

Co. Solution #1



Cost Conscious Solutions for Competitive Advantage

"45 Ways to Make More Profit Without Spending Money"

T.MOONEY



Co Solution - No. 1

Cost Conscious solutions for Competitive advantage

T. Mooney

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Co is a prefix meaning together, with, jointly
Co for Co-operation, Collaboration, Compassion
and Commitment.
Co for Competitive Advantage
Co is the Solution

Chapter 1.0 Introduction

The Co Solution # 1 – Cost Conscious solutions for Competitive advantage is for leaders who are under pressure to retain and grow their organizations' market power and profits while balancing tight budgets and slim resources. 'Leader' means any decision maker, including people managers, middle-managers, functional specialists, and senior executives of a medium-to-large organization.

The book explains how to cost effectively:

1. Improve innovation capability
2. Develop competitive and profitable new offers
3. Promote and market offers with the latest technologies and low-cost marketing channels
4. Make change and transformation a success
5. Simplify processes, strategy and people
6. Reduce time wasted on communications like email and meetings
7. Create high-performing global and culturally diverse teams
8. Help employees to embrace the challenges they face at work, and be more committed and productive
9. Achieve higher levels of trust and success as a leader

Established organizations have never been quite so vulnerable to today's unrelenting shifts in a competitive landscape.

Many organizations are experiencing escalating levels of competitive challenge, with a negative impact on market share, revenue, and profits. This is mainly due to globalization, the internet, technology improvements and higher customer expectations.

As a leader, the pressure is on to accelerate profits under harsher competitive conditions with rapidly eroding resources. It's likely that you're expected to keep pace while simultaneously managing bureaucracy, inflexible structures and moving targets.

Increasingly you may find yourself reengineering systems while downsizing; refreshing strategies for 'Simplification' and 'Customer-centricity'; shipping parts of the supply chain offshore to unfamiliar regions, at an increased risk of cultural mistakes and service issues; and facing new competitors who are more agile and better able to service customer needs.

The pace of transformation is already relentless and predicted to continue to grow. (1)

Just when you need it most, your employees might not be 'going the extra mile'. They may be less motivated and productive, battling stress from juggling more hours, a higher workload, or the threat of redundancy. Inefficient processes may frustrate them; organizational silos and shared accountabilities may be making it difficult to get things done. Perceptions of bottlenecks and politics may be wearing them down.

Your people may be struggling to connect effectively after having joined from different companies, cultures and locations. They may be battling and bullying each other, or even forming groups of opposition to you.

While you'd like to help your people to work better together, be flexible, resilient to change and collectively strive to achieve your goals, there is little money left to support investment in improving the 'softer skills'.

You may also be concerned about your ability to be successful and your future career. Your health and wellbeing may be deteriorating. You may be becoming less tolerant and more demanding, impacting on important relationships.

Your leadership style may no longer be effective in managing people. The 'command and control' leadership model – a hallmark of generation X and older – is fast becoming unsustainable, as younger generations join and the pace of change escalates. Litigation risks also make it harder to influence employees through more coercive techniques.

To make matters worse, incidents of mental stress are rising, creating a number of additional costs. Litigations, claims, job absence, employee turnover, breakdowns, suicides and other serious illnesses are on a steep ascent. Workplace stress also has the potential to negatively impact your organization's reputation. Over time, these costs will create yet another major challenge for you to manage.

That's why this book has been written – to provide you with cost-effective solutions that rapidly improve organizational performance and help to reduce the pressures that you and your people face.

Recently, the world witnessed solid organizations that once held great market power, with high tollgates and few competitors, suddenly and swiftly deteriorate, taking many stakeholders by surprise.

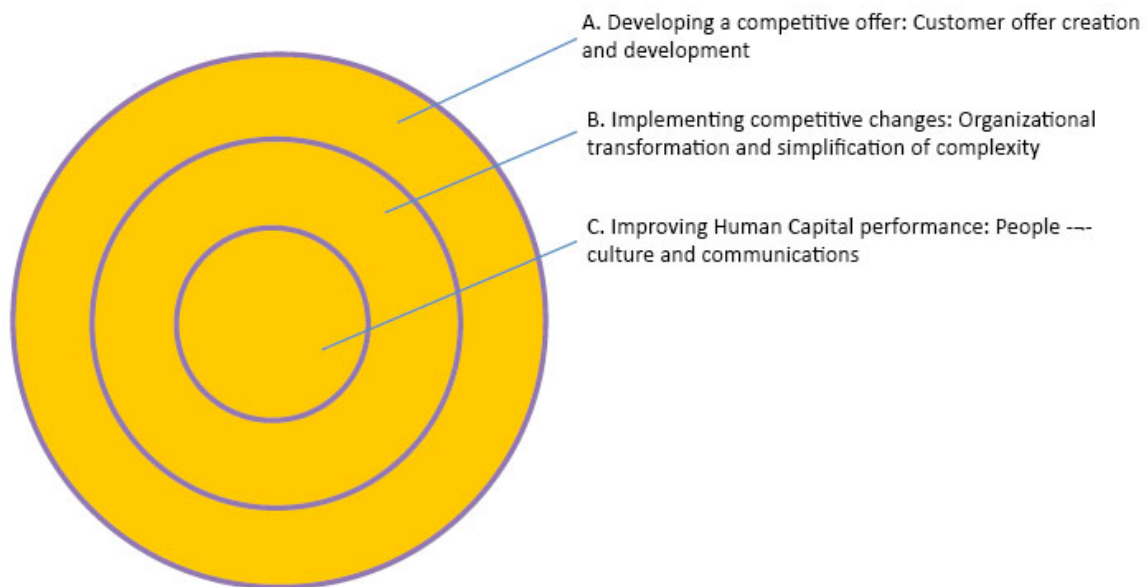
Such organizations include Kodak, Blockbuster (1) and Nokia (2). For these companies, it took the irreversible plummet in financial performance to signal that once powerful sources of sustainable competitive advantage had disappeared almost overnight, leaving behind large, inflexible, complicated, cost-inefficient structures and processes, and leaders who were ill-equipped to turn the fortunes of their companies around.

Within these organizations, talented, visionary, intelligent, hard-working and dedicated leaders sacrificed large chunks of their lives only to suffer personally and professionally. Many good employees faltered under job uncertainty, strenuous workloads and strained relationships. These outcomes impacted families, communities, suppliers and society at large.

The Co Solution # 1 – Cost Conscious solutions for Competitive advantage is thus designed to help you cope better with the competitive challenges that you face; to ensure that people's careers are not wasted earning money that eventually pays to restore lost health and wellbeing from employment; and to make the corporate world a better place to work for future generations.

Throughout the book, you are directed to a number of cost conscious solutions to help corporations improve their performance. The directives have been summarized in the *Co Solution Framework* in Chapter 10.

Co Solution Framework



The **Co Solution Framework** is based on the analogy of concentric circles to describe how organizational improvements must radiate outwards from a core source of improvement. First through the **people** of the organization (its culture and communications). Then, through organizational **processes, systems, strategy and structure** (via change management and simplification). And finally, through its **products and services** to the market (via innovation, offer development, marketing and strategy).

Concentric circles reveal the pattern of growth in plants. Slicing the trunk of a healthy tree, one would find concentric circles, revealing the number of years that tree had been alive. Healthier trees produce larger and more symmetrical circles. Similarly, the **Co Solution Framework** guides you to achieve healthy and consistent annual growth and profitability.

Concentric circles also help to explain energy transfer and wave theory. When a disturbance is made to a pool of water – such as a rock thrown into a pond – waves are created that travel outwards from the source of disruption in a pattern that forms concentric circles. When the pool is clear and homogenous, these waves move rapidly and smoothly. As the medium becomes denser, the impact of the disturbance becomes slower and less effective.

Similarly, when a competitive influence results in changes to processes, systems, organizational design and people, the rate at which performance improves depends on ‘density factors’ such as organizational complexity, change management processes, and internal politics. As such, the **Co Solution Framework** guides you to reduce organizational ‘density’ and provide the right conditions to ensure that performance improvements are rapid and smooth.

This book has been written in three parts:

- Part A provides guidance on developing cost-effective, innovative strategies, offers and marketing. It focuses on interactions between the organization and its external environment and stakeholders, including customers, competitors, suppliers, partners, government, and industry.
- Part B helps you to implement the organizational changes required to create and sustain a competitive position. It focuses on internal interactions, providing advice on effective management of change and the removal of 'density factors' that cost money and hamper success.
- Part C focuses on the importance of human capital management, advising on cultural and communications solutions that can lead to high performance results. It explains the innermost circle of the Co Solution Framework, **representing the fact that people's attitudes, behaviors and interactions with each other are at the core of an organization's success.**

Most of the directives and recommendations in this book focus on Part C – improving core performance through people, or human capital. When people have the right collective mindset – or **culture** – supported by great leadership, then organizations can find their competitive advantage, despite many obstacles. When people **communicate** effectively then they improve trust in one another and work better towards collective goals. They also enjoy work more and suffer less stress and burnout.

The **Co Solution Framework** challenges collectively acceptable office protocols and traditional corporate norms. It suggests replacing current marketing and sales operations with contemporary and more cost effective e-marketing, e-sales and e-distribution, thereby freeing staff up to become innovation team members. It suggests developing leaders that are far more humble, caring of and socially integrated with their people, and not the charismatic commander. It focuses on the importance of monitoring informal conversations and the 'rumor mill'. It offers innovative ways to improve the effectiveness of teams across regions and cultures. It suggests recruiting people that can deal with change effectively – or otherwise be removed.

The framework is supplemented by a '**corporate fable**' to illustrate how it can apply to any organization. Whilst fictional, this fable is based on a combination of many relevant experiences, observations, and academic research.

The principles of the **Co Solution Framework** have been proven to make a real impact on company performance. Employees have been inspired to improve their individual output without spending additional money, generating an unprecedented level of company pride and teamwork. Dysfunctional teams have become high performing in a matter of weeks. Outdated, inefficient processes have improved overnight and bottlenecks have disappeared. There have been some extraordinary offers generated from innovative thinking. Leaders have turned organizations around and created a legacy for which they will be long remembered.

Forty-five recommendations that can be **implemented immediately at zero cost** have been tabled as Next Steps and supplemented by a worksheet in the **Appendix**.

In the past, organizations may have relied on excess resources and time to develop and execute complex strategies that tackle competitive threats. Today, however, by the time the first few presentations have hit the boardroom and the first of several invoices to consultants have been paid, competitors are capable of eroding what few sources of competitive advantage remain.

That's why you need to act now, with fast solutions that cost nothing to implement.

If you're thinking, 'this book is not for me', then I congratulate you for being one of the few leaders who are getting the best results possible and sleeping deeply at night.

There are three books in the **Co Solution series**, which collectively help people to take better control of their organizations and personal future, cost effectively and simply:

- Co Solution no. 1 – Cost Conscious solutions for Competitive advantage
- Co Solution no. 2 – Core interventions to Combat workplace stress
- Co Solution no. 3 – Take Control of your future: Develop your own winning global Co.

The **Co Solution series** is supported by various programs at A Co. Affair (<http://www.acoaffair.com>), an organization that specializes in Human Capital optimization through culture, communications and change solutions.

The immediate, cost-effective results achieved from applying the Co Solution Framework make its application complementary to existing and proven strategic models. Such models continue to be relevant in conjunction with this book, with credit granted to the many authors responsible for helping organizations over the years to successfully develop and implement sustainable growth solutions.

Importantly, the Co Solution no. 1 – Cost Conscious solutions for Competitive advantage guides you as to what must be done differently in order to control the future fortunes of your organization, and in doing so, leaves a legacy to be proud of.

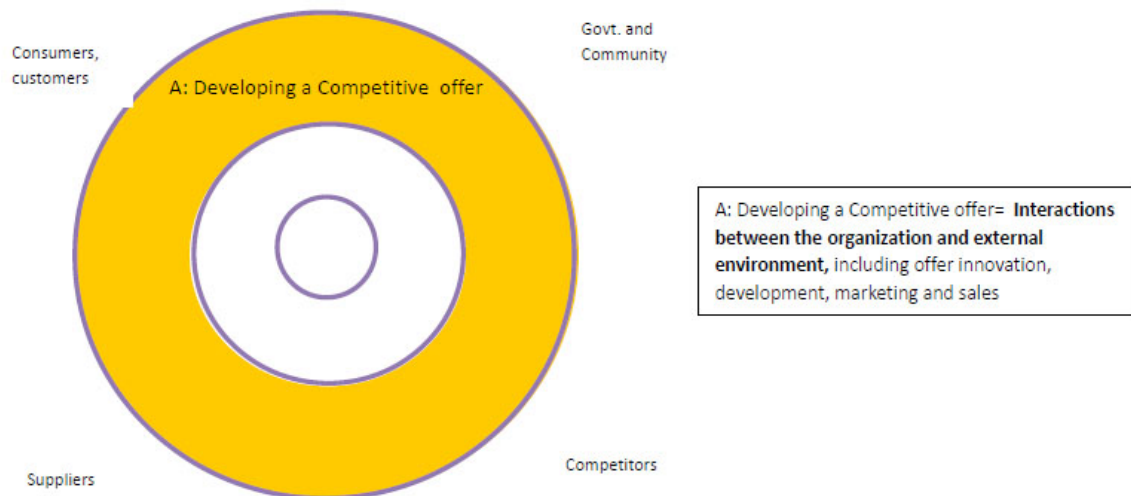
A final thought from the author:

I have been blessed with the ability to run fast. When I was younger I competed for my state and am fortunate to have won several medals. I have won individual medals and many more relay medals. Winning a medal and standing on the podium, knowing you are the best in your state, is a wonderful feeling. But an even better feeling is standing on the podium with relay teammates with whom you can share the victory. Together we trained hard and were committed to doing the best job we could. Combined with faultless baton changes that were practiced for many months beforehand, on more than occasion we all produced our personal best efforts, collectively breaking our state's record. We created results that were better than the sum of our individual best work. For that reason, the relay medals, while arguably not the highest profile, were the ones that I enjoyed winning the most.

As a functional leader, I also value being part of a winning team more than individual achievement. Unfortunately, not all leaders think this way. This is partly the fault of our western culture, where personal victory is valued more highly than collective achievement. I hope that the Co Solution series helps to influence this preference for 'competition' within organizations and teams to a preference for 'collaboration, courage and compassion'.

I hope that you find the ***Co Solution no. 1*** and remainder of the Co Solution series effective for improving your corporation's performance and creating your ultimate success.

Part A – Developing a Competitive offer



A Corporate Fable – Part I

Kirk was the COO of ACME America.

In early 2013 ACME America's financial results were released. The organization had lost around 6% of its market share over the previous twelve months and was tracking at around half its expected sales and profit. Due to the rapid emergence of two new and unexpected competitors on the East Coast, it was predicted to lose another 5% market share in the coming half-year and potentially two more of its largest business customers.

NGR PLC was a company that had for many years enjoyed regular and consistent profitability with only four other major global competitors. The threat of another major organization entering the industry space had been low, mainly because ACME PLC had a vertically integrated supply chain and billions of dollars of investment in infrastructure, with access to most global markets.

The sudden drop in profitability had taken all the senior executives by surprise, including Kirk. Kirk was aware that lagging investments in infrastructure had left a number of legacy systems and worn assets in need of replacement, repair and upgrade. He had witnessed first-hand the increasing number of unscheduled outages and incidents, some of which had attracted unwelcome attention from the CEO and other senior executives and, even worse, the media. Despite this, ACME had always been a stable performer.

Kirk knew that other organizations – for example, Blockbuster and Kodak – had faced a similar challenge, realizing all too late that their financial performance was on a downward spiral as new competitors rapidly eroded their market share and profits. He was determined to avoid being in the box seat as an executive leader while ACME suffered the same fate – he had worked hard and made many sacrifices to get to his COO position and he wasn't about to lose it.

The results were announced to the senior executives toward the end of a long monthly leadership team meeting. Kirk often found these meetings laborious and largely ineffective, creating more frustration than solution. Occasionally decisions were made that were useful; however, most of the time he left with more concerns and an action list that would burn more resources than were available. The artificially lit meeting room and the high-fat 'working lunches' left everybody tired and unresponsive in the afternoon. By the end of the day he was generally in a mood that reflected the discomfort he'd experienced from sitting in one position for so long.

After the team had discussed results, Kirk excused himself from the remainder of the meeting, claiming he had another appointment to attend before the day was over. He filled a glass of water from the kitchen area and made his way down the hall toward his office, keeping his head low to avoid being cornered by any of the passing staff members. Poor results only meant one thing – more budget cuts, projects stalled and fewer resources to manage his operations properly. He'd need some time and space to think things through, in order to decide what action to take next.

Kirk knew that ACME America would be unlikely to pull down from its nose-dive performance without a unique and sustainable source of advantage over its competitors – a point of differentiation that would add value to at least one customer segment. Otherwise, new competitors with lower cost bases would simply develop and offer the same products to customers at lower prices, forcing NGR into unsustainable and unprofitable price wars over time.

Once he returned to his office he picked up the phone.

“Helen, I am looking for our most recent competitor information,” Kirk asked the Head of Communications. “I have to confess I am not up to speed with the latest of your newsletters ... it's been such a busy time with the Long Island Incident, as you know ...”

Helen interrupted. “Yeah, tell me about it, I have been fighting off the media ever since.”

Kirk smiled sympathetically. “Not to mention all the internal emails and late-night teleconferences we have both had to attend. Anyway, could you help me out by just telling me which of our internal news sources is the best for the latest competitor and industry information?”

Helen paused. “We don't really have a regular source. Maybe try Julia in Strategy?” she offered.

Kirk thanked Helen and smoothed the awkwardness over with an invitation to lunch the following week ‘just to catch up and see how she was doing given the stressful Long Island incident’ before hanging up the phone to call Julia.

“Hi, Julia, I am finishing my forecasting and hoping you may have the latest competitive landscape information close to hand? I'd like to get a better understanding of our positioning before I make any final decisions.”

“Sorry, Kirk,” Julia apologized. “We have been busy with shareholder reporting requirements and collating other information that Head Office keep asking us for. With the budget cuts we lost a number of staff and simply haven't got the resources to prepare that sort of information anymore.”

Kirk thanked Julie and quickly hung up, knowing better than to continue to press for further information. ‘This is not good,’ he thought to himself. ‘How can we be making the right strategic decisions if we don't understand our competitive landscape?’

Ordinarily, ACME would be able to pull in leading consultants to prepare the information he needed. Given the rapid rate at which it was failing, however, and the inevitable freeze on budgets that would follow, Kirk very much doubted he would be able to get approval for consultants. Also, he simply didn't have the additional time that it would take to get consultants up to speed with ACME's information.

He considered Helen and Julia's earlier responses. If Communications and Strategy weren't reporting on industry and competitor information then how would employees understand where to focus their activities and attention?

** * * * **

Two days later Helen and Julia knocked on Kirk's door.

They offered Kirk a thick report that utilized a number of well-known frameworks to collate industry and competitor information – such as PESTLE, Michael Porter's Five Forces Framework and Bowman's Positioning

Clock – and had performed a strategic capability analysis for ACME. The findings had also been summarized into a SWOT.

Kirk blinked. He was surprised but pleased that Helen and Julia had taken the initiative to research the information on their own and so comprehensively. “Excellent work, thank you . . . but how did you manage to do all this so quickly?”

They were both pleased, explaining that flexible working practices and internet access had helped them to perform the necessary research both in the office and at home.

Kirk walked through the report. As ACME’s competitive story unfolded it became increasingly clear that ACME really were in trouble.

ACME had some well-positioned and profitable assets, some strong customer relationships and a relatively good cash flow. ACME’s current consumer and business contracts were also stable in the short term, as the switching costs made it difficult for existing customers to switch suppliers in the first year of contract.

Beyond that, unfortunately the news was bleak. Two of ACME’s major competitors had established advantageous supply agreements with brokers that had access to large groups of potential customers and threatened to further erode ACME’s market share. A third competitor had been investing in a patented delivery mechanism prototype that promised to give customers faster and cheaper access to products, while the fourth competitor was able to offer the lowest price products because it had taken advantage of cheaper raw materials that could be supplied from Asia. The two new competitors were also growing rapidly in market power.

Ten years earlier ACME’s brand and reputation had been the highest in its industry, and had been a strong source of competitive advantage for the organization. However, a poorly managed and highly publicized incident three years earlier had destroyed many of the attributes that the brand had previously stood for, such as ‘quality’ and ‘safety’. In the aftermath of the incident, and the focus on safety and quality as a priority, the brand had all but been destroyed. Even the branded signage on the many assets and sites had been left to fade and rot in the corners.

Kirk sighed as he realized that, unfortunately, the relative ease with which ACME had been able to reap profits over time had not been due to superior performance but rather due to the strategic initiatives that had been executed over 15 years earlier, helping to create high toll gates and barriers to competitive entry. ACME’s strategic capability had also eroded. Inadequate investment during the previous 10-15 years had meant that much of its infrastructure and technology had been left to run down. Already this was leading to further threats to its brand and reputation, as failures had begun to increase in regularity, leaving customers without product or overcharged for their purchases.

Even worse, some of the incidents were creating environmental issues and safety concerns – the threat of another major incident appearing increasingly probable. Kirk knew this all too well as COO – increasing incidents were already placing a great deal of pressure on him and the other senior executives, leading to escalated levels of time consuming and increasingly complicated communications with the many stakeholders involved.

The organization had become overly complex, inefficient, and bureaucratic. Costs were unnecessarily inflated with processes that were cumbersome; people that had learned to tolerate the status quo rather than seek to improve it; and leaders were inexperienced in turning around an organization in a highly competitive marketplace. On top of that, there were no new innovative products or solutions in the pipeline . . .

“Thanks for the report, ladies. If you don’t mind, I’d like to have some time to myself to think.”

As Helen and Julia closed the office door behind them, Kirk picked up the phone and dialed his local golf course. He always thought well when he was in the fresh air and exercising . . .

* * * * *

Kirk pulled up outside the golf club. As usual, the surrounds were serene and peaceful, apart from several pigeons flocking to feed on pieces of bread that the green keeper regularly left at the far side of the car park.

He pulled out his clubs from the boot of his car and made his way directly to the first hole, allowing his mind to drift and enjoy the natural beauty around him.

It wasn't until he'd begun playing that his first idea formed. His drive on the second hole had hit a tree and landed right in the middle of an awkward and deep bunker.

'ACME is in a bunker,' he thought. 'First, we have to get back on the grass before we can even think about making it to the green. Only a carefully thought through strategy is going to make that happen.'

Kirk thought about the competitive information that Helen had prepared. 'ACME needs a new unique source of competitive advantage before it can get out of the bunker,' he thought. 'We need to start with innovative ideas.'

Innovation was something that ACME had a mixed reputation in. Plenty of people seemed to come up with terrific new ideas and two of these had even proven very successful in recent years. Most, however, had either failed to receive the attention and budget necessary to move forward or had been developed and executed inappropriately, leading to failure. The approval process was unclear and often not properly aligned to strategic priorities. It was 'first in best dressed' for investment approval. Developing and implementing a new solution was often fraught with error and difficulty, with no clear knowledge management system for people to learn from past mistakes.

Kirk decided that his first step was to create a dedicated innovation team. This would be difficult without additional resources to support it, although not impossible. If Kirk could find a way to access the existing creative thinkers in his organization for just one day a week then he felt confident he could generate the pipeline of innovative ideas that ACME needed.

Any ideas in the pipeline would be tested against some of the better-known strategic frameworks before a 'go-no-go' decision would be made. If the idea made it to 'go' it would be developed for trial and piloted in the marketplace. Kirk knew that meant ACME had to get comfortable with failure and a quick exit strategy – his pipeline idea was based on a quick ramping up of ideas, many of which may have a short lifecycle and/or fail altogether.

Budget, of course, would come into question. Kirk, however, planned to use the same argument he had used when trying to increase the investment in repairing and replacing the worn assets and tired legacy systems – ACME had to be prepared to invest because there had been insufficient investments in competitive assets over previous years. Besides, there were a number of people in the organization who would soon be displaced from their jobs that could potentially make excellent innovation team members.

As Kirk surveyed the bunker, three more ideas came to him:

- 1. An employee 'idea box' and competition for winning ideas*
- 2. A dedicated innovation space. Ideally this would be off-site; however, to save money Kirk was going to suggest a weekly innovation forum at his home, which was not too far from the office.*
- 3. Drawing on the industry experts that he and his colleagues had access to through informal networks. On some occasions, some of these experts would require formal employment contracts; however, on other occasions they may just be happy to provide high-level advice and support if requested.*

Of course, thinking and innovation frameworks should also be provided to the innovation team, in order to align and reinforce its creative design capability. He considered that his colleagues in Marketing and Human Resources could probably help.

Also, Helen, the Head of Communications, might again be useful. She had mentioned to him once that her main strength was in bringing diverse and remote teams together to collaborate to solve problems and produce innovative ideas. She was a capable facilitator who drew on a number of models, such as swimming pools, fishbowls and a range of Edward De Bono's critical and creative thinking techniques to get teams to effectively brainstorm. She was also used to working with global teams using web casts and other collaboration technologies. Kirk imagined the innovation team would be diverse and many of the team based remotely, all over America. He would also invite participants from Asia and Europe in order to get a broad suite of suggestions.

Kirk smiled as he chipped successfully out of the bunker and the ball rolled closer to the green. He then chipped again to land on the green about five meters from the second hole.

'Great! An easy shot to make par,' Kirk thought as he lined up to put . . .

Unfortunately his overconfidence meant that he didn't line the ball up properly, or the one after that, or the one after that . . . leaving him three over on the first hole. "Bummer!" He threw down his putter in disgust.

'It's like the way that ACME has gone about implementing all its past new ideas,' he reflected. 'So anxious to find something new that we forget to make sure that the offer is going to make us money and that we have the capability to execute it ...'

It made him think that any new offers should be appropriately and carefully designed against the organization's strategic capability and that there should be clear feedback loops for information between pilots and product iterations.

As he picked up his golf bag and began wandering to the third hole, he continued to admire the scenery. There was an assortment of beautiful large trees and some groomed hedges. Nearby there was a lake with a family of ducks milling about in the reeds. Various birds chattered gaily, appreciating the warm afternoon and slight but refreshing breeze.

Creative thinking was something Kirk didn't do a lot of anymore. He was too busy solving existing problems and passing judgments in order to reach rapid and workable solutions to spend time designing something new. Although he would never admit it to anyone else, he was also often too stressed to think clearly enough.

He remembered hearing about innovation frameworks that could be followed, such as Edward de Bono's 'Value Creation Methods of Design'. (3) As he thought about value creation, suddenly an idea came to him.

He had attended a marketing meeting recently where some detailed customer segmentation information had been revealed. The discussion at that meeting had been about how the marketing team was planning to design solutions to meet the needs of the segments. It had been explained to Kirk that a number of the consumers had been members of families that had commented on how important family health and happiness was to them. "Why don't we design a solution for the family customer segment?" Somebody had asked. "Something that creates more safety for families, helps to bring families together, helps to keep families happy?"

Kirk was aware that people were increasingly becoming aware of this concept of happiness – his partner had even recently become quite a convert of reflexology and yoga. "You should try it." She had beamed at him only just the evening before, from a contorted sitting position on the living room floor. "I've never slept better. It would be so good for your stress."

