



Corporate Renewal as a Business Growth Strategy

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Ongoing corporate renewal has become the only viable long-term business growth strategy. Corporate renewal is a meta-strategy of profound business innovation: it is the capability for sustainable innovation and re-invention in terms of business models, strategies, products and services, operations, business processes, systems, and human capital. It is an anti-stagnation immunization shot as well as a creative business growth strategy.

Creating companies that are hard-wired for ongoing renewal, innovation and reinvention is a major transformation, requiring new leadership and management approaches, as well as new organizational structures, processes and performance management systems. Why?

There’s no short, snappy answer to that question. Instead, there is a cumulative effect arising from approximately 100 years of historical precedent, contrasted with a newly-emerging picture of social systems with the built-in DNA required for ongoing innovation, renewal and reinvention.

The table below outlines some key elements of the organizational design DNA that drove business growth for most of the 20th century, and contrasts those principles with newly-emerging organizational DNA designed for the 21st century challenge of sustainable, profound business innovation and renewal. Taken together, the right-hand column provides a snap-shot of the social foundations underlying ongoing renewal as a sustainable, creative business growth strategy.

<u>20th Century: Parent-Child Psychological Contract</u>	<u>21st Century: Adult-Adult Psychological Contract</u>
Executives & Workforce	Community of Shared Purpose
Authoritarian Leadership	Collaborative Partnering
Performance to Specifications	Engagement & Contribution
Compliance-based Alignment	Commitment-based Alignment
Control	Freedom plus Accountability
Conformity	Diversity & Individuality
Institutional (Role-based) Interactions	Post-Institutional Business Intimacy

For most of the 20th century, corporations optimized around ongoing repetitive strategy execution, efficiency and productivity, combined with slow, predictable, planned and tightly managed change and innovation. It all started in the early 1900's, when Frederick Taylor, the world's first management consultant, introduced the principles of "Scientific Management," which reconceived work and organizations as production lines, and with early organizational theorists such as Max Weber, Henri Fayol and Chester Barnard, who laid the foundations for the hierarchical, bureaucratic organizational forms that dominated the 20th century.

The underlying psychological contract was a Parent-Child model. Parents (senior executives – all men) designed and ran the company; children (the rank-and-file workforce) did what they were told. The overarching goal was workforce alignment (getting everyone on the same page and aimed at the same goals). The leadership and management tools utilized to achieve that goal were command-and-control (authoritarian) leadership, pressures on the workforce to comply with performance specifications, and strong, conformist cultures. Relationships between workers and managers were role-driven; i.e. people related to each other as role performers rather than as unique, intrinsically valuable individual human beings. This was the disciplinary aspect of the parental role.

There was also a counterbalancing, more nurturing aspect to the parental role: if workers (children) complied, did what they were told, worked hard, and worked hard at fitting in, they were taken care of by the company for life.

While still of paramount importance for ensuring short-term financial performance, disciplined, repetitive strategy execution has been relativized; i.e. in the 21st century, sustainable growth will come primarily from a *creative* (rather than a repetitive) business growth strategy – i.e. business innovation, product and service innovation, process innovation, organizational design innovation, and cultural innovation.

But there's a basic obstacle: hard-wired capability for profound innovation cannot be built successfully atop organizational foundations designed for stability, continuity, predictability and control. Those foundations are excellent for short-term, disciplined execution of a particular strategy, but are dysfunctional with respect to a long-term *creative* business growth strategy. So: what is the new DNA? Upon what premises do we need to build, lead and manage innovation and renewal-driven companies? What are the social foundations of a sustainable creative business growth strategy?

The old tools have two potentially lethal side-effects in connection with the goal of sustainable innovation and renewal.

First: The old tools focused on achieving internal sameness, not difference. Internal differences were suppressed to achieve compliance, control, and conformity-based workforce alignment. The primary social foundation of organizational creativity and innovation, however, is internal differentiation: differences in cultural background, race, gender, capabilities, viewpoints, personalities, interests and needs.

The second problem is more subtle: a compliance-based culture might ensure that performance expectations are met, but it almost guarantees that expectations won't often be surpassed. A compliance-based organization will never achieve sustainable performance excellence as a baseline norm. Why not?

Today's knowledge workers are highly educated, with sophisticated levels of skill and expertise. Most knowledge workers who are routinely subjected to authoritarian power, compliance and strictly role-based relationships with leaders and managers grow increasingly resentful about it, and over time become more and more disengaged. When people disengage, passion and commitment go by the wayside, and with them, so do productivity, performance and innovation. In a compliance-based culture, people do just enough to get by and stay off the radar screen. And remember: these folks represent the bulk of your company's workforce. And in a hyper-competitive global economy, doing "just enough" (compliance) won't cut it.

Building thriving businesses founded on a creative business growth strategy will require a workforce in which the great majority of workers are highly engaged and passionate, and who give their all as a matter of course, not as the exception. So how do we get that?

Broadly, sustainable corporate renewal is founded on a new and paradoxical kind of social system: one that is simultaneously extraordinarily diverse and differentiated yet aligned and highly engaged. Maximum social integration (aka, alignment) is key to strategy execution; the entire workforce must be focused toward a shared direction and goals. Maximum social differentiation is foundational to innovation; creativity in a social setting is stimulated by differences. So how do we get both alignment and differences at the same time? In a nutshell: create a new, Adult-Adult Psychological Contract. What does this mean?

The overarching principle is shifting the basis of workforce alignment from "power-over" (domination – with its various manifestations such as control, compliance, conformity, hierarchical Parent-Child relationships, and social pressure-based rewards and punishments) to a new "power-with" paradigm of mutual, adult-level, commitment-based partnering.

