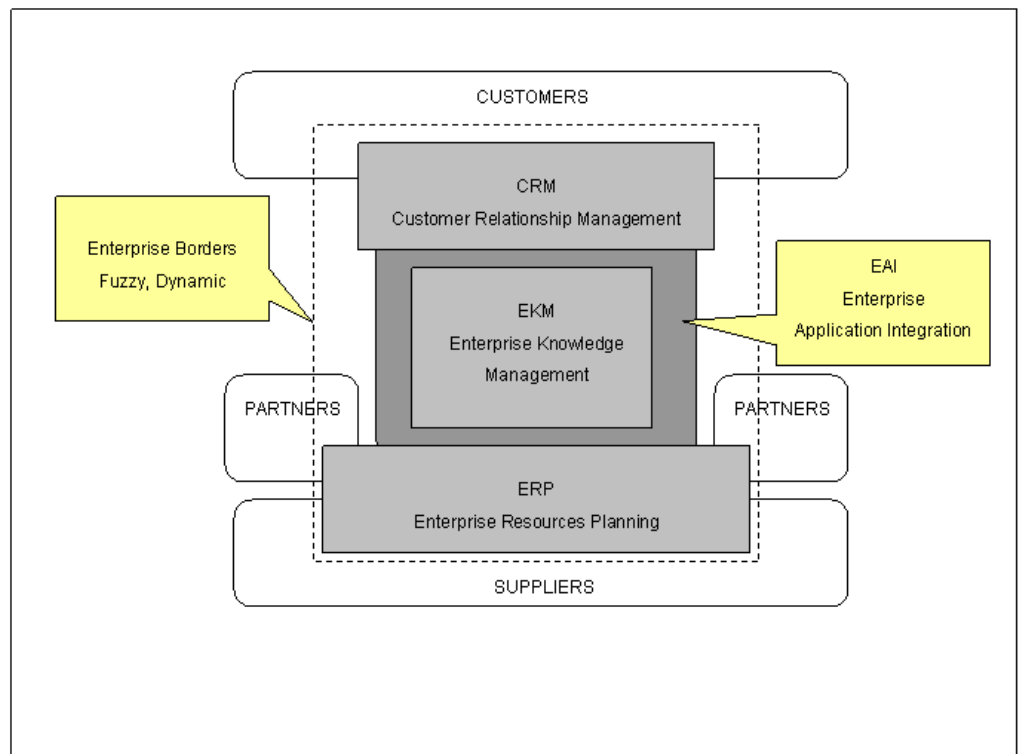


Figure 1 : Generic Intelligent Enterprise Architecture (Click here to view full size version)

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CRM (Customer Relationship Management) serves to understand, maintain and improve evolving customer needs. ERP (Enterprise Resource Planning) addresses issues of supply chain efficiency and back-office optimization. EAI (Enterprise Application Integration) aims at the integration across islands of functionality, by not only providing connectivity and communication, but through the orchestrated functioning of all enterprise sub-systems. EKM (Enterprise Knowledge Management) is a broad area whose ultimate objective is to inject knowledge into business processes, enable reuse of human expertise and to create system artifacts with rudimentary intelligence.

Intelligent Enterprise is therefore:

- 1 - **agile** - since it is able to launch production order very rapidly after, for instance, a web-based purchase was closed
- 2 - **adaptive, self-regulating, self-optimizing** - since it is able to adjust the key business parameters (revenue, profit, cost) to the short-term, changing business climate
- 3 - **self-defensive** - as biological organisms reacting on various attacks with appropriate biology-inspired resistance mechanisms
- 4 - with **fuzzy borders, mesh-like structured** - since it is able to restructure and scale the organization to fit dynamic needs. As in outsourcing or complete outsourcing, for example
- 5 - **self-aware**, aware of the markets and able to learn from them and adapt to them - since it is able to deal with internal inefficiencies, bottlenecks and latencies and to coordinate them with perceived market changes. As knowing, for example, the level of goods being produced, able to correlate this with the market niche real-time situation and jump quickly into price reduction campaign on the Web
- 6 - **able to morph into new and better forms** - this is an long-term process in which we may not even guess what will the final form look like - it will include not only adjustments of the business and operational parameters, but also major structural changes : deciding for mega-merge or drastic resizing while changing the industry branch, for example

In a very rough analogy shown in the Figure 1, we may recognize enterprise sensors, effectors, nervous system and brain corresponding to characteristic constituents of living organisms, each with particular functionality. CRM provides sensing functionality; EAI may represent nerves interconnecting ERP effectors with CRM and EKM being dispersed across enterprise, but centrally coordinated from the brain (company top management). The best current guess is that the future IE will be hierarchically organized, decentralized and distributed system with high level of self-regulating, local autonomy. Some authors are reporting about imple-

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mentation of such systems combining component-object technology with intelligent agents technology to create complex adaptive systems [1], using web-services as the glue for heterogeneous enterprise applications [2] or a wide variety of enterprise middleware technologies for integration purposes [3].

Evolution towards Intelligent Enterprise

One may wonder why contemporary enterprises are not already exhibiting these features and what's preventing them from doing so? It is very likely that the uncoordinated development of the above mentioned domains by several fiercely competing vendors each lacking a holistic view or suitable integration framework (as is IE architecture, for example) are possible causes for US corporations having spent approximately 700 billion dollars (est. between 1995 and 2000) on enterprise software which are not used very effectively today [Financial Times, Dec. 5, 2001]. Two thirds of that amount was spent on "custom-built" programs known as the "bridges".

Therefore it seems very likely that those who will be able to solve the challenging problems of interoperability, cost-effectiveness and reflectivity (reduced latency) may claim that they have entered into an IE-morphing phase.

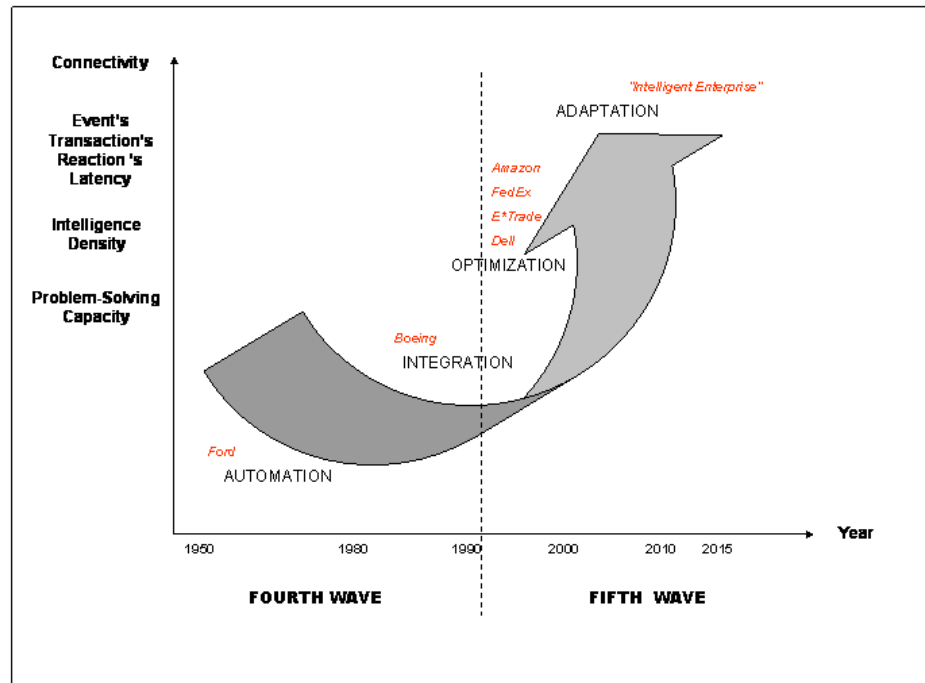


Figure 2 : Evolution of the Intelligent Enterprise- Next 15 Years (Click here for full-size version)

