



# **business co-creation**

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**maximizing performance in the digital economy:  
the five disciplines of agile organizations**

**April 2016**

# Contents

Thank you for your interest!

We help companies build the leadership and organizational capabilities to succeed and thrive in today's digital economy. We call our approach business co-creation - the five disciplines of agile organizations. Through powerful "learning-doing" initiatives, we enable leaders to uncover the true root causes of current performance, design the organizational architecture and culture needed for high performance, and co-create highly effective strategies to accelerate progress and results.

The impact for clients? New leadership mindsets and skillsets, leading to a high-performing, agile organization, designed to unleash new levels of growth, profitability and value for all stakeholders.

This introductory deck presents an overview of business co-creation – what it is, how it benefits you, and how to implement it in your organization.

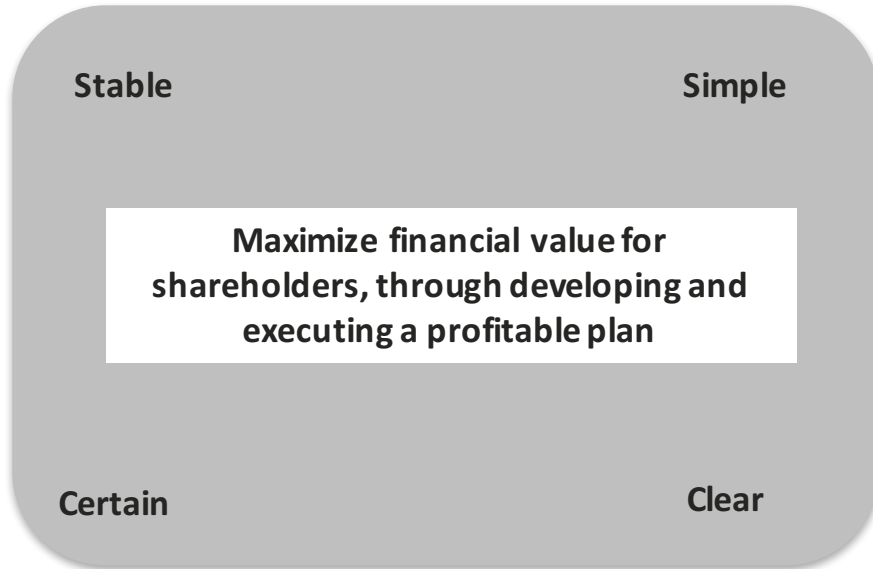
Business co-creation is a continually evolving framework and body of knowledge, being co-created by a growing number of interested companies and a highly experienced network of practitioners affiliated with McKinsey, Blanchard and other leading firms. While we believe the principles apply broadly, in practice the approach is often integrated with other models and tools, and typically heavily customized to individual clients.

We welcome and look forward to your feedback and input!

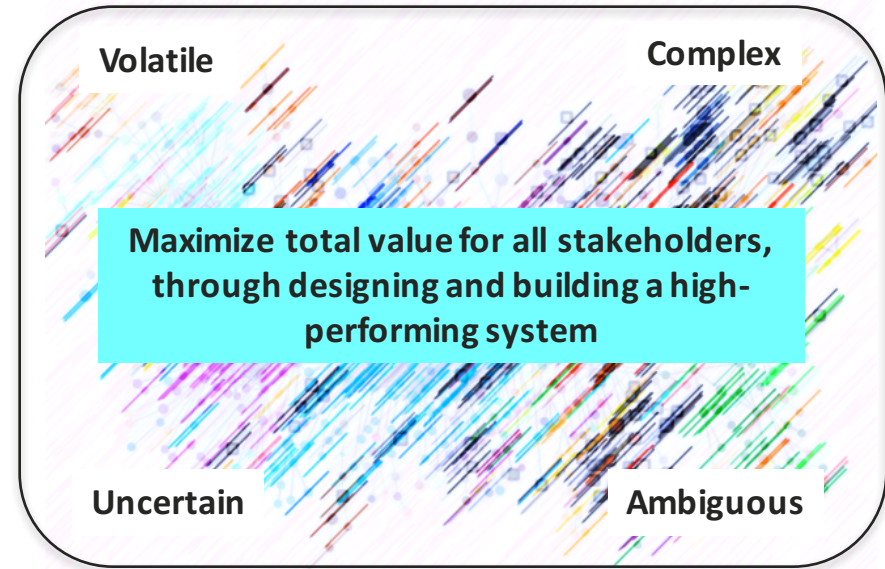
# The critical task of senior leaders

Business co-creation is a synthesis of the best emerging thinking on, and practice of, organizational leadership in the 21<sup>st</sup> century. Traditional business management, familiar to most experienced leaders, evolved over many years to accomplish a relatively simple task in a relatively limited environment. Today, we need a new approach to organizational leadership, designed to accomplish a much more sophisticated task in a very dynamic environment. We call this approach business co-creation, because rather than directing people to execute a plan, its about engaging people to co-create a system.

