

new research from

**Tomorrow's Company**

**Leading and  
Managing**

**in the  
New Economy**

In conjunction with

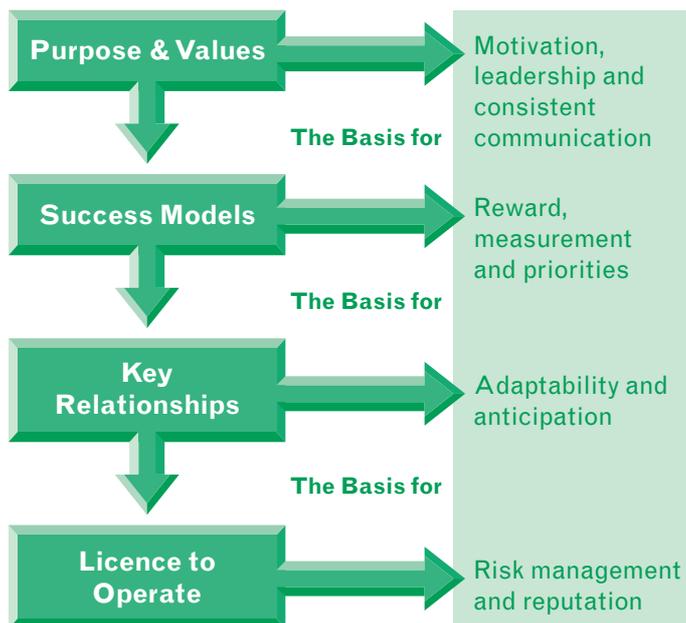




The Centre for Tomorrow's Company provides an inspiring focal point for those pursuing enduring business success. It is a business-led, not-for-profit think-tank and catalyst, researching and stimulating the development of a new agenda for business. The focus of its work is upon the issues of business leadership and governance.<sup>1</sup>

Simply put, Tomorrow's Company is a vision of business that makes equal sense to both shareholders and society. A business that ignores these values will not deliver lasting returns. An economy which ignores them will not be worth living in. We summarise these values as an inclusive approach. An inclusive approach places leadership and relationships at the heart of success.

### An Inclusive Approach Defined



<sup>1</sup>Refer to inside back cover for publications.



GPL is a niche organisation and management development practice based in Wiltshire. It specialises in helping organisations to change, teams to work more effectively and individuals to develop and grow. The four authors of this report, all directors of the company are Alison Gamblin, Chris Gamblin, Peter Mayes and Sarah Cowley.<sup>2</sup>

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<sup>2</sup>Refer to inside back cover for biographies.



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# Foreword

A happy drafting mistake had me briefly writing a forward message instead of a foreword. What a wonderful reminder of where we are trying to go and what we are trying to do. Our increasingly competitive, communicative and global world presents management with new problems – and a pressing need to develop answers as to how to move forward.

I myself dream of moving forward to the nirvana of a single market, Internet-based, and nothing to do with Europe.

The www was born when a physicist working at CERN in Geneva developed a system which would enable him and his international academic collaborators to communicate quickly, easily and cheaply. Tim Berners-Lee did the programming, designed the Uniform Resource Locator address system for the Internet and established its first web server.

Today, the Internet is everywhere and Internet use is part of everyday life. However, its impact on our lives is only just beginning and we don't know the ramifications it will have for government, business, education and leisure. That's why, this May, I was delighted to sponsor Oxford's Internet Institute, the first institute of its kind in the world. This policy and research unit with its range of first mover advantages will produce significant generic benefits in areas such as governance, privacy and security, confidentiality and trust. Above all, it will help to move Internet use forward by promoting understanding of how to achieve a more secure, reliable and robust Internet.

This research report is therefore timely. It identifies very clearly the differences in the current corporate approach to the challenges and opportunities of the Internet.

It categorises three basic types – defenders, developers and creators – and makes it clear that the Twenty-first Century belongs to the creators. To go forward means not only adapting business plans to incorporate the new technology, but also embracing the concept of aspirational goals against the background of an unpredictable future, an unswerving focus on customers and a much more inclusive leadership style – all in themselves made more crucial by the new technology.

The research reported in this document is grounded in commercial management practice and common sense. Its eternal truths and insights into the new skills that are required to run successful organisations in an Internet-permeated world apply equally to the not-for-profit sector. Leaders and managers in all organisations will find this thought-provoking study useful in framing their strategies for success.

**Dame Stephanie Shirley**  
**Life President, Xansa plc**



# Executive Summary

*“Life is like a grindstone. Whether it grinds us down or polishes us up depends on us.”*

The aim of this study is to understand the impact of changes in the economy on the way organisations are led and managed in the Twenty-first Century. Some of the questions we address are: What is essential for success in today’s climate? Has the pace of technology change seen a commensurate change in the way we work? What type of leader is needed for success?

The directors or senior representatives of over 30 UK-based organisations were interviewed. The majority comprised large, blue chip companies.

The results of the study are detailed under the headings of Organisation and Process, Culture, People, Leadership, Strategy, and Relationships and Communication.

## A Stage of Transition

Currently, there are few exemplar companies demonstrating what is needed to succeed in the new economy. However, a lot can be learnt from those who are leading the way. Each of these organisations provides a different part of a developing ‘good practice’ jigsaw. All freely admit that they may only have part of the story right. This study attempts to pull these pieces together and make sense of the whole. Overall we found that organisations can be grouped into three broad categories:

## Defender, Developer, Creator

**Defenders.** The status quo predominates and the full impact of the new economy is perceived to touch only a few.

**Developers.** Dominated by a perceived need to change, and an emergent recognition of the power of partnership. Empowerment, learning and flexibility are beginning to make their presence felt. Business processes are driven more by IT than by the need to realise the business vision.

**Creators.** Creativity and innovation are supported by rigorous processes and technologies. Customer and other stakeholder relationships have a new, dynamic dimension, with partnership at their heart. Leadership and internal relationships are founded on mutual trust, common values and respect for diversity. Measurement is broad based and reflects the ‘whole’ company.

The Creators have a clear advantage, based on their ability to flex and innovate to meet the challenges of the new economy. They have a clear understanding of who they are and what they want to be. A lack of hierarchy and traditional practices frees people up. Although they rely on a backbone of many of the systems and processes of the ‘old’ economy, this is not allowed to restrict the speed, flexibility and dynamism needed to meet the new challenges. Technology is a key enabler clearly linked to the delivery of the business strategy and maintenance of a customer leadership position.

## Holistic Leadership

In a world of change and ambiguity, holistic leadership offers a path to greater business success. At its core is the need to grasp the paradoxes inherent in the new economy and to master the competencies required by the business environment now being created. Holistic leadership relies on the leader acting as an inspirational force working with others – whether staff, partners,



customers, experts, enemies and friends – to develop the best.

## Rethinking the Strategy

Strategies have always been about how we maximise value, and never more so than in the new economy. Creators are rethinking their strategies in the light of technological change and new behaviours within society. Some are even revisiting their underlying vision and reason for being, understanding that they can realise greater value by using their strengths in new ways. The concept of value itself is also changing – from shareholder value to stakeholder and relationship value – a holistic concept which brings its own contradictions and tensions. A clarity of vision which makes sense to all stakeholders has never been more important.

## The Value of Values

The principle of partnerships will characterise successful businesses in the new economy. These new partnerships are characterised by mutual respect, trust and sharing of values, with formal legalities taking second place. With values providing the foundation for key relationships, the need to understand your values and embed them in the business will be a significant factor in long-term success. Values, epitomised in brand, increasingly ‘add value’ in real terms for businesses and together with other intangibles, will have to be measured.

## Conclusions

The new economy is a place for bold moves. To become, and remain successful requires a major shift in the way organisations are managed and led. Leaders will have to take on new competencies while still retaining those they bring with them. Success will come from managing the accompanying tensions and paradoxes by engaging

new business models. The creator organisations show how this can be done, but there is no simple ‘one-size fits all’ approach to change. Understanding whether an organisation is a defender, developer or a creator is a first step to securing enduring success in the new economy.

## Are you a Defender or Creator?

This report provides a simple mapping indicator tool (see Appendix 3 page 32). Using a series of self-assessment questions the indicator aims to help organisations understand their current position and how fit they are to contend with the challenges of the new economy.



# Introduction

- “Managing the paradox of customer needs and shareholders’ expectations is the manager’s job. Nobody said it was easy.”*
- “Collaborative, open systems are becoming a competitive edge.”*
- “Customers are human beings.”*
- “E-Commerce gives more control to the customers.”*
- “Working with customers gives us the ideas.”*
- “Leadership by example is vital.”*
- “Good leaders involve and share – not tell.”*
- “Leadership is becoming more open and consensual, influencing people not telling them.”*
- “We now need self starters, people who can get on and cope with changes.”*
- “We have a shortage of good people due to the traditional nature of our business.”*
- “The 9-5 manager no longer exists; it’s up to people to be accountable and manage themselves.”*

## Business Not as Usual

Enduring business success is the aspiration of many enterprises, but which few are able to achieve. At the beginning of the twenty-first century the nature and rate of change is monumental. A new economy is with us whose challenge can only be met by a deep-rooted reassessment of business processes and functions, as well as the leadership and management needed to realise the even greater success on offer. To understand the new economy we must first consider the changing nature of economic activity.