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In Figure 2 we sketch some possible evolution to the model-corporations illustrating four characteristic phases of the last two technology waves. These corporations have been able to dominate markets by deploying large-scale automation methods (car assembly lines e.g.), integration (huge number of avionics suppliers for several hundred million pieces e.g.) and optimization (clever synchronization of order, supply and assembly chains combined with financial engineering e.g.).

We envision that "adaptation" will be the key characteristic of the fourth phase in which "intelligence density" (widespread use of enterprise KM systems) will enable both: autonomy/self-awareness and dynamic cooperation with partners and suppliers. Connectivity will be nearly total and speed of circulation of information will be much higher. Problem-solving capacities will enable self-healing and self-management in the hierarchically interconnected systems.

Intelligent enterprise should be able to create and maintain dynamic models of itself and its environment. The first model will be used to monitor internal operations and to maintain the key parameters in optimal range. The second model (external world-model) will reflect the state and change dynamics in the environment, passing variables and plans to the internal model for necessary adjustments. More accurate these models are, more efficient IE will be.

Here again, we may pose the question about the range of changes in analogy to nature-born systems: do we make small changes adjusting parameters to optimize certain parameters and behaviors or we better do the big, structural changes? It seems that for the reasons of longevity, both ranges should be necessary in order to adapt (fully). So, small changes will adapt behaviors to non-disruptive, stable situations, while big, structural changes are needed when we experience one-of-the kind (tectonic), technology wave change.

Sources of the analogy for the modeling of evolution of Intelligent Enterprise and improved understanding of the possible future scenarios can be sought in the theory and practice of complex, large-scale systems [4], biological systems [5], real-time systems [6] large autonomous computational systems [7][8], large social systems, business phenomenons [9], large financial markets and systems etc....

Fifth Technology Wave : Darwinian Model

Making an analogy with natural systems, we may predict that the changes in business climate and environment will force advances toward the Intelligent Enterprise. Moreover, changes and repositioning in the value chains will force re-grouping and repositioning of the entire industry sectors. Picturing future intelligent enterprises playing in different industry sectors, one may wonder what would be the time-frame in which we may see their rise in (a radically changed) global markets. This estimation might be based on the experiences from the previous technological waves as shown in Table 1 [based on The Economist : A Crunch of gears, September 22, 2001]

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Period	Technology
1780 - 1840 : 60 years - First Wave	cotton-spinning, iron making, steam power
1840 - 1900 : 60 years - Second Wave	steel making, railways
1900 - 1950 : 50 years - Third Wave	electrification, internal combustion engine
1950 - 1990 : 40 years - Fourth Wave	petrochemicals, electronics, computing, aerospace
1990 - 2020 : 30 years - Fifth Wave	corporate client-server networks, software, multi-media, telecom

Table 1 : Five Technology Waves - Last 200 Years

Source : The Economist : September 22, 2001

If we follow the evolution of the key technology waves in the last 200 years we may observe that all of them have had a very large and wide spread impact on which the cost-performance aspect of the entire industry sector was radically changed. It appears also that the typical gold-rush pattern is followed by the over-investments, shake-up and battles in which market leaders kill smaller competitors but then failed to achieve sufficient margins. This was typically followed by a steep and quick decline at the moment with investors have redirecting their attention to the new set of technologies. Key technologies survive for several generations, but the endeavor no longer exciting nor speculative. Important other players in the markets are financial enterprises, regulatory bodies, governments and stock exchanges. They influence strongly pace and direction of developments and money flows. At the time of writing, it is not clear which combination of today's known technologies (or some new, disruptive) will make this Fifth Technological Wave, as all key components are known but the winning combination; that makes the Intelligent Enterprise possible is not yet known.

As we may observe a general contraction of the duration of each successive technology wave, we may postulate that the next 15-20 years might be the time horizon during which the new species of intelligent enterprises (corporation on steroids) will rise, evolve and finally (most-likely) dominate.

This vision of the Intelligent Enterprise represents the magical and compelling challenge of creating large-scale artifacts resembling very closely to nature-born living organisms-very much like the Darwinian picture of the world in which species have been created, evolved and morphed into better forms and superior organization. Some of these species have disappeared and can only be seen today in museums. There is no reason that something similar may not happen to some contemporary enterprises. It seems that the lessons from the Mother Nature should be studied carefully by scientists, technologists business people and dream-driven futurists.

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Acknowledgement :

We thank Leo Laverdure for his wise comments, improving the clarity of our arguments.

This article originally appeared in Ubiquity, published online by the Association for Computing Machinery at <http://www.acm.org/ubiquity/>

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A New Capitalist Manifesto? Re-Imagining Business in the 21st Century

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J. Jeffrey Spahn

J. Jeffrey Spahn has over 20 years of experience as an entrepreneur, educator, speaker, researcher, author, executive coach, and storyteller. His latest project is designing a unique and powerful communication technology for his Leaders Leading Leaders® program for executives.

The current crisis in business creates an opportunity for Corporate America to define a more integral and profitable reason for existence. By doing so, business leaders can avoid being defensive, fend off more government intervention, move to restore public trust and take significant steps towards enduring profitability.

Clarifying business' role in the world lays the foundation for sustained economic renewal. David Packard of Hewlett-Packard exemplifies this vision with these words to his executives in 1960. *I want to discuss why a company exists in the first place. In other words, why are we here? I think many people assume, wrongly, that a company exists simple to make money. While this is an important result of a company's existence, we have to go deeper and find the real reasons for our being.... a group of people come together... to accomplish something collectively that they could not accomplish separately-----they make a contribution to society, a phrase which sounds trite but is fundamental.*

Without a clear business purpose guiding them, executives are more prone to make the type of decisions that we see at Enron, WorldCom, Tyco etc. In addition research suggests that the key to changing behavior, whether individual or institutional, lies in an awareness and reexamination of why we do what we do. Also, one of the surprising key characteristics of a corporation that experiences exceptional long term profitability is a compelling reason for being beyond maximizing shareholder wealth.

Further research suggests that hot groups or business teams experiencing unusual short term success find their work meaningful and firmly believe they are making a difference. Catalyzing long term business renewal or highly productive short term business projects often requires reimagining our motives. For these reasons and others it becomes imperative for Corporate America to search its soul and clarify its role.