A quick mental check with his knowledge of the S-Curve framework helped to strengthen his convictions. Demand for 'wellbeing' was on the increase, and very likely still at the bottom of its S-Curve, with lots of opportunity for growth. Perhaps ACME could follow the wellbeing idea through to create value for families . . .

'This innovation team should be good,' he thought, as he teed off . . .

Chapter 2.0 Coming up with a Competitive idea

2.1 You must have competitive advantage to survive

“When investments are being made at the same or higher levels without leading to better margins or growth, or new competitors from unexpected sources are increasing, or levels of employee engagement are reducing and market stock is perennially ‘undervalued’; organizations can be confident that their market power is increasingly at risk”. (4)

In order to survive and thrive in the modern competitive environment, your company must produce at least one offer that is superior to competitors and difficult to copy. In other words, it must have at least one **unique source of sustainable competitive advantage**. (5) There must also be a marketplace with buyers that perceive value in the offer, enough to pay a profit-making price.

In order to determine competitive opportunities, you must regularly analyze the layers of the business environment in a process referred to as ‘situation analyses’.

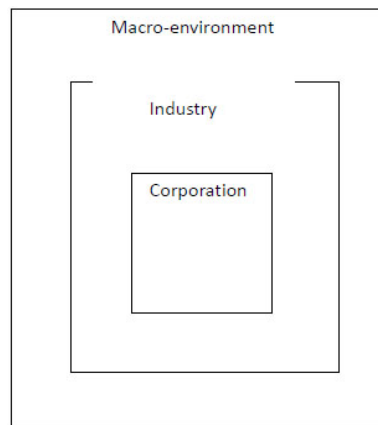


Exhibit 1: Layers of the business environment

Source: Exploring Corporate Strategy, Johnson and Scholes, Sixth Edition p. 317

Popular tools for situation analysis include PESTLE; Porters Five Forces Framework; Strategic Capability Analysis and SWOT. If needed, a simple overview of how these models are used to determine strategic opportunities is illustrated in **Co Solution no. 3 – Take Control of your future: Develop your own winning global Co.**

Fortunately, gone are the days where significant resources were required to analyze the layers of the business environment, perhaps taking days, weeks and even months to sift through disparate sources of information held in closely guarded libraries. Today the prolific, 24-hour availability of information on the internet makes access to industry reports, government reports, trade publications, news items, journals, databases and other sources of information immediate, affordable and within the capability of a single person with access to a computer terminal.

2.2 Develop new offers that follow an ‘S-Curve’ and have a ‘window of opportunity’

When new offers are first introduced into the marketplace, few people are aware of them. A small group of **innovators** – characterized as such by the high likelihood they will take up the new offer – must become the focus of promotion and sales. Next, the **early adopters** are targeted. (7) At a certain point (A), customer awareness and demand begin to exceed supply and the market enters a fast growth phase. This fast growth phase (from A to B) is known as the ‘**window of opportunity**’ where excess demand can lead to new market share and large profits. (6)

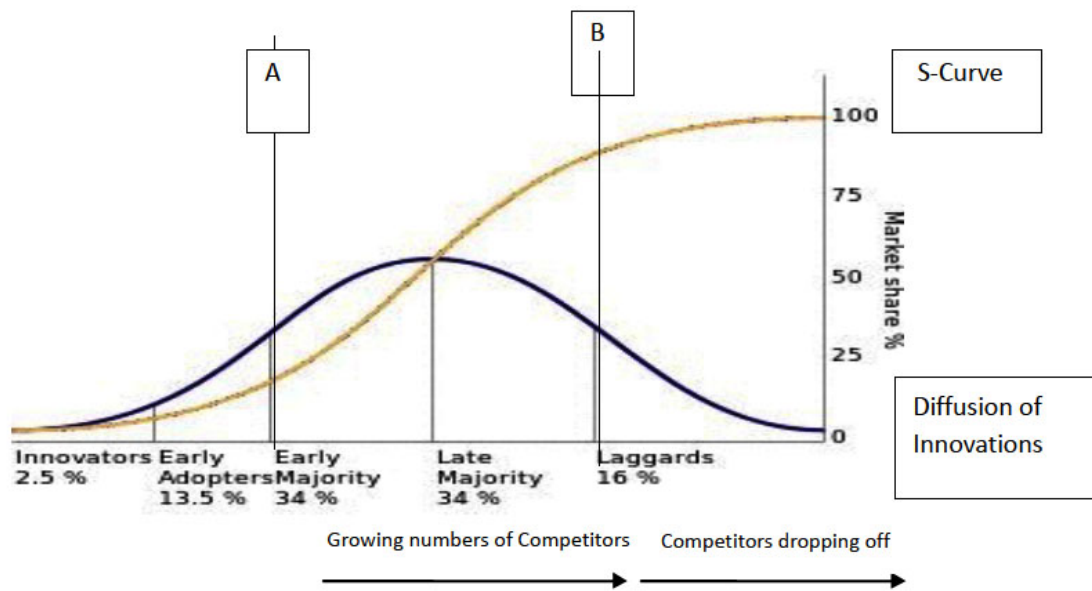


Exhibit 2: S-Curve and Diffusion of Innovations combined

Source; Bygrave and Zacharakis, *The Portable MBA in Entrepreneurship*; Lee and Kotler, *Social Marketing: Influencing Behaviors for good*.

As customers increase their demand, competitors enter the market with similar and further refined products. Eventually, demand and supply equalize, creating the ‘**maturity**’ stage of growth, at Point B.

You should aim to develop offers that are at the beginning of their ‘S-Curve’, up to point A. While it is difficult to say what market size indicates that the window of opportunity is opening and/or closing, some research suggests that markets become attractive (A) at revenue of around \$20 Million and demand and supply tends to equalize (B) at revenue of around \$1 Billion USD. (6)

For example, assume that you are a leader of a fuel retailing company considering the development of a mobile application for home delivered refueling services. The opportunities for market growth would be identified through research of a number of trends and facts (for example, the growth in dual income families leading to reduced time to make special refueling trips) and summarized using the tools referred to in 2.1. Such an offer would likely also be at the beginning of its ‘S-Curve’ and the window of opportunity strong, as it currently does not exist in any known global marketplace. Hence, if the situation analysis was favorable, you would be likely to conclude that the mobile application is an opportunity worth pursuing for trial.

2.3 Take a ‘transient’ competitive advantage approach to strategy

Today, the rapidly shifting competitive landscape makes it increasingly difficult for companies to sustain competitive advantage. As such, your aim should be to achieve ‘**transient**’ competitive advantage. This means

setting aside a separate budget for an **innovation pipeline of strategic initiatives** with shorter lifecycles, which can be quickly ramped up or down. (4)

The process works like this: New offers are quickly developed, trialed and reiterated or wound down after feedback. (4)

To encourage innovation and comprehensive feedback loops, you should ensure to reward and not penalize any project failures. (8)

To avoid fixed costs, your innovation projects should consist of contractors who are world-class experts from industry and academia. (8)

For maximum success, your company must look beyond your existing products and solutions and attempt to solve as many problems for customers as is realistically possible. To illustrate, Google successfully moved into phone operating systems and smart phones after foreseeing that their existing consumers looking for web access wanted to do so 'on the move'. (4)

You should replace Net Present Value models with simple and quick leadership reviews of investments, as future income streams are more uncertain. (4)

Importantly, you must establish strong networks with customers, suppliers, the community, governments and employees. Suggestions to help build reputation and networks are made in later chapters (*4.0 Communication and brand*), and include building online communities and encouraging stakeholders to help develop and feature in marketing materials.

To avoid creating waves of instant redundancies, leading to poor employee relations, you should also encourage employees to adopt a broader and more adaptable portfolio of skills that service your new innovations.

2.4 Encourage a healthy environment for your people

Innovation won't happen without the right conditions to harness brain power.

Coming up with an innovative solution to the growth challenges faced by organizations today requires clear thinking and a unique set of innovation capabilities.

Humans have the unique ability to symbolically reason, or fantasize; however, this is a skill that must be learned and then reactivated through repetition in order for it to stay sharp. Humans are also powerful natural explorers with brains that are capable of growing new neurons, allowing the capacity for lifelong learning. (9) **People are, therefore, excellent natural innovators, under the right working conditions.**

To be good at innovation, therefore, you must harness and nurture brain power in your people. Establish an **innovation environment, (4)** including, for example, dedicated 'hubs' for problem solving, exercise facilities and wellness activities to help stimulate thought. (9) Google, for example, allows employees to spend 20% of their time in fantasy and exploration, which has led to 50% of their new offers. (9)

Encourage diversity of thought and opinion and remove sources of employee stress that can negatively impact on brain power. Reducing stress also helps to encourage great ideas for business that resonate more closely with your people's own passions and strengths. (10) Stress management is a topic covered in **Co Solution no. 2 – Core interventions to Combat workplace stress.**

A number of **world-class brainstorming models** are available to help teams to think and innovate more effectively. (3) An outline of one such method, called Design Operations (DOPS), is provided in the table below:

Table 1: Summary of Design Operations Value Creation Method:
Source: *New Thinking for the New Millennium* Edward De Bono ('91)

	DOPS method	Details and examples
1	Move up to a broader concept	Why do we hand out loyalty cards? To prove their frequency of custom – Frequency of custom is the broad concept.
2	Move down to an idea or concept	How else can prove frequency of custom? e.g. record their customer details every time they purchase
3	Parallels and Alternatives	What are alternatives / these may be cheaper or more expensive options e.g. provide them with a mobile phone app that can be scanned at check out
4	Consider all factors	What other factors do we need to consider? e.g. what happens when it's the customer's first time? What happens if the customer doesn't have a mobile telephone / how can we design the mobile app to interface with other knowledge management systems?
5	Challenge	Is the way we are currently doing things unique or necessary? i.e. Do we need to hand out loyalty cards? Is there a better way of proven frequency of custom that may be unique or even help us achieve other things?
6	Change or modify	Can we keep the original way of doing things but modify it? e.g. hand out loyalty cards at the cash register and not send them in the mail or hand out mobile app details at the cash register
7	Develop	Flesh out the idea further e.g. Attach a more detailed process to how mobile applications would be created, interfaced with knowledge management systems and delivered to the customer
8	Combine	Bring ideas together e.g. arrange to give out loyalty cards to people who don't have mobile phones
9	Context	Identify surrounding context e.g. What are the time scale / cost implications? What is the design supposed to achieve? Who will do it? How will it be placed versus the competition?

10	Provocation	Will the idea work? e.g. test idea design backwards
11	Strengthen	How can we make it even more unique / better?
12	Make practical	Try to use existing systems, capability, etc. This may require some trade-offs between quality and cost, for example.
13	Analysis	Analyze existing approaches to see if they can work better
14	Divide Up	Divide the design process up into sub-tasks and allocate these to people
15	Value Scan and fit	Use Edward de Bono's six thinking hats to determine overall value – good and bad. Is it still a good fit for the organization and current environment?
16	Random Entry	Use this technique when designs are stuck or a new starting point is required

Directives for leaders – Coming up with a Competitive idea

- ✓ Accept that traditional barriers to entry and toll gates are being rapidly eroded for large and multi-national organizations.
- ✓ Analyze the competitive landscape before making any decisions. This includes the macro environment, industry, competitors, and the organization. The internet makes this process efficient and cost-effective. Tools you can use to determine whether an offer can have competitive advantage and how it should be positioned in the market include: PESTLE, Five Forces, Strategic Capability Analysis, and SWOT.
- ✓ Aim for 'transient' rather than 'sustainable' competitive advantage when creating new offers.
- ✓ Many offers will have shorter lifecycles and you will have to become comfortable with rapidly disengaging and redirecting resources.
- ✓ Pursue offers that are at the beginning of their market growth phase or 'window of opportunity' on the 'S-Curve'
- ✓ Retrain employees to acquire a broader range of skills that can manage new innovation lines across a broader industry set. This can be done electronically, instantaneously and at a lower cost than in the past.
- ✓ Employ innovation teams of knowledge experts to work under short-term contracts on projects.
- ✓ This allows the easy scale up and down of teams between projects and also the flexibility to undertake multiple projects.
- ✓ Establish a budget for innovation.
- ✓ Appoint a leader of the innovation team and empower them to make fast non-consultative decisions.
- ✓ Establish a learning environment and innovation space for teams to think in, including sensory appealing hubs, exercise opportunities, and wellness management.
- ✓ Use Value Creation Methods of design and innovation and employ in-house facilitators to encourage maximum effectiveness in brainstorming and innovation for successful implementation.
- ✓ Stress is associated with life-changing events, which can occur as organizations adjust to a new competitive pace. Stress makes it difficult for innovation to occur and should be actively

A Corporate Fable – Part 2

“Four.”

Kirk ducked just in time to avoid a waylaid drive. “Sorry!”, came a distant apology!

He sighed with relief. That could have been a disaster.

ACME’s Long Island incident had been a disaster, upsetting everybody – customers, shareholders, suppliers, the community, and the Executive Team. The media had had a field day and ACME’s brand and reputation had been badly tarnished.

‘It’s time we rebuilt our brand,’ Kirk thought. ‘If we are going to turn this company around we need a strong global brand once again. One that’s culturally sensitive, regionally relevant and that illustrates how ACME can provide greater value to customers ... and if we can’t find a way to add value, we may have to aim to provide a low-price, low-value offer. Kirk smirked as he envisaged ‘No-Name Brand ACME’ emblazoned on customer invoices.

The drive was good. Straight up the middle. ‘I’m hitting my stride now,’ Kirk thought, as he marched towards the ball.

The ball sat at the edge of a steep descent onto the second green. Kirk bit his lip, realizing he would only need a slight movement to create a large downward slide.

It reminded him of something he had learned about upstream and midstream marketing approaches. If you could influence policy makers in your favor, then you can leverage new policy to create more sales. ACME had done this once or twice before, lobbying government for subsidies to stimulate demand so that consumers could get discounts off the purchase price.

‘Perhaps there is an opportunity to lobby for accreditation for companies that actively manage safety and wellness for their customers and their families,’ Kirk thought. ‘ACME and any other companies that passed a government-accredited test could be entitled to call themselves a ‘CARE’ organization, or something similar, and use a ‘CARE’ logo for promotion and recruitment purposes . . . similar to the ‘Employer Women of Choice’ accreditation system . . .’

ACME also had a good B2B business. Perhaps there was some way of getting ACME’s customers to advertise ACME’s products on its behalf? That would open up a whole new list of prospects to access.

Kirk chipped the ball and watched it roll on to the green, stopping only inches from the hole.

“Yes.” He punched his fist in the air.

Chapter 3.0 Conceiving the offer position and establishing goals

Organizations need to be clear on their goals and select the right marketing position for their offers. Increasingly this may mean large organizations need to take a low-cost, low-value approach, in order to exploit cost and experience advantages.

3.1 Position offers for success

Once a new offer has been identified, it must then be developed and positioned correctly in the market in order to stimulate an appropriate level of sales and profits.

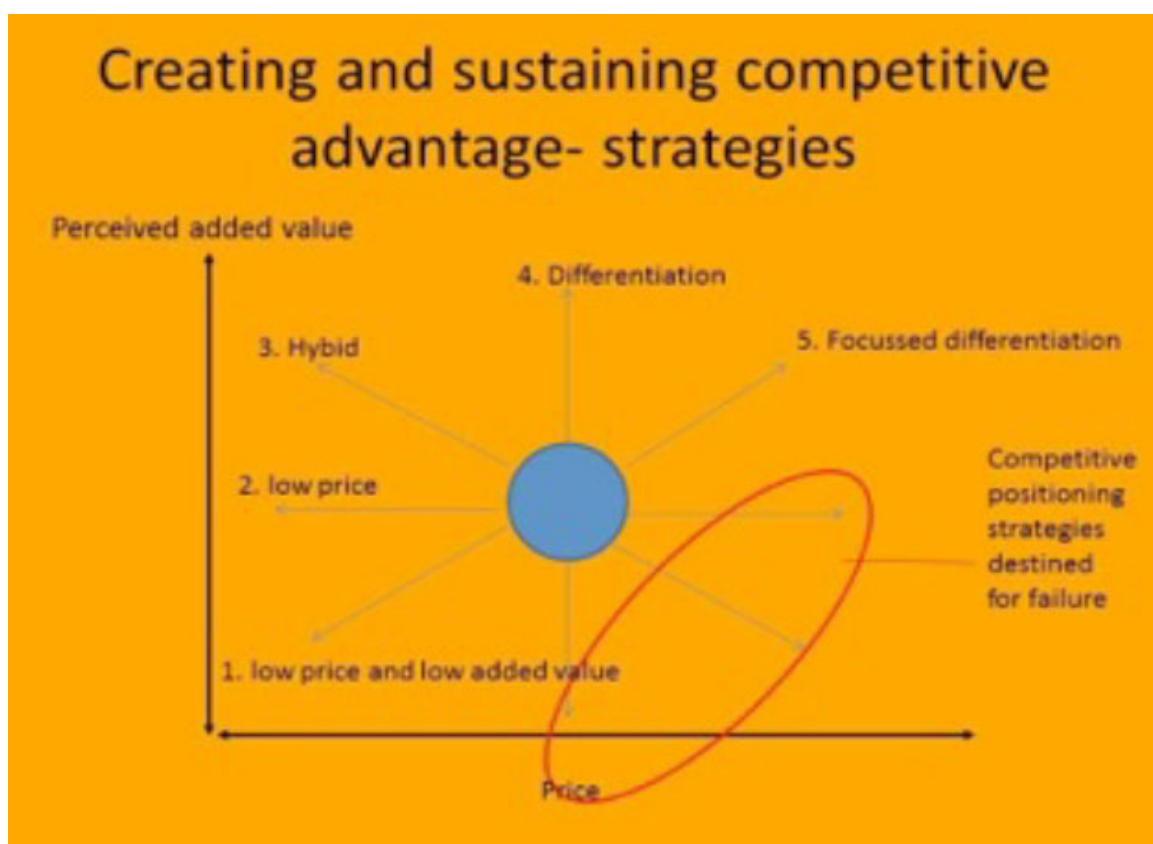


Exhibit 3: Bowman's Positioning Clock

Source: Durham Business School MBA, *Managing in the Competitive Environment*, 2005, Unit 5.

The Bowman's Positioning Clock is a useful tool for understanding the range of strategic positions available for any offers that you produce.

1. Adopt a **low-price and low-added value** when your target consumers are highly price sensitive and they expect basic quality. This position only works if your organization benefits from a lower cost model compared to competitors and if the customer segment won't pay higher prices even when greater value is on offer. For example, supermarkets have been successful in positing 'No-Name' brand groceries and household utilities in this way.
2. You may wish to adopt a **low-price** position when launching a new offer, with the aim of rapidly penetrating your market. For example, when a new chocolate bar or soft drink is launched into the

market, it is often promoted at a lower price relative to its competitors, via trials, coupons, two-for-one offers and so on. (11)

3. Take a **hybrid** position when your product offers higher perceived quality at relatively low prices. This is similar to the 'low price' strategic position; however, your offer will generally also have brand strength that creates the perception of higher value. For example, shampoos tend to be chemically similar; however, brand names are successful in increasing the perception of brand. Procter and Gamble thus charge a higher price for Pantene than for Head & Shoulders, because the perception of value is higher. (12)
4. Brand is discussed further at 4.0 *Commun-e-cation and brand*.
5. The differentiation and focused differentiation positions should be taken when you establish offers that have unique sources of competitive advantage and provide real added value to consumers that is difficult for competitors to replicate. For example, the Apple smart phone when first introduced had unique sources of competitive advantage, including its touch sensitive screen and logical menu. It was positioned to cover a narrow consumer segment scope (taking a 'focused differentiation' position), and charged a higher relative price. As it moved along its S-Curve and competitors with similar offers began to enter into the market, its positioning shifted to cover a broader competitive scope (taking a 'differentiation' position) and prices were lowered. (12) *Note: This pricing strategy is also known as a 'skimming' pricing strategy (6.2 Prices, Costs and Profits-Pricing Strategies).*
6. Do not attempt to continue to charge premium prices without equivalently high levels of perceived added value or quality. This is a **failure strategy** that can lead an organization to its downfall.
7. SAAB is an example of an organization that suffered because it continued to charge higher prices despite the fact that perceptions of added value had fallen. (13) Had it adopted a different positioning strategy and refreshed its brand (4.2 *Commun-e-cation and brand*) to create the perception of greater value, then the outcome may have been different.

In short, positioning an offer as a 'low cost leader' is appropriate when your organization benefits from large economies of scale or experience advantages (expanded upon in **Co Solution no. 3 – Take control of your future: Develop your own global Co. – Chapter 2**). A 'differentiated' offer position is likely to be more appropriate when it has unique value-added benefits.

Table 2: Positioning strategy options – Source: Durham Business School, MBA module – Competition in the Competitive Environment, 2005, Unit 5

Positioning strategy	Examples
When a low-cost strategy might be used	When there is: Low-cost distribution or logistics Efficient process design Easy-to-make products
When a differentiation strategy might be used	When there is: An innovative product High-quality brand image Quality customer service

3.2 Create target market segments that are ‘upstream’ and ‘midstream’

Target market or customer segments can be downstream, upstream or midstream.

Downstream target markets are groups of consumers or companies that are marketed directly. Upstream and midstream target markets, such as government and other organizations, are entities that can help to market the product or offer on the companies behalf, either indirectly (e.g. via policy change) or directly.

Upstream and mid-stream target marketing can be very cost effective for establishing a market position.

Using the earlier example of a unique premium fuel offer, you may decide to persuade other organizations to market the product on your behalf, through partnership programs and co-branding (see Chapter 4.0 *Communication and brand*). You may also decide to lobby government (upstream) leading to policy development that helps promote ‘safer, cleaner’ fuels and, in doing so, supports sales of your premium fuel.

Analyze all potential target market segments to determine: (14)

- What are the barriers that might stop that customer segment from purchasing the offer? Using the example of a premium fuel, one such barrier may be the perception of paying more money.
- What are the ‘competing behaviors’ – the behaviors that might stop consumers from switching to purchase the offer? One such competing behavior in this example may be that consumers may have access to retail fuel sites that are closer and easier to access.
- What are the benefits of the offer for that target segment? Taking a target segment called ‘families’, for example, a benefit may be perceived by families in the premium fuel’s ability to help run their cars better and more safely.

Target market segment research can be conducted in a number of ways. You may choose to use market research consultants to perform the task. Alternatively you may be content to adopt **simpler, faster and cheaper research tools** including internet software programs such as ‘survey monkey’, social media and email; focus groups via web collaboration; and web analytics.

3.3 Set goals to provide direction and a benchmark against which success can be measured

Before developing and marketing any offer, you must establish clear goals to help guide in your implementation strategy and provide a benchmark against which success can be measured. **These goals should be aligned to changing knowledge, beliefs and behaviors.** (7)

Using the premium fuel offer as an example, you may set a goal that within two years of the offer’s implementation:

- Premium fuel market share will have grown by 5% through converting consumers’ behaviors in a target region (behavior goal)
- 20% more consumers will believe that the fuel is a superior quality to any other fuel (belief goal)
- 85% of fuel consumers will understand the offer’s value proposition (knowledge goal)

3.4 Use behavioral change models to guide on likely consumer actions

There are a number of behavioral change models that can be used to guide in the assessment of target markets, determining how ready each segment is to take action and purchase an offer. These models help not only to shape the behavioral, belief and knowledge goals, but also the marketing campaign strategy (4.0 *Commun-e-cation and brand*) and the offer implementation strategy (7.0 *Converting the organization*).

The **Diffusion of Innovations** model, for example, explains how the uptake of an offer across a target market segment follows a bell-shaped curve. Innovators (13.5%) represent the relatively small subset of the population that is closest to deciding to purchase, because ‘trying new things is appealing’. Early adopters are the next 34%, drawn by the product’s intrinsic value, late adopters the next 34%, after ‘jumping on the bandwagon’ and laggards the final 13.5% (7).

The implication for marketing is that **innovators and early adopters are targeted first**. Once that adoption is successful, the late adopters and laggards are targeted.

The **Stages of Change** model is another useful tool, categorizing behavioral segments according to a consumer’s readiness to make a change and purchase a new product. Table 3 illustrates the stages that individuals are at when contemplating change. It provides examples of the types of initiatives that help people move from one stage of change to another, by directly addressing the ‘barriers’ and ‘competing behaviors’ revealed from target segment research.

Table 3: Stages of change assessment and examples to shift behavior

Stage of change of market segment	Details	Research results-barriers, competing behaviors, perceived benefits and marketing solutions
Pre-contemplation	Consumers at this stage have no intention of purchasing a new offer.	This group perceives the greatest number of barriers and competing behaviors. They require information and statistics about the offer’s benefits and the costs of alternative or competing behaviors.
Contemplation	Consumers are aware of the offer and are weighing up the relative advantages and disadvantages. They may be planning to take action.	Trials and free offers can help push consumers into action e.g. two-for-one offers or free coupons.
Action	Consumers take action to purchase an offer	Rewards for reaching milestones or purchasing ‘today’ e.g. 1000 shopper gets a mystery prize
Maintenance	Consumers continue to consciously purchase an offer, even if there are still some competing behaviors	Consumers require incentives to Continue to purchase e.g. loyalty programs

Directives for leaders – Conceiving the offer position and establishing goals

- ✓ Position offers according to whether there is perceived added value. Multi-national organizations can easily find themselves positioning an offer for failure, where prices continue to be charged for added value, but the consumers no longer perceive added value. Branding can help to add perceived value.
- ✓ Consider upstream (e.g. government policy makers) and mid-stream (e.g. other corporations, with access to additional consumers and prospects) target market segments, as these can provide cost-effective means of reaching a broad target market.
- ✓ Establish clear goals to help guide in an offer implementation strategy and provide a benchmark against which your offer's competitive success can be measured.
- ✓ Use Behavioral Change Models to help shape your goals. This also helps to shape the marketing campaign strategy (referred to in *4.0 Commun-e-cation and Brand*) and the offer implementation strategy (*7.0 Converting the organization*).

A Corporate Fable – Part 3

Kirk surveyed the fourth. It was a trickier hole, but it often provided the opportunity for good players to get a decent lead over the opposition. If he could just make par on this hole then he would only be two shots down and able to make up par on the sixth and seventh, which were easier and flatter.

Getting the funding to finance piloting and marketing of any new offers was going to be difficult. Traditionally, marketing costs were high in ACME, running at about 10% of sales year-on-year. That enabled ACME plenty of latitude to sponsor some major golfing tournaments and a famous football player, host plenty of customer events, produce a range of television advertisements, attend trade fairs and produce a range of other materials.

Although marketing wasn't Kirks area of expertise, he did wonder whether this might be an area that could be managed more simply and strategically.

He recalled at an industry seminar recently hearing about an organization that had produced an award-winning international marketing campaign with less than 5% of ACME's current marketing budget, which had generated millions in revenue in return.