The development of information and communication technologies has enabled business to update old methods and do new things in different ways. At the same time scientific and technological advances arrive ever more frequently bringing the opportunity to develop new products while simultaneously speeding up the product lifecycle. Improved communications and trade

liberalisation have allowed the UK to benefit from global ideas, techniques and trade competition. These have in turn brought increasing personal freedom of choice and wealth within an environment of changing social-economic conditions.

<b>Old Economy</b>	<b>New Economy</b>
International	Global
Muscle	Brains
Mountainous	Level playing field
Standardisation	Differentiation
Production	Knowledge
Bosses	Leaders
Jobs	Projects
Fear	Choice
Consistency/rigidity	Speed/flexibility
Exclusivity	Inclusivity

At the organisational level the new economy has brought significant changes to the following areas:

- ❑ A change in emphasis from a narrow shareholder focus to the broad stakeholder view
- ❑ Market sectors and organisation structures needing to be aligned to customer needs
- ❑ The whole value chain is becoming more customer focused reflecting the shift from mass production to mass customisation
- ❑ Business relationships are increasingly based on values rather than simple transactions
- ❑ Learning is being recognised as a life-long process
- ❑ Talent is a scarce resource, so knowledge is power.



## A Qualitative Exploration

The objectives of this study are to explore:

- What mature and young organisations are doing to enable them to address these challenges
- The developing role of leadership and management
- What might successful organisations in the twenty-first century look and feel like.

Sixty organisations were initially selected on the basis of obtaining representation from as wide a group of market sectors as possible and with a balance between long established and newer organisations. Each company was contacted to explain the purpose of the study and invited to participate. Ultimately, 33 organisations and individuals contributed (see Appendix 1 for full list of contributors).

A structured interview guide (see Appendix 2) was designed to lead our discussions with the contributors. Whenever possible the interview was on a face-to-face basis, but in a few cases telephone interviews were conducted. In all cases the interviews were with senior people involved with strategy; the majority being Managing Directors, General Managers or members of the Main Board.

The key issues addressed were:

- The main factors influencing the new economy revolution in organisations
- Whether the new economy was being considered strategically or at arm's-length
- The implications for leadership, management and the structure of the business
- The similarities and contrasts between traditional and new economy-based businesses

- The challenges the new economy may have for an organisation's values and ethics
- The implications for relationships with stakeholders, in particular, employees
- The effect on strategy
- The effect on leadership and roles within organisations.

Throughout the report case studies have been used alongside quotations from individual participants. To preserve confidentiality these are unattributed. The comments were uncontested and may therefore represent aspiration rather than activity.

## Initial Analysis

The first stage of the analysis was to group the responses (accepting that there is an element of overlap) into the following areas of activity:

1. Organisation and Process
2. Culture
3. People
4. Leadership
5. Strategy
6. Relationships and Communication

Common themes, attitudes, language and experiences became apparent from the spectrum of responses. From these, three broad initial groupings emerged by which an organisation could be categorised. These were:



## Defenders

- ❑ Polarised perspective – myopic
- ❑ Protective of status quo and fearful of change – do not see the need to do things differently
- ❑ A measure of arrogance about the organisation's success, competencies and abilities
- ❑ Lack of some basic management principles and processes e.g.vision, values, purpose, strategy
- ❑ 'Not invented here' behaviours and attitudes
- ❑ Piecemeal responses rather than part of a clearly defined strategy.

## Developers

- ❑ Intellectually aware of the business responses required but cautious
- ❑ Using all the 'right words' but practices, processes and behaviours not always aligned
- ❑ Technological developments in place e.g. intranets/extranets but not embedded as part of the business strategy
- ❑ Some empowerment and limited involvement in macro issues
- ❑ Embrace stakeholder approach but measurement and reporting parameters still narrowly defined.

## Creators

- ❑ Striding into the future – breaking new ground and taking risks
- ❑ Continually operating outside of comfort zones
- ❑ Employees encouraged to participate in macro-issues in a transparent way
- ❑ Customer focus is paramount
- ❑ Embedded stakeholder management and measurement processes
- ❑ Effective integration of the best of the old and new management practices and processes.

Against the six areas of activity, no single organisation in the study fell completely within one of these three groups. For example, an organisation's approach to Strategy and Leadership might fit the Defender group but pockets of activity relating to relationships and communication fell into the Creator category.

This report:

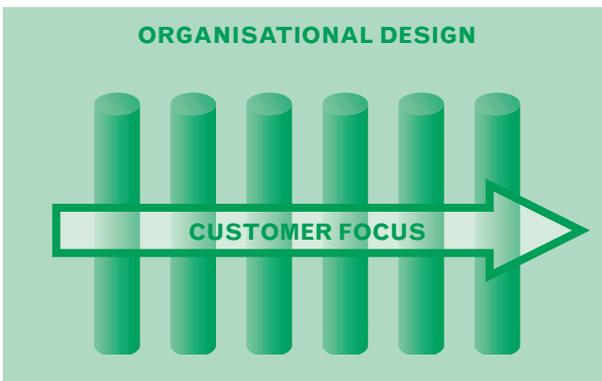
- ❑ Presents the findings under the six areas
- ❑ Adds further detail to the Defender, Developer, Creator groupings
- ❑ Draws conclusions about the success criteria for organisations in the new economy
- ❑ Presents a mapping indicator to help organisations assess their readiness.



# Organisation and Processes

## Overview

Historically, most organisations were designed for the organisation’s convenience and comfort, rather than the customer’s. This resulted in many companies developing functional and market segmentation along vertical, narrow, lines with little communication between these ‘silos’.



Access to the web for information and transactions is changing this approach. National boundaries are becoming meaningless as customers demand equality of global pricing and quality. Market segments are being redefined. For example, automobile retailing is no longer just about selling cars, but about providing a full after-sale service and a variety of means for people to finance, lease, rent or own the product.

Transactions and contracts increasingly need to be flexibly tailored to suit individuals with differing preferences and styles. All of this has to be done at a globally competitive price. This has resulted in the elimination of variation and a move to standardisation of a basic product or service, but with a multitude of menu options, bolt-ons and customised solutions.

### Case Study: SAP

The SAP business focus is that of fostering an environment of collaboration, creativity and continuous learning among all SAP employees, partners and customers.

## Research Findings

### A – Defenders

- ❑ The new economy is seen as something separate from the rest of the business and to be kept at arm’s-length and regarded with some suspicion
- ❑ Systems not yet streamlined across the whole organisation – duplication results
- ❑ New technology use is limited to IT at best
- ❑ Little or no investment
- ❑ Most activities still paper-based
- ❑ Limited use of website, e-mail and intranet
- ❑ Measures are almost exclusively process based and shareholder focused such as profitability, return on capital and productivity per employee.

*“It still takes 275 days from order to cash in the account.”*

*“We have 20 different order desks in Europe and 40 in the United States.”*

*“We currently have eight intranets and 14 e-mail systems. We need to move to one.”*

*“All product design is still done on paper and the key objective for creating a website is that it should pay for itself.”*

### B – Developers

- ❑ Technology principally used to improve efficiency of systems and processes, and to make information more accessible (e.g. self-service HR system on intranet, one global financial and sales forecasting system, systems interface with customers and suppliers)



- ❑ Limited website use e.g. for ordering specific product parts in some locations
- ❑ The new economy not seen as part of core business
- ❑ Measurement includes some consideration of stakeholder needs
- ❑ Some organisations had or were in the process of setting up separate E-Boards or companies.

*“Technology only becomes useful when it helps the business.”*  
*“Currently most of the business with customers is carried out traditionally, but there is a live, interactive project website shared with our partners and suppliers. The intranet is also used extensively for networking between offices, knowledge networking in the form of bulletin boards and best practice sites. Also for internal training and induction.”*  
*“The intranet has liberated communications inside the organisation and the extranet is used extensively for transactions. What we now need is a link between the two.”*  
*“The intranet is used extensively and helps and speeds up internal processes such as expenses, payslips, publicising policies etc, but we are a long way from sharing and transparency.”*

**C – Creators**

- ❑ Website used to share information often involving problem-solving groups
- ❑ Operate interactively with all stakeholders (e.g. all employees are able to create their own websites, customers and potential customers can download software and access information about benefits enjoyed by other customers)
- ❑ Technology no longer an isolated tool used to change customer habits and relationships
- ❑ Already have all the basic principles to run a successful business in place and use technology to liberate and make transparent existing internal and external relationships

- ❑ A real attempt to include and measure stakeholder needs including long-term value added, behaviours and customer satisfaction.

*“Every employee can create their own website.”*  
*“Total 24-hour, minute by minute, live database management requires huge discipline.”*  
*“It’s (e business) about connectivity with customers, suppliers and the competition – relationships transparency. It’s about filling white space between the market place, businesses and the whole value chain.”*  
*“Our expertise is about understanding the value chain and customer relationships and then applying the new economy capabilities to it.”*  
*“Our call centre is a greenhouse for the business.”*

**Summary**

Organisation and Process		
<p><b>A – Defenders</b></p> <p>Separate from core business            Focused on IT, limited application</p>	<p><b>B – Developers</b></p> <p>Partially integrated            Systems focused on control and cost savings</p>	<p><b>C – Creators</b></p> <p>Systems are open, transparent, live and focused on sharing and empowering            Technology as a tool for changing behaviours and relationships            Development of measures to understand impact of new technology and customer needs</p>



### Points for reflection

- Is your organisation aligned with customer needs?
- Do your processes and systems support your purpose and values as well as customer convenience?
- Can employees gain access to strategic information and do they contribute to your company's future direction?