## Business management in the industrial economy



## Business co-creation in the digital economy



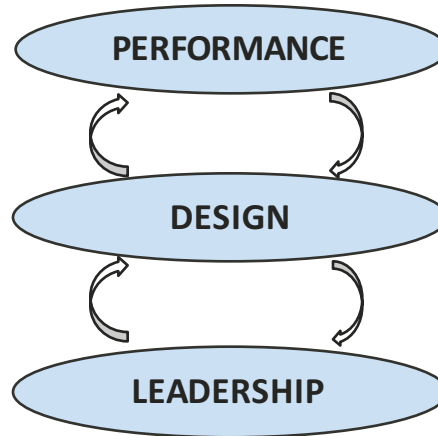
# Root cause of current performance

The performance of an organization is determined by its design, which in turn reflects the thinking and skills of its leaders. Companies in the industrial economy were designed, using business management thinking and skills, as command organizations to deliver predictable performance in protected markets. The turbulence of today's digital economy requires an agile organization, designed - with new leadership thinking and skills - to deliver sustainable performance in open markets. The root cause of the erratic performance of many companies today is that they are trying to navigate digital economy open markets with an industrial economy approach to organization and leadership.

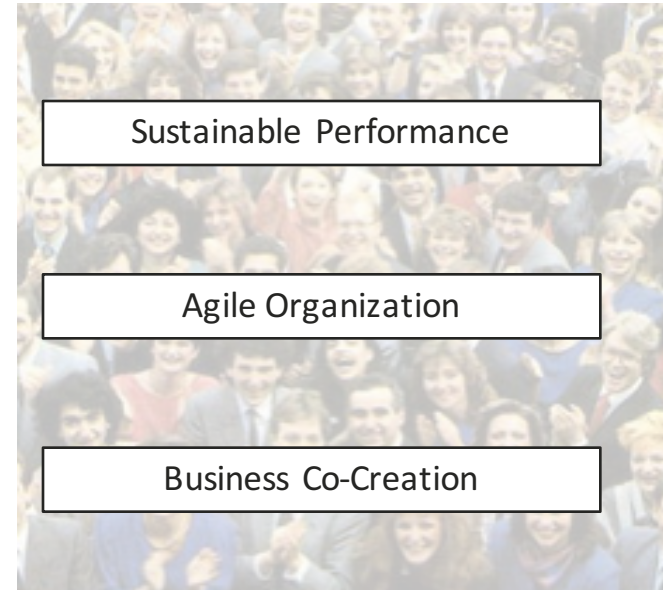
## Industrial economy - protected markets



Gaps in...