A New Capitalism?

An emerging Capitalism understands that self interest and the common good, purpose and profits, ethics and economics need not be mutually exclusive, but rather can be mutually enhancing. Yet, my research indicates that many CEOs and executive teams do not share common beliefs on the interrelationship of purpose, profits and priorities. There now exists a window of opportunity for Corporate America to clarify its differences, deal with the paradox of money and meaning and forge a common voice about its role in the world.

Restoring trust in Corporate America requires a renewal of business purpose. Purpose in this context needs to be differentiated from mission, vision or strategy. Mission names what an organization does. Vision speaks to where it wants to go. Strategy draws a map for getting there. Purpose expresses the motive or reason for doing all of the above. Purpose is a more intangible dimension than the others and perhaps for that reason is often over looked or lumped into mission or vision. The key to changing behavior, whether individual or corporate, often lies in an awareness and reexamination of why we do what we do, i.e define the purpose.

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A key to optimal performance and sustained excellence is possessing, or rather being possessed by a purpose. Being a part of a cause that is bigger than the self grabs the heart and excites the mind. It extracts a profound commitment. This esprit de corps prevails in social movements, militaries, religious causes and athletics. Why not business? In fact, research at Harvard and Stanford indicate that this occurs in corporations experiencing exceptional long term financial success

During an interview one highly regarded executive echoed the sentiment of others when he said, *I don't feel as though I should be complaining, but I'm really not happy in my work. Just saying that makes me feel guilty because I make so much money and others would love to do what I do and make the money I do. I feel trapped.* After informing the CEO that he would be leaving the company to teach, coach and write poetry, a cynical smile spread across the chief executive's face then, after looking out the window to the expanding sea, he said *I have often thought of doing something similar, but in 5 years my 20 million loan will be paid up, talk about golden handcuffs?* In sharp contrast, another executive exclaimed – *"My role in business fits me. It expresses who I am and helps me make a difference. I am passionate about my work and what this company does for people.*

Can you imagine an entire company with this outlook? What impact would a critical mass of such companies have on the economy?

A Reciprocal Economy?

The title of the Bible of Capitalism is not the Wealth of an Individual...of the CEO.... of Shareholders....of a Corporation.... or of a Nation, but **The Wealth of Nations**. Certainly the title is not poverty of the CEO, shareholder or nations. The issue is not just wealth, but spreading the wealth. Rajat Gupta, CEO, McKinsey & Co. exemplifies this motivation by saying, "Business is a force for good. It's a noble cause. To increase the performance of our clients helps create wealth and raises the standard of living around the world."

Adam Smith, the author of **The Wealth of Nations**, was not an economist... an accountant an executive.....or a business professor. Adam Smith was a philosopher and not just any philosopher, but a moral philosopher! The book he wrote before **The Wealth of Nations** wasn't **The Theory of Economics**, but **A Theory of Moral Sentiments**. What business does a philosopher and particularly a moral philosopher have writing a blue print for the economy? The assumption at work here is that thinking and acting, philosophy and business, economics and ethics, meaning and money, purpose and profits are not mutually exclusive, but mutually enhancing notions. Adam Smith was an ethicist and an economist, and understood that both of these, business and ethics, are two sides of the same business coin.

The tumbling of the Berlin Wall in 1989, among other things, marked the fall of communism as an economic system. Capitalism emerged the apparent winner. Today that victory appears to be threatened, not so much

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by enemies without, but from within. Our current form of capitalism generally focuses on the needs of the self. Communism, at least in theory, focuses upon the common interest.

What needs to emerge, and in some circles is emerging, is what I call a mutual, or reciprocal, economy that focuses on the needs of both the individual and the collective. This economic model assumes that self interest and the pursuit of the common good, or the wealth of all nations, can be mutually enhancing. In this way it integrates communism's emphasis on the collective and capitalism's emphasis on the individual.

George Soros, a financier and one of the wealthiest people in the world, warned six years ago that laissez-faire capitalism holds that the common good is best served by the uninhibited pursuit of self interest. Unless it is tempered by the recognition of a common interest and not just individual interests, he warned that our present system is likely to break down.

R. Kaku, the chairman of Canon summed it well when he said that the only entity whose effort to create stability matched its self interest was a corporation acting globally. The logic behind this is that as the developing countries become more peaceful and prosperous they provide new markets for Canon's products and services. Addressing the wider conflicts in the world, investing in developing countries and transferring technology helps these countries become stronger economic entities. The government leaders of a particular country tend to serve only the interest of its citizens. Global corporations' customers are not confined to national boundaries. They can only do business in a peaceful world. Therefore it has become in the self interest of global corporations to seek the well being and wealth of nations.

Far from being a naive unrealistic pipe dream, reciprocal economies do exist. In fact they thrive. Break-through research at Stanford indicates that corporations experiencing exceptional long term financial success are mutual economies. These global enterprises have figured out a way to maximize profits and serve the common good. Common good does not mean specific social projects such as various welfare programs. Instead it refers to creating an economy that is large, growing steadily and reliably and leaves out the fewest participants. Profits are a vital means to accomplishing other purposes whether serving customers, supporting a cause, developing people or building a better world. These enterprises such as Canon, Johnson & Johnson, Marriott and Sony have embraced the challenge of enhancing the well being of human life through business.

Why Why?

Executives may hesitate to take the time to examine purpose in the context of a crisis, wondering whether it is prudent when there are so many other issues pressing. The founding fathers of one of the most remarkable organizations in history didn't think so. While being invaded the founders of the United States gathered for two days to adopt a purpose, The Declaration of Independence. They justified philosophizing in the midst

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of a crisis because they realized the power of rallying the hearts and minds, as well as the arms, of the colonists around a common cause. This esprit de corps prevails in social movements, militaries, religious causes, arts and athletics. Why not business?

Although Ford has not always been exemplary in the area of labor relations and product quality, in 1983 they did something unusual. In the early 1980s, you may recall the American car industry was reeling from Japanese competition. What did the leadership at Ford do? They went into emergency mode to do what they had to do to stop the bleeding and keep the company breathing. But they didn't stop there. They examined their core reason for being. Doing so prompted Don Petersen, former CEO of Ford, to reflect, "Putting profits after people and products was magical at Ford."

Divergent Purpose

According to Webster's dictionary an organization by definition is a group of people gathered together around a common purpose. Yet research indicates that business as an institution and many corporations are at cross purposes. What makes this even more of a crisis, particularly within an executive team, is that these cross purposes remain hidden under the table yielding suspicion or in fighting. These implicit cross purposes cause misunderstandings and distrust which in turn close down communication within boards or executive teams; just the opposite effect of the open and honest communication called for by most reform efforts.

During my research I would ask executives which of the following statements do they find themselves agreeing with.

There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud....Social responsibility [is] a fundamentally subversive doctrine. Milton Friedman, "The Social Responsibility of Business is to Increase Its Profits," **New York Times Sunday Magazine**, September 13, 1970.