Perhaps the most interesting thing about the campaign was that no TV advertisements or sponsorships deals had been used. Instead, a competition had been run over the internet, requiring customers and employees to help make YouTube video advertisements around a specific theme song and upload these to a central portal on the website. Winning videos had been selected for email and social media distribution. Some had been so successful that they had gone viral and were being used by people all over the world. The theme song had even made the iTunes Top 10 chart in one or two countries

The marketing campaign had also featured a flash-mob of volunteers in Atlanta (picked up by the evening news), a public art development and exhibition that volunteer art students had prepared in New York, some posters and banners at major commuter hubs, some radio and news articles. The campaign had cost only \$150,000 and estimated to have created much more than that in value even within the first few weeks. The revenue from the iTunes charts also had come close to covering the costs of the whole marketing campaign.

Sales teams also heavily reduced their 'on-road' sales visits, replacing prospecting with YouTube advertising videos on 'landing / squeeze pages' and relationship management with 'Skype', webcast and podcasts. One sales manager used to even regularly catch up for coffee with his customers over Skype, depositing \$10 into their bank account and ordering them to shout themselves to a latte and muffin before taking the call.

The YouTube videos were often replicated and distributed to a much wider range of prospects than the sales teams could have ever managed alone, by email or through the various social media channels –LinkedIn, Facebook, Twitter and so on.

Although initially sales managers were highly skeptical, once they started to build up their email databases and social media distribution lists, they then realized how powerful electronic marketing and sales could be. Many enjoyed the creativity and the wider scope for presentation that could be used with audio-visual media.

Sales staff territories were reduced and restructured to ensure maximum efficiency. Many of the ex-sales staff had gone on to participate in new innovation teams or as change management resources, helping to embed the new way of doing business.

As part of supply chain improvements, the corporate website had also been reconfigured to allow customers to order and pay for goods online, effectively bypassing the sales manager, who had previously been responsible for the placement of orders.

Using electronic and social media also demonstrated that the company was proactive and forward thinking, prepared to embrace contemporary solutions in order to change for the better. Customers appeared to respond well to this more modern approach to service, as reflected through surveys and sales.

Kirk brought his attention back to his game. The first two shots had gone as well as could be expected. The third shot was always the trickiest, requiring the ball to curve left in order to miss a thicket of trees and remain on the green.

“Be confident,” he muttered to himself. “You have done this plenty of times before. What could possibly go wrong?”

He swung the club back and straight ... and then followed through . . . swish . . . bang.

The flap on his glove had not been properly fastened, lifting high into the air and just distracting him ever so slightly as he hit the ball . . . straight into one of the front row trees.

“Now I’ve done it,” he groaned. “It will take me a few shots to get out of this one.”

As he trudged toward the thicket he replayed the shot mentally. If only he had fastened his glove. It was like some of the incidents that seemed to occur in his business – assets breaking down because some had forgotten to properly survey its condition, stocking customers out at supply points because someone had forgotten to place an order, systems that overloaded leading to explosions because safety procedures hadn’t been followed. Kirk felt he was always battling to keep ACME’s reputation afloat – both externally with the press, government and customers and internally, with his peers. The worst part was, many of the incidents and issues were avoidable, providing the correct procedures and processes were followed. Of course, once the press got on to something, ACME’s brand really suffered . . . as it had done after the Long island incident . . . leaving ACME to chip its way out of the woods in order to restore its global brand presence.

Chapter 4.0 Commun-e-cation and brand

Electronic marketing communications is cheap, accessible, and powerful. It makes positioning a global brand easy.

4.1 Design marketing for 'top of mind' recall and long-term memory

Effective marketing ensures that consumers form positive conclusions about your offer ahead of competitors' offers. This is achieved through creating deep and broad offer and brand awareness, leading to 'top of mind' recall and long-term memory.

Marketing must convey that your consumers' needs will be met in terms of its attributes, price and personality. For example, a lubricants product that is being promoted by David Beckham across Asia, compared to a similar product promoted by an anonymous actor, is more likely to meet consumers' needs for a perceived high 'psycho-social' personality. (12)

It must also evoke positive 'means-end' identification for consumers. For example, a low-calorie chocolate should be marketed in such a way that makes consumers believe: 'I eat lower calorie food with this new 'low calorie 'chocolate, therefore I put on less weight, therefore I am happier with myself'. (12)

A range of marketing techniques can stimulate your consumers' memory of the offer. Integrating sensory perceptions, using visual stimulation, such as color and animation, auditory stimulation like music, and even olfactory stimulation are more likely to increase the memory of the offer. Emotive stories and jingles that repeat are also popular. (9)

4.2 Create a global brand to add 'perceived' added value

Branding can change a person's perception of an offers value.

Your brand equity will increase if you create a memorable brand with a personality that appeals to consumers. (9) A brand should convey the offers' points of differentiation and strengths. Even when offer differentiation does not exist a brand can provide a perception of added value. When consumers perceive a higher value, then they will likely pay a higher price. For example, household cleaning products, tampons, razors and garbage bags provide little or no differentiation in their products; however, many use brands and packaging that intimate a unique value proposition.

A brand may, for example, create a value proposition because it promotes a higher length of time in the market (such as Kellogg's cereals) , a higher quality (Toyota), creates an image that appeals to the younger people (Nike), or infers a higher psycho-social connection through celebrity endorsements (Castrol lubricants). It may refer to a specific ingredient, claiming that ingredient to provide a unique taste that is 'preferred' to other tastes (Kronenburg 1664 beer).

Brands don't have to just be created for differentiation. They can also help consumers identify the low-cost, low-price goods (such as 'No-Name brand' supermarket goods).

6.8% over the average industrial brand and 14% over a new, unknown brand. (15) Quality is the main brand-equity-generating variable and intangible attributes such as supplier's reputation and perceived product reliability are generally more important to businesses than tangible attributes such as price. (15)

The less specific the band name, the easier it will be to transpose the brand name across a portfolio of offers. For example, Nivea could extend its brand range to shampoos, but Head & Shoulders would have difficulty trying to extend its brand to skin care. (16)

Table 4 summarizes a range of attributes that you should incorporate into your global brand.

Table 4: Successful brand attribute summary

Well-known successful global brands include:	<ul style="list-style-type: none"> • Apple • Nike • Coca-Cola • Gillette
Successful brands generate:	<ul style="list-style-type: none"> • High brand equity (= value) • High offer loyalty • A deep (consumers are very familiar with the offer) and broad (consumers are also aware of the related brands e.g. apple iPods, iPads, iPhones, etc.) brand awareness with consumers • A positive ‘means-end’ experience for the consumer: <ul style="list-style-type: none"> – e.g. the McDonald’s low fat range = less calories, which leads to a means-end experience of ‘I feel better about myself’
Successful brands are all characterized by:	<ul style="list-style-type: none"> • Easily identifiable symbolism • Global and cultural sensitivity • Trademarks and patents • Guidelines that reflect regional considerations and convey a perception of: <ul style="list-style-type: none"> – High quality – Market positioning: Low price or differentiation (or both) – Consistent offer – Meeting of consumer needs – Attributes and benefits – Style – Price – Quality – Fulfillment of a psycho-social needs (e.g. ‘I feel I have the best product on the market if I have Apple product’. Note: this aligns with differentiation positioning strategy) – Personality that matches the offer (e.g. Nike ‘Just Do It’ conveys a personality of ‘striving to win’)

A **culturally relative**, contextually sensitive approach to international branding should be taken, that considers the different perceptions of brand. (17) This includes, but is not restricted to:

- Individualist themes are more favorable in USA; collectivist themes more favorable in China. (18)
- Countries in which male and female roles are still traditional prefer brand personality that focuses on ‘power and success’ over ‘team work and fair’. (19)
- Japanese cultures prefer more subtlety in communications than USA or Northern Europe. (16)
- In the UK, Austria and the Netherlands the dimensions of ‘collectivism’ and ‘power orientation’ differ significantly from Asian-based countries. (19)

- The USA shows significant differences in ‘power distance’ and ‘performance orientation’ from many other countries. (19)
- The youth segment is relatively culturally homogeneous. (20)
- Women tend to learn differently to men because their brains are ‘wired’ differently. Women are more likely to pick up the ‘gist’ while men prefer the ‘detail’. (9)
- References to cultural identity is popular in Belgium, Catalonia, Brittany, Scotland, Kosovo, and Euskal Herria (Basque Country), which are all associated with the invention of consumer traditions (21) and have a growing interest in local cultural roots and identity systems. (22)

A repertoire of cultural attributes can also be generated by analyzing popular songs, films, literature, theatre, the internet, and other media. (17) Cultural marketing advice can also be found in Global Conversations© at www.acoaffair.com or enquire at info@acoaffair.com.

Globalization generally increases the value of the brand and enables an organization to benefit from transnational efficiencies in advertising. It is particularly successful when targeted at markets with an open mindset to becoming global, such as South Africa or Australia. Local brands will tend to remain more popular in countries that wish to remain different, such as France or Greece. (12)

Global brands should focus on common values across cultures, rather than adapting to individual consumer cultures. For example, *Cosmopolitan* magazine advertisement have more standardized (i.e. advertising copy and models) than domestic elements. (12)

A successful global brand must have a name that is easy to pronounce in different languages and language-neutral. For example Rolls Royce Silver Mist name sounds strange in Germany, where ‘mist’ means ‘manure’; as does the Finnish toilet paper, ‘Krapp’, in English speaking Countries. (12) It must also be able to be legally protectable; therefore, no generic words should be used.

Using an iterative process, in which consumers interact and collaborate to co-create global brand meaning, can also be an effective approach to developing a global brand. (23)

4.3 Create integrated communications campaign strategies for best results

Ensure to map the goals of your marketing campaign against its target segments into a **stakeholder engagement matrix**.

Typically, campaigns are managed and governed as projects, integrating objectives and goals to marketing activities.

As behavioral profiles, and learning styles of individuals, and corporations tend to vary across industries and regions, so too should integrated communications campaigns, in **content, tone, and style**. A rapidly evolving high technology company, for example, will likely respond differently to communications than traditional conservative industries.

Use the content recommendations for best-practice integrated creative strategies from the table below (Table 5):

Table 5: Best practice Integrated Communication Campaign strategies and examples

	Explanation of Content	Example
Urgency	Establish reasons for the target audience to need the product RIGHT NOW!	'If you aren't using a branded premium fuel, then you may damage your car'
Emotionality	Many studies show that the more the message resonates at an emotional level, the more it will be remembered. This must be balanced with an understanding of cultural behavioral profile or the industries learning style (12)	Some Asian cultures may be offended by eroticism in advertisements (12)
Music and jingles	Music helps create brand awareness and establish deep brand awareness, leading to 'top of mind' recall	'Happy Little Vegemite' 'Dumb Ways to Die'
Creativity	Helps to establish a brand personality. Humor tends to be more useful for existing brands rather than new brands	In Spain, a successful advertisement to get children to watch less TV showed a child watching TV and a dog watching him. When the kid did nothing the dog packed his bags and left Beer ads can also be very creative, generating a lasting impression (12)
Storytelling	Heart-felt storytelling helps consumers to connect emotionally in addition to providing a comparison or benchmark for consumers	Insurance Companies often use emotive 'real life' storytelling to convey the importance of having adequate insurance in a crisis
Consumer participation	A very effective method in brand and content creation is to get consumers to contribute video/ photo/ story to build your brand	M&Ms were very successful in the branded campaign, inviting consumers to upload their photo into storyline, which was later used as advertisements (23)
Cultural Sensitivity	Words and sentences have different meanings and impacts in different cultures and regions	Communications conveying 'power', 'authority' and 'masculine' more heavily influence countries with more conservative and traditional male/female roles

4.4 Use contemporary and cost effective channel strategies

Perhaps **the most significant development in contemporary marketing** is in the area of channel strategy. The internet, technology, and globalization have all contributed to enormous differences that can be achieved in promoting and distributing a new offer into a marketplace today.

In the past, large corporations required promotional budgets – often up to 20% of the expected sales revenue stream (11) – to design and deliver marketing strategies. **‘Push’ strategies** included advertising across television, newspaper, and radio; printed materials such as brochures, billboards, direct sales, and direct mail orders. **‘Pull’ strategies** included telephone research, face-to-face focus groups, consumer surveys, mail out questionnaires, launch events and trade fair participation. Popular **positioning strategies** included sponsorships, competitions, and sweepstakes. Target markets were constrained to existing prospect lists held internally, or purchased from marketing list providers.

Today, however, **electronic channels can be assembled far more quickly and cost effectively to promote offers to an even broader, genuinely global market place.** Table 6 summarizes electronic promotional channel that you can adopt.

Table 6: Summary of electronic integrated marketing campaign channels

Marketing Communications promotional channel strategy	Details
Digital photos and videos	Digital format photos and videos are convenient and inexpensive to produce, being also available on smart phones
Blogs	When combined with an effective web presence, blogs enable any individual to write and reach an infinite audience. Audiences can also respond through comments creating a two-way conversation
Wikis	Wikis enables two or more people to co-create a document. This can be useful for a variety of purposes (aka Wikipedia)
Communities	Communities can be established to create greater offer engagement via the internet between: Senior management and consumers Technical staff and consumers Sales staff and consumers Consumers and consumers
E-books	Online books can be created on websites, and uploaded to emails / social media or squeeze pages, where they can be accessed via computer or mobile application
E-magazines	E-magazines can be created in the Apple iStore for very little cost. They can also be marketed by social media / email or squeeze pages.

Webinars	Webinars can be recorded and later sent via email or uploaded to websites for access
Podcasts	Communications can be recorded onto podcast where they can be downloaded onto smart phones and computers and accessed for listening via email or social media
High quality digital presentations	Most standard software packages incorporate digital presentation materials at zero cost. Some companies offer services to help organizations produce higher quality presentations that can be made available electronically and via social media
Competitions	Can be established on corporate website or via mobile application. The offer's packaging can also invite consumers to participate in competitions. Competitions can also be used to help establish promotional and branded materials (see M&Ms' example)
Games	Websites and mobile applications can incorporate games that act to promote an offer. This can be particularly useful when marketing to a younger global audience (which also benefits from little cultural sensitivity, as noted above)
Electronic postcards	A simple but effective promotional tool using digital media that can be distributed virally
Email	Email can be used as an engagement tool or as a form of personal or direct sales
Website including banner ads, links, RSS feeds	A branded corporate web presence can be established and hosted for relatively little cost. It can provide information about the organization and its offers via banner ads, links and RSS feeds. It can also host communities and chat rooms and be used as a central source for co-creating marketing solutions with consumers
Mobile applications including games	Mobile applications can also be a useful source for promotional games and competitions, that are commonly played through mobile phone or tablet
YouTube videos	Digital videos can be uploaded at zero cost on to YouTube for viewing
Social media including blogs and microblogs (LinkedIn, Twitter, Facebook, etc.)	Blogs and micro blogs can be produced and read instantaneously, through computer, smart phone or tablet access
Co-branding with partners	Advertising on partners' websites and other promotional materials

Affiliate marketing	Promoting other organizations, that have the potential to lead to sales of the organizations' offer
Measurement / Analysis / Surveys	Websites and other software applications provide analytical information, to determine how well a promotion is being received, at zero or little additional cost

For maximum effectiveness in persuading consumers to purchase your product, use **two-way conversation channels**. This is because relationships help to stimulate interest and attention. (9) Electronic channels enable consumers to converse directly and immediately with organizational decision makers, sales staff, technical specialists and other consumers. They enable consumers to co-create ideas through wikis and facilitate two-way conversation via blogs, webinars, podcasts, online communities, and chat rooms.

Use digital media to promote offers via powerful and effective visual and auditory mechanisms. Digital photos and videos can easily and simply be uploaded to websites or sent via email or cloud storage solutions and used to replace expensive traditional advertising.

Customers can also participate in a powerful way to help shape brand and marketing. M&Ms were successful in creating a promotion that required building an image of an M&M character using the digital images of consumers and reasons for why they would choose M&Ms. Consumers were involved in promoting M&Ms through **storytelling**, leading to an enriched consumer engagement with the brand and organization. Further, each consumer that participated was sent a postcard with their personalized character, which could be **distributed virally**, providing influential 'word-of-mouth' marketing. Furthermore, the evaluation of the promotional activity utilized embedded **web-based analytics**, thereby providing helpful feedback to ensure the offer remained consumer-led.

Mobile applications that are iPad friendly can be relatively simple to create and enable consumers to access marketing communications at any time, via smart phone or tablet. They can, for instance, be used to create interactive games or to promote competitions.

Don't forget to consider cultural and regional differences when selecting campaign channels. For example, some consumers may have regular access to social media networks and communities, while others may be more dependent on a monthly trade magazine. It is therefore often important to continue to augment integrated marketing campaign channel strategies with printed materials and other traditional channels.

The effective use of email and other electronic channels can even lead to rationalization of direct personal sales staff, creating cost advantages for an organization. *Costimize*© at <http://www.acoaffair.com> or enquire at info@acoaffair.com suggests a useful tool for determining how on-road sales staff may be effectively streamlined and teams made more cost effective.

While electronic promotional channels are vital in modern organizations, it is important to establish the ability to monitor digital communities for **brand protection** purposes, particularly with the threat of viral spread.

Other non-electronic major marketing communication channels that can be integrated into marketing campaigns are listed below (Table 7). Some of these can also be very cost effective, such as flash mobs and public art sponsorship. Trade and community publications, press releases, and radio are also relatively inexpensive non-electronic media channels.

Table 7: Summary of non-electronic integrated marketing campaign channels
 Source: Lee and Kotler (2011)

Advertising (paid media and unpaid public service announcements)			
Broadcast	TV	Outdoor	Billboards
	Radio		Train station boards
Print	Newspaper		Bus shelter displays
	Magazine		Taxis
Direct mail	Paycheck stuffers		Sports events
	Back of tickets / receipts		Banners
	Ads in theatres		Free Postcard racks
Printed materials	Brochures		Kiosks
	Newsletter		Toilet stalls
	Catalogues		Airport billboard
	Posters		Truck side advertising
	Calendars	Special events:	Meetings
	Envelope messages		Speaker bureaus
	Booklets		Conferences
	Bumper stickers		Exhibits
	Static stickers		Health screenings
Public relations and special events	Stories on TV and radio	Special promotional items	Demonstrations
	Articles in news and magazines	Clothing	Hats, t-shirts, bibs, etc.
	Community relations/ Public affairs	Temporary items	Coffee cup sleeves, bar coasters, broaches, temporary tattoos, balloons, sports cards

	Lobbying	Functional items	Key chains, flashlights, refrigerator magnets, water bottles, litter bags, pens, bookmarks, notepads, door hangers
	Videos	Personal selling	Face-to-face, presentations, speakers bureaus
	Media Advocacy		Telephone
Signage and displays	Road signs		Workshops, seminars, training sessions
	Retail signs		
Popular and entertainment media			
Songs	Public art	Comic books	Product integration
Flash mobs	Movie scripts, TV or radio programs	Video games	

NAB produced a successful, award-winning campaign utilizing a range of inexpensive media. At launch day of their 'Break Up' campaign, street theatre/ flash mobs performed in city centers; DVD hand-outs with love songs were made in commuter corridors; cakes were sent to the CEOs of other banks; and a variety of creative YouTube advertisements were posted, which resulted in a viral distribution that exceeded marketing expectations. Blogs and communities were established on the corporate websites to complement radio advertisements.

Finally, you should consider **co-branding** and **affiliate marketing** with suppliers and other potential partners. This is a particularly useful strategy for promoting to new global markets where you lack brand identity. Co-branding includes advertising on supplier, partner, reseller websites, and using affiliate databases for direct and personal sales via email. It also includes combining offers to provide consumers with integrated experiences. For example, Trek Bikes arranged for Volkswagen to offer free Trek Bikes with every purchase of a Volkswagen in South America, where Trek Bikes had previously had no brand presence.

The opportunities for organizations today to create contemporary, engaging, far-reaching and cost-effective integrated marketing campaign strategies are not only significant, but the methods are also groundbreaking.

In the past a promotional budget would have been necessary to develop branding, messaging and other advertising materials. Such materials would have also been distributed via expensive traditional channels.

Today an entire global marketing campaign can be constructed for a very low cost, eliminating the need for design agencies, advertising, events, sponsorship deals and other expensive forms of marketing – even on-road sales staff. Most software packages offer a range of design tools that can create branding logos, letter

templates, with-compliment slips, presentation templates, and business cards. If additional assistance is required in creating the brand 'look and feel' then there is a host of information on the internet and a number of cost-effective brand service providers that can be found with a simple search.

E-books, e-magazines, podcasts and webcasts can be created inexpensively and distributed electronically. Software applications can be easily downloaded that help create websites, e-books and magazines, digital videos, presentations and other electronic sales tools (such as 'landing pages' / 'opt-in pages' / 'squeeze pages').

E-channels, such as communities, have the benefit of providing two-way conversation. This is effective in creating sales and also helps provide useful feedback so that offers can continue to meet customer needs.

Contemporary, low-cost marketing communications strategies are explained in more detail in [Commun-e-cate](http://www.acoaffir.com)© at <http://www.acoaffir.com>

Directives for leaders – Commun-e-cation and brand

- ✓ Develop your marketing to convey that an offer meets consumers' needs in terms of its attributes, price and personality. It must evoke a positive 'means-end' identification for consumers.
- ✓ Develop a culturally relative, contextually sensitive global brand. Even when offer differentiation does not exist, a brand can provide a perception of added value. When consumers perceive a higher value, then they will likely pay a higher price. A leading industrial brand name can command a price premium of 6.8% over the average industrial brand and 14% over a new, unknown brand. Quality is the main brand-equity-generating variable.
- ✓ Consider creating a single global brand. Globalization generally increases the value of the brand and enables an organization to benefit from transnational efficiencies in advertising. It is particularly successful when targeted at markets with an open mindset to becoming global.
- ✓ Use low-cost software packages and online suppliers that offer a range of design tools that can create branding logos, letter templates, with-compliment slips, presentation templates and business cards.
- ✓ Map the target segments against your marketing objectives into a stakeholder engagement matrix.
- ✓ Create contemporary, engaging, far-reaching and cost-effective integrated marketing communications strategies:
 - ✓ o Online communities enable consumers to converse directly and immediately with organizational decision makers, sales staff, technical specialists and other consumers.
 - ✓ o Digital photos and videos can easily be used to replace expensive traditional advertising through YouTube.
 - ✓ o E-books, e-magazines, podcasts and webcasts can all be created inexpensively and distributed electronically.
 - ✓ o Mobile applications that are iPad friendly can be relatively simple to create and enable consumers to access organizational communications at any time, via smart phone or tablet.
 - ✓ o Viral distribution provides influential 'word-of-mouth' marketing
- ✓ Evaluate the success of marketing by utilizing cheap and simple embedded web-based analytics
- ✓ Other contemporary and cost-effective channels include flash mobs and public art sponsorship.
- ✓ Trade and Community publications, press releases and radio remain relatively inexpensive media channels.

- ✓ Cultural and regional differences will also impact on the choice of *channel*. For example, some consumers may have regular access to social media networks and communities, while others may be more dependent on monthly trade magazines.
- ✓ Get customers and employees to participate in helping to shape brand and marketing (e.g. M&Ms' example).
- ✓ Employ co-branding and affiliate marketing as a particularly useful strategy for new global markets where you have no existing brand identity.
- ✓ For further information on contemporary integrated marketing strategies, please enquire about Commun-e-cate© and Costimize© at www.acoaffirs.com or enquire at info@acoaffir.com

A Corporate Fable – Part 4

Kirk ended up finishing the fourth-hole three shots over par. All was not lost, however, as he managed a birdie on the fifth and was confident he could also complete the sixth hole under par.

ACME had similarly begun the process of ‘catching up’ on its losses. The past couple of years had been about rationalizing its supply chain. There were a number of initiatives in place. For example, the procurement team had been centralized and focused on tendering for lowest-cost / highest-quality suppliers from all over the world, leading to the replacement of a number of American suppliers with Asian and Russian imports. This had helped reduce costs of many purchases, which had the potential to give ACME more flexibility in reducing the prices charged to customers, without compromising on profit.

Kirk’s business had also been in charge of developing a range of new ERP systems in order to better facilitate online sales and distribution, which promised to generate profits. “Providing the implementation goes well,” Kirk said aloud to himself, remembering the frustrating governance board meetings he had had of late, with delayed projects that were over budget . . .

Smack Plonk . . .

Kirk’s second drive on the sixth landed right in the middle of a large still pond, causing concentric circles to ripple quietly outwards from its point of entry all the way to the reeds on its shoreline . . .

Chapter 5.0 Global Coverage

Suppliers are getting cheaper, there are more of them and they can come from anywhere in the world.

5.1 Use technology for enable global distribution

Many decision makers are already involved in supply chain transformations that use technology to harness efficiencies through digitization and automation of supply chain processes (i.e. online ordering, automatic invoice generating, inventory and financial ledger maintenance, and automatic distribution systems).

Supply chain transformations help to improve the company's cost base and simplify processes (**8.0 Complexity**).

Electronic channels enable online ordering from any location on the planet, via corporate website e-commerce web pages. This helps to improve competitive scale and scope.

Distribution can go directly from 'manufacturer' or it can be channeled via 'distributors', 'wholesalers' and 'brokers' before reaching the 'retailer', where it is purchased by the consumer.

5.2 Leverage globalization to rationalize supply chains

As trade is becoming increasingly globalized, new supplier markets are becoming available. The more suppliers there are available to an organization, the more power an organization has to select suppliers based on price or other attributes, leading to cost advantages.

New and developing markets, in particular, are often capable of supplying an equivalent good or service at a lower price than more mature markets, such as USA, Australia, and Europe.

Manufactured goods and Call Centre Services are two examples of goods and services that can be supplied from China and India respectively at a lower price.

Experts of supply chain rationalization include a range of very experienced consultancies. For detailed information about relative trade strengths across regions for any one industry, there are a number of reports that can be provided by such consultants. Some of these can be accessed via the internet for a relatively low cost.

5.3 Create global customer bases with the internet

Today, you can create e-commerce pages on their websites at virtually no additional cost and sell items from any location in the world.

Internet research and electronic tools such as email databases (e.g AWeber) enable the creation of global prospect lists that can be used for sales and to push publishing goods via web, mobile application, or 'viral' distribution.

Education, training, news and other digital products can be developed, promoted, and distributed with simple access to a computer and internet. E-books, e-learning modules, podcasts, webinars, and e-magazines can be purchased online and linked to automatic electronic distribution processes that immediately forward the product via email to the purchaser.

Table 8: Summary of electronic distribution channels for education, training, consulting, media and other digital products

Electronic distribution channel	Description
Email databases	An email database is one of the most valuable distribution tools for digital publishing products Emails and other marketing ‘squeeze pages’ can be distributed via email database
Website links including blogs, wikis, communities, digital media linkage and analytics	Blogs, e-books, e-magazines, e-mail, webinars and podcasts can be linked to a website and made available for download. Websites also provide offer distribution evaluation analytics
Mobile applications	Mobile applications are becoming increasingly popular, enabling any person to access any electronic information anytime, such as e-magazines and websites
YouTube	YouTube videos can be linked to a website, distributed electronically (email and social media), or accessed from the YouTube application
Social media (LinkedIn, Twitter, Facebook, etc.)	Social media can be accessed via computer, smart phone or tablet and used to link most digital medias and electronic books / magazines for distribution
Affiliates and partnerships	Partners can be suppliers (such as Amazon) or other companies with a related interest can also distribute your published materials, perhaps for a commission

Directives for leaders – Global Coverage

- ✓ Reconfigure supply chains to leverage a global pool of suppliers.
- ✓ Create e-commerce pages on your website to enable any consumer globally to purchase your offer at any time.
- ✓ Distribute digital products such as e-books, e-news, podcasts, etc. globally with the help of various ERP systems, social media and email databases.
- ✓ Consult any one of a number of consultancies that are specialized in helping you configure supply chains and take advantage of digital distribution options.

