

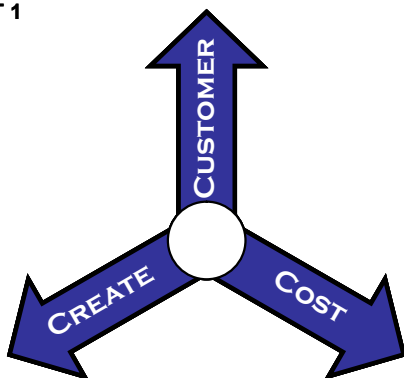
The *three C's* of organisational effectiveness

Jamie MacAlister

Here's another framework for working out how to make your organisation more effective based on what your people do best.

I've been offering advice in the area of strategy, marketing and customer management for some 80 clients over the past 12 years. I got my business training in the schools of Procter & Gamble, Mars and the Wharton Business School in Philadelphia. During that time, while working out how to prioritise changes, I've developed a handy practical tool. It's adapted from some well known management theory, making it a little more personal and something with which I find it easier to identify. In the time-honoured tradition of alliteration and things coming in threes, I've called it the "Three C's of organisational effectiveness". The C's are: *Create*, *Customer* and *Cost*" (Exhibit 1)

EXHIBIT 1



Michael Porter ¹ told us about the three generic strategies: differentiation, overall cost leadership and focus. Treacy & Wiersema ² talked about three distinct value disciplines: operational excellence, product leadership and customer intimacy. Both told us that these are important ingredients for success in business, and that businesses need to focus to excel in at least one of these to be able to prosper in their markets. The three C's have a similar story to tell, but with a twist – more later.

¹ "Competitive strategy" Michael Porter – MacMillan Publishing Co, Inc 1980

² "The discipline of market leaders" Michael Treacy & Fred Wiersema - Addison-Wesley Publishing Company 1995

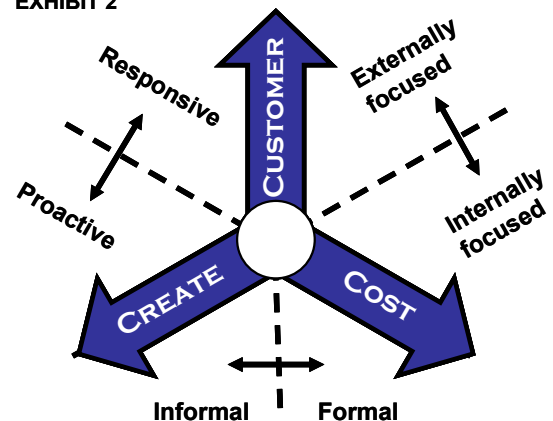
Organisational tensions

Firstly in a similar vein to our management theorists, these C's are dimensions of capability that create trade-offs and tensions in organisations. For example, seeking to control **costs** effectively can appear to work against encouraging **creativity** and indeed providing a better service to the **customer**. Or, being **creative** may not reflect **customer** priorities; or vice versa, what **customers** appear to want may not actually encourage **innovative** solutions. So organisations that seek to excel in one of these dimensions, could well end up weaker in the other two as they make these trade-off decisions.

We can see this more clearly if we do a bit of geometry (Exhibit 2) and turn these three dimensions into a series of two-dimensional tensions. These are perhaps more familiar in the world of management theory. For example, the tension between customer and cost, is often represented by an internal versus external focus. Between cost and creativity, there's a tension between formal and informal management processes. And between create and customer, we have the difference between being proactive and being reactive, or in a more positive sense, responsive.

To illustrate one of these, McKinsey³ talks about the need for a balance (or tension) in strategic planning between the **formal**, characterised by the authors as "preparing minds" and the **informal** which should allow "creative accidents" to occur. I've debated similar issues recently in the context of helping a multi-national food company to think about how to generate and make better use of insights about consumers. Formal research and exposure to consumers enables the mind preparation, while deriving and thinking up applications for consumer insights, the "creative accidents", was best supported by making it easy to share existing insights and information.

EXHIBIT 2



“Pythagorus came up with his theorem... through two completely separate incidents which “accidentally” came together to give him his amazing insight into the properties of right-angle triangles”

We can see this latter principle for arriving at insights in some famous moments in history. For example, Pythagorus came up with his theorem, which was to be the foundation stone for a lot of mathematics, through two completely separate incidents which “accidentally” came together to give him this amazing insight into the properties of right-angle triangles. In Egypt, he learned from a society for which perfect right-angles were probably very important for construction, that you could produce a perfect right-angle when a triangle had side lengths exactly in the ratio

³ “Tired of strategic planning?” Eric D. Beinhocker & Sarah Kaplan – The McKinsey Quarterly 2002 Special Edition

of 3 to 4 to 5. Quite separately some colleagues in Greece came up with the observation that combining squares of side lengths 3 units and 4 units, gave you the same area as one with side length 5 units. He put the two together and then wondered if you could generalise this to other right-angle triangles. Hey presto – that kind of insight is real creativity. So can organisations replicate it, and if so how?

Linking up with what people do

Clearly these organisational capabilities must relate to what people do. In my experience, people have a bias to one of these dimensions, often at the expense of one or more of the others. For people these translate more simply into creativity (Create), the ability to relate effectively to other people (Customer), and self-discipline (Cost). So people who are naturally creative, are not always self-disciplined nor able to relate as effectively to people as others are. Self-disciplined people can struggle with creativity and relationship... and so on.

We see this to some extent in the functions of sales, marketing and finance. Perhaps over-simplistically, we might say that sales are the natural “relaters”, marketing the “creatives” and finance “the self-disciplined”. The difficulty one of these has in relating to the strengths of the other is often the cause of breakdown in communication. But I believe that recognising and managing this tension effectively can be extremely beneficial.

Conclusion

So where does this lead us? For starters, it's about defining strategy on one or more of these dimensions. Where are the opportunities in the industry and how do the competition stack up? Where do we need to do better and where should we seek to excel?

Then how well is the organisation aligned to this strategy, in terms of process, performance measures, structure and most particularly, the biases of the people?

So how do you stack up on the three C's of organisational effectiveness?

Jamie MacAlister is a management consultant, and founding director of Blonay Limited. Blonay's vision is to promote “new ways of doing business” based on the core values of creativity, integrity and relationship. Blonay currently offers a Marketing & Business Planning service with the tag line “Putting financial discipline into marketing and creative impetus into business planning”. Copyright © Blonay Limited 2002. All rights reserved.