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THE PROCESS OF ENTERPRISE BUSINESS IMPROVEMENT

PROCES UNAPREĐENJA POSLOVANJA PODUZEĆA

ABSTRACT

Pivots are the current 'buzz' word for how companies change the game so they can win at it. Through the process of continuous reframing and promoting a culture of creativity, companies can drastically improve metrics such as market share, revenues and profits. One recurring theme of many successful companies is that they establish 'why' (the purpose of their existence), followed by 'how' and 'what' they do to fulfill their purpose. The 'why' statement perhaps does not fit in with the mission or vision statement; therefore, a company's foundation statement becomes the umbrella mantra of its raison d'être. Reframing 'how' a business operates and 'what' it shall provide needs to be reviewed continuously and innovatively. The continuous innovation process of successful companies is that they not only focus their attention on improving their product and/or service but across each aspect of the company. This paper will discuss successful companies that define the 'why' through their foundation statement, reframe often, engender an innovative culture, and thus pivot their company forward in a competitive global economy.

Keywords: reframing, pivoting, foundation statement, 'why', innovation

SAŽETAK

Proces unapređenja poslovanja je stalni proces koji traje koliko traje i tvrtka. Onog trena kada se prestane razmišljati i raditi na unapređenju poslovanja, postoji opasnost njenog opstanka. Ako se samo stane, drugi idu i već su ispred jer preuzimaju vodstvo. S obzirom na vrijeme brzih promjena i prestiža danas se često spominje „buzz word“ riječ „pivot“ što u prenesenom smislu znači „promjena smjera“ - riječ, koja se često primjenjuje u terminologiji strategije u postizanju uspješnog poslovanja. Kroz proces kontinuirane preobrazbe i podrške u kreativnosti, poslovanje se može drastično poboljšati u smislu metrika – ustaljena pravila mjerenja- udjela na tržištu, prihoda i profita. Bitna tema koja se ponavlja u uspješnom poslovanju tvrtki je da se uspostavi 'zašto', koja je svrha postojanja tvrtke? Idući korak slijedi "kako" i "što", također važni faktori u procesu ostvarenja ciljeva i unapređenja postojećeg poslovanja. Proces unapređenja poslovanja (reframing), i revizija faktora "kako" poslovanje funkcionira i "što" je rezultat poslovanja, su daljnji koraci u kontinuiranom i inovativnom razvoju tvrtke. Ovaj članak će raspravljati primjere uspješnih tvrtki, kako su definirali 'zašto', tvrtke koje često primjenjuju promjene u unapređenju postojećeg poslovanja (pivot), i kroz podršku kulture inovativacije usmjeravaju poslovanje u napredovanju na konkurentnom

globalnom tržištu.

Ključne riječi: *pivot, kreativnost, preobrazba, 'zašto', inovacija.*

1. Introduction

Great companies are great because of the way they do things. More importantly, they understand why they do things. Once they understand pivoting to catapult the company into a new reframing and to go beyond the company's mission and vision statements is where many companies fail. The mission and vision are just words in the company newsletter or policy manual. Employees may read the mission and vision statements but still treat their work as a daily passionless job just to pay the bills.

The 'why' is the company's existence articulated and communicated so that it provides a basis for all ideas going forward and thus attracts top talent who align with its existence. In essence, a potential employee cannot only read and understand the underpinnings of a company's mantra, but associate, identify and align it with their own personal goals.

Communicating a company's purpose, which encompasses the 'why', goes beyond acquiring the pursuit of human capital. This is the foundation statement that transcends into other aspects of the company. It is what decisions are made upon as it aligns the whole organization. Everything from marketing and product development through to stakeholder engagement and strategic initiatives in combination, results in a company's unique selling proposition. In other words, "by innovating on all fronts the company develops its own unique selling proposition (USP) and decreases barriers to entry." Often, however, once a "company establishes a successful USP in a market, competitors rush in to copy it."ⁱ The USP thus needs to be ever evolving through innovation that is ubiquitous throughout the whole organization. While the first part of this paper aims to provide the rationale for a company to have a foundation statement, the second part aims to provide a construct for innovation. The two parts translate to providing unparalleled and evolving USP.