Chapter 6.0 Costs, Prices and Profit

It's important to build financial forecasts, as this will provide the information needed to develop the right marketing and implementation plans and select the right pricing strategy.

6.1 Calculate break-even cost and contribution margin before finalizing market prices

Price is a determinant of whether an organization profits or not. **An offer's price must at least cover the unit variable costs**, otherwise for each product or service unit sold, there will be a loss.

It is vital to calculate the **break-even cost per unit** of offer over its estimated lifecycle, which is reached when all the fixed and variable costs for any given volume of sales can be matched by the sales revenue (at P in Exhibit 4). In other words, an organization can only begin to profit at the number of units sold (represented by Q in Exhibit 4).

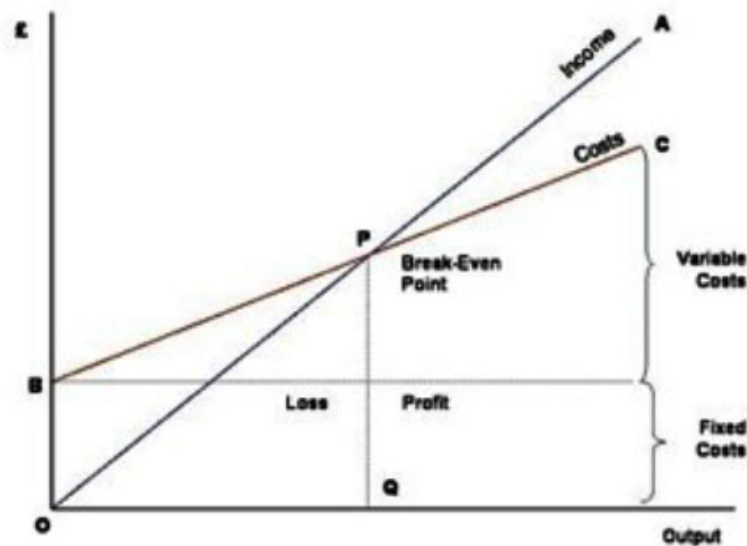


Exhibit 4: Break-even cost per unit analysis graph

source: *Strategic Marketing Problems*, Kerin, R. and Peterson R. (2013) p. 54:

Line OA= Revenue (at any given level of output)

Line BC = Costs (at any given level of output)

B = minimum Costs, representing all the fixed Costs

Sales below volume Q will mean the company makes a loss

Sales above volume Q will generate a profit

The unit **contribution margin** is:

$$\frac{\text{Unit selling price} - \text{unit variable cost}}{\text{Unit selling price}}$$

If you have a **range of offers** in your brand portfolio, unit contribution must be measured for each product and averaged out across the range to determine your overall break-even volume of sales. However, contribution margins must also be applied to individual products in order to determine which are the most profitable.

Understanding the differences in unit contribution helps to determine the net profit impact of **cannibalization, occurring when** new products are introduced into the market, and take away sales from another product in your range.

Consider using lower contribution-margin products or services as a **'loss leader'** to stimulate the demand of another product or service with a higher contribution margin.

6.2 Develop pricing strategies to maximize return

While profit is important, other factors must be considered when determining your pricing, such as enhancing brand image, improving customer value, obtaining an adequate return on investment and maintaining price stability in an industry or market.

Demand for a product or service – established through consumer perceptions and buyer price sensitivity – sets the **price ceiling**. Costs, particularly variable costs determine the **price floor**.

Price will also be determined by what other competitors are setting. It may be restricted by government regulations.

Pricing often changes over the life of the product. The **life cycle stage** of the offer is an important determinant of your price – the earlier in the lifecycle, the greater the discretion for setting high prices.

For some products, price influences perceptions of **quality**. TAG Huer is a case in point – increasing its price for a range of watches from \$250 to \$1000 and creating more sales through perceptions of increased quality and other 'pycho-social' influences. (11)

Price elasticity is a measure of how sensitive consumers are to changes in prices. It thus contributes to determining the price strategy over time. If a product has no or few substitutes, many uses and represents a low portion of a consumer's income, then it's more likely to be **price inelastic**. In other words, consumers are not sensitive to changes in price – if the price increases, they are still likely to continue to demand the offer. 'Tough Mudder', grueling obstacle course races designed by British Special Forces agents, is a good example of a product with few substitutes that generally represents a low proportion of a typical car owner's income. (24)

For **price-inelastic products**, such as Tough Mudder, a 'skimming' pricing strategy can be used, where the product is introduced at a **high price that is gradually lowered over time**, as the product moves along its S-Curve and more and more competitors enter the market.

In particular, use a **'skimming' price strategy** (11) when:

- Demand is relatively **inelastic**
- The offer has unique sources of competitive advantage – for example, it may be protected by trade market
- Cost to develop the offers aren't transparent to consumers or competitors

Where a product has many substitutes and costs a high proportion of the consumer's income, it is more likely to be **price elastic**. This means that only small increases in the price could lead to a large loss in customers and sales, or a small decrease in price could lead to a large increase in sales. For such a product, use a **penetration pricing strategy** (11), with the objective to obtain rapid market growth. Amazon used this strategy when it introduced its tablet at a price that was one third of competitor offer prices.

For example, a brewery may introduce a new premium beer into its range of premium beers. It may penetrate the market with a pricing strategy that reflects the consumers' perception of its value (driven by branding) but also competes with the many other premium beer offers. Thus, the price will likely be at a small discount from its relatively high price demand ceiling. The new beer may take sales away from one of its other closely

competing products (cannibalization), which has a higher contribution margin. The net difference in contribution margin multiplied by the sales lost from the other competing product will have to be considered against overall sales, in order to determine the new premium beer's overall profitability.

When demand is elastic, competitor prices are transparent, and industry costs are declining, it is likely that **price wars** will occur. Price wars can quickly lead to organizational and industry failure. In general, therefore, do not lower prices unless your company has a cost advantage over competitors; the overall market will grow in size if the price is lowered; or the price cut is confined to just a subset of consumers.

When products begin to enter their mature phase in the S-Curve or product lifecycle they are more likely to be subjected to price wars. (11)

6.3 Develop financial forecasts

Net Present Value is traditionally a popular method for assessing the investment value of a project. It describes today's value of estimated future income streams from a project, under an agreed – and often extensive – set of assumptions. However, given the competitive challenges today, organizations should be more prepared to trial, experiment and reiterate products without the detailed financial analysis up front, instead adopting shorter-term measurements for investment value (4) (*More at 2.0 Coming up with a Competitive offer*).

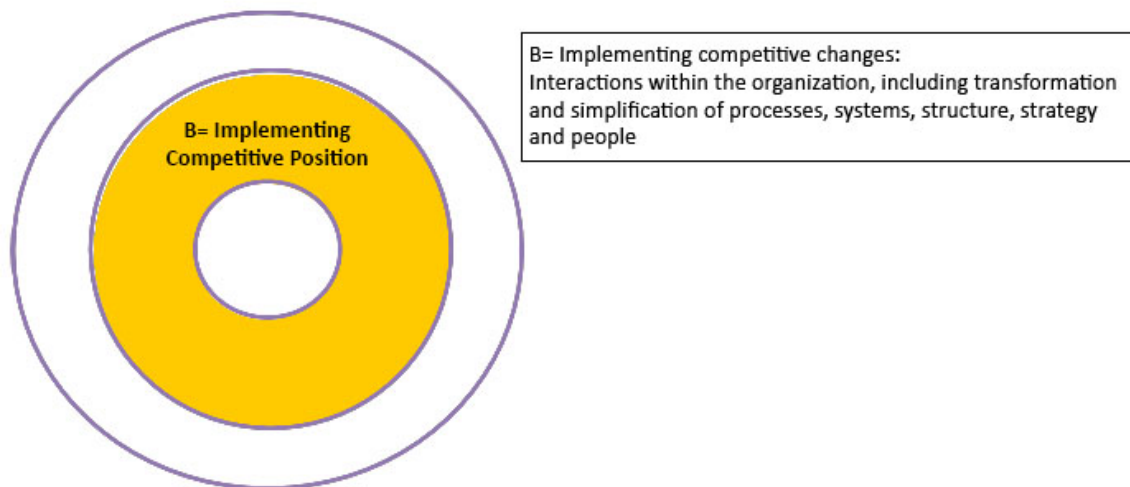
Directives for leaders – Pricing, Costs and profit

- ✓ Set your sales price to at least cover the unit variable costs; otherwise there will be a loss.
- ✓ Apply contribution margin analysis if you have more than one offer – it may be that you can afford to have a loss leader.
- ✓ Set price ceiling based on demand and perceptions of quality, established through consumer perceptions and buyer price sensitivity.
- ✓ Prices can generally be set higher and close to the price ceiling when:
 - o Demand is relatively price inelastic (i.e. is not sensitive to price changes)
 - o The offer has unique sources of competitive advantage – for example, it may be protected by trade market
 - o Cost to develop the offer isn't transparent to consumers of competitors
 - o There is perceived value in the offer
- ✓ Develop financial forecasts
- ✓ Avoid price wars – the more elastic the demand (coupled with high levels of transparency in competitor pricing and declining industry costs), the more likely that price wars will occur

Part B - Implementing Competitive changes

Part A of The Co Solution demonstrated how global organizations can improve their position through innovation and successfully establishing, developing and marketing a new competitive offer. It focused on interactions **between** the organization and its external environment.

Part B prepares global organizations for implementing new offers or other programs to achieve an improved competitive position. It focuses on interactions **within** an organization, providing advice on the conditions needed for successful management of change and the simplification of organizational complexity.



A Corporate Fable – Part 6

Kirk groaned as he watched the concentric circles in the pond fade away. That wasn't the first time he had sliced his drive into the pond on the sixth.

Kirk wished that delivering his technology and asset projects created a smooth ripple effect like the one he had just witnessed in the pond, where a disturbance moved throughout the organization evenly from source, transforming it as necessary before returning rapidly to a new equilibrium. Unfortunately, ACME's ability to implement projects successfully was very inconsistent; in fact, confusion, revised deadlines and budgets had become the norm.

He had recently attended Change Management training with the Head of the Program Management Office (PMO), where he had learned a number of interesting facts about change . . . and also had to come to terms with some hard truths.

He had already known that good change management required a sense of urgency and compelling vision; short-term milestones and performance recognition when those milestones were reached; consistent and thorough training; and, of course, stakeholder engagement and communications. However, he had underestimated the importance of building political alliances and the part that existing staff cynicism played in the success of transformation. Internal politics and poor staff attitudes could dramatically reduce the likelihood of a program's success.

Stress also played a part in whether these programs were likely to be successful. Many of the programs required certain groups of employees to face a great deal of change, which raised stress levels and further impacted on performance.

As Kirk pulled a fresh ball from his bag, he determinedly swore to himself that he would personally oversee the change capability of this Program Management Office and the programs in progress as a priority.

Kirk looked back to see the next group had arrived ready to tee off at the same hole. In the interests of keeping the game moving and in the best interests of all, he put a large cross on his card and headed for the seventh hole.

During the walk across he marveled at how beautiful the golf course was and wondered what the process was that the club went through to weather any poor conditions. He wished he had that kind of solution to weathering the highly political and stressful conditions he faced at work . . .

Chapter 7.0 Converting the organization

Change programs affect many interdependent often competing systems and processes. There are many steps to achieve and a single mistake in any of the steps, or if any of the steps are missed, can cause devastating effects on the success of the program (25)

7.1 Be aware of the impact that change can have on the organization

In order to improve competitive position, global organizations must undergo internal changes, impacting organizational design, strategies, products, processes, and people. One such change may be to introduce a new competitive offer, generating new sources of income, profit and market power, as discussed in Part A. Other such changes are likely to focus on improving internal efficiencies, through streamlining and simplifying interdependent elements, thereby reducing costs and improving performance, discussed further in 8.0 Complexity and 9.0 Commun-i-cate.

Satir's Change Curve (Exhibit 5) illustrates how an organization's performance is impacted when changes are introduced. After a period of temporary excitement and heightened performance, the organization meets challenges and resistance, leading to a period of chaos and lost productivity, before integration and improvement in the organization's competitive position.

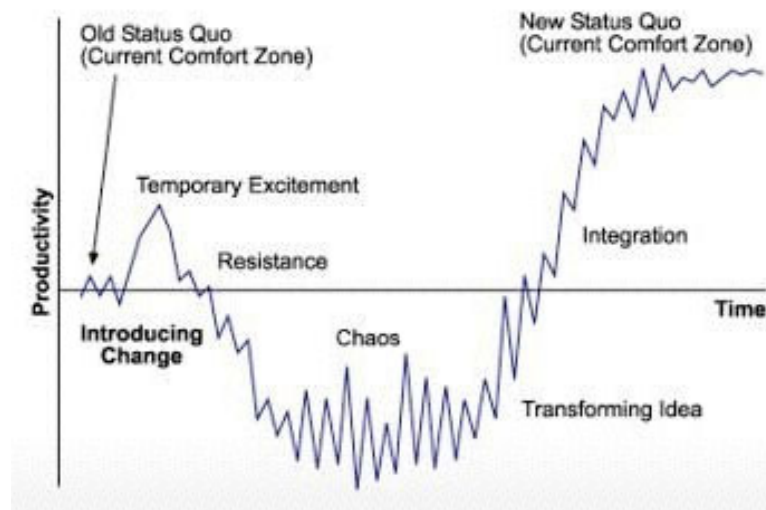


Exhibit 5: Satir change curve

(Source: www.changemanagementfuture/Satir_change_curve)

Individuals experiencing change become stressed as they move through a period of adjustment called the 'Emotional Transition' Curve'.¹

After an initial period of excitement, changes in the workplace can cause fear and doubt, leading to negative emotions such as denial, anger, and depression. This generates a loss in motivation and dip in productivity, until a sufficient period of time has passed when negative emotions rescind and individuals accept that change has occurred. At that point, the individual can integrate the change, feeling more positive and motivated, leading to higher productivity. (26)

If individuals get too stressed and 'give up' change will not be implemented effectively, thereby wasting time, effort, and resources (Exhibit 6).

¹ Based on Elisabeth Kuebler-Ross's 5 stages of grief model; On death and Dying, 1969

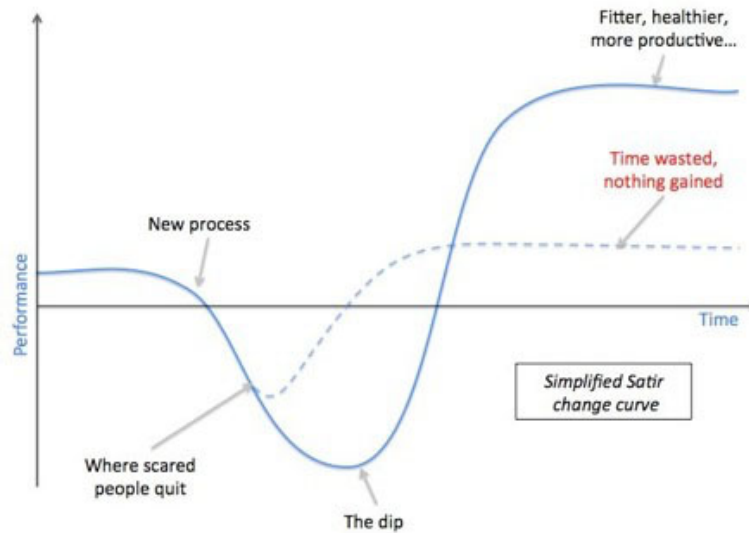


Exhibit 6: Simplified Satir change curve

(Source: www.changemanagementfuture/Satir_change_curve)

Lack of control experienced through change and uncertainty is one of the greatest contributory factors to high stress. (9) Organizational redesign and the possibility of redundancy, in particular, can create a great deal of stress for people who lack control over its outcome. Workplace stress management and prevention is discussed in ***The Co Solution no. 2 – Core interventions to Combat workplace stress.***

One of your priorities therefore should be to implement procedures that reduce or eliminate the negative emotions that create resistance to change and stress. Such techniques are mentioned in 7.3 *Critical Success Factors.*

7.2 Employ a structured process to managing change

Effective change management is critical. In 2002, a McKinsey study of 40 global organizations determined that ROI was 143% when change management was part of the initiative and 35% when there was poor or no change management. Likewise PWC Concluded in 2002, after studying 200 worldwide organizations, that “the majority of best performing organizations always or frequently apply change management”. (27)

Change strategists (28) interface between the environment and organization. They include senior leadership or other people with up-to-date knowledge of customers and trends such as market managers or consultants. Change strategists are responsible for ensuring that the right competencies exist in the organization to achieve the desired end state, through supportive processes, systems, and resources.

There are a number of **change models** (27) that help you to plan and manage change:

- Lewin’s three-step model – based on an organization moving through a state of ‘unfreeze-move-refreeze’ when change is introduced
- Kotter’s eight-step model – summarizes eight steps to success: a vision for success, sense of urgency, leadership coalitions to control internal politics, milestones, communications, reward and recognition, and feedback loops. Leaders must also ‘walk the talk’
- Bullock and Batten, phases of planned change – summarizes the movement of an organization through exploration, planning, action and, finally, integration
- Burke and Litwin (29), causal model – summarizes 10 components that must be managed by organizations during change, internally and externally

Sometimes taking a ‘grass roots’ approach to change can be successful, whereby general managers in your organizational divisions may be given the responsibility to change work practices from the bottom up before the rest of the organization is impacted. (30)

7.3 Include critical elements for success in managing transformation

While each change management model provides a unique perspective on how best to manage change, all agree on a number of critical success factors.

A **vision** of the transformation end-state must be developed. (31) There are many instances of failed transformation efforts where no vision had been established to clearly and succinctly communicate to the people where the organization was headed. (25) The vision must paint a compelling picture of what the organization hopes to be once it achieves its aspirations, addressing both values and performance. It is most effective if it involves symbolic references (32), animation, and other sensory stimulation (9) and is central to business themes. (33)

A **sense of urgency** must accompany the vision in order to help shift inertia and rally employees and groups around the desire for change. Leaders must confront employees with the reality of poor performance. (31) The sense of urgency should be kept high throughout the change program, which is particularly important when the culture of an organization is resistant to change, as can occur in industries that have long established ‘norms’. (34)

You must create milestones and short-term wins in order to maintain the energy for change. This includes recognizing and rewarding individuals and groups to maintain motivation (31), which is particularly important during the dip in emotions and productivity that occurs with organizational disruption.

Internal Communications and stakeholder engagement is critical for success, establishing greater levels of engagement and commitment to action from employees, as well as increasing the level of trust between organizational members, thereby helping to control resistance to change and internal politics. (25) (34) Internal Communications for change is elaborated upon in *9.0 Commun-i-cations*.

A model for developing stakeholder engagement for change is provided in Exhibit 7a and b:

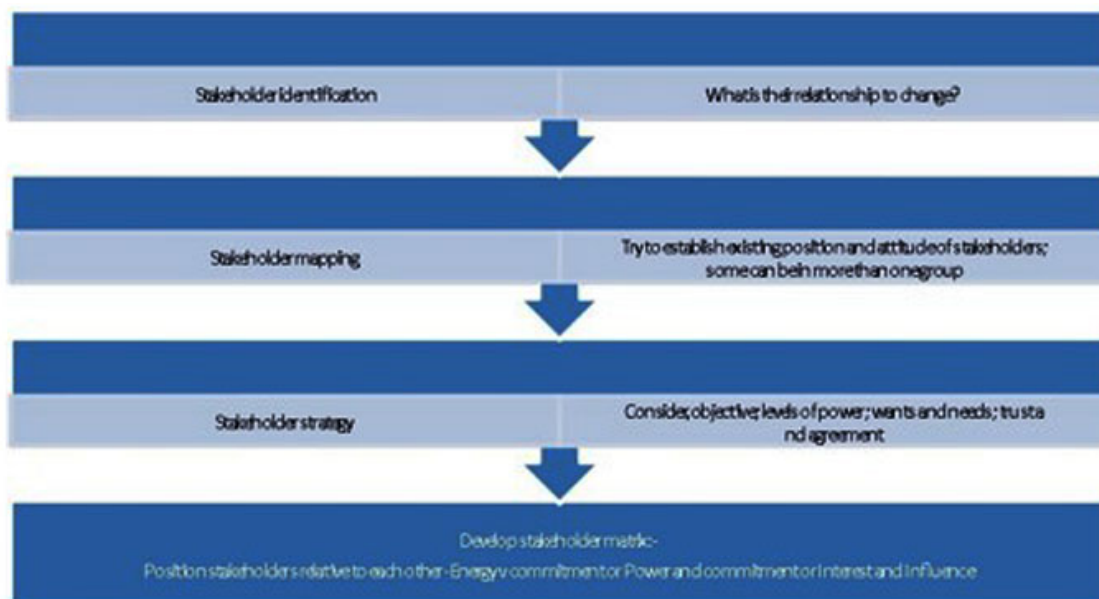


Exhibit 7a: Developing a stakeholder engagement matrix

The stakeholder matrix should group organizational members according to their level of interest in and commitment to change, and power over the effectiveness of change (Exhibit 7b).



Exhibit 7b: Grouped stakeholders for managing change

You should focus on persuading 'sleepers' and 'blockers' to accept and participate in change. The more influential these resisters are, the more important it becomes to handle any negative reactions and actively deal with or **remove the 'blockers'** from the organization. (35)

Champions and advocates are those people who are influential and supportive of transformation. You should motivate them as early as possible (30) (36) and recognize them for their involvement in informing others and keeping members focused on their duties.

Popular communications techniques to manage employee resistance to change are recommended in WarriorCO© at <http://www.acoffair.com>. They include:

- ✓ **Coach ©:** In order to reduce the resistance to change, **facilitation and support** (36) of teams and individuals is important. Co-ach © is a technique to help leaders facilitate team and face-to-face discussions, focusing on reflection and active listening with a view to bridging and finding common ground.
- ✓ **Co-create ©: Participation and involvement** (30) (36) (32) is generally the most effective method of reducing resistance to change. Co-Create™© is a technique for teams to plan actions based on a collective determination of how the change may impact the organization in one or more years' time. It encourages teams to 'feel, see and hear' both success – and increasing success – and failure, which includes risk mitigating activity planning.
- ✓ **Co. Rect ©:** For instruction on how to **lead cynical teams** through change, Co.Rect™© is a technique to help teams collectively take responsibility for past failures and plan actions to ensure that failure never happens again.

A popular **template for presentations** to educate and gain commitment to action from employees is:

- Destination – where is the change program headed?
- Urgency – why is the change urgent to perform? Other emotive pull.
- Steps to success – what we are going to do and what you will see.
- Commitment – two-way: e.g. “As leaders, we commit to providing teams with full training and support and in return we expect YOU to commit to attending any scheduled training and town-halls”.

It is vital for employees to be **trained** on new processes. You should know that there is a natural dip in productivity that occurs while people are in training.

Ninety-five percent of all organizational change is in fact incremental, evolutionary continuous change. (29) You should therefore promote a **shared learning continuous improvement culture** (38), linked to organizational strategy and enabled with flexible shared learning systems. Managers should engage with their staff, provide an environment and dedicated channels where employees can participate and be involved in problem solving, and then be seen to respond to and support suggestions for improvement.

High levels of **internal politics** shape individual and group opinion (34), influencing how people react to disruption, which in turn impacts on how organizational elements respond to change. Internal politics therefore has a significant influence on whether an organization is successful in improving its competitiveness and performance. Internal politics is discussed further at **10.0 Co Culture**.

In order to help control internal politics, powerful internal groups of leaders must lead organizational change. (39) Such groups must operate in unison, as an **aligned coalition of leaders**, and its members must be socially embedded throughout the organization, thereby minimizing the potential for negative employee attitudes to gather momentum and create competing factions. (40) (25) A leadership coalition of **between 20 and 50**, including the CEO, is necessary to lead group-wide transformation. (32)

Leaders should adopt four key roles in new offer introduction: as sponsor, implementer, advocate and change agent. Ideally, you have the profile of a **‘transformational’ leader**, who is self-aware, socially aware, visionary, and able to connect the people to the ‘big picture’. Also, you should be motivated by service to others – not by ego and power – and actively listen to organizational members, seeking to understand teams in order to get the greatest commitment to task performance. The profile of a transformational leader is also referred to as a ‘Co. Leader’ in this book and discussed further in **10.4 Co. Leadership**.

In order for organizations to become good at adopting organizational change, great leadership must be complemented by great **‘followership’ (41) and a ‘change-ready’ (42) culture**. In establishing great ‘followership’, it is important to recruit and retain people who will be more resilient to change. For these purposes behavioral profiling is useful, helping to select individuals that are resilient, conscientious and intelligent (the combination of which is described as ‘the golden sum’). (43)

You may also have to manage situations where similar disruptions have failed in the past, leading to a culture of **cynicism** and viscous cycle of disengagement (33) that has the ability to spill into all areas and lead to loss of motivation and commitment. (44) Cynicism can lead to internal power struggles as employees seek to blame management for past failures and management blame employees for their lack of commitment. (45)

In this situation you must:

- Provide ‘active listening’ sessions and coaching for individuals and groups
- Monitor and respond to informal channels, which can be achieved, for example, via internal social media networks and the workplace design of the common eating areas
- Deal with the past – discussing what went wrong, being open about mistakes and planning how to use learnings for success

- Admit mistakes when they occur and the corrective action taken (46)

Management of cynicism and other negative attitudes that produce resistance to change are further considered in 9.0 *Communi-cations*.

Change can lead to stretched and unmanageable workloads, which can lead to high levels of workplace stress. Tools to deal with such stress can be found in **Co Solution no. 2 – Core interventions to Combat workplace stress**.

It is also worth knowing that your people’s reactions may in fact not reflect resistance but rather a necessary phase of adjustment over time to the ‘psychological gates’.

Above all, it’s important not to declare victory for successful transformation until it is fully embedded. This can take many years. If victory is declared too soon, when the pressure to change has been removed, energy levels fall, power struggles can ensue and the transformation can revert. (32)

Tools for leaders to successfully lead change and create great fellowship of ‘warriors of change’ can be found in WarriorLEAD© – details at www.acoaffair.com or enquire at info@acoaffair.com.

7.4 The impact of stress, cynicism and internal politics on concentric circles

The impact of change on an organization is like throwing a rock into a pool. The movement of interconnected elements within the organizations ‘pool’ – strategy, structure, products, processes and people – is analogous to waves that travel outwards from the source of disruption, forming concentric circles.

When an organization is working efficiently, these waves of change are fast and effective, reaching far beyond the walls of the organization into the external environment, helping the organization to rapidly achieve success and become an influencer of its market. Provided that the critical success factors for change are established (above), then implementing a new competitive position will be rapid and effective.

However if **stress, cynicism and internal politics** are present, then the organizations ‘pool’ of interactions will be more dense. **Change will be slower and less effective** in helping the organization to achieve a more competitive position.