# Culture

## Overview

### The Right Mind-set

Different attitudes and ways of thinking are needed when applying new systems and processes, particularly those that require 24 hours a day, seven-days a week discipline to maintain. If individuals retain an 'information is power' mind-set, work in their own narrow disciplines and in an exclusive way, failure will be a certainty even with sophisticated systems. Reluctance to change can sometimes be a result of barriers such as a sense of inadequacy about skills or an actual inability to use the new technology. In many instances this fear is strongest amongst the senior levels in an organisation.

#### Case Study: Vodafone

To support a new culture within Vodafone new leadership competencies have been developed to enable a consensual, influence-based leadership style. All leaders within the company have participated in personal change programmes to help them understand and change their behaviours and to become role models for others. Vodafone also places great emphasis on leaders communicating and demonstrating their vision to their teams. Around 15% of most leaders' time is spent doing this within their own department/business unit.

### Building Common Values and Articulating a Vision

Shared vision and values are essential foundations for the desired corporate culture. Those who share their personal vision and values within a team create an environment conducive to building such vision.

Most companies have a vision, but few appear to really live it. Equally, not many use a set of core values to energise the company. This is because human 'left-hand



brain' conventional thinking tells us that we must make the future as predictable as possible. Therefore the long-term vision is backed up by annual volume or bottom line figures with defined strategic plans. How can we think differently? The future is not predictable. Our goals need to be aspirational. This means that at the outset we may not know how we are going to achieve them. However, through tacit knowledge, sharing of experiences, sharing best practice and by seeking opportunities, an organisation can move irrevocably towards its goal. Visionary thinking is 'right-hand brain' activity and works through the feelings and aspirations of people. It is the stuff that motivates. In organisations that understand and utilise this, people don't have to be assigned accountability – they take it.

Organisations that move directly from purpose to plan neglect a vital step in the process – building and sharing a vision of what could be achieved. Building a shared vision means not only communicating purpose and direction to those people whose involvement and support are needed to accomplish the task, but also involving those who can contribute significantly to achieving the outcome by creating an ideal picture of what can be accomplished together. This involvement may include external as well as internal stakeholders – partners, suppliers, the community.

*“A vision is truly shared when you and I have a similar picture and are committed to one another having it, not just to each of us, individually, having it. When people truly share a vision they are connected, bound together by a common aspiration.”<sup>1</sup>*

To underpin the achievement of this vision, it is important to bring all these elements into a coherent whole.

<sup>1</sup>Peter M Senge, The Fifth Discipline – The Art and Practice of the Learning Organization, 1992, Century Business.

## Research Findings

### A – Defenders

- ❑ The main focus is on numbers, targets and shareholder returns
- ❑ Blame culture, and insufficient accountability, often used as an excuse to avoid dealing openly with issues
- ❑ Adherence to procedures and rules rather than challenge/innovation – safety and conservatism valued more than risk
- ❑ The values of the organisation tend not to be well articulated or translated into behaviours
- ❑ Little cross-company teamwork exists
- ❑ Paternalistic and centralised
- ❑ Culture still being driven by one individual, usually the owner/founder – not yet embedded and cascaded throughout the organisation. This person's inherent wariness of technology is more often a block to change than a driver.

*“E-mail is used extensively but people use it to avoid issues, pass the buck and copy everyone to cover themselves.”*

*“At the end of the day it's still about profits.”*

*“Profit always wins over values.”*

*“Our culture is individualistic and pretentious with no respect for others and no trust.”*

### B – Developers

- ❑ See values as being important in the organisation and may have defined them but are unlikely to have embedded them or translated them into measurable behaviours
- ❑ Increased focus on customers, but main emphasis still on shareholders
- ❑ Understand the need to be flexible and move faster but find difficulty putting it into practice



# Culture (continued)

- Increased but superficial understanding of importance of brand
- Models and initiatives likely to flourish but tend not to be embedded into the organisation in any co-ordinated or sustained way, often leading to cynicism amongst employees.

*“We have always respected shareholders and we are getting to respect customers more. We are still primarily focused on the shareholder. The focus on the customer is to generate revenue for the shareholders. The focus on employees is also for the shareholder ultimately. By attracting and retaining the best and brightest and providing an environment to meet different lifestyles, excellent service will be delivered to customers and ultimately profit for the shareholders.”*

*“We are still trying to get the balance right between a safe pair of hands and taking risks.”*

*“Half the business is performance driven and half is paternalistic.”*

*“We know we need to do something but do not know yet what moving away from a risk averse culture means.”*

*“We have clear values but they are not always practised.”*

*“There has been a major cultural shift from knowledge-is-power to sharing information. Middle management still needs sorting out and the leaderships needs to make this happen.”*

## C – Creators

- Strong values seen as a key differentiator. They are clearly articulated and translated into measurable behaviours, for example using 360-degree feedback methods
- Strong brand linkages with corporate values
- Recognition that transparency in values, brand and integrity means it is crucial to be seen to be living them
- Everything is customer focused

- Technology brings transparency and drives the sharing of information and data with all stakeholders
- Several different cultures may co-exist successfully within one organisation
- The culture is creative, ambiguous, solid, reliable and operationally efficient at the same time
- Consensus driven decision making, little or no fear – true empowerment of people
- Successfully marrying the demands of profit and values
- Measurement frameworks in place which reflect ‘soft’ as well as ‘hard’ dimensions.

*“You need to have a culture which allows time for people to get it wrong. The culture needs to be able to say play with it and then get some expert support.”*

*“The old culture tested everything to extinction. We needed to move quicker.”*

*“We have carried out values audits for the last few years.”*

*“Information on the integrity of the organisation or individual is available – organisations must be more careful in future to protect reputations.”*

*“The tension between maintenance and creativity needs to be maintained.”*

*“Brand is everything.”*

## Summary

Culture		
<b>A – Defenders</b>	<b>B – Developers</b>	<b>C – Creators</b>
Implicit and depends on leadership	Explicit values articulated but not always practised	Explicit values practised and measured
Control based and historically orientated		



### Points for reflection

- Are your personal values in line with your organisation's?
- Does your organisation have shared values?
- Are your organisation's values discussed, practised and measured?
- How well have you converted values into standards and measures which people at all levels can relate to, understand and apply through practice?
- How well have you integrated standards and measures into your organisation's performance management system so that progress and development can be measured against them?
- Have you articulated and agreed values and behaviours as lead indicators for all your stakeholders in the value chain? Do you jointly monitor and regularly review progress against them?

## People

### Overview

In the past, the success of organisations has been measured in terms of market valuation, growth, capital, market share and tangible assets. Increasingly, the real assets and measures of success are ideas, creativity and knowledge. All of these 'intangibles' are inside employees' heads and not on the balance sheet. Successful organisations have to pay increasing attention to employees' needs and to be flexible and responsive to those needs, including life/work balance.

Amongst the participants in this study, there was recognition that, in this century, business practice will need to be driven by the flow of knowledge. As knowledge potentially resides everywhere and with every employee then power is similarly widespread. Silo-like corporate structures and individual reward systems have bottled up this knowledge and best practice making problem solving and innovation extremely difficult. The new challenges for leadership are how to remove blockages and:

- Attract and retain talent
- Manage the demands of large, fluid talent pools
- Manage devolved knowledge structures and enfranchise organisational learning.

Case Study: British Telecommunications plc (BT)

At BT, a flexible approach has been adopted to working hours to enable staff to achieve their desired lifestyle balance and also enable the company to get the best from its people. BT competes in a fast-moving market, led by technological change of unprecedented speed and impact. "This means that we need our people to be adaptable, to learn and to improve continuously. At the same time, we know that to attract, retain and motivate top quality people, we must create a flexible



# People (continued)

environment that gives them the freedom and responsibility they need and that recognises the importance of life outside work.”

Case Study: Unipart

At Unipart everyone is empowered to get the job done in the best way. Recently the reception staff decided to conduct a study of best practice amongst reception systems in other organisations. They arrived at a set of recommendations which were agreed and they were then given the authority to proceed to implement them.

Unipart made a commitment that every employee in the company would have a PC and the tools to create a website. The company has learning centres in the workplace where people at all levels can use technology to deliver business improvements.

## What is Important to Potential Employees

According to Beverley Kaye and Sharon Jordon-Evans<sup>2</sup> the ten most mentioned reasons for employees to select an organisation to work for are as follows (in descending order).

- ❑ Career growth, learning and development
- ❑ Exciting work and challenge
- ❑ Meaningful work, making a difference and a contribution
- ❑ Great people
- ❑ Being part of a team
- ❑ Good boss
- ❑ Recognition of work well done
- ❑ Autonomy, sense of control over one’s work
- ❑ Fair pay and benefits
- ❑ Flexible work hours and dress code.

<sup>2</sup>Beverley Kaye and Sharon Jordan-Evans, Retention: Tag, You’re It, Training and Development, January 2001.

## Research Findings

### A – Defenders

- ❑ Most people in the organisation see technology and the new economy as a threat
- ❑ Training and developing people to embrace change is a low priority
- ❑ Current changes are only perceived to impact on a few – the rest remain untouched
- ❑ People and departments primarily focused on their individual function and outputs.