- or -

My business school in America was wrong, I am now convinced. The principle purpose of a company is not to make a profit, full stop. To say that profit is a means to another ends and not an end in it self is not a semantic quibbles, it is a serious moral point. Charles Handy, professor at the London Business School, from **The Age Of Paradox**, 1994.

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From these conversations with numerous CEOs I observed that

- About half of the executives believe the purpose of business is to maximize shareholder wealth and the other half believe it is something else
- These difference exist among CEOs and within executive teams
- These positions are strongly held and emotion laden
- Many executive teams experience implicit cross purposes
- Executives are often unclear about the interrelationship of priorities, profits and purpose.

Other research by Alfons Trompenaars reflects my findings that about half of the executives in the United States believe that the purpose of business is to maximize shareholder wealth. The other half see the purpose of business as contributing to the well being of society either through meeting customer needs, developing people, promoting a cause or making the world a better place through its philosophy and action.

Positions on either side were strongly held, sometimes with emotional fervor. For instance a professor from a renowned business school relayed how angry he would be if a company he owned stock in decided that their purpose was something other than making a profit by pounding vigorously on the table. Finally he said, "If people want to do good, let them go to other organizations like a church, but let's not mix the two." Another interviewee with mirroring intensity exclaimed, "If we keep thinking the business of business is just business eventually the entire planet will be out of business!"

Priorities, Profits and Purpose

Furthermore, interviews reveal that many very bright executives are confused about the interrelationship of purpose, priorities and profits. The necessary priority of profits often gets translated into the purpose of business without giving much consideration to a possible distinction between the two. This is significant because independent research from Harvard and Stanford suggests that corporations experiencing exceptional long term financial success espouse the absolute necessity of profits and a purpose beyond maximizing shareholder wealth.

When a man who has nothing to eat prioritizes getting food on the family table he acts in a legitimate, necessary and honorable manner. However, if after securing plenty of food, he then lives to eat, it starts to work against him. His legitimate priority has become a deteriorating purpose. So it is with the business person who legitimately prioritizes making a profit and then lives to make a profit. If the legitimate, necessary and hon-

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orable priority of making a profit is not accompanied with a broader purpose, then it ironically can begin to eat away at profit.

Confusing priorities and purpose can jeopardize profitability for at least two reasons. First, without the compass of a clear business purpose beyond maximizing profits executives are more prone to make the type of decisions that we see at Enron, WorldCom, Tyco etc. Secondly, as already suggested, one of the surprising key characteristics of a corporation that experiences exceptional long term success is possessing a compelling purpose beyond maximizing shareholder wealth.

The emergence of a mutual economy is a manifestation of a wider human phenomenon called consilience. Consilience literally means "jumping together". It describes the occurrence of two seemingly mutually exclusive ideas or categories becoming not only compatible, but mutually enhancing. For example, the cover of a recent Newsweek edition reads, "Science Finds God". In the case of the emerging economy self interest and the common good, philosophy and business, economics and ethics, meaning and money, purpose and profits, competition and cooperation are jumping together. From a broader perspective this occurrence can be understood as an expression of western society's healing of the pervasive cultural rift of body and spirit, and the individual and collective.

For an individual (person or corporation) to maximize its economic value it must participate in the whole system (economy, socio-political culture). Only for short periods can individual results be increased at the expense of the system. Just as is happening in Corporate America, the system always strikes back. As demonstrated in quantum physics and reflected in ancient wisdom literature: everything in our world connects and interacts. Regardless of surface appearances to the contrary, nothing functions in isolation.

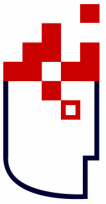
New rules and regulations, more ethical corporate behavior are all necessary, but not sufficient to meet the challenge of corporate renewal. Deep lasting change requires a new vision of the purpose of business.

Sustained business renewal requires that business leaders open a debate that welcomes the expression of divergent business purposes and holds the tension of opposing points of view, instead of dismissing them. This dialogue resembles putting together a puzzle; gathering all the different pieces, making connections and looking for a picture greater than the sum of the parts to appear. If we endure the inevitable frustration of such an inquiry a picture of a vibrant business purpose in the 21st century awaits.

Corporate America has an economic puzzle that needs solving soon. Now is the time for Corporate America, CEO roundtables, corporate boards and executive teams, to forge a common voice about business' role in the world. Our freedom, our future depends on it.

"A great society is a society in which its men (and women) of business think greatly of their function." Alfred North Whitehead

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A New Capitalist Manifesto? Re-Imagining Business in the 21st Century

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J. Jeffrey Spahn

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For information about how you can participate in the Capitalist Manifesto Project, contact Jeffrey Spahn at JSpahn1@aol.com.

The Human Strategist: The Stories We Tell Ourselves

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

Elaine Baran

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Don't play too small— that's the name of one of my stories. I've told it countless times, have it culled down to a fairly brief tale, but can expand and elaborate if necessary. The bare facts are short and to the point. Early in my career, I made a mistake in my job as president of a small company— forgot to process some piece of paperwork— and found myself feeling pretty bad about it. When I wrote it up to the people I reported to, I gave them all the facts and accepted full responsibility for the error (a possible \$3,000 mistake). Their response: "oh, a boo-boo". It makes me laugh now, but it was an eye-opening experience at the time. I had thought that I had made major error, would negate our entire quarter profits by this action and had come down pretty hard on myself. What I realized, after seeing the absurdity of it, was that if you want to have a large business, you need to be able to make large decisions. If I was too afraid of making a \$3,000 mistake, how could I ever hope to make a \$3,000,000 mistake. Not that I dream of making \$3M mistakes, but I realized that it's the level of risk that defines the playing field. And bigger risks allow for bigger visions.

I've learned and grown over the years. I've had numerous life-changing experiences, both large and small. Many of these experiences were translated into my "stories" — those shorthand versions of lessons learned, values formed, and character developed.

Just as individuals do, I think that often organizations evolve out of the "stories we tell ourselves". These stories create the reality for both the organization and the people who work there. New people are attracted to the 'story'; others are repelled. We've often seen how new hires either 'get it' or don't, often leaving within a short period of time in an organization that has a strong culture. If the company, with its values, mores and culture fits with your personal system, all will go well and you will likely have a lengthy and productive engagement. If, on the other hand, there is no 'fit', then even the most talented of hires will likely not last.

Recently I've been working on a great project— helping a small company redesign their business model to deal with the new realities of their industry (travel) and still grow and prosper. In working through all the parts of the project that one might assume would be present (financial model, marketing strategy, competitive analysis, etc.) I was serendipitously privileged to learn some great new skills that fit into my overall model of how I see organizations functioning as they relate to internal and external story telling.

This organization's restructure created an environment in which new hiring was necessary. As a result, I got the privilege of working with a professional HR consultant who had spent years in the business. I usually find their gatekeeper function extremely frustrating, so it was quite an experience working with someone who not only understood business, but had an amazing grasp of human dynamics and could quickly and easily identify operating styles and cut right to the point of what was needed.