- ✓ Effective change management of disruption is critical for success and will result in reduced costs for the organization. This includes the elements listed in 7.3 Critical Success Factors.
- ✓ Plan and perform communications and stakeholder engagement. A stakeholder matrix should be developed to group organizational members according to their level of interest in and commitment to change, and power over the effectiveness of change. All communications and training should be tailored to the stakeholders’ groups ‘learning style’.
- ✓ Encourage a number of communications practices for teams and individuals, to provide facilitation and support, participation and involvement, and education and commitment (per the courses at www.acoaffair.com Coach; Co-Create and Co.Rect ©).
- ✓ Promote a shared learning continuous improvement culture, linked to organizational strategy and enabled with flexible shared learning systems.

Reduce internal politics using the techniques discussed in **9.0 Commun-i-cations** and **10.0 Co. Culture**.

Develop powerful internal groups of transformational leaders to lead significant change and employees that are competent and of a 'change-ready' culture.

Identify and remove people and groups that continue to block the progress of change after they have been asked to participate in its design/ planning/ management.

Further instruction for leading and managing change can be found in WarriorLEAD © (for leaders of change) and WarriorCO© (for team leaders.) Details of how to access programs can be found on www.acoaffair.com or enquire at info@acoaffair.com

A Corporate Fable – Part 7

Kirk played the seventh beautifully, ending up one under par – his best yet. He smiled as he made his way on to the second last hole . . . a particularly complex beast.

'Simplifying complexity' had recently become the overarching strategy for ACME . . . and none too soon. Bureaucratic hierarchical structures and complicated processes had created unclear, overlapping task accountabilities and costly bottlenecks. A team of Lean Six-Sigma experts had been approved to work with Kirk and already they were helping to produce many necessary improvements.

As he lined up to take his shot Kirk found himself dwelling on the ball he had earlier lost in the pond . . . and had his most significant epiphany for the day.

Poor change management, complexity, internal politics, stress, cynicism . . . these all acted to hinder the organization's ability to be successful. It didn't matter how well the company innovated and created new distinctive offers, if the organization couldn't implement these effectively because of these factors, then ACME would not improve.

Only one thing underpinned all of these critical success factors – people. People had to be communicating effectively to manage change and reduce complexity. People also had to have the right mindset, attitude, and resilience to stress.

Indeed, ACME's people – its culture and communications – were core to its future success.

Kirk there and then decided that ACME needed to focus on reducing its complexity and improving its people performance. It would have to focus first on maximizing its Human Capital. He would talk to the rest of the executive team when he returned to work the following day about how to best move forward . . .

Chapter 8.0 Complexity

Complexity is one of the biggest challenges facing modern business. It slows companies down, costs over 10% of profits and harms employee morale. (2)

Reducing organizational complexity improves competitive position by creating cost and efficiency advantages. It also helps to reduce levels of mental stress in organizational members (*Part C – Establishing Competitive People*).

A number of leading consultancies offer frameworks, tools and other advice to help global organizations on how best to reduce complexity. For global corporations seeking cost-effective solutions, recommendations can be adopted from *'From Complexity to Simplicity: Unleashing Your Organizations Potential': S. Collinson and M. Jay*.

An organization's ability to 'simplify its complexity' is a critical success factor for successfully implementing the changes required to establish a competitive position (**7.3 Converting the Organization – Critical Success Factors**). Complexity acts like mud, making the organization's 'pool' of interactions denser, thereby slowing the 'waves of change' required to improve performance.

8.1 Manage Complexity through simplification

Organizational design complexity

Good organization design enables people with the knowledge, skills, and behaviors needed to improve competitive position by focusing on activities that add value.

Most large companies are organized in an international matrix, where decision making is more consensus driven and individual roles and responsibilities are less clear, with many people having a similar role. RAPID or RACI are two useful models for simplifying the complexity in organizational design, determining people's responsibilities, accountabilities and contributions in relation to each activity.

Another way to simplify organizational design is to enlist teams of flexible, high-quality contractors that can be assigned to projects on a 'Tour of Duty' that may last between two and four years. A 'Tour of Duty' model aligns with the innovation model that supports Transient Competitive Advantage (4) (**2.3 Coming up with a Competitive idea**). Contractors should be offered training to improve their skill set and encouraged to maintain external networks, as part of their psychological contract. This increases levels of trust between the parties and helps to ensure that alumni's continue to be advocates of the organization when the 'Tour of Duty' is finished. (47)

Design should mirror a simple value chain, enabling the organization to focus only on those core activities in which it specializes and outsourcing non-value-added value chain activities.

For example, Apple focuses on the parts of the iPhone value chain that add most value – R&D and product design at one end of the value chain and marketing, brand development and after-sales services at the other end. This focus allows Apple to maintain a simple structure, aligned with clear outputs. There is no semiconductor design department, production plant or assembly operation.

Nokia, on the other hand, has had to maintain a complex organizational design which includes a number of technology shops. In 2005 Nokia had 43% global market share to Apple's 1% market share. In 2012, Nokia's market share had fallen to 6% while Apple's had risen to over 25%. (48)

Strategic complexity

Multiple strategic initiatives and frequent changes in strategy are major complicating factors resulting in staff being unclear about what the strategy is or how to prioritize initiatives. This leads to the wrong activities being performed, efforts being dispersed too thinly and delivery being slow.

Strategy should be simplified and if possible summarized into one page containing:

- ✓ MISSION e.g. Allow people to enjoy their driving experience safely and hassle free
- ✓ VISION e.g. To lead the market for premium diesel in cars
- ✓ VALUES e.g. One team, Courage, Respect, Integrity and Excellence
- ✓ STRATEGY e.g.
 - Objectives:
 - \$500bn profit by 2020.
 - Scope:
 - All Australia retail diesel fuel consumers, other than road transport companies
 - Competitive Advantage
 - INNOVATION: we have the best premium diesel product in the market
 - SERVICE: the quickest and simplest company to do business with
 - VALUE: Improved vehicle life and a loyalty program that offers discount off large quantities of fuel

Process Complexity

Process simplification is one of the largest areas of complexity for large global organizations. Processes have a way of multiplying and eventually getting in the way of value-adding activities. Over time they can evolve from being familiar and efficient routines to being the closely guarded 'way we do things around here'. There are different kinds of business processes (Table 9):

Table 9: Business process types

Novel, unpredictable processes	e.g. New product development, M&A, new market entry initiatives
Predictable, cyclical decision making	e.g. Budget-planning, resource allocation, recruitment and training
Routine and mundane processes	e.g. Repeat orders, standard expenditures, everyday communications

The competitive advantages gained from being 'Lean' and **BPR (Business Process Re-engineering)** have been demonstrated in the manufacturing sector, in particular. **Six Sigma**-style audit and control procedures also help to maintain the process review and revision cycle. GE continues to be a master at process simplification, with its Six-Sigma lead model of operating. (49)

When assessing process complexity, look at all major projects with Pareto analysis, as 80% of the problems will probably come from a small number of process steps and 80% of the wins from only a small number of process changes. The bottom 80% can quickly be eliminated and streamlined as part of the 'quick win' process.

All key processes should be regularly reviewed and removed or revised to improve overall business efficiency.

Product Complexity

Product and service complexity is also likely to be subject to the Pareto 80/20 rule in that 80% of margin will probably often come from 20% of the product portfolio.

For example, Apple, with just three different phone handset models in its range, now generates more revenue from mobile phone handsets as Nokia, who has around 30 different models on the market.

Products and services should be streamlined to remove those with lower marginal contribution to profit (**6.0 Costs, prices and profits**) and / or low growth potential.

Also, where possible, components and other product inputs should be standardized, in order to take advantage of reduced costs and other efficiencies created through bulk purchasing and standardized processes.

People Complexity

'People' have the greatest impact on the organization's long-term viability, impacting all other interactions within an organization (*Part C*).

Interactions between people are a key determinant of an organization's ability to succeed. Two dynamic practices underpin an organization being able to achieve its goals (50): the forwarding of new information to the organizational member who can best act on it; and the pausing of members in order to come together, exchange views and generate actions. These practices are rendered ineffective when there is information overload and a perception that resources are scarce; both of which result from too much complexity. (50)

Overly complex communications between leaders and staff creates confusion, negative attitudes, stress, and poor behaviors. Methods to simplify communications are discussed in **9.0 Commun-i-cate**.

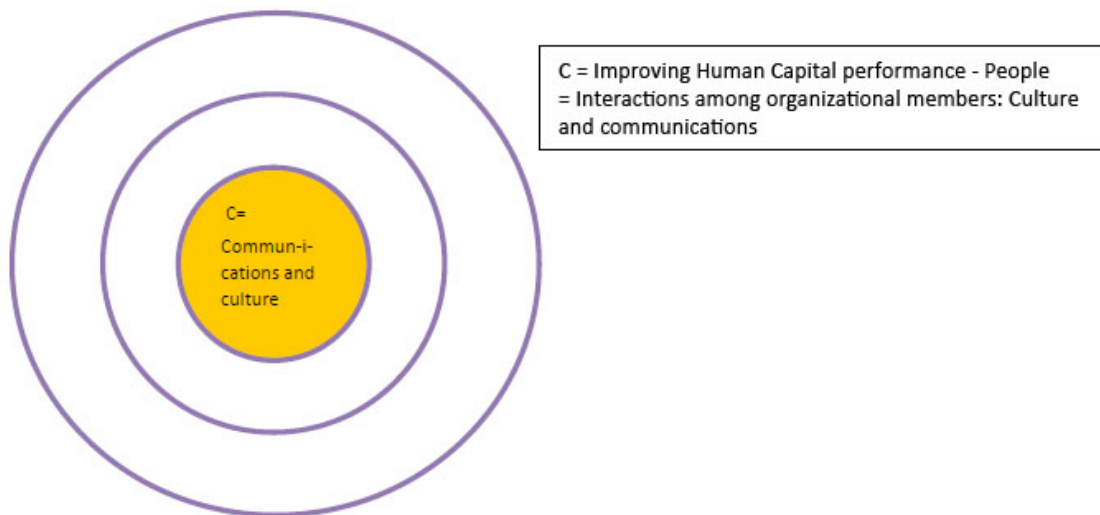
People are more likely to help an organization achieve simplicity if guided by a simple set of 'high performance' corporate values and behaviors (**discussed in 10.0 Co Culture**).

Directives for leaders – Managing Complexity

- ☒ Reduce organizational complexity to improve competitive position by creating cost and efficiency advantages.
- ☒ Assess major issues with Pareto analysis, as 80% of the problems will probably come from a small number of process steps and 80% of the wins from only a small number of process changes.
- ☒ Streamline products and services to remove those with lower marginal contribution to profit (*refer 6.0 Costs, prices and profits*) and/or low growth potential.
- ☒ Design organizational structure so that people with the knowledge, skills, and behaviors needed to improve competitive position are focused on activities that add value. Ensure it mirrors a simple value chain, enabling the organization to focus only on those core activities in which it specializes. Outsource non-value-added value chain activities.
- ☒ Simplify strategy into one page. Multiple strategic initiatives and frequent changes in strategy are major complicating factors resulting in organizational members being unclear about what the strategy is or how to prioritize across many different initiatives. This leads to the wrong activities being performed, efforts being dispersed too thinly and delivery being slow and ineffective.
- ☒ Implement process simplification methods such as Lean, Six-Sigma, and Business process reengineering.
- ☒ Remember, as a general rule, the more people in an organization, the more complex it is.
- ☒ Change and complexity is the most common reason for workplace mental stress.
- ☒ For further information, please consult 'From Simplicity to Complexity: Unleashing your

Part C – Improving Human Capital performance – People

At the core of an organization's success is its **people**, represented by individual and collective values, beliefs, actions and interactions. The performance of 'people' influences all other aspects of an organization, both internally (Part B) and externally (Part A). Establishing the right culture, communications and mind-set is therefore paramount – and **potentially an organization's single source of competitive advantage**.



A Corporate Fable – Part 8

Kirk had an opportunity to confront most of the executive team with his ideas over the following week.

They unanimously agreed with Kirk that ACME's human capital required some additional focus, although all of them had different ideas about what that meant. In fact, the Head of Human Resources, Barry, had become a little defensive during their discussion.

"We have already rolled out our core values work and have some of the best leadership training available to our managers," Barry said.

"I know – its great work, and there is no doubt that embedding the core values work and leadership behaviors are a critical part of what I am talking about," Kirk said as he offered Barry a cup of tea from the kitchen dispenser. "But do you really believe our people have a performance-winning mindset? I see a lot of excuses being made by people who choose not to take more accountability for driving results. I see leaders that protect their own best interests before the organization's best interests. I see projects that don't get executed properly because people perceive that other businesses won't help them to improve processes. I see a white Anglo-Saxon executive team when we are a diverse global business . . ."

"We are working on diversity, you know that . . ."

"Yes, but are we really diversifying? I sit in global teleconferences and it's always the Americans or Europeans doing the talking. Our Japanese partners never speak up, yet we know they have access to a wealth of information that we all benefit from. Our Hispanic workforce population still holds up the tail end of the hierarchy, with no leadership representation despite the fact that 30% of our employees are Hispanic . . ."

“Did you read the white paper that I left on your desk?” Helen interrupted in passing, on her way to the refrigerator. Kirk indicated not. “It doesn’t matter,” said Helen, “but you might want to take a look at Chapter 9 and 10. I think you’ll find some useful ideas about how we can better shape the way in which remote and global teams work together.”

Helen had enjoyed reading the white paper, in which she discovered a number of important facts about the true value of effective communications and culture. Informal conversations between employees played a significant role in high-performance teams, making up more than half of interactions between people and freeing up valuable time that otherwise would be spent in inefficient formal meetings. Leaders who participated in staff social networks had greater success in engaging and getting the best performance out of their people – the better they knew their staff and their staff knew them, the higher the trust. The way in which the work environment was designed even had an impact on employee effectiveness – companies that had a centralized coffee machine and promoted regular collective ‘coffee breaks’ were shown to have better employee engagement and job satisfaction. Importantly, the better the communications and culture in organizations, the less likely employees were inclined toward negative and cynical feelings – disempowering the ‘rumor mill’ and reducing the likelihood of political opposition stalling much needed organizational progress.

In her previous job, Helen had helped to organize a number of global ‘multi-actor’ leadership meetings, where video links were created to give the impression that everybody was in the same room. Her global communications boss had always helped facilitate the meetings, and Helen’s job was to record who was talking and how often. When the meeting took a break she would then advise her boss who needed to be brought into the conversation. Inevitably, there were cultural patterns – the Americans talked the most and their Asian compatriots the least. Her boss would then spend 10 minutes coaching the meeting on how high-performance teams worked using tools like De Bono’s ‘Six Hats’ decision-making framework and bringing everybody into the conversation. Interestingly, Helen had observed on many occasions that the meetings became significantly more productive after the coaching – the Japanese members and others that had been quiet earlier often produced some of the better ideas to take forward.

Helen had also been involved in a number of large organizational transformation programs, where she had worked with Barry and other human resources companions to facilitate change ‘reflection and action’ workshops. The ‘reflection’ sessions were held first and generally took a few hours. Unusually, there was no actionable agenda other than to allow a safe place in order to encourage employees to air their concerns and worries. Generally, once concerns were aired people experienced a form of emotional release, clearing negative attitudes so that attentions could be turned to planning and participation in the change program’s success.

When the workshops were cross-functional the results were often even more powerful. People enjoyed getting to understand their cross-business colleagues better, and after the meetings, the higher levels of trust between teams led to beneficial interactions, with greatly improved collective problem solving and innovation.

Facilitated two-way collaboration sessions had been particularly important for many of the internal service providers, like the technology function. The CIO had used the sessions as an opportunity to listen to business providers and also to ‘market’ the improvements that were going on in his department to the internal stakeholders that were giving him a hard time. “Unfortunately the lack of investment in technology over the years has left us a long way behind our competitors,” he had said. “We have numerous legacy systems that require removing or upgrading. We hear your frustration and will continue to move as fast as we can.”

The Head of the Program Management Office (PMO) had used the sessions to build better relationships with safety colleagues, who, in putting safety as a priority, were often guilty of suspending the operation of critical assets at the expense of productivity and performance before looking for alternative solutions. “We need you guys to want what we want,” he had pleaded. “Safe assets that produce as much money as possible. Please work with us when there is a safety issue so that we can put our heads together in the best interests of the organization.”

Kirk looked at Helen and Barry. "You know, we need to bring everyone together on this," he said. "We won't be able to turn ACME around without everybody getting on the same page, and fighting for ACME's future in the same way that soldiers fight for their country."

Barry nodded in agreement. Helen smiled. "I have an idea . . ."

* * * * *

As costs were sensitive, Helen was careful to present Kirk with a net zero cost solution to the organization that also had a potential performance upside that could help turn ACME around.

At first Kirk was uncertain about taking her ideas to his colleague, fearing immediate rejection as many of the suggestions rubbed against the conservative organizational cultures of many modern organizations, including ACME. He suspected, for example, the executive team would feel uncomfortable being required to be 'socially more involved with their staff'.

However, he also knew they had little choice but to listen. At least Helen's suggestions were mindful of cost . . .

The proposal was a list of simple ideas to get people to think more clearly and work better together. All were linked by research to productivity and performance. Many were focused on communications; including ideas for remote teams to eat lunch together via webcast, regular office running groups at lunchtime, conducting meetings while 'walking around the block' and arranging for cross-functional teams to sit together and rotate seating on a regular basis. Helen had also offered to help observe and monitor the patterns of informal conversations between employees and report the results of these back to management for review and feeding into performance reviews.

Other suggestions included reducing marketing spend through low-cost electronic promotions, reducing sales spend by training staff to use webcasts instead of going on-the-road and putting a pair of eyes above the honest box in the kitchen so that people would feel more compelled to pay!

* * * * *

As predicted, a deadly silence had descended on the room at the end of Kirk's presentation of the proposal.

"Listen, guys, I know these ideas are a long way from what we are used to and there is a heavy emphasis on people and culture, which is unusual for us, but there is sound research behind it, and quite frankly, if we keep doing what we have always done then we'll simply get the same results."

"It has my approval. It's worth a try."

A number of jaws dropped in disbelief. The CEO, Paul, widely reputed for his conservatism and risk aversion, had just spoken.

"Great," Kirk said. "I am happy to be project sponsor for these activities and Helen can program manage. It makes sense if you, Frank, help to steer, as you are our Chief Risk Officer, and Barry, many of these items will require the support of Human Resources."

"I'd also like to be involved in the Steering Committee," offered Paul. "I believe these suggestions are the best opportunity we have to take our human capital to the next level."

Kirk smiled. It was as good as start as he could have hoped for.

* * * * *

Chapter 9.0 Commun-i-cations

Leaders know there is great value in getting internal communications right . . . however it still remains one of the least understood and supported aspects of an organization's functioning.

While attention needs to be paid to 'strategy', 'process', 'product' and 'organizational design', it's 'people' – the values, attitudes, interactions and behaviors of organizational members – (2) that have the greatest impact on an organization's performance.

Internal Communications (IC) is a key enabler of 'people' performance, which is linked to organizational success. (51) (52) For example, companies with highly effective internal communications had a 47% higher total return to shareholders over the five-year period mid-2004 to mid-2009. (52) Organizations that recognize the performance link have invested heavily in internal communications over recent years, increasing budgets up to 42% since 2004. (53) (54) (55)

Despite the growing investment, there is evidence to suggest that 'Return on Investment' for internal communications can be further improved. (56) Many organizations are failing to successfully deliver large-scale transformation to time and to budget, citing lack of effective communications as a significant contributor. (57) (58) (59) Also, recent studies indicate that as much as two-thirds of working Americans may have been disengaged in their organizations over the past 12 years, indicating that internal communications is not 'doing its job properly'. (60) (61)

9.1 FACT: Internal communications improves organizational performance

Internal communications improves organizational performance. It is a catalyst for organizations to reach 'high performance' goals and objectives by helping to facilitate the right culture and behaviors (**10.0 Co Culture**).

It improves **employee engagement**, which adds significant value on all metrics from productivity to customer satisfaction. (62) Employee engagement drives growth and leads to increases in market share. (63) Highly engaged employees have lower attrition risk, miss fewer days of work, are more likely to be top performers and provide better customer service. (52) Engagement also tends to also be connected with increased satisfaction of customers and improved standards of safety. (64) (65)

It increases levels of **intimacy and trust** between organizational members. This reduces customer turnover, labor union involvement and discrimination claims. (66) Interpersonal trust also has positive effects on job satisfaction, problem solving capability and mental stress. (67)

It's a tool for **innovation**, through collaboration, which is vital for developing sustainable sources of competitive advantage (Part A – Establishing a competitive position).

The best predictor of team performance is its internal communications **patterns**. In high-performing teams members are good at conducting short, sharp, one-on-one informal conversations, where they talk and listen in roughly equal measure, face one another and use energetic gestures. They connect directly with each other and not just the leader, and periodically conduct explorative conversations outside of the team in order to bring information back. (68)

High-performing teams have highly developed communications skills to enable **problem solving and conflict handling**. (69) (68) Team members are patient with each other and agree not to let issues become interpersonal stresses. (69) They also take time to reflect on past experiences, contributing to better and faster decision making. (69) (70) When these behaviors are coupled with effective brainstorming processes, creative

and synergistic decision making occurs, leading to outcomes that are better than the sum of individual ideas. (69) (71)

Internal communications is also critical for successful **organizational transformation**. Without it, transformation will likely fail (57) (25) (7.0 *Converting the organization*).

Finally, internal communications is increasingly playing a role in external **reputation management**. Effective internal communications helps to improve employee advocacy. (72) The greater the trust that employees have in the organization, the more likely they are to become strong brand advocates in times of organizational crisis. (67) (62)

9.2 Design communications to appeal to the human brain

Organizational communications should be designed according to the 'rules' of human cognitive functioning, in order to encourage maximum brain power. (9)

Content should take into account the differences in **learning styles**, motivations, attitudes and behaviors of individuals. (73) Up to nine types of intelligence (74) have been identified, including naturalist (learning through nature), musical, spatial (three-dimensional visualization), logical-mathematical, interpersonal (verbal and non-verbal interaction), existential, bodily-kinesthetic (action and movement), linguistic (words), and intra-personal (learning through self-awareness).

Kolb's learning styles (Exhibit 8), proposes that a 'red' person needs the facts and concepts; a 'yellow' person need the 'big picture'; a 'green' person must be given time to think things through and form conclusions; and a 'blue' person requires the details to be communicated. (73)

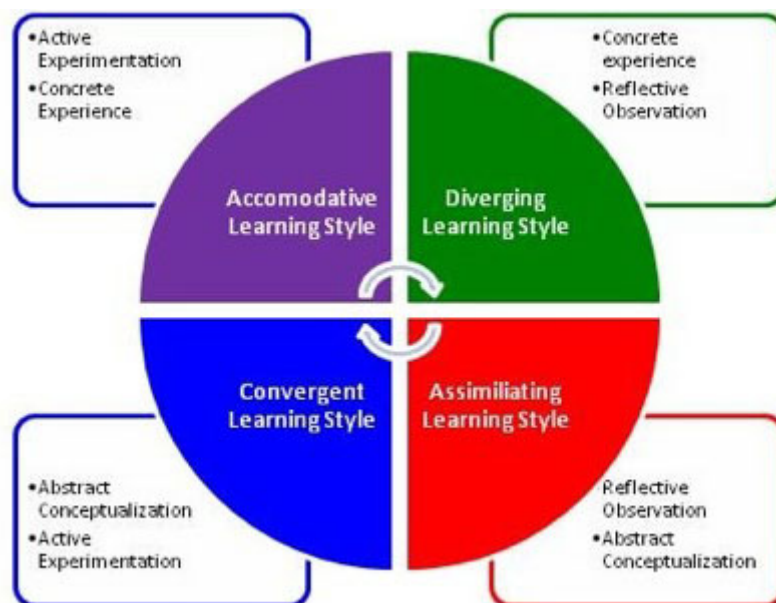


Exhibit 8 Kolb's learning styles

Messages must be **compelling** (16). The content must be considered interesting (provocative, unique), entertaining, innovative relevant to the audience and provide a call to action. (75) In order to build trust, messages should be authentic and invoke strong emotions. (76) (12) (64)

People become more attentive and engaged when communications **integrate the senses**, using pictures, animation, sound, and even smell. Communications should therefore be designed with as few words as possible, plenty of imagery and animation. If communications involves face-to-face-contact, an engaging and positive smell could also be very effective for triggering recall.

Memory works by recording the 'gist' of what is encountered, not the detail. (9) Communications should be summarized upfront. As brains are incapable of multi-tasking, each point should be addressed sequentially. No more than three to seven chunks (the capacity of the short-term memory) should be covered. Key messages need to be repeated in order for messages to filter through to an individual's long-term memory.

Every 10 minutes the brain loses **attention**. (9) Therefore, organizations should design lengthy communications, such as presentations, to insert relevant and meaningful 'hooks' every 10 minutes, invoking fear, laughter, happiness, incredulity, anger or other meaningful emotion.

Organizations should consider conducting meetings while 'on the move', for example, by walking around the block or playing a game of golf. This is because **exercise** boosts brain power, stimulating cell renewal and neuron growth. (9)

Meetings, workshops, and events should take into account the conditions under which the brain works best. In addition to exercise, this includes having adequate a regular **sleep**, a healthy **diet** and minimal **caffeine**. **Alcohol** should also be discouraged.

9.3 Create culturally sensitive communications, in order to increase trust in teams

The human brain is modified by the cultural activities it performs, such as learning languages or music. For example, brain scans of London taxi drivers show that the more years they spend navigating London streets, the larger the brain map associated with special awareness. (77) Infants are capable of distinguishing any sound but, if exposed to only one language, lose the ability to distinguish language sounds from other cultures over time. A Japanese six-month-old can hear the English r-l distinction as well as an English person; however, at one-year-old no longer can. (77)

Non-verbal communications can be unconscious, including how close people stand when they talk, the volume and rhythms of speech patterns and how long to wait before interrupting another person to talk. What may feel 'normal' in one culture, will not feel 'normal' in another. (77)

In order to communicate effectively across cultures, therefore, it is important to recognize how unconscious communications work and learn to **mimic others in verbal and non-verbal language**. In one study, a waitress repeated orders ad-verbatim back to one group of customers, and reviewed orders using different words to another group. The group in which orders were replayed back to customers ad-verbatim, tipped the waitress 170% more than the non-mimicked group. (77)

A culturally relative, contextually sensitive approach to communications should therefore be taken, that considers different unconscious perceptions (17) (referred to in Chapter 4.0 Communication and brand).

Global companies should form a **global advisory group** to identify and voice local requirements and customize messages to meet local needs and cultural sensitivities, which helps to secure buy-in among managers at the local level. (78)

Trust is critical in teams where members have divergent goals, values, and ideologies. (79) Teams with diverse cultural backgrounds tend to achieve either excellent or poor results, the difference depending on the levels of understanding of each other's differences in attitudes, values, and communication styles. (80)

To combat the 'psychic distance' from one another, frequent communication is required. (81) Virtual teams should build trust and intimacy through personal interaction as early on as possible. (82) (62) They must also have a greater respect for diversity, as this is more likely to lead to conversations with high levels of advocacy and inquiry, where mutual learning can occur. (83) (80)

Although not as intimate, when **electronic messaging**, such as email, is used, cultural differences are not as conspicuous and preconceived ideas and biases about team members can be eliminated. (84)

Digital media can be used constructively to create intimacy between team members. For example, team leaders may hold team lunches via webcast. Employees may also decide to work under camera, in order that remote employees can interface at any time. Blogs, podcasts, webcasts, videos, and photos can all be used to share a story and help create emotional pull to the topic of interest. Stories can be customer related or personal topics and uploaded to shared websites. Social network communities also encourage informal, quick conversation.

