Corporate Culture

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10. The Value Agenda

Motivation

	Self or Individual	**Intimate or team**	**Group**
Informational	❑ Personal Goals ❑ Financial Needs	❑ Performance reviews ❑ Peer pressure	❑ Mission Stmt. ❑ Vision Stmt.
Affecting Results	❑ Passion and Drive ❑ Psychic contract ❑ Initiative ❑ Ethics	❑ Teambuilding Skills ❑ Conventional mgt. skills ❑ Accountability ❑ Empowerment ❑ Hiring Ability	❑ **Corp Culture** ❑ **Beliefs** ❑ **Values** ❑ **Reward systems**

Big Picture: Corporate Culture:

Absolute Rule: **"You cannot succeed in a new venture with an inappropriate corporate culture"**

There are many types of businesses. The culture of each can be astonishingly different.

Businesses are different in some fundamental ways
- The behaviors that are supported or discouraged
- Core Processes
- Organization
- Management Systems
- Information Systems.

❑ How do you define the Corporate Culture of "Your Company"

❑ How about your current product line or group?

❑ What is the culture of your "new venture"

❑ How are you organized?

❑ What do you do if your current corporate culture is inappropriate to the new venture?

Ref: Treacy, "Discipline of Market Leaders" 1997

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What defines your corporate culture?

- ❑ Management structure
- ❑ Decision process
- ❑ How you manage change
- ❑ Hiring process
- ❑ Attitude of people
- ❑ Type of "most valued" people
- ❑ Trust
- ❑ Access to management
- ❑ Pace of the market
- ❑ Personality
- ❑ Reward system
- ❑ Values held by "top management"
- ❑ Core Processes
- ❑ Organizational Structure
- ❑ Information Systems
- ❑ _____
- ❑ _____
- ❑ _____
- ❑ _____
- ❑ _____
- ❑ _____

Many companies do not formally define their Corporate Culture.
As a result, it changes based on the people hired, and their cultures.

The <u>Best companies</u> are very attentive to their Corporate Culture.

Write down what you feel is important in your corporate culture.

Notes from "Discipline of Market Leaders"

1. In the world of successful companies, there appear to be 3 types of "value propositions"; Operational Excellence, Product Leadership, and Customer Empathy.

2. These companies have different operating models, each tailored to its core value proposition

3. The best companies have their operating models aligned with their value propositions

4. The best companies <u>choose</u> to restrict their efforts to one core value proposition

In any company, it is worth some time to check that the operating model is aligned with the basic business, and the customers expectations of a company.

This "value proposition" may be different for different product lines, and the proper organization may be different for these product lines.

The customer and the market

What Customers Demand:
- Price
- Time

     Flawless service

     No Inconvenience
- Premium Service
- Quality
- Constant Product Enhancements and Innovation

Rule: "The buyer is king"

Rule: "Management, distracted by brush fires, can't see the house is burning".

Team: Focuses on a common goal

Committee: Members act to protect their sphere of interest

- In a stable situation, committees work OK
- In times of stress, committees <u>will usually table core issues,</u> for fear of changing the power balance.

You must have a <u>team</u> empowered to address these issues

Value Proposition:

Companies can be grouped by the "Value Proposition" they offer:

- <u>Best total cost</u>: Achieve the low cost position on product and service support
- <u>Best products</u>: Build the best product for which the customer will pay a premium
- <u>Best service</u>: Solve the customer's broader problem, and share in the benefit

Rule: "Provide the best offering by excelling in one specific dimension of value"

Develop a value proposition that is compelling and unmatched

- Maintain standards in all areas
- Excel in one

Dominate by constantly improving value

Operating models are aligned with the value proposition, not the industry. Your operating model has to be focused on delivering unmatched value.

Customers have the same set of value propositions: i.e. they want
- Operational excellence
- Product leadership
- Customer intimacy

Three Types of Businesses:

1. Operational Excellence (e.g. low cost business)

    - "When the market 'shakes out' the proper technology, we will acquire it, and deliver at lowest cost"
    - "We are the cost and quality leaders" in our industry
    - "We need teams who can produce product reliably"
    - "Keep it simple."

2. Product Leadership (product and technology business)

    - "As soon as a product makes money, it is obsolete"
    - "We are our own fiercest competitor"
    - "Our products are expensive, but our customers pay"
    - "Innovate!"

3. Customer Intimacy (customer driven)

    - "The customer is King"
    - "Have it your way"
    - "We have very loyal customers"
    - "We want 100% market share for our product at our key customers"
    - "Customers for life"

Differences between these businesses

How are the operating models for these businesses different?

1. Corporate Culture
2. Set of Core Processes
3. Organization and business structure
4. Management Systems
5. Information Systems.

How do these businesses differ in:
- Technology
- Response to Market Change
- Innovation
- Investment
- People
- Structure
- Product change
- Bureaucracy

What are their key differences in?
- People
- Asset Base

What is the key to success for these companies?

