

# **Creating the Organization of the Future**

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# **Creating the Organization of the Future: Building on Drucker and Confucius Foundations**

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# Preface

Our experience is that most organizations start with a product or service idea. In the case of a product or software, the engineers go to work to craft a better solution than exists in the marketplace. The same is true of service businesses. The aim is to provide a product or service that is regarded by the market as much better than competing offers. If successful, the product or service gets adopted by lead users, and over time the organization gains customers, adds employees, and experiences revenue growth. If all goes well, it grows from a small start-up to a healthy mid-size or large firm.

At this stage, we observe that organizations take one of two paths. The first is positive. The firm continues to renew itself. It closely monitors marketplace developments and can meet current marketplace needs as well as transition to the future marketplace. Thus, it balances competing in two time periods, the current marketplace and the future marketplace. This is what Peter Drucker termed “managing continuity and change.” For a variety of reasons, this is very hard to do. But a select few firms can and do make this happen. The second pathway is quite the opposite. The firm “locks” in on a business model, optimizes the business model, and, as a result, is unable to reinvent itself to compete in the future. Kodak, Blackberry, and Nokia are all examples of firms that competed well in a particular historical period but were not able to pivot to a new business model. Unfortunately, many firms follow this second path.

There are many reasons why this pivot does not happen. One critical reason is that the senior leadership remains technology- or product-focused rather than asking the basic question of “what business are we in?” Kodak was not in the business of cameras and film: It was in the business of creating memories. The technology to make memories is constantly evolving, but recording these events will ensure that they are with us forever.

## Five Content Domains

If one is satisfied with just competing with a core product in one historical time period, then it may not be necessary to set the direction for the firm. However, if the organization aims to be around for a long period of time, it is essential to address all five domains covered in this book. Collectively, these answers provide both the collective goal for the firm that transcends a particular historical period as well as the values and culture to achieve the target. In the best of all worlds the

direction-setting activities place the firm on a course not just to respond to marketplace developments but also to shape the evolution of the market. As Drucker often reminded us, great executives do not simply adapt to changing market conditions; rather, they influence the economic conditions in which the firm competes. In particular, this involves five key areas:

- The mission enables the firm to go beyond the “offering” to focus on the core customer benefit. The core customer benefit in Kodak’s case – memories – lasts for decades if not centuries. It is not bound to one historical period.
- The vision articulates the fundamental target or goal for the enterprise. What does the world look like when you have accomplished your mission? Often this vision takes decades to achieve: It is ambitious, motivating, and energizes the workforce.
- The purpose of an organization answers a simple question, “why do we exist?” At the most fundamental level, how does your community or society benefit from the presence of your organization? Why do you make the world a better place? A strong purpose is rooted in ways that organizations help society function.
- The values of the organization provide the guardrails for ideal behavior in the firm. How are we going to go about achieving our mission and vision? What is the right set of beliefs and behaviors to guide all employees?
- And, finally, culture is how the work currently gets done inside the firm. What are the rituals, norms, and beliefs that shape how work gets done now? What type of culture does the firm want to put in place to compete now and in the future?

These five domains can be divided into two major parts: one that is externally focused on the marketplace (mission, vision, purpose) and one internally focused on how the work gets done inside the firm (values and culture). The mission and the vision are typically focused on your served market. The mission answers the question “what business are we in?” and the vision is focused on the achievement of that mission (i.e., what is the specific goal that we achieve if we accomplish our mission?). Finally, the purpose is rooted in the marketplace, but it goes beyond the customer. Instead, it is focused on the broader community or societal impact of your mission and vision. The key question, “why do we exist?” must be answered from a societal perspective.

In sharp contrast, the remaining two domains of direction setting – values and culture – focus on how the work gets done within the organization. What are the ways we want our organization to ideally operate (i.e., our values) and how can our culture support our vision? In general, the setting of values and culture should come after the establishing of a mission, vision, and purpose. The rationale is that different missions and visions require different cultures. A mission that is focused on “convenience and easy access” requires a very different culture than one focused on “the best cutting-edge technology.” The former may emphasize a customer-service-driven culture while a technology orientation may mean focusing on a culture of technology innovation.