What was needed in this small organization was 'behavioral-based' interviewing, because what this type of

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interviewing does is ferret out the 'stories' of your interviewee so that you can check for their unstated values, goals, dreams, fears and issues. A good match does not rely only on skill sets, but on the ability to work within the organization as it is, as well as help to shape the organization that will emerge.

Almost everyone thinks they know how to hire— you post a job listing, get a few resumes, call in the best ones, ask them a bunch of questions about their last few jobs, throw in some gut feelings and make a decision. Sometimes it works out, sometimes it doesn't. *Que sera sera*. Does this sound like how your organization does hiring and, perhaps, how you've felt your hiring process has gone in the past?

Imagine a scenario where the type of feedback you get all during the interview process is "you ask really good questions" and "oh, that's a hard question" immediately followed by a thoughtful and complete response. This was the type of interaction that we found when we based our questions not on a hypothetical exploration of what they wanted, to see if it matched our ideal ('where do you want to be in five years?'), but on an in-depth exploration of what their stories were and what they told us about the candidate.

A few concrete examples are in order.

One of the mainstays of this type of interview is the "Tell me about a time..." question. It's a great way to address your concerns about a person's resume without asking them directly. Since this was a small company with many virtual employees and few people located in their office, we used the question "Tell me about a time when you worked in a small office— what did you like about it; what didn't you like about it." The answers ranged, as one might expect. The messages though, were clear— a person who didn't like small offices and preferred the vast camaraderie and structure of a large organization struggled to come up with the 'like about it' section. Another who preferred small companies, breezed through this question, offering a clear assessment of her personal preference and comparing it with her negative experience in larger offices. The details of their stories enabled us to make the contextual shifts necessary to determine if we thought they would be able to handle our specific situation.

Our telephone pre-screening questions enabled us to eliminate over half the resumes we liked, including some that under the old method we might have had in for an interview. Our initial phone screens only took 5-10 minutes, but we knew within that time whether it made any sense to conduct a full interview. Compare that with how many times you've pulled in a candidate for a face-to-face and knew in the first 5 minutes that it wasn't going to work... Our screening questions were simple— what caught your attention about this job? What caught your attention about our company? What do you do well? What don't you do very well? For a key management position, we found that the 'don't do well' question provided great insight. An ability to clearly understand the limits of your own skills, especially as a manager, is a key indicator of management maturity. We usually knew the person wasn't ready to manage a staff (despite their stated history), if they couldn't confidently speak to what they knew they would need to delegate to more qualified

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staff.

“Tell me about a great coworker/boss, and one that was not so great.” Talk about being put on the spot. Yet this is a question that *everyone* should be able to answer. We’ve all worked with great people— what was it that made them great? And we’ve all worked with some that weren’t so great— what was it that made them not so great? Our new manager wanted to ask directly about on-time performance and absenteeism. I dissuaded her from doing that, telling her that for people for whom this is important, it almost always shows up in the behavioral questions. Sure enough— our best candidates often cited ‘worst’ co-workers as those who were late, absent, didn’t meet obligations, etc. It was clear that this was important to them and we didn’t have to ask them to self-report. This oblique method also seems more reliable— everyone says they’re punctual.

The candidate’s stories about those times when they stepped into the fray (Tell me about a time when you had to deal with a crisis?), took on extra work (Tell me about a time when you had an operational difficulty?), successfully dealt with a difficult co-worker (Tell me about a time when you had a difficult personal interaction at work – how did you deal with it and what did you learn?) and managed a project through to completion lay bare whether their personal stories would fit in with the stories of the hiring organization.

The Organization’s Stories

In order to make a good hiring decision, though, it is necessary to do more than elicit the stories of your candidates. It’s just as important to really understand the organization’s stories. These fall into several broad categories such as history and founding, how we operate (in the trenches), war stories, great successes and great failures.

Some stories are well-documented, some are passed on only verbally, some just seem to be suspended in the air and some are lost as people and personnel change. The better these stories are understood, the better they can be matched up with potential candidates. For instance, companies that basically make decisions ‘by the seat of their pants’ will not likely find that a candidate who describes one of her best accomplishments as spending 6 - months creating a plan, aligning resources and bringing various areas together into consensus is a good match. One of the hardest things for an organization to do is to recognize those aspects of itself that are “concrete”, that are part of the very fabric of the organization, and those that are changeable and adaptable.

I have a close friend who once took a job as marketing director at a small, specialty manufacturing company which offered a large number of highly technical consumer products (over 200 versions of the same product). While the company espoused the *need* for marketing, and thought that they actually wanted good marketing (hence, the decision to hire a marketing director), in fact, their entire culture was antithetical to

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making good marketing decisions. The president didn't really "believe in all the marketing mumbo-jumbo" and decisions on which products to promote were not based on marginal return, customer response or market share. They were based on what caught the engineers attention and what their direct (and very much hated) competitor was offering. As with many niche markets, there was an incestuous back-and-forth among employees at the two or three main companies in the market, and significant animosity had build up over the years. Many important business decisions were made based on this festering hostility, thereby making it very difficult for a new marketing director to influence or change the prevailing culture (the stories they told themselves) and to be successful. The stories this company told themselves reinforced the idea that they were victims of the competitor, that nothing they could do would change that, that standard business practices wouldn't work in their environment and that "they were special".

In fact, the myth that "our company is different" is one of the key points that consultants look for in working with companies. Yes – all companies are different. And no – it's highly unlikely that your company is SO different that its problems haven't been encountered before. The key to defining the company's differences is to be able to recognize the stories you tell yourself about them. If you use your stories to create a distraction from the real issues, to build a case for never changing, to justify continuing bad practices, then you will be perpetuating a culture of failure. If, on the other hand, you can use your success stories to encourage and motivate your employees to continually improve, to contribute, to assist their colleagues and to build the business to an ever-greater level of excellence, then you have stories that are working for you.

Our Own Stories

So while the purpose of this commentary is not to help you revamp your hiring practices directly (although it might be a serendipitous result), it is to make you think about both your stories and your company's.

What are the stories you tell about your work life? Do you have a short list? I have a list Nine Story/Lessons that I tell. I tell mine to people I meet, new friends, new co-workers, family and (probably too many times) old friends. They are the stories that shape our business life. Each of these could have a title. Mine sum up over 20 years of work experience:

- 1) Follow the leader – most of the time people will behave as they see the leadership doing, whether good or bad
- 2) Don't play too small – you need to take bigger risks to play a bigger game
- 3) It's OK to Play the Chain – sometimes it makes the most sense to follow the chain of command and not try to end-run

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- 4) The Pocket Theory – there are good pockets of people/workgroups in bad companies and vice-versa
- 5) Act as you mean to go on – from the very first day, know your boundaries and act accordingly (don't promise more than you're willing to deliver every day over the long-haul)
- 6) Know when it's time to go – or, leave before you're really bored and irritable
- 7) Grow where you're planted – learn something in everything you do
- 8) The Road Less Traveled – take the harder job, it may lead to more interesting opportunities
- 9) If an email doesn't do through, thank God and re-write it – sometimes there's a reason for the little errors that plague us, the unconscious knows

And finally – what are the stories from your company? Many organizations have formalized these, others take a more informal approach. When working with strategy, especially when trying to move an organization in a new strategic direction or effect cultural change, it is imperative that the strategist work with an understanding of the current culture.