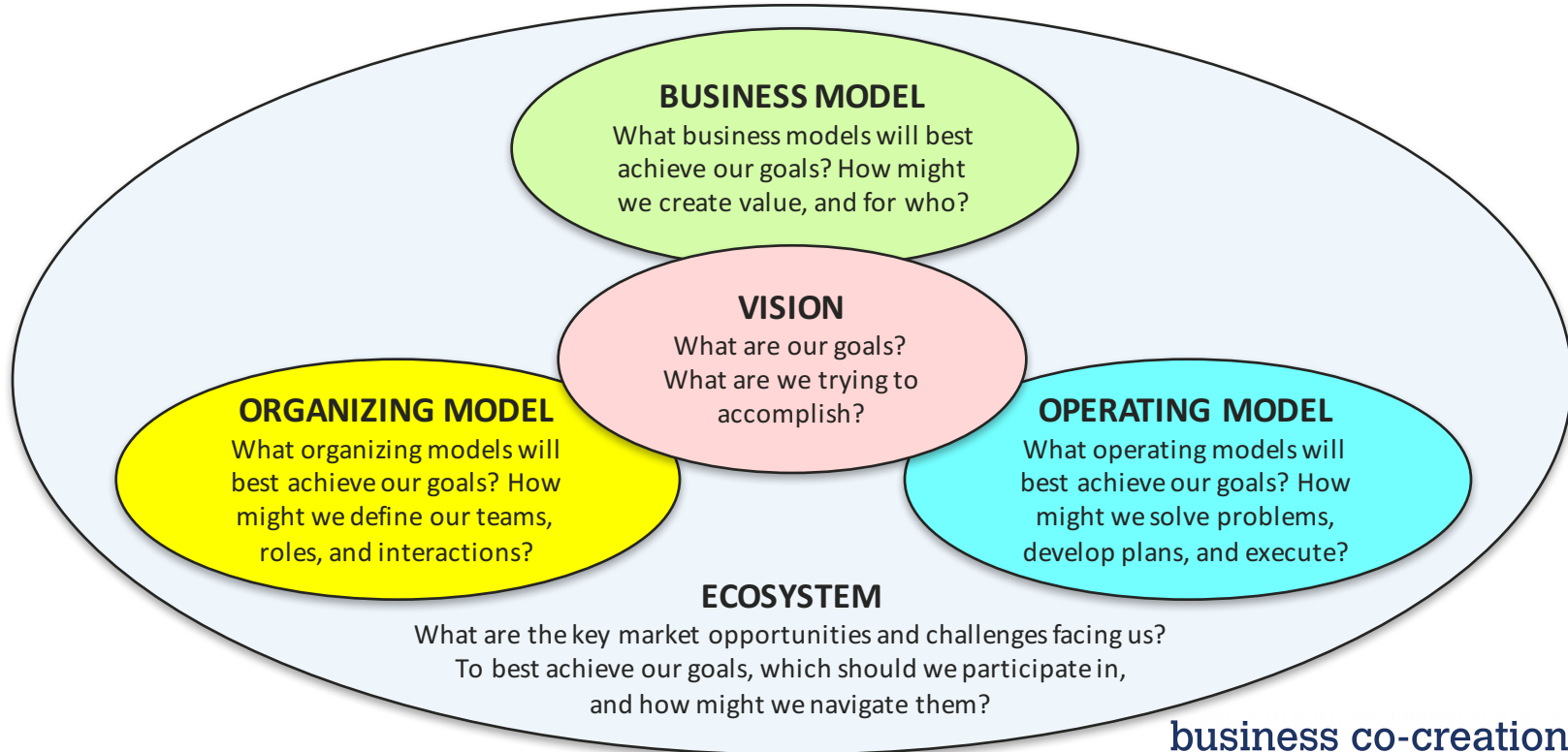
## Digital economy - open markets





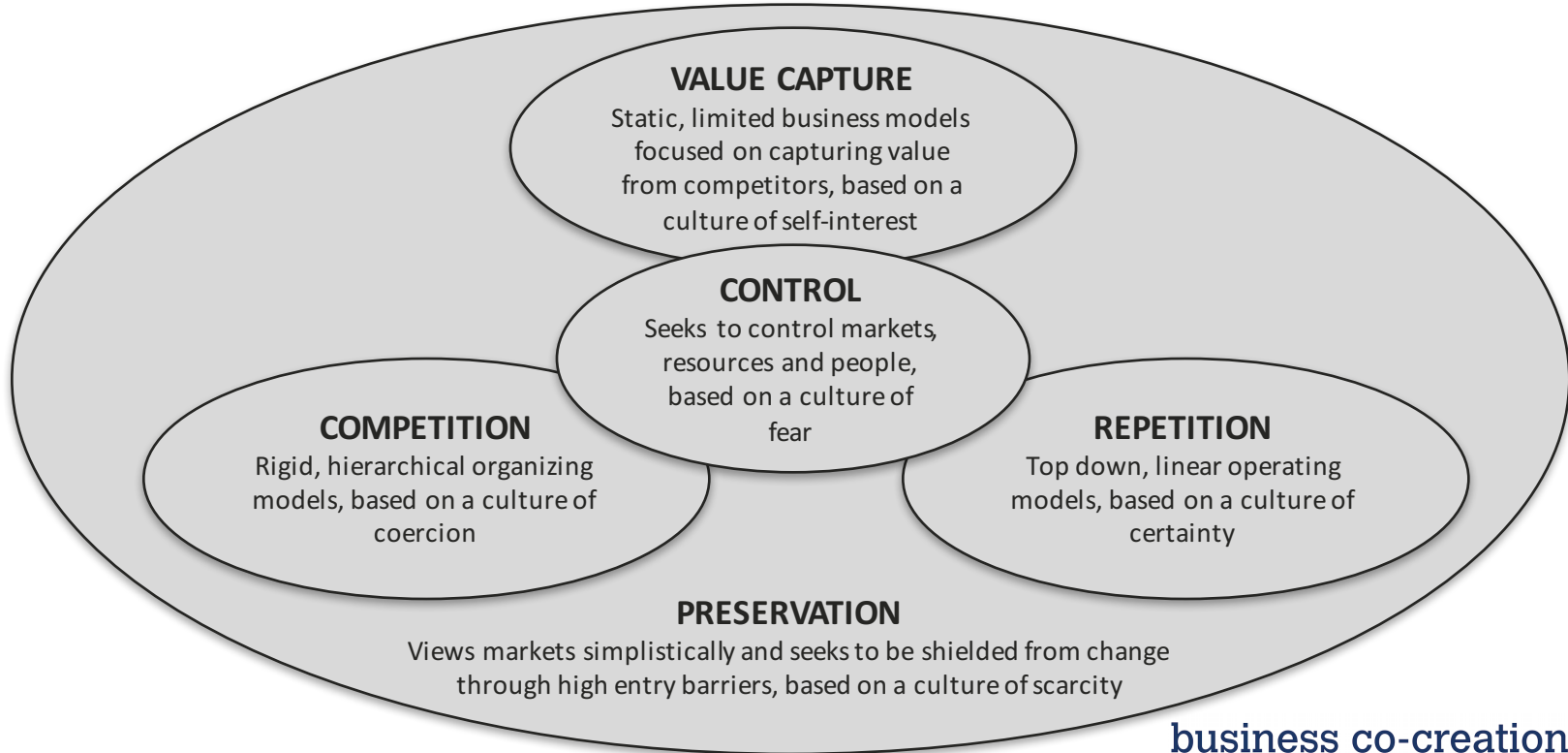
# Key elements of an organization

Organizational performance results from the design choices leaders make in five key elements: vision, business model, organizing model, operating model and ecosystem. Each of these elements comprises both architecture (“hard” components like products, processes, structure and economics) and culture (“soft” components – human mindsets and behavior). To achieve high performance, leaders must make good design choices in each of these five elements, and ensure that all five integrate and align.