*“Issues about people are drowned out by other things.”*

*“Preparing people for change is low key and disjointed as it is difficult to envisage what it means.”*

*“Resistance by individuals is still high (circa 25%) and is not age related. It’s more to do with confidence than capability.”*

*“The big issue is the challenge of re-skilling (not up-skilling) which is very threatening to the unions. Also 80% of British workers don’t want to learn. How do we deal with them and help them to learn?”*

*“Most employees see learning new ways of doing things as a threat.”*

*“Middle management is the block.”*

### B – Developers

- ❑ Some changes made to working practices and the environment such as flexible working hours etc
- ❑ Processes in place to share best practice
- ❑ Some staff empowered, but not necessarily all
- ❑ Those managers who are good thrive, whilst those less skilled find the challenges of operating in the new economy culture even more difficult
- ❑ Emphasis given to the development of people and teams to work more effectively, be able to be more accountable, flexible and manage constant change.



*“Working at home is much more accepted but it’s not available to everyone.”*

*“We need to change the mind-set within the organisation and strip away layers of managers who don’t change. Get rid of the marzipan layer of management.”*

*“Flexible working, three weeks training and an experienced buddy are provided for everyone.”*

*“The job of a manager is about motivating and training – nothing else.”*

*“Everyone shares best practice.”*

*“Employees work on key projects of their choice every year.”*

*“We have a mixed age profile.”*

*“Training is an enormous challenge, keeping everyone up to date.”*

*“People have got to become more flexible and able to multi-task.”*

*“It’s important to bring in new people to act as a catalyst for change.”*

*“We have just introduced 360-degree feedback for a large part of the business, Investors in People nearly everywhere and a Development Diary at all levels. We have a website for HR.”*

### **C – Creators**

- ▣ Knowledge and skills are everything. Lifelong, continuous learning is vital and part of the culture
- ▣ People are accountable for their own learning
- ▣ People are able to operate with ambiguity
- ▣ Creativity and innovation are encouraged, with people being given time to develop new ideas/products, supported by a conducive environment and reward structure
- ▣ Collaboration and partnerships are key both within the organisation and with all stakeholders
- ▣ Diversity is perceived to be a strength and people are valued for their differences.

*“Learning is critical and has to be owned by people.”*

*“Personal change programmes are run by the company to identify and foster appropriate behaviours.”*

*“People need to be able to deal with ambiguity and not having to be absolutely certain, which is a difficult competence to find.”*

*“To encourage innovation anyone can seek and expect to have granted reasonable time to prepare an initial paper for consideration for a great idea. This is recognised through the reward structure.”*

*“We now need self-starters and people who can get on with it to cope with changes.”*

*“People must be able to deal with paradoxes.”*

*“Implementing the new economy is about knowledge and skills.”*

*“We need to be able to move fast and implement things quickly, but we have now recruited people who move slower and can say no – we need a balance.”*

### **Summary**

<b>People</b>		
<b>A – Defenders</b> Overall feeling is one of threat Resistance to change Focus on and training for task and job, mainly skills based People policies based on consistency and security	<b>B – Developers</b> Limited development for growth and managing change Some staff empowerment Some flexibility in people policies and workforce profile People policies based on self-esteem factors	<b>C – Creators</b> People take responsibility for their own life-long learning. Development for managing change seen as crucial Diversity of workforce Artists and engineers working together People policies tailored to individuals' needs and self-actualisation



### Points for reflection

- What are you doing as a leader to:
  - identify employee potential and foster it?
  - ensure that knowledge doesn't just walk out of your organisation to the competition?
  - understand what motivates and keeps people in your organisation?
  - engender excitement, loyalty and commitment in your people?
  - give people accountability to make their own decisions?
  - encourage people to take risks and make mistakes?
- Do you as a leader feel excited, loyal and committed to what your organisation stands for?
- Does your reward system focus on what the customer needs or internal competencies?

# Leadership

## Overview

### Leadership is Critical to Success

Autocratic and directive leadership only works well when societies and employees have no other options. This style was characteristic of many organisations in the last century and is no longer fit for purpose. Employees with knowledge and talent are increasingly choosing organisations that inspire, are committed to life-long learning, provide opportunity, have long-term aspirations and most importantly offer continuity, the result of a strong set of practised and measured values. Leadership is about creating an environment in which all these elements can flourish alongside operational efficiency and customer focus. As Warren Bennis<sup>3</sup> says: *“effective leadership can move organisations from current to future states, create visions of potential opportunities for organisations, instil within employees commitment to change and instil new cultures and strategies in organisations that mobilise and focus energy and resources.”*

Leaders can be anywhere in the organisation and tomorrow's companies will require leaders at all levels in the organisation. Leadership is not about hierarchy; it is about support, empowerment and the ability to lead through vision and to manage paradoxes.

Leadership, more than anything else, is about self-awareness, understanding how others feel and how we make decisions and choices. This psychological knowledge or emotional intelligence<sup>4</sup> is key to helping others in the organisation change and feel comfortable with change.

<sup>3</sup>Warren Bennis, *Leaders - the Strategies for Taking Charge*, 1985, Harper and Row.

<sup>4</sup>Daniel Goleman, *Emotional Intelligence*, 1996, Bloomsbury.



### Case Study: Amicus Group

At Amicus the CEO programmes at least half a day a month ‘to go back to the shop floor’ to make sure he stays in touch with the grass roots of the business. He spends time visiting people with rent arrears, answering telephone calls in the customer service centre and has been present with front-line staff when all else has failed and eviction has been necessary. This enables him to understand the issues his staff face in their work.

### What is Leadership?

The organisations that appear to have embraced the new economy, moved forward positively and achieved success are those with strong leadership. But what is leadership in this context? The research participants did not feel this was about charisma, although that may be present. Nor was it about white knights riding in on chargers to save the company or about rule by fear or hierarchy.

What leadership does seem to be about is:

- ❑ Creating focus
- ❑ Leading by example
- ❑ Creating tension by describing what is possible and/or allowing people to see the threat
- ❑ Enabling and empowering others through sharing and openness
- ❑ Understanding the power of shared values which when converted into standards and measures for the company provide a framework for objective measurement
- ❑ Dealing with the unknown – the ambiguities of delivering today and building for tomorrow.

### The Difference Between Management and Leadership

Leaders and managers are different. While leaders can also be good managers, managers are not necessarily leaders. We see the following distinctions between leaders and managers:

#### Leaders:

- ❑ drive the process of change
- ❑ question rules, structures and paradigms
- ❑ continually work towards transforming the organisation and its structure, processes and goals
- ❑ create, share and strive for the achievement of shared vision
- ❑ provide focus, direction and purpose for employees
- ❑ inspire members of the organisation to a high level of energy and commitment
- ❑ lead by example
- ❑ are prepared to take considered and thoughtful risks

#### Managers:

- ❑ make the organisation as efficient as possible
- ❑ run a tight ship
- ❑ ensure that objectives and short-term targets are set
- ❑ generate crisp measures and performance indicators
- ❑ maintain consistency
- ❑ achieve more with less
- ❑ work hard to make this the best run organisation

The distinctions seem clear but the new economy is blurring the lines. As Charles Handy says:

*“The challenge for tomorrow’s leaders is to manage an organisation that is not there in any sense of what we are used to.”<sup>5</sup>*

To be truly successful, organisations need both leaders and managers. Having vision and taking risks is not sufficient – there is also a need to be operationally efficient. However, managerial behaviours alone will not help the organisation move forward.

<sup>5</sup>Charles Handy, The Empty Raincoat, 1994, Hutchinson.



# Leadership (continued)

## Research Findings

### A – Defenders

- Senior people in the organisation are not conversant with new technology, and may be reluctant to change
- Leadership often seen as coming from one figurehead
- Leadership style is primarily command and control with short-term focus, but there is recognition that this needs to change
- Leaders manage by setting ever bigger targets which can become demotivating if people consider them unachievable.

*“Middle management is still the classic barrier.”*

*“Can we cope with reinventing the company?”*

*“The Group Director had never turned on a PC until last November.”*

*“Leadership is still seen as coming from one person only – the owner.”*

*“The push for change is coming from underneath leaders and lower down the company.”*

*“Leadership could do with new blood and a cultural shift.”*

### B – Developers

- The new economy highlights poor managers and leaders
- Leadership perceived as important but is restricted to the top of the organisation
- The role of leaders is about motivating and training
- Much time and energy often spent looking at what others outside the organisation are doing and trying to do the right things rather than doing things right.

*“Managers who are inherently good flourish.”*

*“The new economy is highlighting existing management weaknesses such as a lack of vision, lack of lead performance measures, lack of change management skills and values not practised.”*

*“Change depends on the Board Director. Procurement and HR are the only ones radically changing – there is no overall initiative.”*

*“The President is working at a high level with our suppliers and partners but not leading.”*

*“Good leaders will build e-tools into their work.”*

### C – Creators

- Leaders are seen as role models of the values and for embracing change. Senior managers constantly seek out good practice and implement it. They undergo personal training and development
- Leaders create the vision for change and inspire others to follow
- Leaders enable others to see the threats and thereby create the tension for change
- Leaders see their role as a ‘servant’ to the rest of the organisation
- New recruits into the organisation must share and practise the same values
- Leadership is by influence, through creating trust and empowerment
- Leadership exists at every level in the organisation and potentially in every employee
- Leaders create the environment where people are encouraged to share mistakes and the resultant learning



- Leaders take big goals and break them down into bite-sized chunks; they create road maps for others to follow
- Leaders have the ability to multi-task, manage multiple relationships and work holistically
- Leaders spend at least 15% of their time communicating and emphasising the vision to people within the organisation and at least another 5% communicating it outside.