So take some time to revel in your own stories. Explore what they mean. Explore the patterns. Get to know yourself again. Compare them to your company's. Compare them to your clients. Compare them to your dreams. Being a Human Strategist calls for being aware of our human love of the story and how it ennobles our lives.

The PDA Revolution is Here: Are You Ready?

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

Ashish Kothari

Ashish Kothari has over six years of consulting experience providing services in the areas of strategy, process and technology. Ashish has served many Fortune 500 clients in a variety of industries including telecommunications, software, consumer products, utility, financial services and technology services.

Introduction

While the world has been mesmerized by the internet revolution and has been singing songs of the productivity increases associated with the internet, a quiet revolution has been underway unnoticed by many with little press coverage. There are off-beat mentions of the "palm revolution" and how mobile hand-sets and appliances will change the way humanity surfs. However, not many have directly addressed the huge opportunity hand-helds offer in terms of harnessing increased productivity and reducing costs through out the enterprise. In this article, we will highlight some of these opportunities, identify some leaders in their industries who have deployed mobile applications on PDAs, briefly discuss some of the technological challenges that the PDA applications face versus traditional client server applications, and lastly leave you with some thoughts on key items to consider as you embark on your mission to harness the power of mobile apps to gain a competitive advantage against your competitors.

Hospitals: A mobile application

Ed is busy at work when he starts to feel dizzy and develops an abdominal ache. He accesses the MyHealth application running on his PDA and accesses the Schedule Appointment option. Ed's medical and insurance information in addition to his General Practitioner's information is stored on his PDA. The application asks Ed a couple of questions about his ailment, what he ate for lunch and recommends first aid he can take for temporary relief. The application also asks Ed to select the urgency of the doctor's visit. Taking this information and using Ed's calendar, the application logs in to the hospital's database, looks up the Doctor's schedule and sets the earliest appointment which works for both of them. The application also automatically fills out a appointment reason form for Ed indicating the trouble he is facing.

On the appointment date, when Ed walks into the Hospital, he checks in using the Infra red port by the receptionist's desk. The hospital server authenticates Ed and pulls up his old patient history and his appointment details and transmits it to the Doctor's PDA with a message that his patient has arrived. The doctor examines Ed and writes a prescription for him on his PDA which is delivered electronically to Ed's PDA and pharmacist.

As Ed is leaving after the visitation, he uses his e-wallet application to transfer the \$10 co-payment fee to the hospital. The application transfers the money but warns Ed that he only has \$5 worth of cash left on in his e-wallet. On the way to the pharmacy store to pick up his medication, Ed stops by his bank, plugs in his PDA on the cradle next to the ATM and transfers \$100 to his e-wallet. He then proceeds to the pharmacy, identifies himself using his PDA, pays for the medication and reaches back to his office all in time for his appointment with the company CIO.

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Why mobilize

If you thought that the mobile hospital example was nothing but a dream and far from reality, think again. E-physician.com has a product that enables a significant portion of the capabilities described above. Over 250 Rochester area physicians use Palm powered handhelds to instantly identify specialists, look up drug interactions and refer to treatment guidelines and HMO policies. (Blue Cross Blue Shield of the Rochester area – www.palm.com.) There is an entire web site called PDAMD.com that focuses on PDA applications for the healthcare industry. Examples abound of other players, some of which we will discuss briefly, who are harnessing the power PDA applications are creating to drive towards higher operational efficiencies and better customer experience.

The reasons for mobilization of your work force can be grouped into two central and overarching themes: A mobile workforce will help you i) Serve your customers better and ii) Serve your customers cheaper. As a result of increases in revenues and decreases in costs, PDA solutions add significantly to your bottom line and pay for themselves.

Serve the customer better:

Never before in the history of business have the customers wielded as much as power as they do today. For companies to be successful in today's information economy they will need to do much better than meeting customer's expectations. Those who will prevail will be the ones who delight the customer, creating needs where none exist and fulfilling them better than the others. Let's look at some opportunities that fall in this arena:

- Mobile Customer Relationship Management (m-CRM) -Most of the Fortune 500 companies have invested or have plans to invest millions of dollars in CRM packages in the coming years. By collating information from various customer touch points with the company and providing all the information about it's customers in the hands of the front line workers, CRM packages enable the company to provide it's customers with personalized. But, when your front line employees leave your premises to visit customer sites, often their connections to the central repositories of customer information which you have some collected and built are severed. Even in many cases, where they are armed with laptops, there are many circumstances where it is not reasonable to sit down and power up a notebook, ex. at a shipping and receiving dock or at a grocery store aisle. With Mobile CRM solutions offered by numerous CRM vendors in collaboration with PDA device manufactures, you can reclaim those connections. Your mobile workers must be able to access corporate data and applications at any time, at all customer touch points, in what ever service they are providing (Selling, Field service, Treatment, Service delivery or Training). Analysts International offers a good case study of one such deployment. (For more on Analysts International, visit – www.palm.com.) Today, its workforce has mobile access to a host of groupware, CRM applications and other core business systems. Earlier to access group databases, mo-

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Mobile sales team and managers had to start up their laptops and dial into firm's network. Since dial up was not always convenient, often meetings proceeded without data and decisions were postponed. Now all that information relevant to them is on their PDAs.

- Improve Quality of Service by reducing errors—Many front line employees despite the advances in automation and computing for one or more reasons, use paper forms to capture information. Errors creep up as this information is keyed into information systems leading to wrongly filled orders, delays and customer angst. In any operation where inspections are frequent, you will find that errors can be significantly be reduced by getting rid of paper and streamlining your processes. But more on that later in the next section on serving the customer cheaper. Healthcare offers a good example of an industry where errors can be fatal. Each year, more than 100,000 fatalities occur due to preventable medication errors; another approximately two million injuries occur due to mistakes in the medication process. Today, hospitals can deploy the Rx System developed by BD systems (www.bd.com) which allows healthcare providers to access vital information about medication dosage and potential drug/drug interactions before administering a drug.