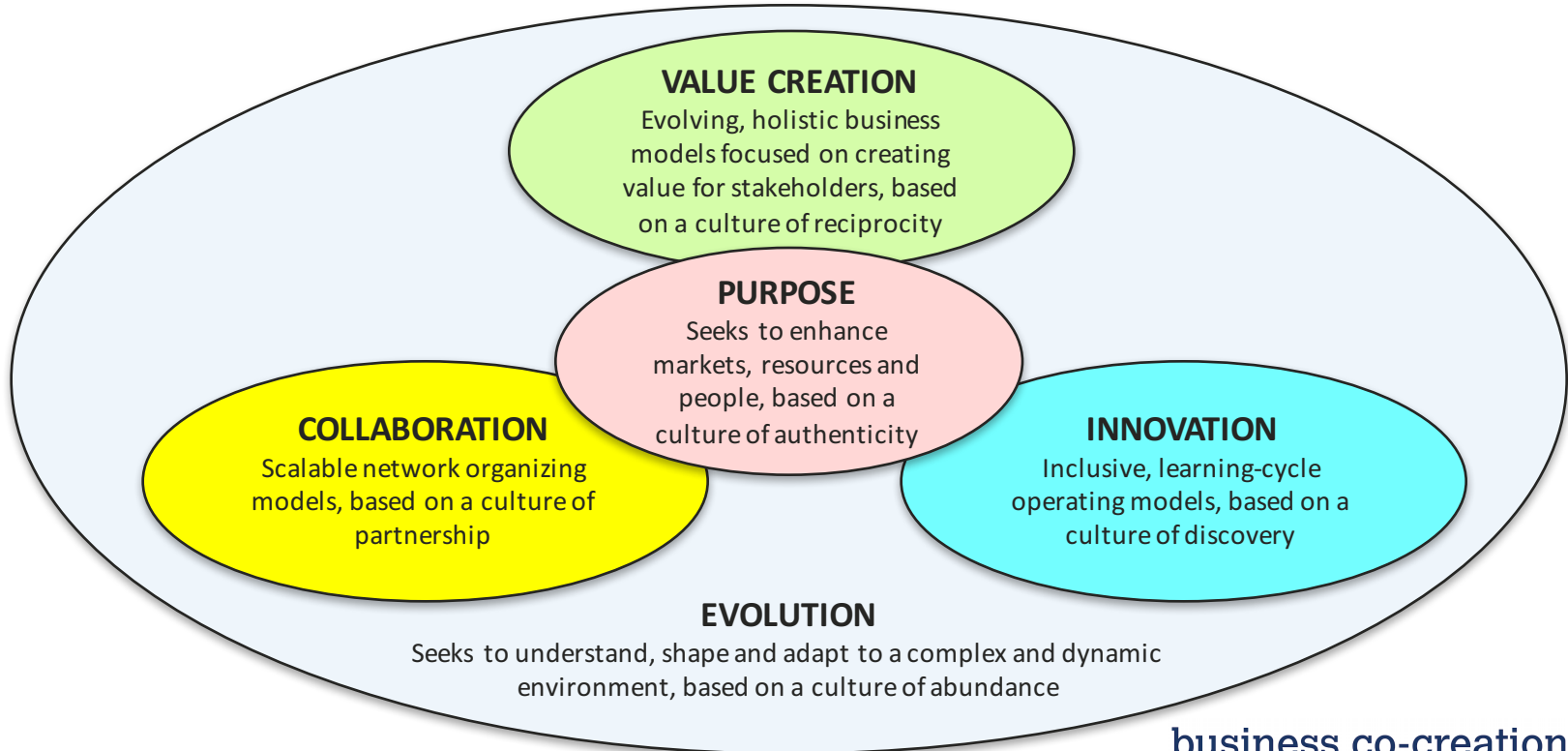
# Business management: the five disciplines of command organizations

The way companies approach each of these elements reveals their core intent, and is embedded in their architecture and culture as a discipline, or way of doing things. The command organization was designed for industrial economy protected markets. It comprised a coherent, albeit limiting, set of five disciplines that made up traditional business management: control, value capture, repetition, competition and preservation. Most of today's experienced business leaders are seasoned experts in the minutia of these disciplines.