Finally, the strategy of the firm – the specific, integrated set of choices related to “where to play” and “how do we win” in an industry – must follow from setting the direction. Strategy should be articulated in the context of a clear mission, vision, and purpose. Without a clear mission and vision, the senior leadership team has no context to make choices around markets to serve (or not serve) the specific positioning of the organization or the capabilities that need to be built to support their position.

## **Structure of This Book**

This book is organized into two broad sections. The first section focuses on how to build a compelling mission, vision, purpose, culture, and vision. Each of these chapters follows a similar structure by identifying the key criteria to judge the quality of the concept, providing a few examples of the concept and then providing some guidance on how to do it. The aim here is for readers to be able to create or critique their existing mission, vision, purpose, values, and culture (MVPVC). This first section concludes with two chapters (Chapters 6 and 7) that provide guidance on how to “get started” on the journey.

The second section of the book (i.e., Chapters 8–10) focuses on the ideas of Peter Drucker and Confucianism. Drucker had a view on mission, culture, and values, and these are captured in Chapter 8. At the same time, Confucianism is a human-centered philosophy that operates at the individual, relationship, family, and societal levels. For society to function well, individuals need to engage in acts that put society first and individual self-interests second. As such, our intent in Chapter 8 is to demonstrate the linkages between each author as they relate to mission, vision, purpose, values, and culture. We conclude the second section with an overview of the work of Drucker (Chapter 9) and the writings of Confucianism (Chapter 10). Their collective work is the foundation for Chapters 1 through 5.

## **Building on Their Work**

Importantly, we use the term “foundation” to mean that we are building on their work and moving it forward into the twenty-first century. In particular, we enhance and contemporize their work in five specific ways. First, business practices have advanced. For example, today’s business world is highly networked both in terms of “ecosystems” of players that compete against other ecosystems and in terms of the tidal wave of change brought about by digitization. Drucker could not have forecast the fundamental shift in both forms of networks. Furthermore, the emergence of purpose-led organizations and brands has only truly emerged since his death in 2005. Our key point is that the world of business has changed and that we need to update our thinking about this world to reflect this change.

Second, business theory has advanced. Much has been written in the past 20 years that has pushed our knowledge of management forward. For example, Drucker did not have a distinctive position on purpose. Rather, his writing on

mission included purpose. Given how much has changed regarding the role of purpose in organizations – we offer the examples of Microsoft, J&J, Unilever, and several others as case studies in Chapter 3 – we believe it is now exceptionally important to craft a stand-alone chapter on purpose. Purpose is distinct from mission, and this must be acknowledged. More generally, the advancement of business theory is reflected *throughout* this book.

Third, we have advanced our own thinking on the topic, and we want to share our perspective. For example, all of the chapters in the first section specify criteria to assess the quality of the concept (e.g., five specific criteria to evaluate a mission statement). This is our perspective, not that of Drucker or Confucianism. We have spent a good deal of time thinking about these issues, and we want to share our viewpoint.

Fourth, we shift from concepts to very practical guidance in Chapters 6 and 7. This is distinct from Drucker since he was focused more on the novel concept than the exact details of crafting the statements. This is not to say whether he would agree with us (or not), but “how do get started on the journey?” would not be part of a typical Drucker book or manuscript.

Fifth, we introduce new concepts and language to enhance the precision of work and reflect the changes that are unfolding in organizations. This is reflected throughout the entire book – in particular, the examples, criteria, and identification of the best-of-class illustrations in the first section. Each of these sections includes new thinking and language that moves practice forward. Our purpose is to use the wonderful thinking of Drucker and Confucius as a platform for building practical and straightforward advice on how to construct your mission, vision, purpose, culture, and values – and, ideally, shape the markets in which you compete. Collectively, these five choices set both the direction of the firm (e.g., purpose, vision, mission) and the ways the work gets done (e.g., culture and values). We hope you enjoy the book and apply the concepts to your firm.

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