Medication Mgmt Process	Ordering	Transcribing	Dispensing	Administering
Errors	Wrong Dose Wrong Drug Wrong Route Allergy, Drug Interaction	Wrong Dose Wrong Route Wrong Patient Wrong Time Wrong Drug	Wrong Dose Wrong Route Wrong Patient Wrong Time Primary Catch for Allergy, Drug Interaction	Wrong Patient Wrong Dose Wrong Drug Wrong Time
% of Errors	50 %	12 %	14 %	38 %
Intercept Rate	25 %	3 %	5 %	1 %
True Error Rate	25 %	9 %	9 %	37 %

Total annual cost of inefficiencies and errors equates to > \$4B—Source: www.bd.com

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- Respond to customer requests faster—In his paper “Time based competition”, George Stalk (Harvard Business Review, July 1988) argues that time has become a strategic source of competitive advantage in today’s world. Your ability to quickly respond to customer needs is a key measure of their satisfaction with your service. Often when your mobile employees are facing customers, they find themselves not armed with the existing inventory, pricing and other product specific information that the customer might be interested in. Often these requests get routed to sales support or engineering groups who collect this information (one or more week delays are frequent) and provide it to the customer. In the time that it takes you to respond, someone else better armed with this information could steal the customer away by giving the illusion of being more responsive when all they were, were better connected. You can arm your sales reps and other front line service employees with this information as well. One of the companies which has deployed an application to reduce response time is Fiat Credit France, (www.palm.com) which is the financial services arm of the global car giant fiat. Part of their product offering is a fairly complex but high value adding leasing offer called Formula which provides complementary services like extended guarantees, technical assistance, a replacement car for emergency use, an extended insurance policy and an option where Fiat guarantees to buy the car back at a prearranged value after 24 months. With so many variable affecting the offer, Sales Reps needed an unobtrusive way to access this complex information without leaving the customer, the car or the showroom floor. Today after the deployment of a form based application, they can access price and model list data, financing information and current promotions all at the touch of the button.
- Provide new value added services—The technology available today provides businesses with many ways to delight the customer and differentiate their product offering from the competition by providing value added services. Many players in the content distribution and financial services are already taking advantage of these and creating WAP version of their web-sites which can be served over mobile information appliances, ranging from cell phones to PDAs. Many companies have significantly reduced their customer service costs and made it easier for check account status and make payment arrangements over the web. Taking the web enablement one step further and providing the capability to access this data on PDA devices will allow you to move towards the outer circle of Levitt’s value enhancing product model. Fidelity investments and CNN are just some examples of how companies are using the mobile computing technologies to better serve their customer base and delight them. In fact, Fidelity is known to give its most valued customers with free Palm V IIs and internet enabled phones they can use to execute instant trades or check on their portfolios no matter where they are.

Having seen several examples in which businesses have used PDA technologies “to serve the customer better” let’s now investigate some of the ways in which this technology can enable you to do the above and at the same time drive operational efficiencies through your enterprise.

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Serve the customer cheaper

With the advances in computing power and emergence of new technologies, many tasks and processes which were manual can now be automated. Information exchange has become cheaper than ever and businesses are leveraging new supply chain technologies to streamline their business processes and develop closer linkages than ever with their suppliers and customers. But, despite that there are many operations and business processes which still rely on hand-written notes. Many decisions are still made with limited information when complete information could have been easily provided. Let's examine some of the possible avenues which will allow you to serve your customer cheaper or more efficiently.

- Remove redundancies/waste, and reduce re-work due to low error rates

There are many front end data collection type activities which continue to use paper forms. This data then is re-entered into information systems by support crew. Often this is done because the work environment (ex. shop or factory floor, inspection sites) are not amenable for laptop access or the workers are trained to use laptops. An area where this is especially rampant is in the insurance business. Today with PDA based systems, that data can automatically be captured in an electronic format and synced up with the central servers removing redundant data entry tasks and reducing the error rate. Progressive Insurance revolutionized the insurance industry with their 1800+ immediate response vehicles manned by connected front line workers who process the claims at the accident site itself. US Navy Carriers offer another enlightening case study of how PDA applications deployment have reduced rework. Traditionally, landing Signal Officers (LSOs) would scribble a grade and comments about each landing in spiral notebooks. Correcting errors consumed valuable time and distracted attention from the next incoming aircraft. After flight-deck duty was completed, the LSO had to manually type the details of every landing—up to 170 each day—into a desktop computer. A new Palm OS® application, allows the LSO to quickly choose a grade and enter comments for each landing directly on their PDAs. This information is directly fed to the desktop computer at the end of the day by synchronization. The application has allowed the Navy to save time, reduce errors, and allowed rapid feedback to pilots and instant analysis of pilot and squadron performance trends.

- Stream line processes

Businesses need to reevaluate activities embedded in their existing business processes which rely on paper based mechanisms for information transfer to see if there is a possibility to stream line them. Naval Medical Center Portsmouth (www.pdamd.com) provides a good example of an organization which has leveraged applications running on PDAs to stream line their business processes for preparing for the night shift. The transition process was pretty

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chaotic and relied heavily on hand written notes and verbal communications between the day and night staff. Today, the doctors use an application running on Palm II handhelds to capture and communicate complex patient data and instructions between the two teams. Now, doctors can easily beam or synchronize patients' complete medical histories and instructions to the overnight staff, giving them simple, mobile access to everything they need to know about their patients, from allergies to recent medical procedures.

- Compress cycle times

Capturing data electronically versus paper has another effect which is close to operation managers hearts. It helps compress cycle times since often in paper based data capturing operations, there are significant queues which build up in front of data entry operators and there are inherent time lags between manual data capture and it's transformation to the electronic format. A stark example of reduction in this cycle time can be found in the case of Volvo (www.palm.com). More than 12500 cars arrived into the United State at 4 four ports. Volvo inspectors used to record data on clipboards for up to 40 different items. The forms were hand separated and given to vendors for database entry. By the time the data was compiled, it was three weeks old. Now with the palm solution, the data collection and compilation is fully automated. Inspection points can be modified for a particular model or make of auto at any time without technical assistance. The solution completely eliminated manual data entry, overnight mailings, and need to update and print forms, reduced data turn-around time from as much as three weeks to 1 day.

- Make workers better informed.

Business decisions are never made with perfect information. Often there is significant ambiguity in which decisions are made. But, that does not mean that you should accept ambiguity when you have the means to provide your decision makers and negotiators with all the relevant information that is resident within your corporation. A good example of this information is the existing inventory information resident at different nodes of your supply chain. When negotiating deals with customers or suppliers about delivery lead times, this information could be crucial in your organization's ability to drive harder bargains or craft deal structures which are better for you. Gunn Automotive provides a good example of a company which has deployed a Palm OS based application to arm its sales managers with better inventory information when purchasing automobiles at weekly car auctions. This was a huge improvement from the past where they relied on reams of paper printouts listing their current inventory which was not only cumbersome to carry but very difficult to search through as well to find what they were looking for.

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Technological challenges

Hopefully, by this time you are convinced that the PDA opportunity is worth exploring to see if there are significant gains that you can achieve. However, here are some of the technological challenges that you need to be aware of as you decide whether or not the PDA solution is for you.

Security :

Adopting a hand held computing solution for your work force asks for a higher level of security than the IT departments in many organizations are used to. In addition to being extremely susceptible to loss and theft, restricting access to corporate data and applications to hostiles becomes particularly since the hand helds will most often be used in an uncontrolled setting. Till not so long back, the only security that the Palm OS offered was locking access via a password and private record protection (records were flagged as private and one could not see them unless you unlocked them by a password). Data was not stored encrypted and so hackers could access it if they managed to access the device. But, with the rising interest in PDA solutions, many vendors are coming up robust security solutions which not only control user access but also provide on-device encryption. In addition, complete enterprise and security management solutions are offered by well renowned and known companies like Computer Associates, IBM Tivoli, and Xcellent to name a few. (For complete details on how to Securing the hand-held environment from an enterprise perspective, visit www.palm.com).