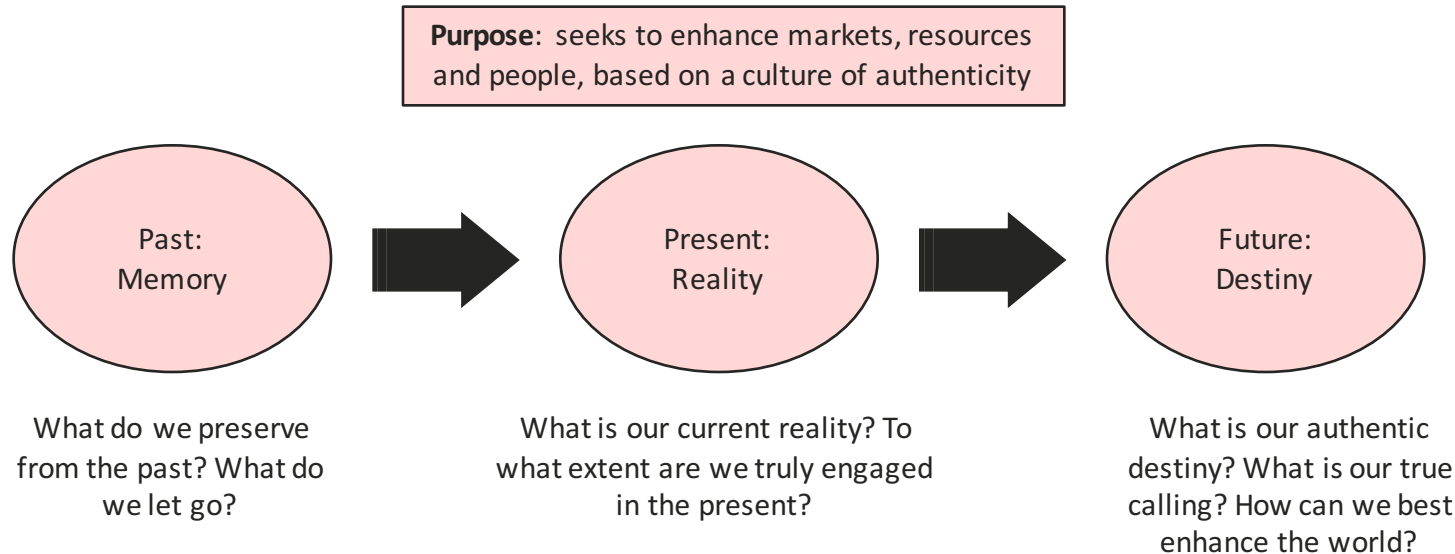
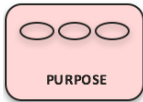
# Business co-creation: the five disciplines of agile organizations

In sharp contrast, the agile organization is designed to succeed in digital economy open markets. It comprises a distinctively different architecture and culture, which requires leaders to learn five new disciplines: purpose, value creation, innovation, collaboration and evolution. While many individual leaders are rapidly learning some of these new disciplines, few leadership teams yet have deep collective expertise in all five.



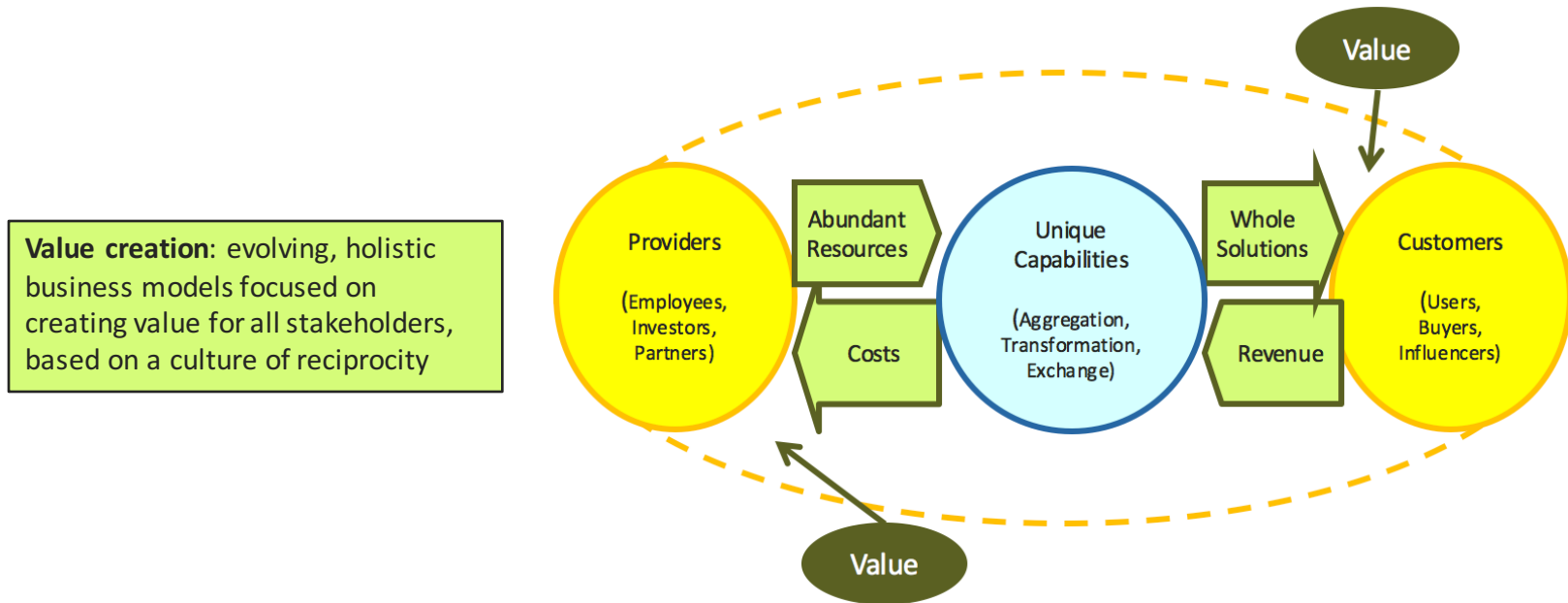
# 1. Purpose: introductory model

The first discipline focuses on the organization's vision and key goals. In an open system where all stakeholders have more information and more choice than ever before, all participation (whether as customer, employee, investor, partner, etc.) is voluntary. Rather than seeking to control, it is critical that leaders attract, engage and focus all stakeholders by learning to co-create a compelling, shared purpose that resonates deeply with everyone. To do so, this organizational purpose must draw from the past, present and future, and must seek to meaningfully and authentically impact and enhance markets, resources and people.