2. Foundation Statement

"Why" is a child's first step in understanding his or her world? Paraphrasing the late Steve Jobs, "go into life with childlike curiosity." With no previous conceptions and no previous knowledge, a tabula rasa, a child has unbelievable curiosity and search for knowledge. To emulate this in the corporate world, a company in its infancy has to establish its foundation statement which incorporates the 'why' of its conception. Prior to the creation of a company's mission, vision or business plan, a foundation statement is the basis behind many of today's successful organizations.

Christel Quek of the Havas Media Group has described "stories that start with 'why' - that articulate the organization's purpose and passion - are able to get more consumers tuning in to the brand and what it stands for. But what is a good story without purpose? The best stories have a key message - a driving force that underpins the 'why' and builds the connection of why the audience should care".ⁱⁱ However, a small company may choose to keep its motto internal until it has reached a comfort level to be on the radar of its competitors. A small company perhaps strategically chooses to articulate its foundation statement outside the company when it has reached critical mass and speed to be able to defend its USP.

Even Netflix, which in 2013 earned 4.3 billion dollars in revenue, has not actively disclosed its purpose to the public. About seven years ago, Netflix was a mail-order DVD rental service stating, “Our appeal and success are built on providing the most expansive selection of DVDs; an easy way to choose movies; and fast, free delivery.”ⁱⁱⁱ They evolved from being a pay-per-use DVD rental service, to a monthly subscriber model and now to a very successful data warehouse of online movie streaming across North America. Claiming 4 billion hours of content viewing in the first quarter of 2013, Netflix averages 87 minutes of daily per subscriber for its 28 million plus customers, making it the “hypothetical” top cable network alongside The Disney Channel.”

Once a company’s purpose is created, it is then able to pivot and change its unique value proposition to align with the needs of its customers and market demands. Apple Inc., the American consumer electronics giant, is a good example of how a company stayed true to its purpose, which it first stated in 1997 — “Think different.” It continues to this day to innovate with a cause and succeed globally. In his discussions of how great leaders inspire action, Simon Sinek states, “People don’t buy what you do, they buy why you do it. If you talk about what you believe, you will attract those who believe what you believe. Microsoft sells the ‘what’, and sometimes the ‘how’, but Apple sells the ‘why’ ”.^{iv}

Professor Theodore Levitt saw that 20th-century American railroads defined their business too narrowly, proclaiming, “We are in the railroad business!” This myopic focus caused them to lose sight of who their customers were and what they needed. The railroads failed to develop strategies to compete with airlines, barges, pipelines and trucks and thus many had to merge or go out of business. They failed to realize that they were in “the transportation business.”^v

The business foundation statement if not well thought out can actually impede a company’s progress and prosperity. Sinek also discussed in his Tedx talk that a company should always start with ‘why’ then ‘how’ followed by ‘what’. In this order a company can ensure that it formulates its foundation statement and propels itself forward.^{vi}

3. Innovation paradigm

Now that we have discussed the importance of a clear company statement that epitomizes the values, the ‘why’ and the purpose for successful growth, we can follow how they innovate and function in their divisions and markets. That is, how they utilize their mantra to align, to filter, to adopt, to unify, to energize and to capitalize on innovation.

Approximately seven years ago I personally had the opportunity to hear Larry Keeley of Doblin Inc. speak in Ottawa, Canada. He stated (paraphrasing) “that most companies focus on product and service innovation.” I interpret this to mean that innovation needs to be rampant throughout the organization. Every single aspect of a company can be a game changer. Here are a few: logistics, supply chain, network, human capital and resources, IT infrastructure, accounting, metrics (lead and lag factors), big data analysis, quality, marketing, sales, customer experience, environment, production, sustainability, industry association involvement, cross function teams, value assessment, stakeholders, customer engagement, information technology, tinkering time, culture, giving back to community, broad *vision ROI*, finance, business model, partnerships, platforms, vertical integration, continuous customer analysis, articulation of the company principles. All of these functions and more can be sorted in the below diagram that Mr. Keeley presented in his talk to our group.