Power Management :

While developing applications for the hand held environment, your developers will have be extra cognizant of the severe power restrictions, handhelds face. With the battery being the single source of power, a power hungry application can undermine the value of portability by causing users to recharge frequently or carry spare batteries. As far as possible, complex computing operations should be designed to be carried out by the server with the client application left to display the information and do simple queries. If the hand held is going to have wireless capability, due to the asymmetric nature of the cost of communication between the mobile host and the stationary host, application architects should explore broadcasting solutions where the stationary host broadcasts the most updated information to the hand held device and ensures that the hand held has the complete information it needs. Further, using local memory in the form of swappable memory sticks which many PDAs are supporting today might be better than polling the wireless network for information.

Integration with backend/legacy systems:

Most of the gains we have talked about in this article come from an electronic mode of data capture versus a paper or form based mode. However, to fully exploit those gains, integration of these mobile applications

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with backend/legacy systems is key. As any systems integrator will tell you, this is a fairly complex task especially if you will have multiple applications supported on your hand-held. Whether you develop dedicated interfaces for each of your applications or go for a middleware solution enabling your legacy applications to exchange data with other applications, you will have to make some hard choices. Often these choices will be also driven by the other IT projects underway and by the overall direction of your firm towards IT applications.

Asset Management, Configuration Management and Software Distribution:

Organizations have sophisticated software solutions which handle the functions of Asset Management, Configuration Management and Software Distribution. In addition, by restricting users from being able to install applications on corporate laptops and desktops, IT organizations have a good handle on the inventory levels, makes and models, network settings, installed software and data backups. Client software upgrades are often handled through enterprise software when users log on to the network and do not need individual machine upgrades. Hand held devices being most of the time not connected to the network and in addition outside in a uncontrolled environment pose significant challenges. There are many tools and software packages from renowned vendors like Computer Associates available which make these a breeze. However, you will have to make a choice between going with a single vendor versus using "best of the breed" multiple vendor approach.

Next Steps Things to consider when deciding to go mobile

This article should serve as a call for action for all business unit managers to unleash a witch hunt to identify all areas where waste can be reduced and transform existing business processes to leverage PDA enabled productivity gains. Even though, the previous sections discussed the opportunities of revenue enhancement- "serving the customers better" and cost savings- "serving the customers cheaper" as stand-alone, taking them as such would be living in the old paradigm where companies had to make strategic choices about whether they wanted to embrace customer intimacy strategies or operational excellence strategies. In "Blown to Bits" (Boston Consulting Group), authors Philip Evans and Thomas Wurster make an excellent case of how the traditional richness-reach trade-offs have been blown away and the impacts this has on the businesses today. Business managers need to take a similar mindset when evaluating each of your business processes and operations against these two criterion.

Here is one of the potential many approaches you as business manager can take to "untether your corporation" (Untethering the Enterprise- Joe Manget, David Dean, Mark Gilbert, Boston Consulting Group)

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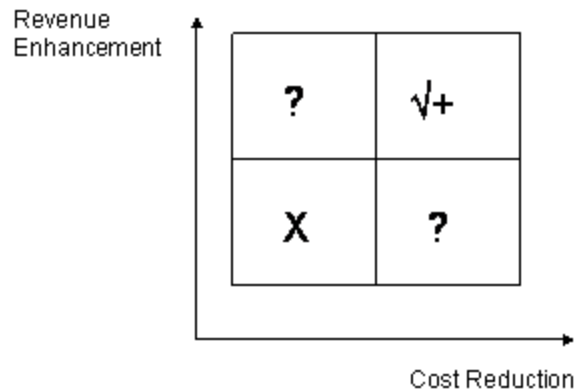
Step 1:

Deploy a multi-functional PDA applications champion team comprising of business unit managers and IT managers to

- Develop a clear high level mission statement for the effort.
- Develop criteria for selecting areas where the PDA deployment efforts make sense.
- Develop a communications strategy to introduce the concept to the workforce and energize them to actively look for such opportunities.
- Set up a 2 level incentive structures to give base-level rewards to those employees who come up with innovative ideas and a higher-level rewards for those ideas which eventually get implemented.
- Act as the PMO for the individual "mobilizing" efforts.

Step 2:

For each of the ideas that you receive, classify them into whether they offer opportunities for both Revenue Enhancement and Cost reduction or one of the two.



Clearly the ideas, applications that fall in the top right quadrants are your big hitters and the ones which you need to focus on first. This approach will also ensure that non-genuine opportunities i.e. those that might not offer big enough cost reductions or revenue enhancement get weeded out early in the process. Which group of ideas you look at next will depend on your overall industry and firm dynamics and how elastic the demand you face is. For example, if you are in a low margin business and significant competitive advantages can be had from cost cutting, you might want to explore opportunities in the rightmost lower quadrant first.

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Step 3:

Choose the level of connectivity you would like your PDA solution to have to the enterprise data. The options range from 100 % real time wireless connectivity to only batch connectivity using HotSync[®] or other comparable technologies. There are costs and benefits associated with each of these and there is no Black and White answer to what you should go with. Further, unlike a common misconception, even if you go with the wireless solution, you should perform due diligence to choose the level of wireless technology (2G, 2.5G or 3G) you go with. You do not have to wait for 3G technology to start harnessing the gains from PDA applications. Most of the applications we talked about in the previous sections, in fact did not have wireless data access and relied primarily on batch synchronizations.

Step 4:

Develop business cases for each of the opportunities, that clear your pre-screening at two levels— one at the individual project level to analyze the cash flows associated with the project and another at the firm level that looks at these projects collectively to harness economies of scale that could be leveraged across the business units. Choose an appropriate cost of capital to reflect the risks associated with these potential cash flows. This step is critical for you as a business manager to be able to quantify each of these opportunities in terms of the gross benefits they offer. Step 5 will give you the costs you will need to undertake to reap these benefits.

Step 5:

Having developed the benefits side of the model, it is now time for developing the cost side of the model. And what better way to do so, than by asking different vendors to quote you what it will cost you to implement these solutions. Having done previous implementations and projects quite similar to embark on, they will be able to give you better information about the costs associated than people in your organization. At this point you will now have a complete picture of both the benefits and the costs associated with these projects.

Step 6:

It is time to now choose your Service Providers (Systems integrator and vendor partners) to help you implement these projects. Make sure that when evaluating the contenders, you look not just at the price, but also at their past experience, their references, their capabilities in terms of future product/technology enhancements and their experiences with business process redesigns.

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Step 7:

Choose one/two applications for it and go for it.

Conclusion

Palm based devices have opened a new frontier in technological efficiency and effectiveness which the current business leaders better not ignore. Further, the PDA revolution is not just an IT revolution but one that will affect each and every aspect of your business. Those who take the pioneering steps will gain a competitive advantage over their peers and fundamentally change the landscape. Businesses should thus seize the initiative and embrace the handheld computing environment to serve their customers faster, cheaper and better