This means treating people as adult peers rather than as interchangeable, disposable task performers, role performers, human resources or cogs in the machine. It means we need to stop requiring adults to sacrifice their power and identity as the price of holding onto a job and getting rewarded. It means shifting from hierarchical relationships based on domination and dependence to peer-based, mutual partnerships, just like adults do outside the workplace. It means moving the basis of alignment from various forms of covert and overt coercion and social rewards (carrot and stick) to shared commitment to an overarching, or deep purpose.

Alignment through Shared Deep Purpose

The only solid foundation for alignment of an adult with an enterprise is genuine internal alignment on the part of that individual with the fundamental purpose of the

enterprise. Mature adults do not partner and create something together if they do not share a common purpose or goal. If an adult is fundamentally out-of-alignment with the overarching, shared purpose of the enterprise – the community of shared purpose – then there is no foundation for their membership. A mature adult would either not join the enterprise in the first place, or would leave voluntarily.

But to access and release the greatest amount of untapped workforce potential, the core purpose of the organization must tap into something greater and deeper than simple aggrandizement; i.e. merely enhancing the wealth or reputation of the company and the wealth, power and position of the senior leadership ranks. When it comes to the goal of releasing vast quantities of untapped workforce passion, the core purpose of the company needs to be based on making an authentic contribution to society. Senior executives may dismiss this idea, because many senior executives are highly motivated by such monetary-based enhancements. The problem, however, is that executives aren't the folks who actually implement the company's core purpose, strategy and goals. The remainder of the workforce has that responsibility. And many scientific studies have proved, over and over, that the large majority of people at work are motivated most when they feel connected to a deeper, higher, more contributory- and human-values-based purpose.

Engagement and Commitment

There's a catch, however: Sustainable excellence in performance, creativity and contribution require more than alignment. Basic alignment is the foundation for a bit more than compliance-driven, specification-based levels of performance, but by itself, basic alignment will never release the sustainable, ultra-high levels of engagement and commitment required for sustainable excellence in performance, creativity and contribution. Why not?

So far, we have created the foundation for a one-way, not a two-way relationship. The employee must be aligned with the core purpose of the enterprise, but there is no reciprocity, a key characteristic of two-way, adult-adult relationships. By definition, one-way relationships are not adult-adult; rather, they are based on the "power-over," or parent-child model. And parent-child relationships are part of the old model leadership and management practices that engender only compliance-driven performance.

The only unshakable foundations for sustainable excellence in performance, creativity and contribution are authentic engagement and commitment. Authentic engagement and commitment release substantially more energy, drive and passion than mere alignment. And authentic engagement and commitment can flow only from two-way, adult-to-adult relationships. The commitment of the individual to the enterprise must be coupled with a commitment to the individual on the part of the enterprise. This requires back-and-forth exploration and negotiation to develop and finalize the basis of that enterprise commitment, based on the individual needs and goals of each employee.

Collaborative Partnerships

Partners do not compete with each other; that would destroy mutual trust, the foundation of the partnership. Rather, partners work collaboratively toward a shared purpose or goal. And, they help each other to reach their individual goals as well.

Mature, Healthy Relationships

Further, adult partners understand that authentic commitment and engagement require mature, balanced, respectful, open, honest, and non-controlling relationships. Adults understand that manipulation-based relational strategies undermine – even destroy – the trust required to build high levels of commitment, engagement and contribution.

Freedom plus Accountability

How do we ensure that work gets done? Replace command-and-control with freedom-plus-accountability. Adults make commitments to each other and hold each other accountable for those commitments. Adults allow each partner in the relationship the freedom to fulfill their commitments in whatever way that suits their own personal needs and work style. Both freedom and accountability must be combined into two sides of a single coin. Freedom without accountability is incoherence and fragmentation; accountability without freedom is authoritarian command-and-control.

Diversity and Individuality

Adults allow their partner complete freedom to “be themselves.” A mature adult does not require their partner to change themselves – to stop being who they really are – so the first party will be comfortable. Adults learn from differences and allow differences to stimulate mutual growth. In a nutshell, adult partners do not attempt to control or change the other party to protect themselves from the somewhat anxiety-provoking challenge of resolving their differences in an open, honest, straightforward way. Rather, adult partners remain open to the potential for being personally transformed through engagement with each other’s differences.

Post-Institutional “Business Intimacy”

In the old institutional model, people related to each other more-or-less exclusively as role performers – i.e. they related to each other formally, with each party wearing the organizational mask or persona associated with their current job role. In the new model, adults give their partner feedback regarding that partner’s behavior, and how their behavior impacts on them, positively or negatively. Those impacts include thoughts, reactions, attitudes and feelings (yes, *feelings!*) Adults who have made mutual commitments modify their behavior, to the extent possible in the light of their circumstances, if that behavior consistently impacts negatively on the other partner. I.e. they work together on improving their relationship as well as their shared task.

There's a caveat, however: adults may work toward changing certain behaviors, but they do not attempt to change the fundamental identity of the other individual.

Summing Up

We have been working harder, and harder, and harder, to get a new class of outcomes – creativity and innovation – out of an old business context designed for defending and perpetuating the status quo. It's like the old Vermont farmer told the tourist asking for directions: "You can't get there from here." Implementing a creative business strategy based on ongoing corporate renewal calls for transformational changes in the way we lead, manage, and generally relate to each other as human beings.

About Dean Robb, Ph.D.

Dr. Dean Robb is Founder and Executive Director of the Center for Corporate Renewal (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 or call him at 908-757-4721,

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