I once led a global team, many of whom were based remotely, in their respective regions. I found it difficult to be close to my remote team members as we didn't have the same technology that is available today. In those days, teleconferences were the only option, and generally ineffective at stimulating adequate two-way conversation. I didn't know how much I could trust my remote team members. My unconscious biases skewed my perception about whether they were doing a good job. This led to my favoring the team members that were local, the ones that I knew more intimately.

With today's range of technology, intimacy and trust has a much better chance of being established in remote teams, without having to find a budget to get people together physically – but it still takes work. You can't just install social media and expect everybody to start using it without first understanding each other. This has left many organizations scratching their heads to figure out how they can get their people to use the expensive technology that's been implemented.

*Among the many simple tips that are available is the **'Did you know?' quiz**. Each team posts three things that other people don't know about them on a central wiki / electronic space. Team members have to match each post to a person in the team before the next **remote team webcast**, where answers are checked and discussed.*

9.4 Change bad communication habits

A habit is easily formed when people receive a reward by satisfying a craving. That craving can be as simple as the desire to smile or as complex as substance addiction. People enjoy creating habits, as this frees up conscious brain space for other activities. Bad habits are powerful and difficult to change. (85)

People particularly enjoy habits that provide a small dopamine hit to excite the pleasure centers in the brain. (85) Reading an email is an example of an activity that provides such a dopamine hit, leading to a higher likelihood of developing the habit of reading emails whenever they are received, rather than postponing the reading of emails to two or three intervals during the day, as good time management practice proposes. (86)

Other bad communications habits include typing words into presentations, instead of using brain engaging audio-visual techniques and using email instead of telephone / webcam or conducting a brief informal face-to-face discussion.

Another bad communication habit is associated with the tendency for people to form 'in-groups' in the workplace that set up communications barriers with other 'out-groups'. This concept is further discussed in *Chapter 10.0 Co Culture*.

A habit forms a loop between cue, routine, and reward. This habit loop sits in the basal ganglia of the brain. In order to change bad habits, people must identify the cues and rewards they receive from current actions and work on changing the routine. Alcoholics in AA, who are instructed to identify the cues that trigger alcohol consumption and the reward they get from it, use this process. Most often, the rewards are escapism, relaxation, companionship and other emotions that can be satisfied with alternative routines. AA then provide the means by which the routine can be changed, such as access to a 24-hour counseling, so that when a cue is

presented the same reward can be received with a new routine. The new routine, over time, forms a new habit. (85)

In the case of reducing email habits, for example, one suggestion may be to get teams to identify under what circumstances (cue) they prefer to send emails (reward). It may be that person receives useful information (cue) and it will make the person look good if it is shared with leadership, potentially leading to promotion (reward). In this instance, a suggestion for changing the routine to achieve the same reward may be to set up a monthly informal meeting with the relevant leader (perhaps offer to walk together around the office block for 20 minutes) where updates can be shared during two-way conversation.

More suggestions for changing bad communications habits can be accessed via Commun-i-cations © at <http://www.acoaffair.com>.

Below is a summary of some ‘basic tips’ to simplify and improve internal communications.

Table 10 Top four basic tips to improve internal communications

Communications rule	Activity to be used for	Benefit	How it works
Reduce email use to only those occasion where an audit trail is required (87)	All emailing activity	Higher employee engagement through more engaging two-way, face-to-face activity and less broadcasting	Replace email with face-to-face conversations and digital collaboration including webcam and telephone
Email heading to indicate URGENT, INFO, ACTION, QUESTION and a clear description of content	All emailing activity	Recipient can tell by the title what the call to action is without having to open and read the email, reducing time spent on broadcasting	URGENT, INFO, ACTION, QUESTION to be used as prefix to headline
PowerPoint kept to five pages max, utilising visual and audio media instead of words	Anyone	Higher engagement with presentations , less time spent broadcasting	Upload pictures, recordings and graphs onto PowerPoint
Five Ls for consensus decision making	Any team meetings	Faster decision making	When a consensus is required each member of the team votes on whether they ‘Love’, ‘Like’, can ‘Live with’, ‘Lament’ or ‘Loathe’ the decision. Provided members vote a minimum of ‘live with it’ then a consensus can be made

9.5 Market ideas to the troops through internal communications

The process of persuading employees with communications is a form of internal marketing. (88) Integrated internal marketing communications campaigns are therefore the best approach when ‘priming’ employees for transformation. (89)

Priming suggests that the brain can be persuaded by language to accept an idea. (90) It can be particularly effective when used by leaders.

Campaigns provide a disciplined communications development and launch process with explicit tollgate phases, budget requirements, cross-functional scope, and governance and performance metrics. (28, 22) This creates more efficient planning, development and execution, by integrating working groups, programs and calendars across the organization. (91)

A campaign approach helps to maximize ROI. (91) Employee segments can be targeted appropriately, which in turn drives a more efficient communications process, where costs can provide a higher yield. (7)

Using a ‘**marketing mix**’ to design campaigns ensures that consideration is made of the ‘price’ (incentives and disincentives associated with changing behaviors), ‘product’ (the core and augmented benefits of changing behaviors), and ‘place’ (where and when employees should change behaviors) and ‘promotion’ of new behaviors. (7)

Branding the campaign helps to integrate all existing related programs into a portfolio (16) (91), helping to leverage opportunities for cross-integrating solutions. (91)

Brand Equity measurement metrics can provide insight into how well organizational members are responding to change communications by measuring how deep and broad brand awareness is; perceptions about quality; brand ‘feelings’ and brand ‘loyalty’. (16)

Branded campaigns have a greater impact through the use of common themes, symbols, characters and storytelling to establish engagement. (76) This helps to commit the intent of the campaign to long-term memory and better align activities with the objectives of the campaign. (76) Information about the benefits and composition of branded campaigns is detailed at *4.0 Commun-e-cations and Brand*.

9.6 Two-way collaboration is the best way to innovate and solve cross-business problems

Broadcasting messages is far less effective than **two-way collaboration** for establishing engagement across silos, regional and virtual teams. (92) (93)

As workforces increasingly diversify, more fluid and complex interactions are occurring. Younger generations expect two-way interaction from hierarchical superiors. Advances in digital technologies are also overtaking traditional one-way broadcast approaches. (94)

Exhibit 10 summarizes typical organizational formal **internal communications channels** and their relative effectiveness for engaging employees in commitment to action:

Choice of Communications Channels



Exhibit 10: Choice of Communications (including 'Co' channels):

Source: Change Management Foundation Course
(Australian government accredited cert. 3) 2012 pg. 28

Collaboration creates winning ideas, particularly in face-to-face settings, where communications is processed at both the subconscious and conscious level. Face-to-face communications engages the 'whole brain' through nuances of tone, body language, attention, facial expression and more. (70) (95) (96)

Digital media has the advantage of being compatible with **mobile technologies** and can link to existing social media and email databases. (16) New and emerging technologies, like 3D social networking, have the potential to contribute to even greater collaboration of virtual teams. (97) Some technologies (e.g. Tele-Presence) simulate an in-person meeting by beaming video feeds between locations. Multiple large screens create a wraparound effect, with specially designed meeting tables (in an ideal configuration) that mirror one another so that members feel as if they are seated at the same piece of furniture. This masters the critical issue of visual scale – if the onscreen image of a person is less than 80% of his or her true size, those who see the image are less engaged in talking with that person.

Collaboration can be set in a **location** that is simple, such as around a coffee machine, or complex, such as an Innovation Centre with research and development labs. (70) (95)

Facilitated workshops for innovation enable the exploration of issues using the four thinking processes that contribute to solution discovery (insight, problem solving, creativity and innovation) with a greater chance of employees overcoming the tendency to avoid controversy and adopt 'group think'. (65) (62) **Co-Create©** is one such facilitated workshop for innovation www.acorporateaffair.org.

Electronic and **social digital media** enables broader and faster distribution of messages, including 'viral' distribution. (98) Intranet sites encourage two-way collaboration via wiki development, online communities, and chat rooms. (16) Organizations can make use of analytics and other web measurement tools to help provide feedback as to the effectiveness of communications. (97)

'Whole system events', 'Future search' and 'Open space tech' are examples of 'multi-actor collaborations', where facilitated knowledge sharing across teams, functions and regions is used to develop solutions. They are processes for inviting employees to self-organize into common areas and share accumulated resources in order to collaborate for solutions. **Multi-actor Collaborations** are consistent with the Organization Theory (North, 1990), which proves that such collaborations led to sustained value creation and growth. (71)

Co-Events© is an example of such a facilitated multi-actor collaboration, where members from different business and functions are invited to a destination away from the office for a period of two or more days. The off-site destination is encouraged to increase attention levels and memory and to allow for communications methods that utilize all nine learning styles – for example, one session may involve some more introspective academic reading out in nature ('naturalist' learning), while another may involve team activity to find solutions to a problem (bodily-kinesthetic, spatial). A two-day period allows the brain time to process all the information received from Day 1 overnight during sleep – the brain's natural processing time – before actively solving solutions as a group on Day 2. Given that the brain is at its best with exercise, healthy food, sleep and laughter, exercise groups, wellness activities, games and flexible sleep options are provided. Alcohol and caffeine is generally discouraged. Traditional high-sugar morning teas and rich three-course-dinner-and-drinks-late-into-the-evening occasions are replaced by healthy but tasty meals, dancing and other music, exercise classes and problem solving games, such as cards or chess. Fun and laughter is encouraged through team creative interactions that simultaneously solve problems.

BP used a similar multi-actor collaboration effectively to successfully engage top leaders in the case for change for the organization to become more customer-centric and improve its performance. The event was held in a countryside location. Participants spent the first day using all nine-learning styles to acquire information about high-performance values and behaviors, models of customer-centricity, competitor performance, potential sources of competitive advantage and more. Overnight participants were given an opportunity to join in a social dinner and allowed plenty of time for sleep, in order to process thoughts. The following day's activities comprised mainly of creative problem solving, using a movie-making process, culminating in a top five cross-functional priority action list. In only a few weeks most actions had been closed out and the event was one of the highest scored for increasing engagement, trust and reducing employees' stress.

Cross-functional problem solving is best addressed either face-to-face or remotely, with a view to firstly ensuring that any perceived barriers to success are removed. **Co-Rect©** workshops provide techniques to encourage that removal of perceived barriers and negative attitudes before groups set about solving significant problems.

One business at BP successfully established a process for cross-functional problem solving, using a 'myth buster' approach that invited members from each function and business to identify a perceived barrier to success (e.g. 'I feel I am unable to simplify the way that I sign off on accounts receivable because you keep demanding additional checks be made'), while giving participants a right to respond (e.g. 'I didn't understand that my request was holding you up. I will review these more carefully in future').

9.7 Encourage powerful informal conversations and improve workplace design

Individual informal conversation patterns should be monitored (62), and results included in performance reviews. (68) **Informal conversations** are as important as formal. (68)

If an organization learns to understand the **patterns of interaction** between employees, then key information brokers and bottlenecks can be identified and leveraged in communications. (99)

The way in which the **workplace is designed** will improve the pattern of informal communications. (95) For example, centralizing the location of coffee machines, encouraging lunchtime running groups, replacing meeting rooms with innovation hubs and removing office partitions, all contribute to greater energy, engagement, and exploration in conversations. (70) (95) (68)

Conversation Explore© involves monitoring and recording the patterns of informal communications among team members, using electronic tags that are worn for a period of three consecutive days. A report is then generated summarizing the patterns of conversation between team members, including the time spent talking, the level of energy used in conversations and the extent to which communications are conducted

outside of the team as well as within the team. Recommendations are then made on how best to improve communications, including design improvements to the office layout.

9.8 Leadership is a conversation

Before people decide what they think of a leader's message, they decide what they think of the leader. (94)

There should be frequent, honest, open, conversation among leaders and employees. This creates higher levels of trust and performance (98) (62) through higher levels of intimacy.

Leaders should try to create **trust** by being authentic and empathetic, using vocal warmth, and a style that is similar to providing comforting but leveling advice to a friend (100). They should smile sincerely, hold a good posture, and move calmly and deliberately to project maturity and sensibility. (94)

Leadership can come across as authentic and trustworthy if they tackle uncomfortable topics, such as poor financial data or their personal details. Ian McLean, while at Exelon as a finance executive, effectively spoke of growing up in Manchester, England, the son of a working-class family. He described going to work in a bank where most of his colleagues had upper-class backgrounds, and how perceptions of class prejudice had made him determined to ensure that people in his organization would never be adversely judged. (101)

Leadership must communicate and act consistently. This helps to facilitate the use of 'creative opportunism' to resolve any differences between groups with competing interests and to reconcile any environmental pressures. (102)

Leaders must include employees in decision making in order to curtail the 'Mum effect' – where employees become reluctant to disagree with leaders. (103) Employee participation in annual strategy development, for example, can be a very powerful engagement tool. (104) (78)

Dedicating leadership 'listening time' can be a very effective for encouraging leaders to hold a frank conversation. (105)

Leadership should also consider training in Interpersonal communication. (106) Leadership and its role in communications are discussed further at *10.2 Co Leadership*.

9.9 Increase social time to control the damaging rumor mill

Social time should account for more than half of team communication patterns. (68) Members of high-performance teams have high degrees of trust and confidence in each other, established through personal interaction (107) from social exchanges.

When leaders are involved in social time, then informal conversations become even more effective. (108) Social environments provide employees with the perceived safety to ask questions, speak openly, contribute to and challenge a leader's thinking. This increases trust and stops employees from forming negative and cynical attitudes, giving leaders much greater control over the influential 'rumor mill'.

Social time does not need to cost money. A lunchtime running group or catch-up around the coffee machine can suffice as social time.

9.10 Use communications to reform dysfunctional teams

One way to help dysfunctional teams to improve their performance is to increase levels of intimacy and trust between team members.

To begin the process of reforming dysfunctional teams, members should participate in a **facilitated reflection workshop**, led by a psychologist or coach. Ideally such a workshop would be held in a work-neutral location (offsite), ideally over a two-day period. On the first day, members would be given the permission to express exactly how they are feeling while in a 'safe zone', without the pressure of feeling they must participate in an action planning session. Processing of the day's information would occur over a social but healthy meal, followed by plenty of rest overnight. The following day members would get together to agree a 'Charter' of behavior for the team's future interactions. The Charter, when established, ensures that all members must follow the agreed set of rules or they will get 'called out'.

Co.Rect© reflection workshops help dysfunctional teams to improve performance (<http://www.acoaffair.com>).

9.11 Use communications campaigns for transformation programs

Many organizations are undergoing large-scale transformations with the objective of simplifying complexity, becoming more customer-centric or improving performance.

Internal communications is critical in the success of organizational transformations. As discussed above, communications messaging should be appealing; channels should be two-way collaboration; informal conversation and social time should be provided for; and leaders should be positioned in the middle of communications networks. Also, for change communications:

1. Treat a change campaign like a social marketing campaign:

Social marketing campaigns persuade people to adopt new (e.g. 'increase blood donations') or change old behaviors (e.g. 'stop teenagers from playing around trains'). Organizations are advised to develop internal communications campaigns like social marketing campaigns when trying to align an organization around change.

Branding and marketing strategies should follow recommendations from '**9.5 Market ideas to the troops**'. Many organizations already use branding for change programs. Brands such as 'Customer First' and 'Making It Happen' are two such examples for a customer-centric change and simplification change respectively.

2. Incorporate goals and objectives for knowledge, beliefs, and behaviors:

Change campaigns should incorporate goals for improvement in knowledge, beliefs, and behaviors. Information about values and behaviors that are consistent with high performing organizations can be found in *10.0 Co Culture*. For example, organizations wishing to become more customer-centric may set the following goals:

- Knowledge goals at '90% of all employees will understand the change vision and have a sense of urgency about change occurring within three weeks'.
- Belief goals at '70% of all employees will believe the organization is better with change and the proposed change program will be successful within one month'.
- Behavioral goals at '20% of all employees will be fully trained and operational in new roles within three months'.

3. Incorporate change management 'critical success factors':

Internal Communications is a critical success factor for successful management of change (7.3 *Converting the organization Critical success factors*).

- The vision of the transformation end-state must paint a compelling picture of what the organization hopes to be once it achieves its aspirations, addressing both values and performance. It must be central to business themes and carefully crafted in order to avoid the generation of skepticism and loss of management credibility. (109)
- The sense of urgency should be kept high throughout the change program. (53) A sense of urgency is particularly important in older established industries such as banking and oil companies that have entrenched operating 'norms' that naturally create resistance to change. (109)
- Milestones and short-term wins must be regularly communicated to maintain the energy for change. Recognition and reward will also help to maintain motivation. (36)
- Campaigns must educate and engage for commitment to action, invite creative problem solving and help to facilitate conversations in order to release negative attitudes. (36) Forums to create participation and involvement, and facilitation and support (32) (25) become central to IC campaigns. Forums recommended via the [Warrior CO and WarriorLEAD](#) @ programs at www.acoaffair.com.
- Continuous Improvement (CI) Forums should also become part of the campaign and not run as a separate process.

4. Understand what, how and when stakeholders will change behaviors:

Given that both internal communications and social marketing is about persuading a target audience to change behavior (89), behavioral change models should help guide in the design of change campaigns, targeting employees who are at different stages along their change journey in adopting, modifying or eliminating behaviors necessary for transformation. (14)

For example, '**Stages of Change**' helps to target employees according to how far away they are to taking action (110). When leaders decide that organizational transformation is an imperative, they are at the 'action' stage of implementing new behaviors; however, the rest of the organization is generally at the 'pre-contemplation' stage – unaware of the urgent need for organizations to change – or the 'contemplation' stage – aware of the need for change but not yet considering how to execute personal changes. For those at the 'pre-contemplation' stage, communicating the case for change and accompanying sense of urgency should be embedded in the campaign, alongside the messages required to target those at the contemplations stage (such as a vision for success, expectation and milestones, etc.).

For those at the 'preparation' stage of behavioral change, communicating expectations and conducting training becomes important. 'Maintenance' is an important campaign stage, as with the implementation of any transformation there comes a period of chaos (c.f. Satir's' Curve (29)), which can cause employees to 'give up' and return to old behaviors or even leave their jobs. Campaigns can therefore be designed to encourage employees to continue, for example, through individual reward or team recognition of achievement.

Diffusion of Innovations (7) is another useful behavioral change model, focusing campaign segmentation into groups of innovators and early adopters (13.5% employees), early majority (34%) late majority (34%) and laggards, within a normal distribution curve. The model helps guide in the timing of communications for hierarchical layers within an organization. For example, executive leadership, as a distinct group of 'innovators', will become a campaign target before management layers ('early adopters') and employee

groups below management ('early and late majority' and 'laggards'). This supports the opinion that influential players should be identified and motivated as early as possible in the transformation. (57) (53)

It's useful to understanding how **negative attitudes** are formed and can be managed. Employees collect information any way they can, including the rumor mill or grapevine. They then benchmark their experiences to past experiences or other employees before deciding whether they are 'better or worse off'. Conclusions are influenced by trust in leadership and group opinion. (111)

Some employees may perceive they are losing something of value, including the ability to produce valued outcomes (112) (42); some may perceive they are experiencing a less equitable state of affairs that their peers (Kirk's Equity Theory, 1963) and other may perceive a fall in their hierarchy of needs (Maslow's Hierarchy of Needs, 1943) (113). Any of these perceptions leads to negative attitudes and dissatisfaction or cynicism among people and the potential for opposition to change. This is when 'blockers' tend to emerge, either individually or as groups (44) (*7.0 Converting the Organization*).

Psychological makeup influences how people cope with change. For example, people who are more introverted are more likely to have higher levels of resistance, impacting their ability to trust others and deal with stress. (86)

Face-to-face reflection opportunities, such as psychologist-led reflection sessions, are useful for employees who have a greater tendency for negative attitudes due to personality type (113) (42) (114), self-esteem issues (112) (42), and lower perceived self-control. (115)

Employee attitudes and motivations can be researched through surveys, face-to-face and cross-functional focus groups. (78) (25) For more information about communications measurement, contact www.acoaffairs.com or enquire at info@acoaffair.com.

5. Control, evaluate and feedback:

In order to determine its effectiveness, costs of the campaign against the achievement of goals must be measured and monitored. (7) Change strategists (*7.2 Converting the organization*) should be responsible for monitoring progress and feedback, to ensure campaigns are aligned to organizational values and goals (32) (78), and to facilitate greater engagement between senior leadership and employees.

9.12 Communications for partners and internal service providers

Internal communications is like internal 'social' marketing, driving employees to change mind-set and behaviors. This applies regardless of whether an executive leader is persuading employees to embrace a new strategic direction or the leader of an internal service provider is seeking to improve its reputation with the businesses that it supports.

Change communications rules therefore also apply to service functions wishing to improve their internal reputation. In other words:

1. Create a branded marketing campaign with a clear objective in mind. For example, the technology team at one bank, after facing backlash from internal stakeholders about the relatively high number of technology incidents, embarked on an internal marketing communications campaign called 'Growing the Tech-Tree'. The campaign featured a visual representation of the work that was in progress in technology, demonstrating that most of the improvements were invisible to the organization (such as improvements to 'change release processes'), sitting in the root system, but equally as fundamental to the organization's success as the trunk, branches and leaves (new software systems and other visible improvements).

2. Establish knowledge, belief and behavioral goals for the businesses being served or rest of the organization. For example, the belief goal may be ‘for 70% of the organization to believe that technology has significantly improved its operations over 12 months’; the behavior goal may be ‘20% less incidents recorded within one year’.
3. Incorporate a vision, sense of urgency, milestones to recognize success and other critical success factors for any change communications program. This will help rally the function around a common purpose, provide them with a clear sense of direction and help boost any negative attitudes or muted spirits.
4. Understand stakeholder attitudes towards the service provider and what the ‘perceived barriers’ are. This can be achieved, for example, through business engagement personnel conducting internal surveys. For example, at the bank it was identified that a large number of people believed that the technology team did not have enough capability to adequately improve on old legacy systems. Therefore, the campaign focused on alleviating these false fears.
5. Use two-way collaboration forums (informal and formal) between the business and function. It is particularly effective when internal service providers or functions involve businesses in helping to build measurement tools and other relevant outputs. Two-way collaboration forums achieve this interaction while encouraging ‘active listening’ time for the businesses, which then gets fed back into goals and activities.
6. Control, evaluate and feedback on the performance of internal communications in persuading businesses to change their minds.

For more detailed information and further examples of using internal communications to improve the reputation of internal service functions, enquire at info@acoaffair.com.

9.13 Crisis communications

Unconscious biases play a vital role in everyday decision making. It is the source of emotions, including the ‘gut feeling’ that people use to guide them in forming conclusions.

The conscious brain is slow and deliberate, capable of making informed judgments and decisions, while the unconscious brain is designed to store heuristics, the mental shortcuts used to make instant judgments and adjustments. The unconscious brain values speed over accuracy and thus regularly applies heuristics in situations where they don’t work. For example, heuristics decide what a ‘competent’ person looks like and who therefore should be trusted as part of a person’s ‘in-group’, only being overridden when the conscious brain engages in such a decision. (116)

Unconscious biases tend to drive people to look for confirmation of their actions from others. This is the basis of stock market trend analysis and the bell-shape of the Diffusions of Innovation curve, where exponentially increasing numbers of customers decide to adopt a product over time (*Chapter 3*).

During a crisis, the tendency to make fast, heuristic-based decisions increases. Customers can rapidly decide to reduce their loyalty toward an organization if they ‘feel’ a crisis justifies such an action. As such, it’s vital that customers are communicated with on a regular basis updating them on the status of the crisis and ensuring them that everything is being done to satisfy their needs.

For employees, it is also vital during a time of corporate crisis that internal communications is consistent, concise, correct, and targeted at the appropriate stakeholder. **Given the increasing speed at which communications can move, through digital and social media channels in particular, management should assume that anything communicated internally has the capacity to quickly be communicated externally.**

When technology failed at NAB in November 2010, leaving millions of bank accounts registering incorrect bank balances, the potential for a rapid and significant loss of corporate reputation was high. Fortunately, teams worked hard to central messaging, creating a single 'source of truth' which originated from a crisis 'war room' of the most senior and relevant executives. Corporate key messages were clear, concise, and consistent and disseminated through streamlined response channels. This contributed to the corporation receiving praise in the media for the way in which it handled the crisis, leading to insignificant losses in custom and revenue. (117)

Methods for generating and protecting an internal communications **source of truth**, creating a 'war room' and working with crisis teams to **distribute messaging through controlled channels** is explained in **Control ©** at www.acoaffair.com.

9.14 Expect more from internal communications professionals

If internal communications ROI is to improve, then internal communications professionals today must learn to:

- ✓ Replace broadcasting channels (intranet, emails, newsletter etc.) with two-way facilitation
- ✓ Monitor patterns of communications within and between teams. Provide this information to leaders for the purposes of review
- ✓ Ensure at least 50% of team internal communications are 'informal' and social
- ✓ Monitor social networks and the 'rumor mill', and encourage leaders to position themselves at the center of social time
- ✓ Optimize workplace design, including coffee machine location, regular rotation of staff desks, leaders in the center of teams
- ✓ Research employees' opinions before designing change communications in order to understand 'barriers' to change, the employee 'stage of change' and so on
- ✓ Encourage exercise groups and meetings that are 'on the move'
- ✓ Ensure that events provide healthy food, limited caffeine and alcohol and the opportunity for plenty of rest, in order that teams are at the most productive. Replace the traditional rich three-course dinner and drinks with a tasty, healthy meal and after-dinner group exercise class or walk, followed by a funny, relaxing game
- ✓ Persuade teams to embrace digital communications habits and become more comfortable interfacing through webcam, video conferencing, pod casting, 2D social networking and so on
- ✓ Use the full 'marketing mix' when planning an internal communications campaign
- ✓ Adopt a measure of the impact of communications on 'stress' to determine ROI

Internal Communications professionals may wish to refer to **Commun-i-cate: 10 ways to improve the ROI of internal communications** available via www.acoaffair.com or email: info@acoaffair.com.

Directives for leaders – Commun-i-cations

- ✓ Ensure employee effective internal communications and you will improve performance. The best predictor of team performance is its pattern of communication – the degree of energy that team members contribute within the team, the level of engagement that members have outside of formal meetings and the amount of explorative conversations that team members are prepared to have with other teams.
- ✓ Replace broadcasting with collaboration and conversation within and between groups. This increases levels of intimacy and trust between organizational members, which improves performance and reduces stress.
- ✓ Protect and promote reputation with the use of internal conversations that increase employee advocacy.
- ✓ Use integrated branded campaigns for change communications.
- ✓ Ensure communications covers the nine diverse styles of learning styles or follow the model of 'Kolb's learning styles'.
- ✓ Build trust across silos, regional and virtual teams with various collaboration tools
- ✓ Encourage and monitor informal and social conversations. At least 50% of communications should be social. Cost-effective solutions for social time include starting a lunchtime running group and catching up around the coffee machine (see further *Conclusion*.)
- ✓ Improve ROI by re-educating internal communications staff. See also Communicate for profit: 10 ways to improve the ROI of internal communications.
- ✓ Spend more social time with employees. Reduce formal meeting time if necessary in order to do this.
- ✓ Crisis communications should involve monitoring and manage internal communications as closely as external communications, particularly given the speed with which internal communications can become external (e.g. via social networks-channels are discussed further in *4.0 Communication and Brand*)

A Corporate Fable – Chapter 9

Over the next year a number of changes were implemented across the ACME Americas organization using Kirk's proposal, which became commonly known as the **Co Solution Framework**.