*“Leaders must be visionary, enthusiastic, principled, committed and energetic.”*

*“New leaders wouldn’t survive if they didn’t share the same values.”*

*“Leaders must put their money where their mouths are.*

*We are investing a large amount in IT so that everyone can have a PC.”*

*“It’s about handling ambiguity and risk taking.”*

*“Leadership is the job of creating tension in the organisation.”*

*“The Chief Executive goes ‘back to the floor’ regularly to experience the reality.”*

*“The CEO holds quarterly sub-office meetings to update and share, vision is about getting people to see what is possible.”*

*“Leadership’s job is balancing the paradox.”*

*“Good leaders understand that people have to believe before they will follow.”*

## Summary

Leadership		
<b>A – Defenders</b> Operational, short-term, one-way Hierarchical/top down style Internally focused – emphasis on managing and selling	<b>B – Developers</b> Take advantage of opportunities Follow the trend Talk the right talk but actions don’t always match Increasing focus on external best practice	<b>C – Creators</b> Generate the bandwagon and best practice Many ways of doing things Role models Communicating is a key part of the job Empowering, visionary, harnessing and focusing the energy of the organisation Holistic managers of paradox Consult and co-create Aware of the link between leadership behaviour and business results and outcomes

## Points for reflection

- Are you a leader or are you more comfortable as a manager?
- Are you one of the few who can genuinely be both?
- If you’re a good leader, but not perhaps such a good manager, have you got good managers working for you to balance that?
- What about your organisation – is it biased towards managers or leaders? Or does it really have a good balance of both?
- So how do you think you are doing as a leader in your organisation? How do you think others are doing as leaders in your organisation?
- As a leader how well are you setting an example by behaving in accordance with the organisation’s espoused values?



# Strategy

## Overview

### Focus, Focus, Focus

Strategy is a framework to get somewhere. In order to develop a strategy the fundamental purpose/direction and vision (or set of aspirational goals) needs to be defined. Vision and purpose provide the underlying rationale for business and underpin strategic decisions. As the new economy forces faster decision making it is crucial to understand what you are and where you are going. Looking back, some organisations may conclude that they have allowed themselves to be pushed in a particular direction. This might not have happened if they had insisted on having a clearer view of what their business was about and what its customers wanted or needed. Focus is essential and focus on the customer is the prerequisite.

### A Means to an End or an End in Itself?

Most organisations say that they have a strategy. But, having a strategy is no guarantee of success. Before we can take advantage of the opportunities the new economy brings we need to be able to analyse them and establish how they might fit into our overall, longer-term vision. Opportunities may only be evaluated against the parameters expressed in robust purpose, direction and vision. Strategy, including a new economy strategy must flow from vision, purpose and values, not the other way round. First you declare the significance (vision and purpose) and then you find the way (strategy).

Case study: SAP

SAP evolved from the world's leading supplier of ERP solutions, having a 'Single' large product strategy, to the leading provider of state-of-the-art business solutions, having a 'Multi-Product' approach.

## Research Findings

### A – Defenders

- ❑ No particular strategy for the new economy
- ❑ The organisation is operationally driven and plans tend to be focused on the short term and doing more of what they are doing now
- ❑ The focus is on creating excellent products and services and selling them to customers rather than designing products and services which fit the customer's needs
- ❑ Focused on traditional definitions of value such as profitability of products
- ❑ Generic products/services.

*“The only strategy relates to new product design.”*

*“We don't ask the customer what solutions they want.”*

*“We are a very operationally driven organisation focused more on the short/medium term rather than wanting to create a vision of the future.”*

*“Our approach to the new economy is opportunistic not strategic.”*

### B – Developers

- ❑ The new economy is seen as separate to the rest of the core business often with a separate board/division/company
- ❑ The new economy is seen to be useful for expanding markets, improving efficiency, improving products and services and retaining existing customers
- ❑ The strategy tends to be about keeping up and following what's happening rather than creating the future.

*“We created an e-business board as a means of growth.”*

*“‘Me too’ is driving it.”*

*“The new economy strategies are coming slowly.”*



*“The drivers for technology and the new economy are more efficient processes and less wastage.”*

*“We need to stretch our brand.”*

*“The new economy enables people to decide on how they want to do business with us. We will run the business across the web within two years, internally and externally.”*

### C – Creators

- The new economy is integral to the strategy and causes the organisation to question its purpose and rethink its business strategy
- Strategy is based on finding out exactly what the customer wants and applying the new economy to service these demands
- The business is about managing relationships not just delivering specific products and services
- Products and services are offered on a menu basis
- Constant innovation is seen as key to survival
- There is recognition that the nature of competition has completely changed and is no longer simply within discrete market sectors
- Strategy focuses on finding and building the right partnerships
- Organisations must be truly global but act locally.

*“Our competitors are now potentially all relationship companies so it is difficult to build a defensible position.”*

*“Technology is a key part of serving our customers and enabling people; it is central to our strategy.”*

*“Our objective is to triple our rate of innovation in the UK. We need to deliver 100 new products every year.”*

*“Strategies need to be about innovating, taking temporary advantage and innovating again.”*

*“To change the model you have to change the way you think.”*

*“E-commerce has caused us to look at our business from another angle.”*

*“We need to be opportunistic including second guessing new legislation. I love a good plan but you have to know when to throw the plan out of the window.”*

*“E-commerce is an integral part of our business and the company couldn’t have been established without it.”*

*“We made a strategic decision to spend more time on the customer at no extra cost to them. Longer time gives us the ability to deepen our relationships with customers.”*

### Summary

Strategy		
A – Defenders	B – Developers	C – Creators
Flows from company competencies and needs, rather than customer needs No new economy strategy	Based on expansion of current services/markets/products Focused towards improved operational efficiency Separate strategy for the new economy Transaction based Incremental	Customer led Integrated new economy strategy Seek new markets and create new services Innovate, enhance and transform the entire customer experience Creative/innovative/fluid Relationship based Individually tailored products/services

### Points for reflection

- Does your organisation have a clear understanding of its purpose and vision?
- Is there a common and shared understanding of the organisation’s purpose and vision?
- Are there clear strategies in place with owners to achieve these?
- Can every employee relate their job and objectives to the purpose and vision?
- Does your strategy truly reflect your customers and potential customers’ requirements? Have you investigated what they want or are you delivering what you think they want?



# Relationships and Communication

## Overview

### Governance and Stakeholding

The traditional role of a board changed considerably during the last part of the twentieth century. Prior to the Cadbury and Greenbury Reports a board was often considered by some to be composed of people from the 'old boy' network, whose primary function was to scratch each other's backs and look after the interests of the shareholder and each other. Today, board members are more often selected for their background, diversity, knowledge and competencies and their focus is to consider the interests of all the stakeholders, to a greater or lesser degree.

There is recognition, in some companies, that the shareholder is no more or less important than other key stakeholders, such as the customer, employees, suppliers, the community and increasingly the environment. The needs of all these other stakeholders are taken account of equally and their feedback is sought as a measure of the company's success. Some organisations have introduced a balanced scorecard system to formally recognise different stakeholder needs.

We believe these trends will grow in strength as it becomes apparent that the business and social environment demands them, coupled with changes in the law clarifying the legal obligation of boards, to encompass a wider view of their responsibilities.

#### Case Study: Oscar Faber

Oscar Faber has live interactive project websites which are shared with suppliers and clients. This way the company can build partnerships through action.

## Research Findings

### A – Defenders

- ❑ The relationship model tends to be exclusively based around the shareholder and customer
- ❑ Relationships with suppliers often tend to be poor and suppliers are not seen as partners
- ❑ The new economy is frequently seen as just electronic mail and is primarily focused on intranets rather than extranets
- ❑ Relationships are with groups/categories not individuals
- ❑ Communication tends to be one way with different approaches for different stakeholders.

*“Relationships with outside suppliers are poor.”*

*“E-mail is being used extensively but people use it to avoid issues or pass the buck. Copy everyone to cover yourself. People don't take accountability.”*

*“We say we value the customer but we don't measure the success of the relationships.”*

*“E-mail diminishes communication.”*

### B – Developers

- ❑ Partnerships and other ways of engagement are being established with all stakeholders and there is recognition that these will be vital to future success. However the main focus is still on the shareholder
- ❑ Technology is being used to provide information to customers
- ❑ Both intranets and extranets are used extensively
- ❑ Communication still mostly one way but more asking and sharing. Still principally concerned with selling and testing.



*"It has spurred us on to talk to customers even more."*

*"Partnerships are even more important. We don't have all the skills we need in-house."*

*"Competitors need to pool data to prevent fraud."*

*"We have a very sophisticated Intranet system. For example everyone can see the sandwich man in reception on their screens as soon as he arrives."*

*"Sales people post issues/solutions on the Web 'I've cocked up here...This is what happened'."*

*"Our people are encouraged to use the technology for private purposes as this speeds up literacy and creates confidence."*

## **C – Creators**

- Partnerships with all stakeholders are seen as essential and are well established
- Relationships with customers are on a one to one basis, taking account of individual needs and wants
- Partnerships are with a broad range of organisations not just those within the same/closely linked industry sector
- Relationships are often established on a trust basis where permitted
- It is often necessary to manage the paradox of generating cash and equity for shareholders in the short term as well as pursuing longer-term aims
- Project and new product development teams usually include customers and suppliers
- Live and interactive websites are used to help build and maintain partnerships and relationships with all stakeholders
- Knowledge is shared between all stakeholders
- Communication up and down the organisation is open and transparent and senior managers are accessible to everyone
- The need to manage all relationships – even with adversaries or potential adversaries – is recognised.