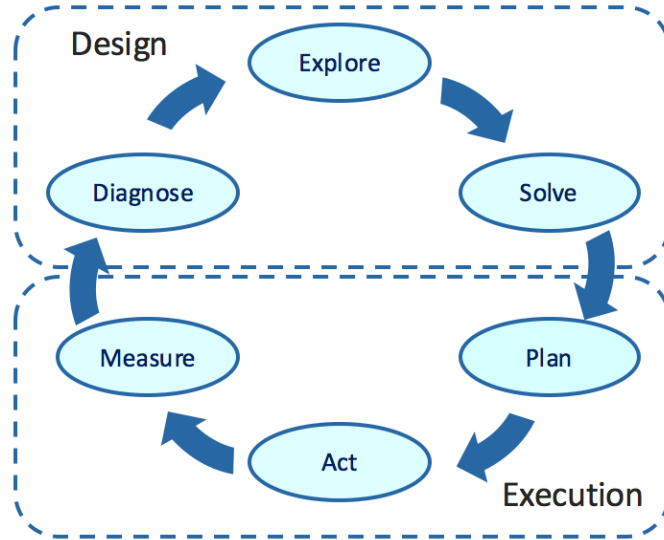
## 2. Value creation: introductory model

The second discipline focuses on how the organization creates value, its business models (what many leaders think of as strategy). This is foundational – unless the organization continually creates tangible value (in the form of products, services, experiences, earnings, etc.) for its stakeholders, its purpose will remain unrealized. Rather than just following the traditional industry model, leaders and team members must learn to design a range of new, innovative business models that create value for distinct customer groups and all other stakeholders. This reciprocity is key – in open markets, unless the business model creates more value for all stakeholders than all their other options, it will not be sustainable. To do so, leaders must first deeply understand the needs of each stakeholder group. They must then design business models that meet those needs closely, through creatively leveraging the three sources of value creation - resource aggregation, transformation and exchange.



### 3. Innovation: introductory model

The third discipline focuses on how things get done – the organization's operating model. Rather than thinking of innovation as something that applies only to new products or processes, and is distinct from execution, leaders must learn to think more holistically about innovation, and embed it deeply into all organizational activity. All the new ways of working - innovation, agile development, lean operations, design thinking - are essentially the same: rapid cycles of design and execution (i.e. thinking and doing), through which there is continual learning. This applies at every level, from the way the organization develops and executes its strategic plans, to the way each individual team operates. Within established functions and processes, this learning-cycle model shows up as continuous improvement. In new ventures, products or processes, it shows up as experimentation and continual pivots. In all cases, it's about creating a culture that gets everyone involved in rapid cycles of problem-solving, idea generation, decision making, and focused, measurable execution.



**Innovation:** inclusive, learning-cycle operating models, based on a culture of discovery

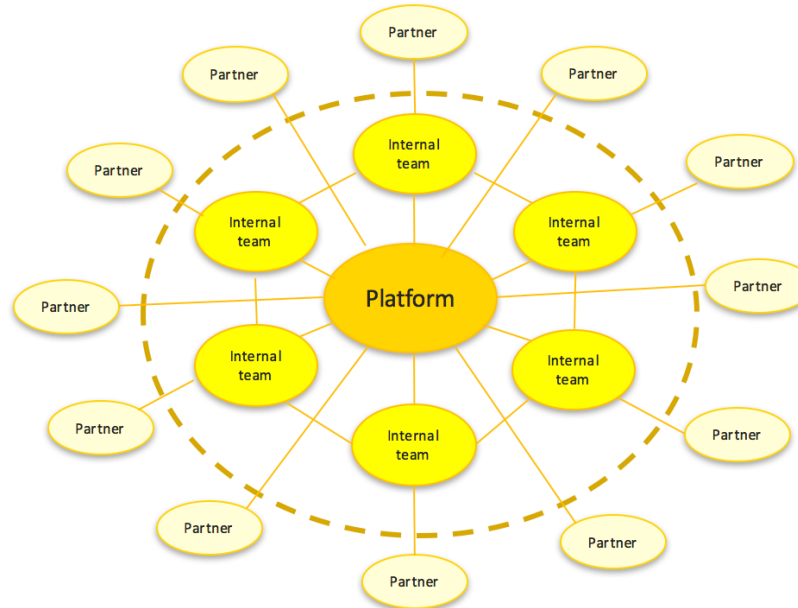


## 4. Collaboration: introductory model

The fourth discipline focuses on who does what – the organizing model. Rather than rigid, siloed hierarchies, or their awful spawn, the matrix, leaders must learn the organizing paradigm of the digital economy – *the network*. Fluid, flexible and scalable, a network organizing model comprises many small teams, as close to the market and the work as possible. Each team has clear focus, accountabilities and deliverables, and each operates with high autonomy. Each team has a clear business model (how it contributes net value to the network), and operates in rapid learning-cycles. There is high transparency, interaction and trust amongst and between teams, with no limits on which teams can interact. Increasingly, there is little real distinction between internal teams and external teams (partners). To guide and support these teams, corporate functions evolve into platforms providing commonly needed services and resources, from which the market / work teams draw, and to which they contribute – *at the discretion of the market / work team*. Rather than coercion, the network operates, like any market, by *agreement* – i.e., a culture of partnership.