Barry and Helen had been pleased with the framework and the executive support for implementing improvements to communications, culture and change.

- Barry had taken the change management recommendations to his team, who were delighted to support the major transformation programs as coaches and facilitators of reflection and action planning workshops.
- Helen, who had been pressing for reform in her Communications function for some time, used the opportunity to rewrite the roles and responsibilities of her team. She eliminated over 75% of the broadcasting materials that were produced, replacing them with company-wide regular webcasts and podcasts. She instructed team members to take an active role in monitoring team conversation patterns, which were discussed in a weekly webcast with the Communications and Human Resources function. The team was pleased to be able to implement the various other 'quick wins' that had been tabled.

Helen's team prepared a branded change communications campaign, called 'Collaborate to Convert'

(Following the principles outlined in **Chapter 9.11 – Use communications campaigns for transformation**), which focused on:

- Improving employee cognitive performance (see further **Chapter 9.2**)
 - Bringing together remote and culturally diverse teams to create added value solutions (per **Chapter 9.3 - 9.5**)
 - Encouraging and monitoring powerful informal conversations and the 'rumor mill' (per **Chapter 9.7 - 9.9**)
 - Helping Kirk's back office teams to improve their internal reputation and raise their importance (per **Chapter 9.12 – Communications for partners**)
 - Protecting and promoting ACME's reputation through employee advocacy (per **Chapter 9.13**)
- and
- Aligning the communications function with human resources and replacing 'low value' broadcast messaging with higher value facilitation; monitoring and reporting responsibilities (see further **Chapter 9.14**).

New ideas from the employee 'idea box' were turned into profits under the guidance of the newly established innovation project team. Kirk's insistence on using the single 'Coalition' for new promotions and employee engagement was a 'hit' – it made the Top 50 in iTunes, which had sent employee morale and brand ambassadorship 'off the charts'.

The cross-functional, multi-actor events and workshops achieved outstanding results, creating unprecedented levels of energy and commitment from employees. People were pleased to have their time returned to them from reduced emails, newsletters, and meetings that resulted from the implementation of new communications' policies and processes. The lunchtime exercise groups and webcast lunches for remote teams – all coordinated by the executive team – were attended by virtually everyone, generating worthwhile conversation and higher levels of trust between teams and leadership.

With new 'Meeting Charters' and the help of Helen's facilitation – in which she instructed leadership teams on how to better make decisions using 'Six thinking Hats' and other well-known models – leadership meetings had

finally become productive. Formal meetings had become much shorter and less frequent, employing healthy foods and some form of exercise, which kept everyone from 'stiffening up' or 'going to sleep'.

Within weeks longstanding problems were resolved and process bottlenecks reduced. Performance metrics – across the board – also began to swing in ACME's favor.

For Kirk, even sacrificing his hard-won private office for an open desk in the middle of his team had worked out well. He felt his people were really beginning to trust him and work more productively.

The most significant improvement had been to ACME culture. Before the campaign, people tended to operate in discreet groups – some of these were formal teams, but others were social groups. Helen had spoken to Kirk of the informal 'rumor-mill' that circulated around these informal groups and provided all sorts of information – from gossipy 'office affairs' to speculation on whether senior executives like Kirk were 'successful' or not and whether they were going to stay.

Earlier in the year, Kirk had reeled when he heard some of the rumors that Helen had been privy to.

"Why do people think I am about to get the sack?" he had asked in dismay, after hearing that rumors had targeted him for gossip.

"Incidents have been going up and the perception is that you aren't coping well," Helen had revealed.

Kirk had then reflected in silence for a number of minutes before responding.

"Do you think I need to talk about the incidents more often? Acknowledge the distressing impact that it has on many of us?" he had asked.

"Yes," Helen agreed. "The culture in ACME is to only talk about the positive things and not the negative things. But people aren't stupid. If you aren't honest about what's going on, open up about how it's making you feel and acknowledge what it's doing to everyone else, then people make things up and rumors start. The misperception is that showing vulnerability makes you weak . . . but it in fact makes you appear stronger. Also it's much better to be in control of all the information that circulates, both good and bad, don't you agree?"

Kirk had nodded.

"I also think we should speak to Barry about refreshing and embedding some of these corporate values; at the moment they are fairly meaningless and more skewed towards performance and safety. We have a value called 'people' but haven't really spelt out what that means."

"Also, the values of 'collaboration', 'courage', 'commitment' and 'trust' have become more meaningful between employees as they have learned to work better together. These are the 'true' ACME corporate values ..." Helen had trailed off.

Kirk had continued. "I've also been wondering about our leadership model. We need to do more than remove all the offices and barriers between desks to promote more informal connectivity, as we have done in the past year. We need leaders to be really clear on the types of behaviors that make them a great leader, such as being passionate, proud, authentic, and building intimacy and trust with staff because they genuinely care about them. We need them to think of their role as being more like the head of a family than the head of a set of outputs and activities."

"The old model which rewards competition, and 'command and control' leadership creates too many opposing factions and groups, which have a bad impact on productivity and performance. A new model must focus on rewarding collaboration, courage, and commitment to the organization's success instead of personal success. I am going to talk to Barry about formalizing and embedding this new 'Co Culture'."

Chapter 10.0 Co-Culture

Co is a prefix meaning together, with, *jointly*
Co for Co-operation, Collaboration, Compassion
and Commitment.
Co for Competitive advantage
Co is the Solution

10.1 What is a 'Co Culture' and why is it important?

Corporate culture is shaped around the organization's vision, strategies, and goals. It encompasses values, leadership style, behaviors, processes, structure, roles, and measurement tools. (118) Organizations with specific key cultural characteristics (below) are more effective in achieving vision, strategies, goals, improved performance and greater market power. (119)

A **Co Culture** is defined by a distinct set of values and behaviors that encourage people to:

- ✓ **Co**nect better together
- ✓ **Co**-create solutions to solve problems
- ✓ **Co**llaborate for innovation
- ✓ **Co**mit to shared goals for the improved performance of the organization
- ✓ Display more **Co**mpassion for each other
- ✓ Develop a **Co**mpetitive edge by delivering business results

A Co Culture helps to create a healthy and successful organization where people share a common purpose, either overcoming an enemy or pursuing a goal. People have the ability to accept new or lose members without feeling the organization is under threat. They know their role, accountabilities and boundaries. Each member is valued for their diversity and unique contribution and communications is of a high standard, where teams actively collaborate to solve problems, deal with dissent without taking it personally, and achieve other performance outcomes.

Without these characteristics, the organization can become dysfunctional, which can lead to failure. (120)

Eighty percent of organizational cultures exist by accident or default, rather than design. (118) Most are shaped by critical incidents or key events that have happened in the history of the organization. Many are shaped by key personalities moving through the business. (119)

The 'Cultural Iceberg' demonstrates that most of the forces that shape an organization's culture are out of conscious awareness. Organizations typically work on influencing that part of culture that is 'above water', including dress code, language and rituals. However, deeper and more substantial elements of culture exist in the subconscious (below the surface), including attitudes, mind-set, values and beliefs. Values and beliefs – most deeply embedded in the subconscious and influenced by personal experience and unconscious biases – have the greatest impact on corporate culture.

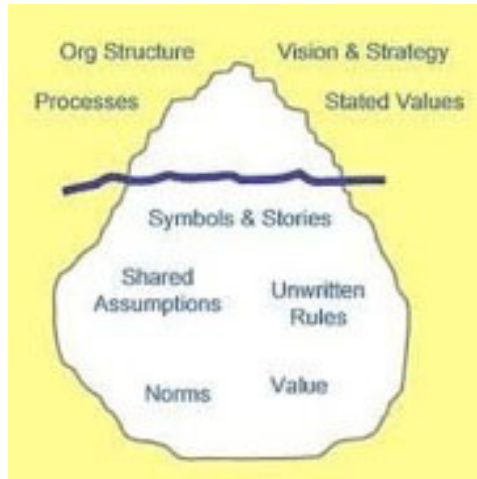


Exhibit 11: Cultural Iceberg:

Source: <https://www.1000advices.Com%252Fimages%252Finnovationpoint%20culture%20iceberg.JPG%3Bhttp%253A%252F%252F>

Therefore, to shape and control culture, organizations should create a simple representative set of corporate values.

Some of the more common corporate values from leading organizations include 'performance excellence', 'innovation', 'trust', 'accountability', 'respect' and 'integrity'. An organization wishing to create a Co Culture may also chose to include values such as 'collaboration', 'care', 'high ethics' and 'commitment'. BP has many values that align to a Co culture, including 'Safety', 'Courage', 'Respect' and 'One Team'. Corporate values from other leading organizations are tabled below:

	Purpose and vision	Inspire and motivate	Respect/ integrity	Flexibility/ Agility	Forward thinking/ Judgement	Trust/ integrity/ accountable	Courage	Responsibility /sustainability	Tenacity and resilience	Innovation	Collaborate	Performance
West Point	✓		✓		✓	✓	✓					
P&G	✓	✓									✓	✓
PepeCo			✓				✓					✓
GE		✓					✓		✓			✓
Dell		✓										✓
J&J			✓							✓	✓	✓
Schlumberger			✓					✓		✓	✓	✓
Rio Tinto		✓	✓			✓				✓	✓	
Shell			✓			✓		✓				✓
Exxon Mobil				✓		✓		✓		✓		✓
Hewlett-Packard		✓				✓				✓		✓
Dreamworks Animation	✓	✓								✓		✓
Adobe						✓				✓		✓

Exhibit 12: Corporate Values from leading organizations.

Source: Price Waterhouse Coopers report 'Leadership'

A strong set of corporate values helps to drive attitudes and mind-set, which leads to high performance behaviors, such as:

- ✓ Pride and passion. (121) Pride builders can get exceptional results from their teams by fostering deep Connections, a feeling of ownership and a Commitment to work. (122) Getting members to share their passions for the organization can be very effective in establishing cultural pride.
- ✓ Customer orientation. Where employees adopt a customer-centric approach to their duties, focusing on solutions that are customer-led and simple in process.
- ✓ Flexibility and agility. (123) Individuals that are flexible and agile are able to better respond to ever-increasing levels of change.
- ✓ Courage. Facilitated and planned two-way channels can enable employees to listen to each other and have the courage to speak up when designing actions. Open, honest, facilitated reflection sessions can encourage teams to articulate to each other how they are feeling about challenges and concerns.
- ✓ Respect and integrity. (124) (125) High levels of respect for others and personal integrity helps to establish trust among organizational members, which increases engagement, reduces stress and improves performance.
- ✓ Resilience. This helps to keep stress levels and related productivity reductions at a minimum through the chaos of change. (126) Resilience is discussed further below in Co Culture, trust and stress.

Organizational performance is more likely to improve when values and beliefs are aligned with the organization's vision, strategy, and goals, and allowed to manifest through working practices, group dynamics, and leadership into expected and actual behaviors. For example, organizations wishing to become more 'customer-centric' need to encourage behaviors that bring customer focused KPIs to the heart of leadership conversations; empower the front line to make decisions in the best interests of customer service; encourage activities to mirror the customer life-cycle for each segment; and create customer 'solutions' (not 'products') that match the customer value proposition. (122)

Matrix layered multi-nationals should be particularly mindful to create a culture that focuses on preventing problems arising from duplicate accountabilities, silo mentalities and cross border boundaries.

Corporate culture can be like that of a tribe. Tribalism refers to a mind-set and way of behaving in which people are more loyal to their tribe than to other groups, possessing a strong cultural identity and strong feelings of identity. Tribes are effective in establishing a sense of pride, passion, and identity, motivating its members toward achieving a common set of goals while simultaneously dissuading individuals from wandering off or joining other groups. (127)

Where a Co Culture and tribal culture begin to diverge, however, is in the way that members are kept together as part of the group and aligned with corporate goals.

Tribal cultures often use bullying and coercion as a means to achieve tribe loyalty, ensuring that members stay with the tribe at all costs (119). Conversely, a Co Culture motivates employees to be committed to performance goals of the organization, while simultaneously empowering them to be free to 'change tribes'. Motivation is achieved without bullying. This ensures that organizational alumni become future corporate advocates (particularly relevant in today's competitive environment, where corporations are advised to operate with flexible organizational design and groups of contractors performing their 'Tour of Duty') (*8.1 Complexity - Managing Complexity*). Improved tribe performance is also achieved, as members experience less mental stress (discussed below).

Research demonstrates that competitiveness between members should be actively reduced in order for team members to be close and trusting of each other. Team members should be encouraged to specialize in a unique and complementary area of work. (116)

10.2 Co Leadership

Leadership is one of the most important factors in determining whether organizations will survive and prosper. Leadership is critical to shaping any corporate culture.

People must be able to trust their leader. Leaders establish trust by being authentic, capable, and committed to being the most inspirational member of their tribe. They consciously and consistently make the effort to imagine walking in the shoes of the people they are leading. (105)

Leaders of organizations wishing to rapidly reorient their competitive positioning must take an organic approach to organizational change. (128) This means taking an active listening and coaching rather than directive role, and encouraging staff to participate in idea generation and decision making after training employees about the complexity of strategy. A Co Leader involves employees as thought leaders in storytelling (94), empowers team members (particularly the front line) to make critical decisions, and allows organizational activities to unfold, emerge, and self-organize by encouraging experimentation and improvisation. (128)

Co Leaders foster a culture of care, compassion, diversity, and consideration for others. They are humble and allow team members to share in profile and leadership responsibilities. A Co Leader is proud to leave a legacy that contributes to improving their organization, its stakeholders, and the community. This legacy encourages leaders to go beyond the common practice of short-term thinking and strive for solutions that are in the better longer term interests of the organization. (129)

Co Leaders don't try and learn just from failure, but also from success. They don't give too much credit to themselves for success and become overconfident. Instead Co Leaders look to external factors, luck, and other influences for good performance, thereby arming themselves with information to help them achieve future success. A Co Leader may employ basic practices such as Systematic After-Action reviews, Six Sigma, and experiments that challenge assumptions about what is needed to achieve great performance. (130)

While charismatic leaders are generally effective in creating a 'tribe' of followers, they can find it difficult to nurture an inclusive, caring environment that empowers people at all levels because they also tend to be narcissistic. (119) As a result, such leaders are associated with flat or poor organizational performance. Arthur Andersen and Enron are two examples of organizations that suffered under the charismatic leader. (119)

A leader that doesn't listen to the needs of an organization and doesn't see the entire complex system can make major decisions that are not in the organizations best interests. Durk Jager, the former head of Procter & Gamble, implemented sweeping organizational changes that destroyed essential informal relationships, resulting in the organization suffering a loss of critical relationship interdependencies. His successor, A.G.

Lafley focused instead on realigning incentives and rebuilding informal Connections, leading to an increase in P&G's market capitalization from \$69.8 billion to \$231.9 billion during his leadership.

Similarly, many have argued that Citigroup's near collapse, in 2008, stemmed from narcissistic leadership. CEO Chuck Prince, for example, ignored the warning signs of excessive leverage and failed to connect those people with information about the consequences of the bank's involvement in subprime lending to the strategic decision makers. (128)

10.3 Diversity and inclusion at the heart of a Co Culture

Diverse organizations are less likely to suffer from prejudicial behaviors, discriminatory organizational politics and bullying that can cause stress.

There are a number of advantages to be achieved from encouraging diversity in large organizations (142):

1. Diversity of thought delivers increased innovation capability, which leads to a greater capacity to create new and differentiated products and services.
2. Diversity across cultures creates an improved ability to connect with and serve a global set of customers and stakeholders.
3. Access to a wider range of potential recruits increases an organizations ability to attract and retain the best talent available in the marketplace.
4. As markets become more competitive, diversity helps make the organization more agile and adaptive to changing needs.
5. Co. Leaders that encourage diversity and manage it well attract higher discretionary efforts from employees. (142)
6. Companies with high levels of prejudice attract negative reputations. Texaco suffered a loss in reputation and brand equity as a result of racial discrimination. (142)

While diversity is clearly advantageous, it requires conscious management. Internal communications procedures must be actively monitored to address misunderstandings and conflict that can occur from differences in thinking. Many of the recommendations made in *Chapter 9: Commun-i-cate* simultaneously addresses the potential conflict that can arise in diverse teams.

There are a number of recommended practices that organizations should adopt in order to increase diversity:

1. Leadership diversity and inclusion competences should be included in performance reviews. This includes measurement for how well leaders promote diversity, respect their people, and provide equal development opportunities for their people. Leaders must role model diversity, be prepared to challenge existing practices and promote individuality and open communications. They must also be measured for incorporating diversity as an integral part of their business planning.
2. Attitudinal diversity training must be compulsory. Attitudinal diversity training incorporates attendee measurement of existing biases and existing issues that the company may be currently facing. Some of the best attitudinal training involves the use of shocking techniques. In one organization, one group was made to sit in a room for two hours wearing a dog collar, while the other group was treated to a hearty breakfast at a local restaurant.
3. Diversity goals must be implemented. Without goals, attitudinal training and leadership / performance competencies won't lead to a change in behavior.
4. Benchmarking and measuring the unconscious biases of all organizational members must occur. The IAT (<https://ijimplicit.harvard.edu/>) gives an efficient way of measuring associations that can reliably reveal unconscious biases. Once people are aware of their unconscious biases they can learn to control them in decision making.
5. Individual implementation intention planning should occur, where implementation plans are made against goal intentions to remove unwanted biases. In one experiment a groups IAT scores for racial bias were reduced to zero after individuals set and followed implementation intention planning

against a goal of 'do not be prejudiced'. Planning involved identifying a number of trigger situations and setting actions against these, for example, 'If I see a dark face then I will ignore skin color'. (142)

10.4 Employee values, beliefs, behaviors and unconscious biases

Personality is the unique psychological process of an individual, including how that person thinks, feels and behaves. Personality differences impact on **motivations and attitudes**, which in turn impact on levels of **job satisfaction and performance**. It is therefore important to measure the personality of employees, as important influencers of organization's performance. Personality differences also determine how intrinsically resilient people are to stress, how likely they are to adopt 'bad' organizational politics and how capable they are of confronting unconscious biases.

A good **personality questionnaire** should be able to describe a potential employee's behavior in terms of suitability for a Co Culture, capable of putting forward assertions that are tested empirically and supported by valid scientific evidence. Details of popular trait questionnaires are provided in *Co Solution no. 2 – Core interventions to Combat workplace stress*.

In addition to personality traits, intelligence, as measured by **intelligence tests**, is also a critical factor in determining how people cope with stress and overcome unconscious biases. High intelligence coupled with high levels of **conscientiousness** is considered the 'golden sum' in ensuring high job performance. (131)

Cognitive analysis provides insights into thinking processes such as problem solving, memory and language, which impact on behavior. These insights into mental processes can be substantiated by observation/interview and logic and reasoning testing.

Self-awareness and the ability to come to terms with one's 'self' is necessary for psychological well-being, which in turn impacts the employee's ability to adopt a Co Mind-set. The sorts of questionnaires available to determine conditions of worth and degree in which a person is fully integrated or self-aware include **Personal Orientation Inventory** (132) which claims to measure self-actualization, and the **Q-sort Technique** (133) which examines changes in perceptions of self-worth.

External motivations impact job satisfaction and performance. An employee's motivation to adopt a Co mindset should also be supported with the appropriate stimulus-response processes, such as performance measurement processes that reward Co Culture behaviors. (134)

One of the best external motivators is the creation of **stretch goals** (135), underpinned by mature processes and the correct training and support to ensure the goals are achievable. Also, having the right **hygiene factors** in place (136), working conditions, payment, promotional opportunities, etc. (42) – will influence employee willingness to embrace a Co mind-set and culture.

10.5 Workplace stress leads to reduced organizational performance

Mental stress is a significant problem in organizations today. (137) It costs Australian businesses more than \$10 billion per year (138), approximately one sixth of the total work related illness claims (139) (138), through increased accident rates, lost time, absenteeism, lower productivity and effectiveness and increased insurance premiums (140). More professionals make claims for mental stress than any other occupation. (138)

The susceptibility to mental stress appears to be more acute in Western cultures. (141) USA statistics follow a similar pattern to statistics from Australia: 69% of employees in USA report that work is a significant source of stress (142). In a study of a large, multi-employer, multi-site population, healthcare expenditures for employees with high levels of stress were 46% higher. (142) Job stress is estimated to cost U.S. organizations

more than \$300 billion a year in absenteeism, turnover, diminished productivity and medical, legal and insurance costs. (143)

Stress initiates a number of biological responses in the body to prepare the body for the instinctive ‘fight or flight’ response to perceived threats. Hormones release (adrenalin, noradrenalin, cortisol) that increase the heart rate, deepen respiration, and divert blood to muscles, increasing anxiety and alertness in readiness for action. When the human body is subjected to prolonged periods of stress, the hormone release system reaches exhaustion leading to an increased susceptibility to infection, diabetes, high cholesterol, and fats in the blood, high blood pressure and the associated risk of stroke and heart attack. (144) (139)

Mental stress isn’t just an organization’s problem: it’s a social problem. It can result in serious health conditions including anxiety, depression, aggression and harmful behaviors such as physical inactivity, alcohol and narcotic abuse, smoking, poor diet and sleeping disorders – which are known risk factors for diseases such as Type 2 Diabetes, cardiovascular disease and some cancers. There are links to insomnia (142) and the growing obesity epidemic. Chronic stress can also be linked to musculoskeletal disorders and metabolic syndrome (which predisposes people to cardiovascular disease and diabetes). (138)

While low levels of stress can be a positive motivating factor that can help increase people’s performance in order to achieve goals, higher levels of stress lead to reduced performance and less motivation. (142) (139)

A Co Culture, by encouraging Collaboration, Courage, Compassion, and other behaviors that increase levels of trust between people, helps to minimize levels of mental stress and improve organizational performance.

High workloads change and internal politics are broadly the three main reasons for workplace mental stress:

- ✓ **High workloads** with unnecessary complexity in activities have the effect of causing the brain to switch tasks to a degree that leads to loss of control and high levels of stress. The brain cannot ‘multi-task’ or pay attention to more than one thing at a time. Instead it naturally focuses on tasks sequentially. Studies show that when a person is interrupted it takes 50% longer to accomplish a task and that 50% more errors are likely. (9)
- ✓ Overly complex organizations also tend to undergo frequent large-scale **changes**. The changing competitive landscape is also forcing organizations to transform. The impact of change and transformation on stress was discussed at *7.2 Converting the organization-Resistance to change and stress*.
- ✓ Mental stress from **internal politics** tends to be associated with bullying and harassment. Workplace bullying and harassment can be defined as repeated systematic, interpersonal abusive behavior that negatively affects the targeted individual and is generally the result of actual or perceived power imbalances between perpetrator and victim. (145) Bullying and harassment can be aggressive or passive. It is a form of ‘bad’ organizational politics, including behaviors that intimidate, offend, or degrade people (145), such as social isolation and spreading rumors. (146)

Causes and costs of workplace stress and management and prevention techniques are provided for in *Co Solution no. 2 – Core interventions to Combat workplace stress*.

10.5 Co for Concentric circles

Creating a Co Culture is the first step that any decision maker must take to influence the success of a global organization.

'People' represent the innermost concentric circle, reflecting its core influence on all other aspects of organizational functioning.

In earlier chapters, certain influences were identified that increase the density of the organization's 'pool' of interactions, making it difficult for organizations to improve competitive position. These influences include cynicism, stress, internal politics, and complexity.

To this list of competing influences can also be added 'control of mind-set'. Individuals with a negative mind-set, resulting in negative behaviors, have the tendency to attract defensive, angry, and other similarly negative responses from others. Such negative behaviors tend to bring out negative behaviors in others, making organizational performance improvement more difficult.

When people control their mind-set and have collective behaviors then innovation and improved competitiveness can be achieved. This leads to a Co Culture – a key weapon for organizations to win the battle for competitive advantage.

Directives for leaders – Co Culture

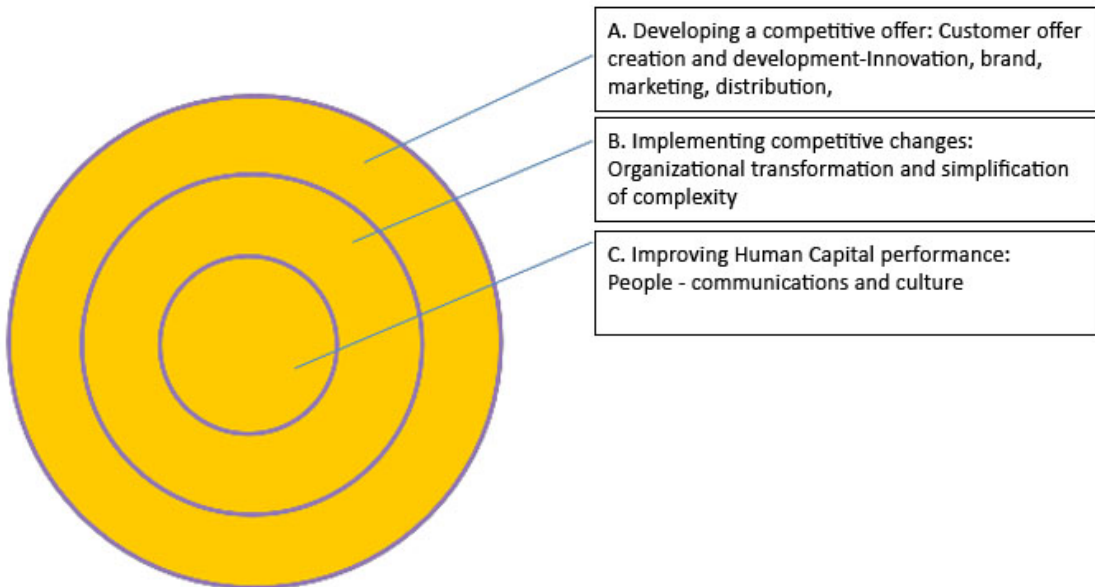
- ☒ Create a **Co Culture** for a healthy and successful organization. People in a healthy organization:
 - Work towards shared common goals
 - Know their role, accountabilities and boundaries
 - Value others for their diversity and unique contribution
 - Communicate to a high standard
- ☒ Develop values and beliefs that are aligned with the organization's vision, strategy and goals; and allow these to manifest through working practices, group dynamics and leadership into expected and actual behaviors. Some of the more common corporate values today include 'performance excellence', 'innovation', 'trust', 'accountability', 'respect' and 'integrity'. An organization wishing to create a **Co Culture** may also chose to include values such as 'collaboration', 'care', 'high ethics' and 'compassion'.
- ☒ Matrix layered multi-nationals should be particularly mindful to create a culture that focuses on preventing problems arising from duplicate accountabilities, silo mentalities and cross border boundaries.
- ☒ Develop a **Co Leadership**. This is probably the most important issue defining whether organizations will survive and prosper. It is critical to shaping a **Co Culture**.
- ☒ **Co Leaders** establish trust by being authentic, capable, and committed to being the most inspirational member of their 'tribe'. They consciously and consistently make the effort to imagine walking in the shoes of the people they are leading. **Co Leaders** foster a culture of care, compassion, diversity, and consideration for others. They are humble and allow team members to share in profile and leadership responsibilities. They aim to leave a legacy and learn from success as well as failure.
- ☒ Encourage diversity. For maximum effectiveness, implement **attitudinal diversity training** that measures existing biases before and after the training.