*"Working with customers gives us the ideas – our people must spot the opportunities."*

*"Once a month the Intranet is used to ask management questions on-line. Notice is given and the debate is live and ongoing. This has liberated employees."*

*"We sometimes have to manage the paradox with shareholders about generating cash and equity which is not always compatible in the short term with our philosophy."*

*"Partnerships have always been vital but now we need to form new ones with broader-based organisations."*

*"Partnerships and relationships are increasingly important – as per the CISCO model."*

*"Collaboration and intellectual connections are the new ego drivers."*

*"Live and interactive project websites actively build partnerships with suppliers, clients and project team members outside the company."*

*"We have always had a culture of customer first and our total philosophy is about deepening the relationship with the customer."*

*"The web has led to organisations having relationships with groups/individuals that they traditionally have held at arms length e.g. pressure groups, NGOs. The clever ones manage and embrace these relationships."*

*"We operate adult to adult not parent to child and the people we recruit would not stand for anything less."*

*"Customers are human beings and must have choice. Their worries need resolution, their concerns need to be removed."*

*"Supplier relationships are long term. Money is not key. It is the partnership which is important."*

*"Our customers told us that they would like to see more of us face to face so we have used technology to reduce bureaucracy and administration to allow staff to visit customers more."*



# Relationships and Communication (continued)

## Summary

Communications and Relationships		
<p><b>A – Defenders</b></p> <p>Mostly shareholder but some customer focus</p> <p>Relationships are with groups/categories not individuals and have little structure</p> <p>Intranet in operation but usually no extranet</p> <p>Telling, showing and informing with restricted choices</p>	<p><b>B – Developers</b></p> <p>Starting to be more broadly focused on all stakeholders, but still principally focused on shareholders</p> <p>Starting to build strategic partnerships</p> <p>Likely to be using both intranet and extranet</p> <p>Communication still mostly one way but more asking and sharing</p> <p>Selling and testing</p>	<p><b>C – Creators</b></p> <p>Attempting to share and treat all stakeholders with equal importance</p> <p>Communication is two-way</p> <p>Relationships based on openness/transparency and two-way feedback</p> <p>Consulting and co-creating</p> <p>Meeting individual needs</p>

## Points for reflection

- ❑ How well do you think your organisation is doing at asking stakeholders what their requirements are?
- ❑ Does your organisation really think more about what customers need rather than what it can supply?
- ❑ Has your organisation clearly defined its customers (including those for each team/department)?
- ❑ Has each customer's need been clearly identified and prioritised in agreement with them?
- ❑ How well does the organisation maintain awareness of its customers concerns through informal and formal communications?
- ❑ How good is your organisation at seeking information from its customers and stakeholders about potential improvements?



# Summary of Research Findings

## The Three Categories of Organisations

The overall characteristics identified by the study can be summarised as follows:

<b>A – Protecting What We Have from Potential Threats – The Defender</b>	<b>B – Enhancing and Broadening What We Have – The Developer</b>	<b>C – Open to All Possibilities – What Can We Do? – The Creator</b>
<p><b>Characteristics of this type of organisation:</b></p> <ul style="list-style-type: none"> <li>Tightly defined roles</li> <li>Unconnected systems, particularly e-mail</li> <li>A wariness of new technology</li> <li>Current culture born out of the past</li> <li>Top down, safety first mentality</li> <li>Profit and productivity always wins</li> <li>Merely coping with e-business and change</li> <li>Product led strategy based on competencies alone</li> <li>Training/learning is reactive</li> <li>Telling and showing with restricted choice</li> </ul>	<p><b>Characteristics of this type of organisation:</b></p> <ul style="list-style-type: none"> <li>New economy used as another channel to grow existing business and customer base</li> <li>New economy about improving efficiency and speeding up processes</li> <li>Extending the whole philosophy to include new economy</li> <li>Sharper focus on the customer</li> <li>New culture being developed but still generic</li> <li>Understand the talk but not always practised</li> <li>New economy highlights poor managers</li> <li>Early stages of creating transparent systems/processes and partnerships</li> <li>Defined competency-based roles but with some flexibility</li> <li>Mainly functional teams</li> <li>Development is seen as critical to achieving business results</li> </ul>	<p><b>Characteristics of this type of organisation:</b></p> <ul style="list-style-type: none"> <li>Information and best practice shared with stakeholders</li> <li>Innovate, enhance and transform entire customer experience</li> <li>Branding becomes key and is underpinned by values</li> <li>Strong ethics and values clearly articulated and translated into measurable behaviours</li> <li>Personal change programmes</li> <li>Awareness that to change the business you have to 'change the way you think'</li> <li>Learning is continuous and owned by the people</li> <li>Less defined roles based on people's natural aptitudes/abilities/background</li> <li>Leaders are more self-aware, hungry, reflective and controlled at the same time</li> <li>Best of old/new and artist/engineer working together</li> <li>Diversity cherished</li> </ul>

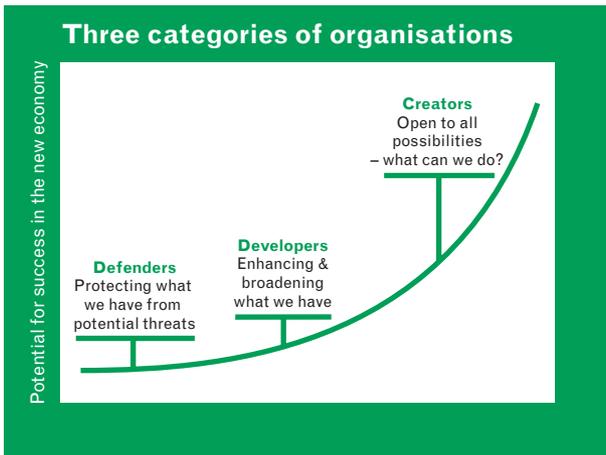
The breadth of response to the new economy generated within business and the differing degree to which these were embedded in practice played an important role in deciding on the classification of these behaviours and attitudes within the Defender/Developer/Creator

groups. Although this classification provided a handy summary, few organisations were consistently placed in each category for all six of the headings (organisation & processes, culture etc) used in the analysis.



# Summary of Research Findings (continued)

These three types of organisation can be viewed as a continuum:



Our findings demonstrated that an organisation is likely to have characteristics across all three categories at any point in time, depending upon the nature of its business and operating environment.

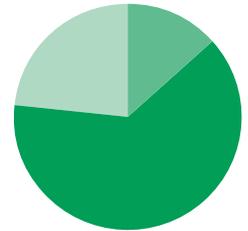
Within the continuum, new economy practice is most closely associated with the Creator class. The Creator organisation represents an ideal but all organisations should be in a position to implement some aspects of the Creator organisations within their new economy response. However, for some organisations e.g. the utilities, regulation will preclude some responses for safety reasons. The early twenty-first century is a period of rapidly shifting models. While the examples given here, and the many others uncovered in the research, show what can be achieved, the transferability of the practices described is largely untested.

## The Distribution of Participating Organisations

The proportion of organisations in each of the three categories is shown below:

### Distribution of Organisations

■ Creators	13.33%
■ Developers	63.33%
■ Defenders	23.33%



## Conclusions

All organisations in this study are undergoing, or have recently undergone change in response to the challenges of the new economy. This is a summary of what successful organisations in the new economy look and feel like and the factors critical to their success.

### Integration

The degree of integration of new practices and processes into the whole business was found to be key to business success in the new economy. In some companies, the challenge is seen as being one of IT. This has led to the introduction of new processes focused on increased speed and efficiency of transactions/data transfer.

In other organisations the broad opportunities offered by the new economy have been used to create new markets, products and services. The opportunity to share data, and be completely transparent has also been embraced by some companies. This has been used to revolutionize relationships and corporate culture.



## Brand and Values

Clearly defined and articulated corporate values are an important feature of the new economy and must be translated into measurable behaviours against which performance can be compared. The alignment of corporate values with the brand builds a distinct and lucid customer offer. Where brand and organisational values are found to be misaligned, the resulting tension reduces operational efficiency, confuses communications and diminishes creativity and diversity.

## Culture

Where corporate culture is based on openness and diversity is embraced, flexibility in people policies and working practices becomes possible. This in turn depends upon real trust and empowerment. The decision to make people accountable for their own learning is one very powerful way of developing trust and empowerment.

