



## **Building Self-Renewing Companies** **Dean Robb, Ph.D.**

While touted as a marketplace nirvana, the reality of the global marketplace has brought with it an unanticipated, strange and painful consequence: somehow, dominance has become as much a liability as an asset. Small, nimble competitors can emerge from nowhere, move with blinding speed, and subvert industry incumbents, because incumbents can't respond quickly and effectively. Disconcertingly, dominance can potentially disappear almost overnight.

To survive – let alone thrive – in this climate requires creating and continually renewing a spirit of disciplined innovation and entrepreneurship. This combination of discipline and creativity is the source for continuous generation of “disruptive innovations” – products and services that alter the rules of the competitive landscape – in your favor. It ensures rapid, effective response to evolving customer needs. It's the source of employee passion, creativity and commitment.

According to a worldwide survey of CEO's by Accenture in 2004, entrepreneurship is a top priority for the great majority. Yet, that same survey showed that fewer than three in ten CEOs think their organizations are very entrepreneurial. Over half of executives admit that their organizations lack entrepreneurial role models, and that leaders are not really encouraging entrepreneurship. Creating disciplined entrepreneurship and innovation – the foundation for self-renewal – is clearly a conundrum.

Building capability for ongoing self-renewal is possible, but demands significant changes in how we build, lead and manage companies.

### **Discipline and Creativity**

The Self-Renewing Company is a hybrid entity; it must build, balance and integrate two substantially different core capabilities:

1. Disciplined Execution: To deliver excellent performance against *current* goals.
2. Creative Renewal: To ensure *future* survival and growth through continuous innovation and adaptation to rapid, turbulent changes in markets and technologies.

Discipline is the brains and brawn of the self-renewing enterprise; creativity is its heart and soul.

## Disciplined Execution

Discipline is crucial for successful execution of any business model and strategy. Critical organizational success factors for disciplined execution include:

- A clear, well-deployed business model and strategy – tightly aligned with current marketplace needs
- Products and services – tightly aligned with current customer needs
- Effective, efficient, flexible, core business processes
- Clear roles, responsibilities, goals and measures for teams and individuals, coupled with a clear structure of freedom, empowerment and accountability.
- A high-performance culture.
- An effective performance management and reward system.

Taken together, the first four items in the list form the necessary, but also only *temporary*, structure for delivering value to customers, stockholders, employees and perhaps the surrounding community. As customer needs change, they must be continually modified, reconfigured and realigned to meet those newly-emerging needs. How does that happen? Through the enterprise's capability for Creative Renewal!

## Creative Renewal

Clearly, disciplined execution is critical for winning the business game in today's marketplace – for however long it lasts. But in a turbulent marketplace, that game may have a fairly short shelf-life. So, to *stay* on top over the long haul in an ultra-competitive global marketplace, the complementary core capability is *creative renewal*: the ability to continually redirect and reinvent the enterprise. Creative renewal has three facets:

- Strategy Innovation: a creative business growth strategy for continually leapfrogging the competition with innovative new business concepts and models.
- Value Innovation: continuous innovation around new products and services.
- Operational Innovation: the capability to continually redesign and realign the organization and operations to suit the latest business model and strategy.

Examples of formal structures for creative renewal include, but are not limited to:

- New business ventures
- New product development teams
- Process innovation teams
- Benchmarking processes
- Knowledge management architectures
- Learning organization architectures
- Strategy retreats

## Human Foundations of the Self-Renewing Company

The sections above address the structural/technical side of corporate renewal. While critical, they aren't enough. Why not? Social scientists have documented through research, and most people know through their own experience, that corporate cultures are often burdened with deep, institutionalized resistance to change and innovation. The vast majority of modern corporations are *institutions*, and apart from an intentional, focused, and sustained effort to build, lead and manage them otherwise, institutions are inherently oriented toward maintenance of the status quo. They *abhor* innovation and change. The point is that "installing" the solutions outlined above without a significant change to the social system is a bit like trying to cultivate rice in the Mohave Desert.

### A New Leadership Paradigm

The human foundation of disciplined execution is *alignment* – getting everyone "on the same page." The old-school leadership paradigm, founded on a parent-child model, used the tools of control, compliance, and conformity to gain alignment. In today's marketplace, the costs of the old approach are staggering. Bluntly put, the old paradigm serves only to perpetuate an increasingly entrenched status quo; on top of that, it devastates commitment, creativity, and diversity – the foundations of renewable innovation and entrepreneurship.