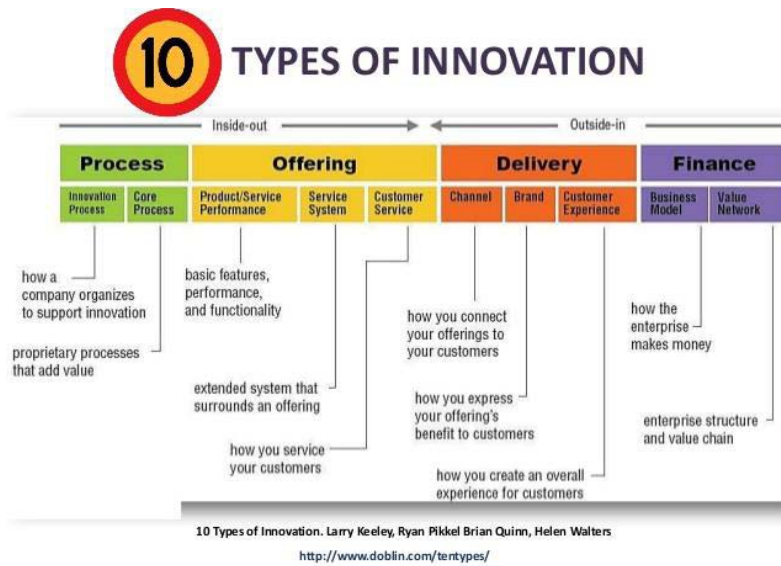


Figure 1 ^{vii}

One of the points Mr. Keeley had mentioned was that if a company becomes world class on 6 or more out of the 10 innovation classifications listed that it has the potential to corner the market. The unique selling proposition becomes so tightly knit that the model becomes difficult to emulate. In Mr. Keeley's talk in 2011^{viii} he provides another paradigm shift in that innovation occurs with scarcity and with solving a problem. He used the example of Cemex one of the worlds largest cement companies. The problem was to get their trucks full of cement to the construction site so that the cement would not harden. The company committed to a project to come up with a traffic algorithm to route trucks in real-time to their destinations. Cemex now makes more money selling their world-class algorithm then selling cement. The paradigm shift is not to extend on a selling more cement but to fill a need and therefore pivot the company in a new direction.

The paradigm shift is well expressed by Larry Page the co-founder and CEO of Google where he debunks the incremental innovation model. "The way Page sees it, a 10 percent improvement means that you're basically doing the same thing as everybody else. You probably won't fail spectacularly, but you are guaranteed not to succeed wildly... How exciting is it to come to work if the best you can do is trounce some other company that does roughly the same thing? That's why most companies decay slowly over time. They tend to do approximately what they did before, with a few minor changes. It's natural for people to want to work on things that they know aren't going to fail. But incremental improvement is guaranteed to be obsolete over time. Especially in technology, where you know there's going to be non-incremental change."^{ix}

Google has the finances of small nations and while it is at the innovation forefront it is perhaps too ambitious for a smaller company to keep up with. A small company therefore needs to put this in perspective. Develop a guiding mantra and innovate toward that. Solely,

analyzing the competition leaves you trying to catch up; therefore, coming up with a purpose focuses the company to innovate on multiple fronts and move forward.

4. Conclusion

Business is an organization run by people. The greater percentage of people in a company that know and identify with the company's foundation statement the more they will be able to work synergistically and passionately as a team. The foundation statement becomes the beacon or guiding light to systemically provide a construct for all ideas for which innovation results. Sometimes the innovation is so profound that the company pivots into a new revenue stream. The process of pivoting is fundamentally how a company can develop its unique selling proposition. The Doblin Group has developed a classification innovation model that works to explain innovation within 10 aspects of a company. The more innovation within the aspects a company becomes the best at, the greater its chances to compete successfully. Finally, innovation stems from a need or a pain point and can be as prolific within a multinational as a start-up. In sum the entrepreneur or decision maker of a company needs to lead a company forward. It helps if the 'why' is articulated, practiced and tells a meaningful story. Innovation happens because employees don't just think they are employees, rather that they are part of a company with a higher purpose. The result is to pivot and reframe a business to make it prosper.

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