- ☒ A **Co Culture** works to **minimize mental stress** of its members. Workplace mental stress is a significant problem. Increasing workloads, the pace of change and internal politics are broadly the main reasons for workplace mental stress.
- Mental stress from internal politics tends to be associated with bullying and harassment. Workplace bullying is generally the result of actual or perceived power imbalances between perpetrator and victim (Askew, 2013)
 - Bullying is a common problem in Australia and USA, with statistics for bullying being very similar across the countries
 - Stress management and prevention interventions are discussed in ***Co Solution no. 2 Core interventions to Combat workplace stress***
- ☒ Creating a **Co Culture** is the core and first step that any decision maker must take to influence the success of an organization.

Part D Co-Solution Framework

The Co Solution Framework is a framework of **cost conscious solutions to improve corporate performance**. It is a summary of the information and directives in this book:

Co Solutions Framework



Co Solution	Chapter/ topic	Summary of directives for leaders
<i>A. Developing a competitive offer</i>	Innovation and strategy: from page17	<ul style="list-style-type: none"> ✓ Accept that traditional barriers to entry and toll gates are being rapidly eroded for large and multi-national organizations. ✓ Analyze the competitive landscape before making any decisions. This includes the macro environment, industry, competitors, and the organization. The internet makes this process efficient and cost effective. Tools you can use to determine whether an offer can have competitive advantage and how it should be positioned in the market include: PESTLE, Five forces, Strategic Capability Analysis and SWOT. ✓ Establishing ‘transient’ rather than ‘sustainable’ competitive advantage should be your goal when creating new offers. Many offers will have shorter lifecycles and you will have to become comfortable with rapidly disengaging and redirecting resources.

		<ul style="list-style-type: none"> ✓ Pursue offers that are at the beginning of their market growth phase or ‘window of opportunity’ on the ‘S-Curve’ ✓ Retrain employees to acquire a broader range of skills that can manage new innovation lines across a broader industry set. This can be done electronically, instantaneously and at a lower cost than in the past. ✓ Employ innovation teams of knowledge experts to work under short term contracts on projects. This allows the easy scale up and down of teams between projects and also the flexibility to undertake multiple projects. ✓ Establish a budget for innovation. ✓ Appoint a leader of the innovation team and empower them to make fast non-consultative decisions. ✓ Establish a learning environment and innovation space for teams to think in, including sensory appealing hubs, exercise opportunities, and wellness management. ✓ Use ‘Value Creation Methods of Design’ and employ in-house facilitators to encourage maximum effectiveness in brainstorming and innovation for successful implementation. ✓ Stress is associated with life-changing events, which can occur as organizations adjust to a new competitive pace. Stress makes it difficult for innovation to occur and should be actively managed by a corporation. <i>The Co Solution no. 2 – Controlling workplace stress and bullying to improve performance</i> provides solutions for managing and preventing workplace stress.
	<p>Brand, marketing and sales: from page 23 and page 29</p>	<ul style="list-style-type: none"> ✓ Position offers according to whether there is perceived added value. Multi-national organizations can easily find themselves positioning an offer for failure, where prices continue to be charged for added value, but the consumers no longer perceives added value. Branding can help to add perceived value. ✓ Establish clear goals to help guide in an offer implementation strategy and provide a benchmark against which your offer’s competitive success can

	<p>be measured.</p> <ul style="list-style-type: none"> ✓ Use Behavioral Change Models to help shape your goals. This also helps to shape the marketing campaign strategy (referred to in <i>3.0 Communication and Brand</i>) and the offer implementation strategy (referred to in <i>6.0 Converting the organization</i>). ✓ Develop integrated Marketing Communications to convey that an offer meets consumers' needs in terms of its attributes, price, and personality. It must evoke positive 'means-end' identification for consumers. Develop a culturally relative, contextually sensitive global brand. Even when offer differentiation does not exist, a brand can provide a perception of added value. When consumers perceive a higher value, then they will likely pay a higher price. A leading industrial brand name can command a price premium of 6.8% over the average industrial brand and 14% over a new, unknown brand. Quality is the main brand-equity-generating variable. ✓ Globalization generally increases the value of the brand and enables an organization to benefit from transnational efficiencies in advertising. It is particularly successful when targeted at markets with an open mind-set to becoming global. ✓ Use low-cost software packages and online suppliers that offer a range of design tools that can create branding logos, letter templates, with - compliment slips, presentation templates, and business cards. ✓ Map the target segments into a stakeholder engagement matrix. ✓ Create contemporary, engaging, far reaching and cost-effective integrated marketing communications strategies: <ul style="list-style-type: none"> o Online communities enable consumers to converse directly and immediately with organizational decision makers, sales staff, technical specialists and other consumers o Digital photos and videos can easily be used to replace expensive traditional advertising through YouTube o E-books, e-magazines, podcasts and webcasts can all be create inexpensively and distributed
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		<p>electronically</p> <ul style="list-style-type: none"> o Mobile applications that are iPad friendly can be relatively simple to create and enable consumers to access organizational communications at any time, via smart phone or tablet o Viral distribution provides influential ‘word-of-mouth’ marketing <ul style="list-style-type: none"> ✓ Evaluate the success of marketing by utilizing cheap and simple embedded web-based analytics ✓ Other contemporary and cost-effective channels include flash mobs and public art sponsorship. Trade and Community publications, press releases and radio remain relatively inexpensive media channels ✓ Cultural and regional differences will also impact on the choice of <i>channel</i>. For example, some consumers may have regular access to social media networks and communities, while others may be more dependent on monthly trade magazine. ✓ Get customers and employees to participate in helping to shape brand and marketing (e.g. M&Ms) ✓ Employ co-branding and affiliate marketing as a particularly useful strategy for new global markets where an organization has no brand identity
	<p>Procurement, distribution and pricing: from page 40 and page 42</p>	<ul style="list-style-type: none"> ✓ Access global suppliers using the internet to establish lowest cost provider. ✓ Reconfigure supply chains to access a global pool of suppliers. ✓ Create E-Commerce pages on your website to enable any consumer globally to purchase your offer at any time. ✓ Distribute globally with the help of various ERP systems and email databases. ✓ Many industries are under rapidly increasing competitive pressure, created by the ability for any person to create and distribute information online, with a low and flexible cost base. Among these are media, education, brokerage, and training organizations. ✓ Set your sales price to at least cover the unit variable costs; otherwise there will be a loss.

		<ul style="list-style-type: none"> ✓ Apply contribution margin analysis if you have more than one offer – it may be that you can afford to have a loss leader. ✓ Set price ceiling based on demand and perceptions of quality, established through consumer perceptions and buyer price sensitivity. ✓ Prices can generally be set higher and close to the price ceiling when: <ul style="list-style-type: none"> o Demand is relatively price inelastic (i.e. is not sensitive to price changes) o The offer has unique sources of competitive advantage – for example, it may be protected by trade market o Cost to develop the offer isn't transparent to consumers of competitors o There is perceived value in the offer. Avoid price wars – the more elastic the demand (coupled with high levels of transparency in competitor pricing and declining industry costs), the more likely that price wars can occur
<p>B. Implementing competitive changes</p>	<p>Change Management: from page 47</p>	<ul style="list-style-type: none"> ✓ Effective change management of disruption is critical for success and will result in reduced costs for the organization. This includes the development of a vision of the transformation end-state; a sense of urgency; milestones and short-term wins. ✓ Plan and perform communications and stakeholder engagement. A stakeholder matrix should be developed to group organizational members according to their level of interest in and commitment to change, and power over the effectiveness of change. All communications and training should be tailored to the stakeholders' groups 'learning style'. ✓ Reduce internal politics using the techniques discussed in <i>8.0 Commun-i-cations</i> and <i>9.0 Culture</i>. ✓ Develop powerful internal groups of transformational leaders to lead significant change and employees that are competent and 'change-ready' culture. ✓ Identify and remove people and groups that continue to block the progress of change after they have been asked to participate in its design / planning/ management.

		<ul style="list-style-type: none"> ✓ Further instruction for leading and managing change can be found in WarriorLEAD © (for leaders of change) and WarriorCO© (for team leaders). Details of how to access programs can be found on http:// www.acoaffair.org
	<p>Simplification of complexity: from page 56</p>	<ul style="list-style-type: none"> ✓ Reduce organizational complexity to improve competitive position by creating cost and efficiency advantages. ✓ Assess major issues with Pareto analysis, as 80% of the problems will probably come from a small number of process steps and 80% of the wins from only a small number of process changes. ✓ Streamline products and services to remove those with lower marginal contribution to profit (<i>refer 5.0 Costs, prices and profits</i>) and/or low growth potential. ✓ Design organization so that people with the knowledge, skills, and behaviors needed to improve competitive position are focused on activities that add value. Ensure it mirrors a simple value chain, enabling the organization to focus only on those core activities in which it specializes. Outsource non-value added value chain activities. ✓ Simplify strategy into one page. Multiple strategic initiatives and frequent changes in strategy are major complicating factors resulting in organizational members being unclear about what the strategy is or how to prioritize across many different initiatives. This leads to the wrong activities being performed, efforts being dispersed too thinly and delivery being slow and ineffective. ✓ Implement process simplification methods such as Lean, Six-Sigma, and Business process reengineering. ✓ As a general rule, the more people in an organization, the more complex it is. ✓ Change and complexity is the most common reason for workplace mental stress claims. ✓ For further information, please consult 'From Simplicity to Complexity: <i>Unleashing your organizations' potential' by M. Collinson and S. Jay</i>, or any other leading consultancy.

<p>C. Improving Human Capital / People solutions</p>	<p>Communications: from page 64</p>	<ul style="list-style-type: none"> ✓ Employ effective internal communications and you will improve performance. The best predictor of team performance is its patterns of communication – the degree of energy that team members contribute within the team, the level of engagement that members have outside of formal meetings and the amount of explorative conversations that team members are prepared to have with other teams. ✓ Replace broadcasting with collaboration and conversation within and between groups. This increases levels of intimacy and trust between organizational members, which improves performance and reduces stress. ✓ Protect and promote reputation with the use of internal conversations that increase employee advocacy. ✓ Use integrated branded campaigns for change communications. ✓ Ensure communications covers the nine diverse styles of learning styles or follow the model of ‘Kolb’s learning styles’. ✓ Build trust across silos, regional and virtual teams with various collaboration tools. ✓ Encourage and monitor informal and social conversations. At least 50% of communications should be social. Cost-effective solutions for social time include starting a lunchtime running group and catching up around the coffee machine (see further <i>Conclusion</i>). ✓ Improve ROI by re-educating internal communications staff. They need to learn to design internal communications using the full ‘marketing mix’ and ‘behavioral change models’; manage and facilitate a wider variety of two-way workshops and forums; analyze and monitor social networks and the ‘rumor mill’; design workplace to optimize conversation; and advise teams on how to maximize patterns of communications. ✓ Spend more social time with employees. Reduce formal meeting time if necessary in order to do this. ✓ Crisis communications should involve monitoring and manage internal communications as closely as
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		<p>external communications, particularly given the speed with which internal communications can become external (e.g. via social networks-channels are discussed further in <i>4.0 Commu-nication and brand</i>).</p>
	<p>Culture: from page 83</p>	<ul style="list-style-type: none"> ✓ Create a Co Culture for a healthy and successful organization. People in a healthy organization: <ul style="list-style-type: none"> o Work towards shared common goals o Know their role, accountabilities and boundaries o Value others for their diversity and unique contribution o Communicate to a high standard o Develop values and beliefs that are aligned with the organization’s vision, strategy and goals; and allow these to manifest through working practices, group dynamics and leadership into expected and actual behaviors. Some of the more common corporate values include ‘performance excellence’, ‘innovation’, ‘trust’, ‘accountability’, ‘respect’ and ‘integrity’. An organization wishing to create a Co Culture may also chose to include values such as ‘collaboration’, ‘care’, ‘high ethics’ and ‘compassion’ ✓ Matrix layered multi-nationals should be particularly mindful to create a culture that focuses on preventing problems arising from duplicate accountabilities, silo mentalities and cross border boundaries. ✓ Develop a Co Leadership. This is probably the most important issue defining whether organizations will survive and prosper. It is critical to shaping a Co Culture. ✓ Co Leaders establish trust by being authentic, capable and committed to being the most inspirational member of their ‘tribe’. They consciously and consistently make the effort to imagine walking in the shoes of the people they are leading. Co Leaders foster a culture of care, compassion, diversity and consideration for others. They are humble and allow team members to share in profile and leadership responsibilities. They aim to leave a legacy and learn from success as well as

		<p>failure.</p> <p>✓ A Co Culture works to minimize mental stress of its members. Workplace mental stress is a significant problem. Increasing workloads, the pace of change and internal politics are broadly the main reasons for workplace mental stress.</p> <ul style="list-style-type: none"> o Mental stress from internal politics tends to be associated with bullying and harassment. Workplace bullying is generally the result of actual or perceived power imbalances between perpetrator and victim (Askew, 2013) o Bullying is a common problem in Australia and USA, with statistics for bullying being very similar across the countries o Stress management and prevention interventions are discussed in <i>Co Solution no. 2 Controlling workplace stress and bullying to improve Corporate performance</i>
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Also available from A Co Affair at <http://www.acoaffair.com> to complement the Co. Solution Framework (as referenced throughout the book):

Global Conversations© e-book to improve communications across cultures

WarriorCO and WarriorLEAD © online training for change teams

Coach©, Co-create© and Correct© facilitated workshops for change and team relationship management

Co-Events© event development and management for global teams

Commun-i-cations© online training and books for communications professionals

Conversation Explore© consulting program to monitor communications patterns

Costimize© sales optimization planning

Commun-e-cate© online training for marketing communications professionals

A Corporate Fable – The final chapter

Kirk took a moment to himself on the back porch of his home, after having just returned from the 2015 team end-of-the-year party that Paul, CEO Americas, had hosted generously at his family home.

While ACME Americas still had some way to go in order to regain its market power, it was certainly headed in the right direction. The improvements to offer creation and development, change management and human capital performance had been noticed by other regions and Group Executive Leadership held up as ‘best-practice’. For Kirk, that meant his bonus had doubled and a he was now first in line as successor to Paul.

“Here is to the Co. Solution,” he said aloud, as he raised his glass to toast a successful year.

Conclusion and Next Steps

45 Cost Conscious solutions to implement today

If you keep doing what you've always done, you'll keep getting the same results . . .

The competitive landscape is shifting quickly. New competitors are arriving. Resources are decreasing. Organizations with high 'barriers to entry' are beginning to disappear.

You need to get smarter and more agile. You need to get smarter at innovation. You need one global brand that targets midstream and upstream segments as well as traditional customer segments. You need to replace expensive and outdated marketing behaviors with free electronic and other low-cost marketing tools that have greater global reach. You need to draw the best suppliers from a global list and to distribute in many places in the world. You need to transform and simplify your organization. You need to improve your human capital performance.

Your first step is to implement 'quick wins' – solutions that cost virtually nothing to implement.

These are listed as Next Steps in the table below (Table 12).

Co Solution	Chapter/ topic	Next steps – Recommendations for immediate implementation
A. Developing a competitive offer	Innovation and strategy:	<ol style="list-style-type: none"> 1. Create innovation project teams from existing staff requiring redeployment. 2. Stop permanent recruitment and use a 'Tour of Duty' model, which sources employees for a two-to-four-year contract period and encourages contracted staff to retain external networks throughout the contract (this also establishes contractors as brand advocates). 3. Involve front line staff in strategy formulation by inviting them to submit ideas to an innovation box, through competitions, or by inviting them to attend a conversation (e.g. via focus groups). 4. Replace extensive R&D processes with a 'trial and pilot' approach to offer development, using the bare minimum of analysis.
	Brand, marketing and sales:	<ol style="list-style-type: none"> 5. Perform marketing research and analysis using internet-based 'free' tools. 6. Replace current marketing plan with a marketing plan based on electronic solutions, including email promotion, squeeze / landing pages, electronic communities, blogging, wikis and more.

		7. Replace sales team direct selling and relationship management with 'face time' and 'Skype'.
	Procurement, distribution and pricing:	<p>8. Use free and cheap internet tools to create e-books, e-magazines, YouTube and develop a global email database of prospects and potential customers from distributing these tools via landing/squeeze pages.</p> <p>9. Procure the lowest price/ best quality supplies from a global list of suppliers, researched via the internet.</p> <p>10. Distribute paper products electronically. For example paperback books can be turned into e-books; face-to-face workshops can be turned into electronic live podcasts/ webcasts.</p> <p>11. Calculate the pricing ceiling and floor-dependent on demand elasticity, uniqueness of product, competitor prices and contribution margins – before establishing prices for new products. This will help to avoid getting caught in dangerous price wars.</p>
B. Implementing competitive changes	Change Management:	<p>12. Give control back to employees facing redundancy by directing them to programs such as Little Co Big Co © and WarriorCO ©. This will reduce their stress and increase productivity throughout the restructure period.</p> <p>13. Direct change managers to immediately employ appropriate change management techniques and routines per chapter 6.</p>
	Simplification:	<p>14. Use or get continuous improvement teams to use the 80/20 rule to identify the most important items that require simplification and focus on resolving just these issues.</p> <p>15. Simplify organizational strategy into one page that's relevant across the organization.</p>
C. Improving Human Capital performance	Communication	<p>16. Post a picture of eyes above any 'honesty boxes' (where staffs are required to pay for food or drinks). This impacts on the subconscious mind and makes people more likely to pay.</p> <p>17. Replace email and intranet articles and teleconferences with more effective podcasts and</p>

		<p>webcasts.</p> <p>18. Borrow people from within the organization to facilitate cross-business collaboration and problem solving activities as this will help get better results.</p> <p>19. Create a lunchtime exercise group, such as a running group. Get leaders to participate in the group to promote higher quality conversations.</p> <p>20. Replace working lunches with 'walk-time' lunches, with a sandwich and fruit at the end. This will help stimulate brain power and afternoon productivity.</p> <p>21. Arrange for leadership to host offsite meetings at their home. This both saves money and increases intimacy between leaders and staff.</p> <p>22. Replace expensive restaurant dinner and drinks with group exercise, followed by a spa treatment and healthy meal in order to boost brain power and productivity.</p> <p>23. Include music and dancing at all group overnight functions to stimulate happiness, wellbeing and brain power.</p> <p>24. Have a communal 'nap area' that can be accessed by anyone at any time. People work better after a short nap.</p> <p>25. Invite newly formed and / or remote teams to play a 'getting to know you' game. The increase in intimacy and trust established helps to boost team performance.</p> <p>26. Begin to monitor staff for informal communications patterns and use results in performance reviews with the help of communications' managers. This helps leaders identify those employees who are conducting effective conversations.</p> <p>27. Get communications managers to monitor formal meeting communications patterns to identify how teams can contribute to productive conversations better.</p> <p>28. Create a team charter to ensure consistent and appropriate behaviors. This helps meeting time to become more productive and focused.</p> <p>29. Use Edward DeBono's 'Six thinking Hats' as a model for complex decision making in teams.</p>
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		<p>30. Create a rule that email can only be used when an audit trail is required. Otherwise use face-time, Skype, face-to-face, telephone or other two-way communication.</p> <p>31. Instruct communications personnel to follow directives from Chapter 8.15. This will help establish greater ROI for internal communications.</p> <p>32. Hold regular informal lunches with remote teams via Skype. This helps to establish intimacy and boost team productivity.</p> <p>33. Ensure remote staff can always see their team members . . . give them access to cameras wherever possible.</p> <p>34. Reduce office space by allocating cross functional teams into closely connected hubs. Rotate on a regular basis to ensure cross-functional connectivity – this helps to break down silos.</p> <p>35. Recognize that people often have coffee breaks to create an excuse for informal conversation. Install a coffee machine and teach people how to be a barista. Also, offer herbal tea and promote the benefits of tea through a competition / challenge. Make sure the location of the machine is central.</p> <p>36. Arrange for the next important ‘town hall’ or group presentation to occur in an outdoor space or provide a distinctive but pleasant smell in the meeting room. The visual / olfactory change in environment will make the information more memorable.</p> <p>37. Begin to use visual prompts and storytelling in every presentation. Mandate pictures and storytelling across the company.</p>
	<p>Culture:</p>	<p>38. Establish a set of high-performance corporate values and embed these into the performance review process.</p> <p>39. Include ‘inclusiveness’ behaviors in performance reviews and leadership discussions / meetings.</p> <p>40. Offer staff discounts on health and wellness activities.</p> <p>41. Make staff awards health and wellness related e.g. replace the bottle of whiskey and watch with a free massage and pedometer / ‘Jawbone</p>

		<p>UP’.</p> <p>42. Ensure the company cafeteria stocks only healthy food options.</p> <p>43. Get all employees to measure unconscious biases using the free IAT tool (https://iimplicit.harvard.edu/)</p> <p>44. Instruct communications personnel to create a repository of diversity and inclusion stories from staff and customers and host on corporate intranet, for sharing in meetings. These can be recorded using an iPhone or camcorder.</p> <p>45. Mandate a ‘safety’ session at the start of every meeting that includes inviting employees to talk about what they have experienced / achieved with respect to mental wellness.</p>
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Appendix

Next Steps Worksheet

Please use the following worksheet as a guide you help you get started in improving your organization's performance:

1. Innovation and strategy:

- Create innovation project teams from existing staff requiring redeployment
- Stop permanent recruitment and use a 'Tour of Duty' model, which sources employees for a two-to-four-year contract period and encourages contracted staff to retain external networks throughout the contract (this also establishes contractors as brand advocates)
- Involve front-line staff in strategy formulation by inviting them to submit ideas to an innovation box, through competitions, or by inviting them to attend focus groups
- Replace extensive R&D with a 'trial and pilot' approach to offer development, using the bare minimum of analysis

What else can you think of to improve innovation?

2. Brand, marketing and sales approach:

- Perform marketing research and analysis using internet based 'free' tools
- Design a marketing plan based on electronic solutions, including email promotion, squeeze / landing pages, electronic communities, blogging, wikis and more
- Replace direct selling and relationship management with 'face time' and 'Skype'
- To establish prospect lists, utilize free and cheap e-marketing tools such as e-books, e-magazines, YouTube and develop a global email database from distributing these tools

What else can you do to improve your marketing and sales approach?

3. Procurement, distribution and pricing:

- Procure the lowest price / best quality solutions from a global list of suppliers, researched via the internet
- Distribute paper and other products electronically. For example paper-back books can be turned into e-books, face-to-face workshops can be turned into electronic , live podcasts / webcasts

- Calculate your offer's contribution margin, pricing ceiling and floor. Consider its demand elasticity, uniqueness of product and competitor prices. This will help to avoid getting caught in dangerous price wars

What else will help you to improve your supply chain, distribution channels and profits?

4. Change Management:

- Give control to employees facing redundancy by directing them, to programs such as *Little Co Big Co* ©. This will reduce their stress and increase productivity throughout the restructure period.
- Instruct change managers and change strategists to employ appropriate change management techniques and routines per Chapter 6.

What else do you need to do to improve your change management?

5. Simplification:

- Use the 80/20 rule to identify the most important items that require simplification and focus on resolving just these issues.
- Simplify organizational strategy into one page that's relevant across the organization

What else can you do to immediately simplify complexity?

Human Capital Management

6. Communications:

- Post a picture of eyes above any 'honesty boxes' (where staff is required to pay for food or drinks). This impacts on the subconscious mind and makes people more likely to pay
- Replace email and intranet articles and teleconferences with more effective podcasts and webcasts
- Borrow people from within the organization to facilitate cross-business collaboration and problem solving activities as this will help get better results
- Create a lunchtime exercise group, such as a running group. Get leaders to participate in the group to promote higher quality conversations
- Replace working lunches with 'walk-time' lunches, with a sandwich and fruit at the end. This will help stimulate brain power and afternoon productivity
- Arrange for leadership to host offsite meetings at their home. This both saves money and increases intimacy between leaders and staff
- Replace expensive restaurant dinner and drinks with group exercise, followed by a spa treatment and healthy meal in order to boost brain power and productivity

- Include music and dancing at all group overnight functions to stimulate happiness, wellbeing and brain power
- Arrange a communal 'nap area' that can be accessed by anyone at any time. People work better after a short nap
- Invite newly formed and/or remote teams to play a 'getting to know you' game. The increase in intimacy and trust established helps to boost team performance
- Instruct communications personnel to monitor staff for informal communications patterns and use results in performance reviews. This helps leaders identify those employees who are conducting effective informal conversations
- Instruct communications personal to monitor formal meeting communications patterns to identify how teams can contribute to productive conversations better
- Instruct communications personnel to read chapter 8.14 for a sense of how they may establish a better ROI on communications investment
- Create a team charter to ensure consistent and appropriate behaviors. This helps meeting time to become more productive and focused
- Use Edward DeBono's 'Six thinking Hats' as a model for complex decision making in teams
- Create a rule that email can only be used when an audit trail is required. Otherwise use face time, Skype, face to face, telephone or other two-way communication
- Replace newsletters with e-newsletters and leadership / expert-led podcasts and webcasts
- Hold regular informal lunches with remote teams via Skype / webcast. This helps to establish intimacy and boost team productivity
- Reduce office space by allocating cross-functional teams into closely connected hubs. Rotate on a regular basis to ensure cross-functional connectivity – this helps to break down silos
- Recognize that people often have coffee breaks to create an excuse for informal conversation. Install a coffee machine and teach people how to be a barista. Also, offer herbal tea and promote the benefits of tea through a competition / challenge. Make sure the location of the machine is central
- Host your next important 'town hall' and presentation in an outdoor space or provide a distinctive but pleasant smell in the meeting room. The visual / olfactory change in environment will make the information more memorable

What else can you do to improve communications?

Keep a journal of communications changes improvements that occur for you and your team as you implement these solutions.

7. Culture:

- Establish a set of high-performance corporate values and embed these into the performance review process
- Include 'inclusiveness' behaviors in performance reviews and leadership discussions
- Offer staff discounts on health and wellness activities
- Make staff awards health and wellness related, e.g. replace the bottle of whiskey and watch with a free massage and pedometer
- Ensure the company cafeteria stocks only healthy food options
- Mandate diversity and inclusion training or, to save money, instruct communications personnel to create a repository of stories from staff and customers and host on corporate intranet, for sharing in meetings. Use the IAT free tool to benchmark and measure unconscious biases regularly
- Mandate a 'safety' session at the start of every meeting, which includes inviting employees to talk about what they have experienced/ achieved with respect to mental wellness

What else can you do to ensure you develop a Co Culture?

What are you prepared to commit to in order to become a Co Leader?

Best of Luck!

Please contact www.acoaffair.com for further initiatives, ideas, and solutions.

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