The new paradigm replaces the parent-child model with an adult-to-adult, commitment-driven model, based on mutual respect, accountability, negotiation and experience-based trust. This model fosters engaged commitment, high performance and creativity.

To enact the new paradigm, leaders will need to grow toward intellectual, emotional, and spiritual wholeness, so they can balance and integrate the polarities between discipline and creativity:

<b><u>Discipline</u></b>	<b><u>Creativity</u></b>
Power	Humility
Accountability	Freedom
Directing	Listening
Mastery	Learning
Strength	Vulnerability
Rationality	Intuition / Emotion

Wholeness is also critical for successfully engaging in a "full-spectrum" strategy for managing the cognitive, emotional, social, practical and political challenges of the Cycle of Renewal (discussed below).

Creating a highly diverse, inclusive culture requires facilitation, support and community-building skills, as well as the inner strength to foster the growth and empowerment of others without feeling threatened.

One example is a client who heads up the organizational development and training organization in a major department of a state government, and who is responsible for spearheading internal change to the department's operations and culture. When he came on-board, he took over an organization that was fractured by internal in-fighting, inertia and a certain bureaucratic mindset of low expectations and low performance. Through our work together over several years, he has transformed his organization into a cohesive team characterized by superlative levels of performance and uncharacteristically high levels of innovation. His team, which was once regarded as a departmental backwater, is now so heavily sought out that they can barely keep up with the demand.

How? First, by working on *himself*: he located and worked on building up his own emotional/ spiritual center. This enabled him to remain balanced through several major storms and battles, and to deal directly, non-anxiously, and even-handedly with some very powerful resentments and other negative, underground emotional baggage that had accumulated within the organization from years of infighting and neglect. Then, he patiently developed individual, adult-to-adult relationships with each member of his team founded on mutual freedom and mutual accountability. Next, he built a climate of profound respect and appreciation for each individual's separate gifts. Then, he gently – but unwaveringly – encouraged/ challenged each team member to grow, and to push back on him to grow, too. Throughout it all, he held fast to his accountabilities to the team, and to their accountabilities to him. And, at the foundation of it all: an exceptionally deep personal integrity, coupled with an unshakable faith in the ultimate goodness and giftedness of most human beings, no matter what evidence to the contrary might manifest in the short run.

### The Human Foundations of Corporate Creativity

The ultimate wellspring of corporate renewal is organizational creativity, and the ultimate wellspring of organizational creativity is social diversity – i.e., internal variety or differentiation. And, the more diversity, the more potential for creativity. This obviously includes diversity in its current sense, but goes way beyond it. If you want a deeply creative culture, you've got to foster the expression and engagement of authentic, genuine *individuals*. John F. Kennedy expressed this very simply: "Conformity is the enemy of growth."

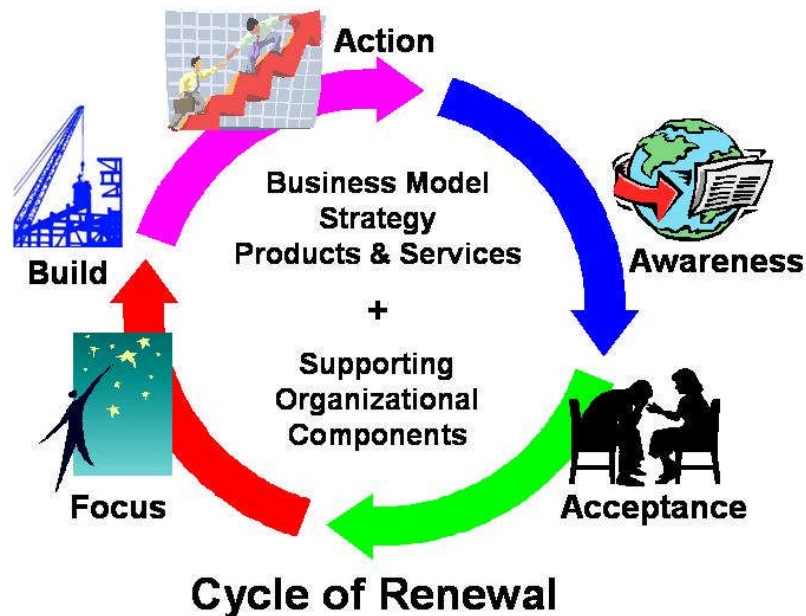
In the book The Rise of the Creative Class, Carnegie Mellon economist Richard Florida argues powerfully that creative occupations are on the rise, and that companies and geographic regions need to increase their levels of diversity – gays, nonconformists, immigrants, and other minorities – in order to remain competitive.