On the pages following, circle the bullets that best describe your corporate culture:

Characteristics of an Operationally Excellent company:

- Purchased or licensed technology
- Slow response to Market Change
- Innovation focused on process improvement
- Large investment in fixed assets
- "Team" People (no superstars)
- Lots of procedures
- Resistant to change in product structure
- Can be quite bureaucratic

Rule: "When the market 'shakes out' the proper technology, we will acquire it, and deliver at lowest cost"

The best companies focus on price, quality, and ease of purchase

Operating Model
- End to end process for product supply - efficient
- Operations standardized, simplified, tightly controlled, centrally planned
- Management systems - reliable, high speed
- Culture abhors waste, rewards efficiency

1. Corporate Culture
   - Disciplined teamwork
   - Process focused
   - Conformance "one size fits all" mindset
2. Set of Core Processes
   - Standards
   - No frills assets
   - Product delivery and basic service
3. Organization and business structure

- Centralized functions
- High skills at the core of the organization

4. Management Systems
   - Command and control
   - Profitability tracking by transaction
   - Reward cost and quality

5. Information Systems
   - Integrated transaction systems
   - Mobile and remote technologies

Key People Issues:
- Most valued employee is the "team", and people who fit in
- Most cherished recognition - peer recognition
- Rigid structure, centrally controlled with procedures and review.
- "Manufacturing and production" is king internally
- Promote internally

Key asset base:
- Fixed assets
- Technical Specialists
- Proprietary production processes

Success: "Formula, formula, formula"

Examples:

Fedex, Costco, Arco, McDonalds, Hertz, Dell, GE-White goods, US Marines.

Characteristics of a Product company:

- Proprietary technology
- Quick response to Market Change
- Constant Innovation - Creative
- Large Investment in R&D
- "A" Level People
- Flexible structures
- Relentlessly obsolete their own products
- Avoid bureaucracy at all costs

Rule: "As soon as a product makes money, it is obsolete"
Rule: "Be your own fiercest competitor"

The best companies plan their research and product introductions carefully. Gillette allegedly never introduces a product without the next on already developed and on the shelf.

Operating Model
- Focus on invention, product development, and market exploitation
- Loose business structure - entrepreneurial
- Results driven management
  - New product success
  - Don't punish experimentation
- Out-of-the-box thinking - Future focused
1. Corporate Culture
   - Concept, future driven
   - Attack, win
   - "out of the box" mindset
2. Set of Core Processes
   - Invention
   - Commercialization

- Market exploitation
- Disjointed work procedures

3. Organization and business structure
    - Ad-hoc, organic, cellular
    - High skills in loose-knit structures

4. Management Systems
    - Decisive, risk oriented
    - Reward individuals' innovative capacity
    - Product life cycle profitability

5. Information Systems
    - Person to person communication systems
    - Knowledge management
    - Technologies that enable cooperation

Key People Issues:
- Most valued employee are talented technical superstars
- Most cherished recognition - being on the killer product team
- Fluid structure, centered around product development projects
- "Research and engineering" is king internally
- Recruiting top people is CEO's top job

Key asset base:
- Intellectual property and know-how
- Key technical people
- Product development process

Success: "Talent, talent, talent"

Examples: Sony, HP, 3M, Nike, Johnson and Johnson, Gillette

Characteristics of a Customer Intimacy company:

- Proprietary customer relationships
- Quick response to customer demands
- Cultivate relationships -Customer loyalty is greatest asset
- Large Investment in Sales staff and training
- Relationship-focused People
- Flexible, customer centered systems
- Lots of product variety, based on customers demands
- Decentralized organization. Decisions made nearest to the customer

    Rule: "The customer is King"

Operating Model

- Focus on relationship management, customer solution development, and managing results
- Decisions delegated to employees closest to the customer
- Management systems geared toward results for carefully selected customers
- Culture of "specific solutions", and deep lasting relationships

1. Corporate Culture
   - Customer and field driven
   - Variation. "Have it your way" mindset
2. Set of Core Processes
   - Customer acquisition and customer development
   - Solution development
   - Flexible and responsive work procedures
3. Organization and business structure
   - Entrepreneurial Client teams
   - High skills in the field

4. Management Systems
   - Revenue driven
   - Focus on share of customer's $
   - Lifetime value of client analysis
5. Information Systems.
   - Customer databases linking internal and external information on customers
   - Knowledge built around expertise

Key People Issues:
   - Most valued employee can affect change in <u>customers'</u> organization
   - Most cherished recognition - award from the customer
   - Loose structure, focused on customer issues
   - "Sales" is king internally

Asset base:
   - Customer loyalty
   - Often "hollow" companies, with everything outsourced

Success: "Solution, solution, solution"

<u>Examples:</u>

Nordstrom, LL Bean, Home Depot, IBM (in the 60's and 70's), Quicken, good car dealers, good hotels,

Setting the Value Agenda

Step 1: The team must come to understand where a company currently stands, and why

Step 2: A company must develop realistic alternative value propositions and operating models

Step 3: Management must make the hard choices. Pick a value discipline, and appropriate operating model.

It may be that a company needs:

- Different value propositions for different businesses
- Different value propositions for an existing business as the market changes and matures
- Different structure and operating models for these different businesses

Key issues:

1. "It is difficult to be exceptional if your operating model is inappropriate for your business"

2. Having ONE structure for the whole company may handicap excellence in some areas.

3. This is an issue that impacts the "Company Philosophy" of the organization.

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4. The buyer is king

5. Provide the best offering by excelling in one specific dimension of value

6. It is difficult to be exceptional if your operating model is inappropriate for your business

7. Having ONE structure for the whole company may handicap excellence in some other areas.