## Relationships

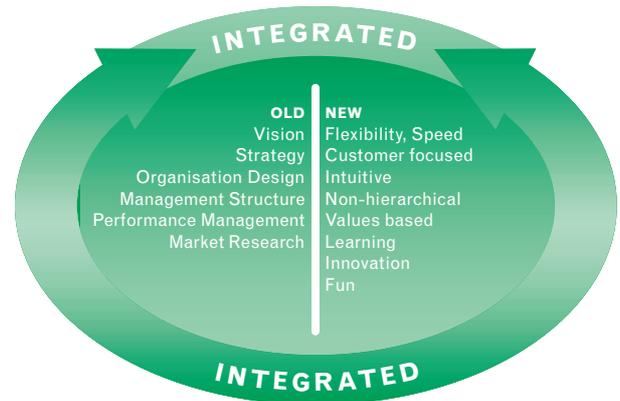
The nature, depth and breadth of relationships with all stakeholders and (in particular the personalisation of relationships with stakeholders as individuals rather than groups/market categories) is also crucial to success. A focus on the external customer, but with an awareness of those individuals or teams within the organisation who are part of the value chain was found to be important.

## Balancing the Old and the New

Creator organisations share many traits with the dot coms. What differentiates them, however, is their greater understanding of classical business disciplines such as elementary market research, a long-term strategy, management structures and performance management systems. To be truly successful in the future organisations

must embrace the best of both models. This is what we mean by the Creators.

## The Creator



## Old and New Success Criteria

Some criteria that have always been important remain so, such as:

- ❑ Clarity of purpose, vision and strategy
- ❑ Market research and understanding
- ❑ Differentiating values and competencies
- ❑ Organisational clarity and structure
- ❑ Key measures and feedback loops
- ❑ Strong Brand.

However, additional success criteria will need to be developed in these areas:

- ❑ One-to-one stakeholder relationships coupled with tailored solutions and consistency of the balanced scorecard measures
- ❑ Motivation, such as through the provision of stimulating projects and means for continuous learning and development
- ❑ Realising that talent and knowledge are the organisation's currency and how they flow through the organisation



## Summary of Research Findings (continued)

- ❑ Creativity and new ideas
- ❑ Brand supported by aligned organisational values and practices
- ❑ Open transparent information systems embedded in the organisation and throughout the value chain
- ❑ Real customer focus, not just lip service
- ❑ Managing organisational change and individual change.

With the Creator organisation as an ideal, but with most companies constantly changing practice and attitudes in response to the challenges of the new economy, it is not surprising that people find many organisations confusing places to work in. An example of a paradox commonly found is the organisation where on the one hand individuals are required to act as leaders, networking, building consensus, being visionary and leading by example. Yet the same organisation still has fixed hierarchical structures, maps for promotion and success and is still focused on:

- ❑ Short termism
- ❑ Power and autocracy
- ❑ Exclusive thinking
- ❑ One way loyalty
- ❑ Conservatism and low risk
- ❑ Shareholders
- ❑ Perverse pay and reward systems, which encourage management to look inward and not at the customer.

### Leadership in the New Economy

Organisations which appear to be reaping the most benefit from the new economy believe that leadership does not only reside at the top but can be anywhere in the organisation. So, is it possible for everyone to be a leader? It was considered at one time that leadership could be developed in everyone but modern

evolutionary psychology and research is now showing that we are much more 'hard wired' into 3,500-year-old behaviours than we first thought. This suggests that there is some truth in the saying that 'leaders are born and not made'. It should also be recognised that many individuals do not want to be leaders, do not desire to lead and would be far more comfortable working as individuals or in teams achieving agreed goals which are aspirational and motivational. Yet often our systems and processes tend to be biased towards achieving success and higher rewards by moving up the hierarchical management promotion ladder. What are the implications of this for organisations? How will future leaders and potential leaders be selected? Who wants to be a leader? We need to have more sophisticated means of measuring not only leadership skills but also more importantly, motivation. We also need recognition and reward mechanisms, which elevate individual creativity and innovation.

Increasingly organisations are relying on networking rather than hierarchical, pyramid-type structures. To survive and flourish, the new economy increasingly demands that all individuals (even those who do not want to be leaders) become their own leader. Peter Block refers to this as 'Stewardship'.<sup>6</sup>

Tomorrow's organisations and careers will mean:

- ❑ Portfolio careers and career development involving moving sideways, downwards and upwards
- ❑ Career breaks and career diversions
- ❑ Learning and changing throughout life
- ❑ Career development taking place not only at work but enhanced by the other roles we play in the family, community and our leisure pursuits
- ❑ The ability to be personally accountable and to network.

<sup>6</sup>Peter Block, Stewardship, 1993, Beret-Kochlow.



## Holistic Leadership

There was agreement from the participants that leadership attitudes and behaviours were key to determining corporate culture and brand values. Leaders must be seen as role models both within and outside the organisation. If things need to change, that change has to start with the leaders of the organisation. Culture is created not by words but by day-to-day practices and behaviours. Leadership in the new economy is not about hierarchy; it is about support, empowerment and the ability to lead through vision and to manage the many paradoxes of doing business in the twenty-first century. Leaders will need to take a holistic approach. They must be able to balance the 'hard', directional, analytical skills, with the 'soft', creative and communication skills. Either/or will not be enough.

Holistic leadership in the new economy can be compared with driving a car. When you first learn to drive, conscious effort is needed to carry out all the differing functions simultaneously such as depressing the clutch, releasing the accelerator, selecting the right gear all while looking ahead and in the mirror. Given time and practice this multi-tasking becomes automatic and a smooth ride results. For a new model of leadership in the twenty-first century similar adroitness with the essential competencies is required.

The essential competencies are:

- Knowledge
- Courage
- Integrity
- Being purposefully awkward and challenging the status quo to achieve focus and delivery
- 'Paradox management' – not 'either/or' but 'and'
- Vision

- Being an exemplar – helping others in the organisation change and to feel comfortable with change
- Acting consistently in an ambiguous environment
- Listening to and understanding how others feel and make decisions
- Personal awareness and strong emotional intelligence.<sup>7</sup>

## Paradoxes of People



## The Failure of the Dot Coms

Given the recent changes in this sector, it seems appropriate to make specific comment about the dot com companies. The dot com approach to work was innovative and based heavily on intuitive knowledge. These organisations were more open to the different environments needed for development than to running the operations side of the business. The dot com organisations spoken to in this study were often almost evangelical about their businesses. The usual hierarchies did not exist and senior people in the organisation spent time with operations and at the front-line. Everyone was involved, to some degree in the big picture. They had lots of fun, sometimes too much, and everyone involved

<sup>7</sup>Daniel Goleman, Emotional Intelligence, 1995, Bloomsbury.



# Summary of Research Findings (continued)

had a view of what the company was about and was proud and enthusiastic about being part of it.

## Looking Ahead

Organisations and people occasionally need a jolt to challenge their complacency. In the twentieth century we could get away with working in our own comfort zones, avoiding the fundamentals and using an exclusive approach with short-term financial goals. The new economy will not allow this type of thinking. To change the model we have to change our thinking and to change our thinking we need good leadership which takes an holistic approach to balancing paradoxes.

*“Life is like a grindstone. Whether it grinds us down or polishes us up depends on us.”<sup>8</sup>*

The above words capture one of our main conclusions about leading and managing in the new economy. If you are already doing the right things in managing and leading a business, the new economy can only enhance your success. If you are not doing these things there will not only be less of a hiding place for managers in the future but the business itself will probably not survive. Businesses that in the last century took 10 years to fail will now take two years or less. In order that successful businesses continue to flourish in the long term we must reappraise the way we approach the new economy. Without this we jeopardise the long-term success for the whole organisation and our society’s prosperity.

## References

Beverley Kaye and Sharon Jordan-Evans, **Retention: Tag, You’re It**, Training and Development, January 2001

Warren Bennis, **Leaders – the Strategies for Taking Charge**, Harper and Row, 1985

Charles Handy, **The Empty Raincoat**, Hutchinson, 1994

Peter Block, **Stewardship**, Beret-Kochlow, 1993

Peter M Senge, **The Fifth Discipline – The Art and Practice of the Learning Organization**, Century Business, 1992

Daniel Goleman, **Emotional Intelligence**, Bloomsbury, 1995

## Appendix 1: Participants

Amicus Group	Oracle
AWG	Oscar Faber
BAA	Prudential (Retail)
BAE Systems	Razorfish
British Telecommunications plc	Rolls-Royce
DTI	Royal & Sun Alliance
Dyson	SAP
e-Centre <sup>UK</sup>	Scott Bader
EMTA	Shell
Experian	SustainAbility
First Direct	ThinkNatural.com
Kent Constabulary	Unipart
Ladbroke	Vodafone
Land Securities Trillium	Xansa Plc
Lloyds TSB	(Dame Stephanie Shirley)
Lucent Technologies	Philip Sadler
Marshall Motors	Lord Taylor of Warwick

<sup>8</sup>Attributed to Thomas Holdcroft but of unknown origin.



## Appendix 2: Interview Guide

### 1. Openers

What do you understand by the new economy?

What does the new economy mean to your organisation?

Why are we doing this?

What's driving it (strategic plan/I.T. etc)?

How does this fit with your long-term plans/day to day activities?

Are you proactively pursuing this or reacting to external pressures?

Are e-business opportunities being pursued through a separate 'arms-length' organisation or through transformation in the core business? Why was the particular route chosen?

What are the key roles?

How might key roles change?

To what extent are your board and senior managers personally familiar with the internet?

Have they used it directly themselves (not through secretaries or PAs!) to surf for information or to make purchases?

### 2. Current Concerns

What concerns do you have about how the new economy may impact on your organisation:

At an organisation level?

For teams?

For individuals?

What are your current concerns for/about working with:

Suppliers?

Society?

Customers?

Community?