For instance, demographer Gary Gates of the Urban Institute found that geographic areas with high levels of technology-driven business growth also tend to have the highest concentrations of gays, while major areas with few gay couples tend to have very little economic growth. Also, the research firm Catalyst found that among the top 500 companies it studied, those with a higher proportion of women in the ranks of senior management outperformed those that don't – by a whopping margin of 35% return on equity, and 34% on total return to shareholders!

In a culture that truly embraces *profound* diversity, people are free to speak their mind without fear of reprisal; they can be their authentic selves; and, they can take genuine risks without fear of blame and punishment. It's like the old saying goes: "no risk, no reward."

### The Human Foundations of Creative Renewal

In an renewable corporation, the business, the organization and the workforce are in a state of continual renewal. To keep the workforce engaged and vital, retain the entrepreneurial spirit, and remain competitive, senior executives must lead the workforce through Cycles of Renewal on an ongoing basis:



The cycle is a never-ending process of shuttling between the poles of disciplined execution and creative renewal. The cycle has five phases:

- Action: Disciplined execution of the current business model and strategy.
- Awareness: Intellectual awareness that change or reinvention is necessary to create, or respond to, a new, rule-changing business innovation.
- Acceptance: Emotional and political readiness to let go of the old and move on to the new.
- Focus: Creative exploration of alternative business models, strategies, products and services, coupled with disciplined lasering down to the critical "right" next move.
- Build: Design and implementation of changes required to supporting organizational structures and systems.
- Action: The cycle begins anew!

Each move through the cycle is like a metamorphosis: some part or parts of the enterprise, like its business model, or long-held strategy, or suite of products, or culture – have to "die," and something new needs to be "born." This is energizing and

creative, but it's also challenging and painful. Remember: the deeper the change, the more profound and deeply embedded the resistance.

Because of the depth of the change, managing the renewal cycle requires a full-engagement, full-bandwidth approach. Full-engagement means involving the entire organization – including senior leadership – in all phases of the cycle. Full-bandwidth means going beyond focusing only on the practical, technical and political sides of change (the province of traditional change management methods). Of course they're critical, but you'll need to engage your people on deep emotional, creative, intuitive – even spiritual (identity) – levels, too.

Why? You're rocking people's worlds, here – possibly to the core! That's never going to be an exercise in pure rational analysis! Without widespread engagement or openly addressing the painful emotional issues, each move through the cycle creates negative political and emotional baggage that gets dumped in the organizational cellar. As baggage accumulates underground, organizational resistance grows, and the entrepreneurial flame dims.

But when a full-bandwidth, full-engagement process is adopted, each pass through the cycle becomes easier. Also, each pass through the cycle builds incremental improvements in enterprise resilience, competence and creativity. Here's why: it is primarily through fully engaging in transformational change that human beings grow in competence, creativity, resilience, resourcefulness, wisdom and maturity.

### **About Dean Robb, Ph.D.**

Dr. Dean Robb is Founder and Executive Director of the Center for Corporate Renewal ([www.ctrforcorporaterenewal.com](http://www.ctrforcorporaterenewal.com)). Since 1994, he has helped numerous domestic and foreign business leaders build high-performing, innovative, entrepreneurial enterprises. His expertise combines 26 years of practical, real-world experience in corporate America with in-depth research in human and organizational systems.

The Center for Corporate Renewal helps senior executives build the capability to:

- **Strategic Focus:** Make sense of a changing environment and gain focus on the next right strategic move
- **Disciplined Execution:** Align and mobilize the entire organization behind this new strategic focus
- **Creative Renewal:** Renew the entrepreneurial spirit by repeating these two actions over and over again.

For information on how Dr. Dean Robb can work with your organization to instill a spirit and ethic of renewable corporate entrepreneurship, email him at [drobb@ctrforcorporaterenewal.com](mailto:drobb@ctrforcorporaterenewal.com) or call him at 908-757-4721,

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