**Collaboration:** scalable network organizing models, based on a culture of partnership



## 5. Evolution: introductory model



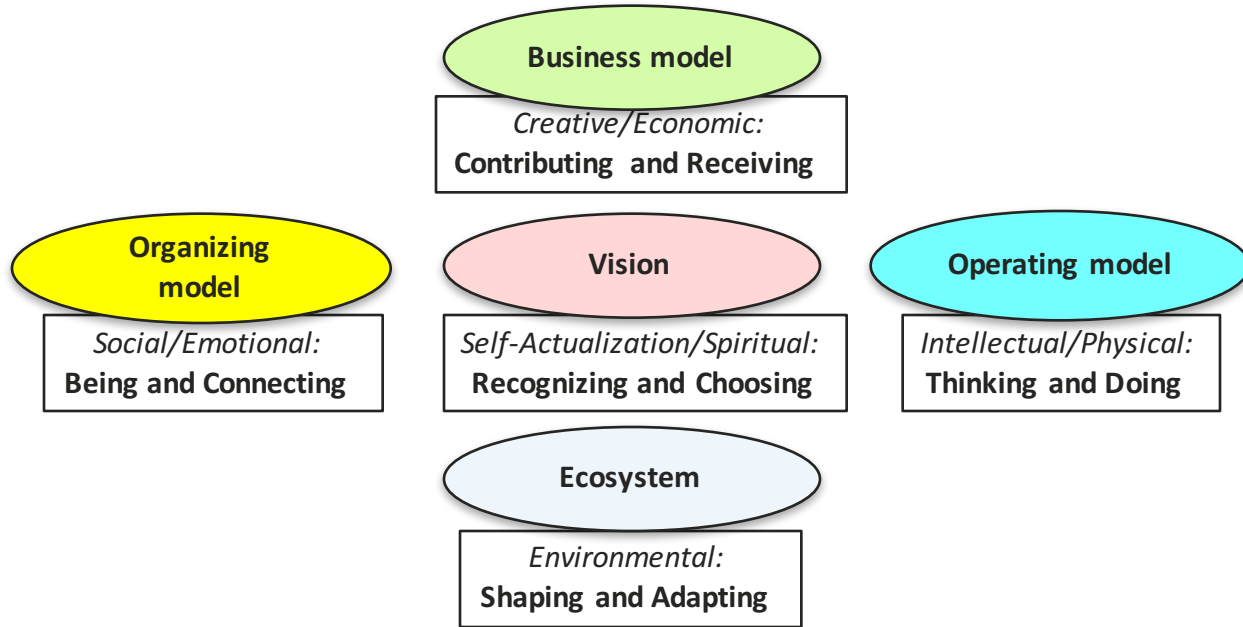
The fifth discipline focuses on how the organization relates to, and interacts with, its external ecosystem. In open markets, this is arguably the starting point – leaders must learn to deeply understanding their market environment, and most importantly, the rapidly evolving nature of supply and demand. On the demand side, leaders must recognize that there are actually no limits to customer needs – these evolve constantly. As unaddressed needs get more specific, fewer customers share them – leading to a vast number of granular customer segments waiting to be fully served in almost every market. On the supply side, leaders must learn the nature of supply and competition at each stage of market evolution, from platform solutions to meet core needs in the early stages, to complementary solutions that build on those platforms to meet the next set of unaddressed needs as the market evolves. At all times, there really is no end of opportunity in almost any market, and no need to get stuck in a competitive race to commoditization. It just takes a mindset of abundance to see the real potential. And rather than just react, leaders must learn to proactively shape as well as reactively adapt to these continually evolving demand and supply dynamics in open markets.

Evolution of customer needs		Emerging	Growing	Mature
	Micro-segment (granular) needs	Needs unaddressed	Needs partially addressed	Need fully addressed, niche participant competition
	Macro-segment needs	Needs partially addressed	Needs fully addressed, primary participant competition	Needs fully addressed, primary participant consolidation
	Market needs	Needs fully addressed, platform competition	Needs fully addressed, platform consolidation	Needs fully addressed, platform dominance
Time				

**Evolution:** seeks to understand, shape and adapt to a complex and dynamic environment, based on a culture of abundance

# Why are agile organizations so compelling? Human-centered design

Organizations are essentially economic systems created to amplify human capabilities in order to better meet human needs. As a result, the five elements of the organization actually reflect five categories of human needs and capabilities. This means that the more we design organizations for humans, the more successful they will be. The reason the command organization systemically limits performance is *because its design violates what it means to be human*. Agile organizations, which are designed for humans, unleash the full potential of their stakeholders, leading to maximum organizational performance and success.