Stakeholders?

What are the implications for your organisations' values and ethics?

### 3. Organising

How will you be organising yourself for the future? (IT/structure/systems/people/process/knowledge/learning or 9S model)

What will you start doing?

What will you stop doing?

What will you continue doing?

### 4. Leading

Will you need to change your leadership for the future? How?

Implications on culture?

At which levels are your key leadership roles?

Have you got a set of core values?

Are they still relevant and how will they work in the future?

Are they 'lived' within the business?

Are they monitored?

What are your corporate measures for business success?

Are they still relevant?

Where is change needed?

### 5. Relationships

How do you see the relationship changing with:

Suppliers?

Customers?

Distributors?

Community?

Shareholders?

Employees?

Competitors?

Strategic partners?



## Appendix 3: Mapping Indicator

This tool has been designed to help you identify how well your organisation is positioned to meet the challenges of the new economy. This is the first step to understanding the complex dynamics involved in building a Creator culture.

### How to Complete the Indicator

1. Complete the questionnaire below.  
For each question, tick the box you feel most represents your organisation as it is today.

Be honest in your answers! This is the only way the indicator can help build understanding and through this strengthen and improve the way organisations are managed and run.

You may wish to ask a number of individuals within your organisation to complete the questionnaire. Any inconsistencies between individual answers will be as useful as the consistent responses!

2. Using the scorecard that follows put in the scores for each question. Add up the total for each area.
3. Plot the total on the appropriate axis of the target chart (page 35).

		Strongly disagree							Strongly agree	
		1	2	3	4	5	6	7		
1	Our organisation structure supports e-business activities									
2	Our managers are prepared to take risks where necessary									
3	Our strategy reflects a partnership approach									
4	We actively seek to maintain a broad mix of people at all levels within the business									
5	Project based groups are integral to the way we work									
6	We share best practice and solve problems across our organisation									
7	We have rigorous systems and processes which support our business activities									
8	We regard suppliers as partners, working with them as equals rather than tightly monitoring and controlling them									
9	Our culture supports the development of ideas and innovation									
10	E-business is integrated into the overall business strategy									
11	Our systems are transparent/open to all									
12	We believe collaboration and partnerships are central to our future									
13	Senior managers personally use e-mail, intranet, internet, etc									
14	E-business is not separate from the rest of the organisation									
15	Our systems are flexible to cater for the needs of the individual									



		Strongly disagree							Strongly agree
		1	2	3	4	5	6	7	
16	We actively seek to manage our culture								
17	We are actively seeking to become a learning organisation								
18	All staff have access to the internet								
19	There is a clear understanding of our values across the business								
20	Our business is e-enabled through intranets, internets, other IT applications, etc								
21	Our strategy reflects the potential impact which technological changes may have on both business and society as a whole								
22	We involve customers, suppliers, etc in problem solving								
23	There are multiple cultures within our business								
24	Developing new skills is central to our long-term success								
25	Our structure supports building relationships with all key stakeholders								
26	We undertake a values audit								
27	Senior managers listen to staff, and act on key issues which they raise								
28	The need to be able to respond fast is reflected in our strategy								
29	Coaching and mentoring is integral to our management style and practices								
30	We have a knowledge management system								
31	Our strategy supports the need to be opportunistic as well as 'strategic'								
32	We invest in developing our people								
33	We have programmes which support the development of leaders across the organisation								
34	We believe long-term success rests on building strong relationships with our customers								
35	People actively welcome new technology								
36	Strategic planning is an interactive process which adds real value to the business								
37	Individuals are empowered to make the decisions they need to do their job								
38	Our senior managers are inspired by the new economy								
39	We reward creativity and innovation								
40	Our internet site/s is/are an important element of our business								



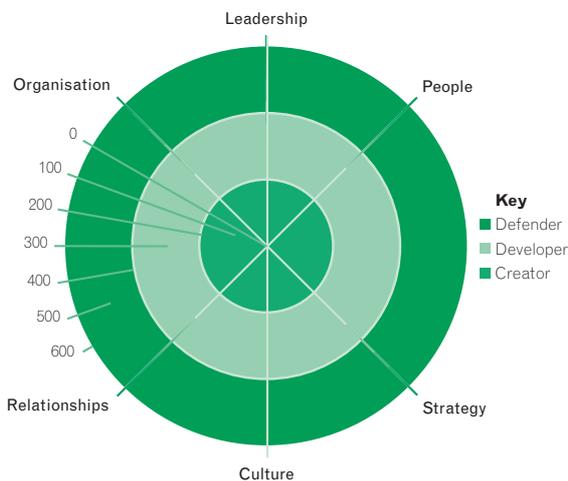
		Strongly disagree							Strongly agree
		1	2	3	4	5	6	7	
41	Our performance management and compensation systems reward individuals for strong relationship building								
42	Leadership comes from all levels of the organisation								
43	We value diversity here								
44	The majority of employees understand our vision and strategy								
45	Our senior managers are conversant with new technology and the challenges it brings to our business								
46	Change is seen as a journey, not a destination within our organisation								
47	We have a clear vision, goals and strategy for our business								
48	We have mixed ethnic/gender/cultures at senior management levels								
49	Our leaders act as role models for our values and core competences								
50	We involve customers and suppliers in new product development								
51	Our senior managers support the sharing of best practices								
52	Our culture is embedded in the organisation and not derived from one senior individual								
53	Our strategy reinforces a focus on building a strong brand								
54	Building relationships/partnerships is reflected in our values								
55	We have flexible working hours to enable individuals to balance work/home needs								
56	Our suppliers would see themselves as our partners								
57	All staff have access to the internet								
58	We view the local community and society at large as important stakeholders								
59	Strategic planning is a two-way process involving people across the business								
60	We measure individuals' behaviours								



2. Using the scorecard below, insert the scores for each question. Add up the total for each column.

Organisation		Strategy		Leadership		Relationships		Culture		People	
Q.1		Q.3		Q.2		Q.8		Q.4		Q.6	
Q.5		Q.10		Q.13		Q.12		Q.9		Q.17	
Q.7		Q.21		Q.27		Q.22		Q.16		Q.24	
Q.11		Q.28		Q.29		Q.25		Q.19		Q.30	
Q.14		Q.31		Q.33		Q.34		Q.23		Q.32	
Q.15		Q.36		Q.38		Q.41		Q.26		Q.35	
Q.18		Q.44		Q.42		Q.50		Q.43		Q.37	
Q.20		Q.47		Q.45		Q.54		Q.46		Q.39	
Q.40		Q.53		Q.49		Q.56		Q.48		Q.55	
Q.57		Q.59		Q.51		Q.58		Q.52		Q.60	
<b>Total</b>		<b>Total</b>		<b>Total</b>		<b>Total</b>		<b>Total</b>		<b>Total</b>	
<b>Overall Total (add up all six totals)</b>											

3. Plot the totals on the appropriate axis of the target chart.



## Drawing Conclusions

This indicator can only provide the starting point to understanding how well an organisation is positioned to succeed in the new economy. To get the most from the indicator, this needs to be built into a process which assesses the organisation in the context of the new economy.



### Defenders

Organisation 0-200 points

Individual area (e.g. culture) 0-20 points

These scores may indicate a position of weakness in meeting the challenge of the new economy. However, there are a number of points to consider:

- Is this a reflection of the total position, or did significant weaknesses in a number of areas bring the overall score down?
- Identify the weakest area(s)
- Analyse the reasons underlying the score
- Action planning

Organisations in the Defender category may find that they are not only missing out on market growth, they may be losing ground to their competitors. Few propositions are unique, and most organisations in competitive marketplaces will face significant challenge to their positions. In the new economy, no organisation can exist in isolation.

N.B. Reference to the main text of the report will provide clues to processes and behaviours practised by Creator companies.

### Developers

Organisation 201-400 points

Individual area 21-40 points

These scores indicate organisations which have made a start in addressing the issues which the new economy presents. It is likely to indicate the organisation is strong in some areas and not in others, and there is a need to build on what has been achieved to date. The challenge for Developers is how to close the gap with Creators. For many this will mean a step change in a number of key areas. This questionnaire can help identify these areas.

Points to consider:

- Is this a reflection of the total position, or did significant weaknesses in a number of areas bring the scores down?
- Identify the weakest area/s
- Analyse the reasons underlying the score
- Action planning

N.B. Reference to the main text of the report will provide clues to processes and behaviours practised by Creator companies.

### Creators

Organisation 401-600 points

Individual area 41-60 points

These scores show that the organisation has made a major effort to align itself to meet the challenges of the new economy. However, there is no room for complacency. We operate in a dynamic environment, frequently characterised by the introduction of advances today, which may be obsolete tomorrow. Sharing best practices and learning are critical for any organisation which wishes to remain a Creator organisation.

Points to consider:

- Identify areas of relative weakness and assess their importance to the business
- Focus on strengthening areas such as leadership which are pivotal to success in the new economy

### Further information

**If you would like any further information on the Mapping Indicator or its results, please contact the Centre for Tomorrow's Company (rear cover for details) or GPL (inside front cover for details).**

## The Authors

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## Other Publications from the Centre for Tomorrow's Company:

RSA Inquiry Tomorrow's Company

Living Tomorrow's Company by Mark Goyder

The Inclusive Approach and Business Success, the research evidence

Sooner, Sharper, Simpler – a lean vision of an inclusive Annual Report

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