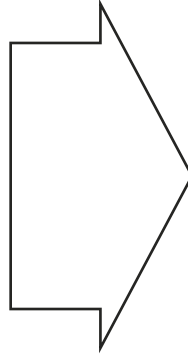


# Leadership transformation

Most of today's senior leaders were educated and gained their experience in the final days of the industrial economy. Essentially they are “wired” to succeed in a world that is fast disappearing. They need to go through a personal transformation in fundamental beliefs and values to succeed in the digital economy. That need to “re-wire” themselves for the world as it is becoming.

## **Business management: leading command organizations in the industrial economy**

- Role: planner, director, controller
- Focus: return on capital
- Skills: control, value capture, repetition, competition, preservation
- Mindset: fear, self-interest, certainty, coercion, scarcity

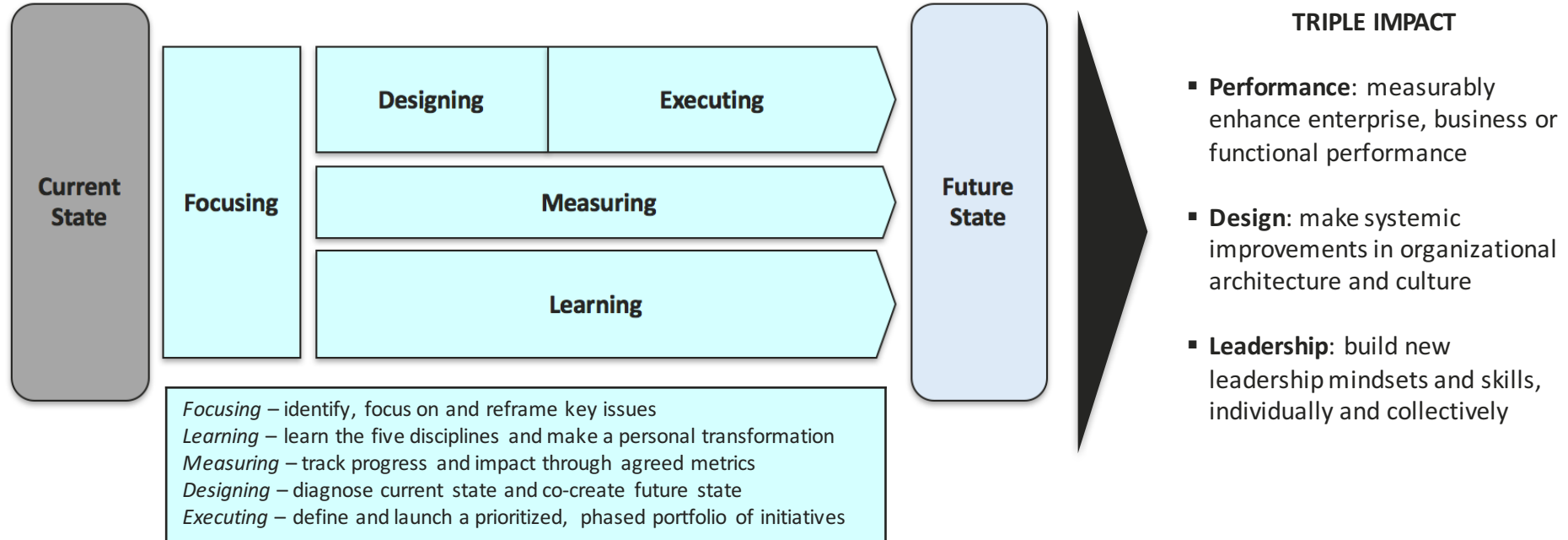


## **Business co-creation: leading agile organizations in the digital economy**

- Role: architect, coach, catalyst
- Focus: return to people
- Skills: purpose, value creation, innovation, collaboration, evolution
- Mindset: authenticity, reciprocity, discovery, partnership, abundance

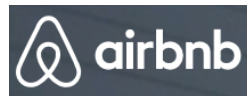
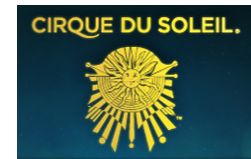
# Learning-doing initiatives

To help leaders learn these new disciplines and apply them to build a high-performing agile organization, companies should launch “learning-doing” initiatives that move the organization from current state to future state and deliver triple impact. The introductory models introduced earlier provide leaders a fast start in learning each discipline. These can be supplemented with a significant body of knowledge underlying these introductory models, and as well as many other models and tools.



# High-performing agile organizations

Learning and applying the five disciplines of business co-creation will enable you to join the growing number of companies, from many different industries, that are successfully pioneering key elements of the high performing, agile organization of the digital economy.



**business co-creation**

leading agile organizations in the digital economy



# How agile is your organization?

Organizational element	Command organization designed to deliver predictable performance in protected markets	1	2	3	4	5	Agile organization designed to deliver sustainable performance in open markets
<b>VISION</b> What are our goals? What are we trying to accomplish?	<b>CONTROL:</b> seeks to control markets, resources and people, based on a culture of fear						<b>PURPOSE:</b> seeks to enhance markets, resources and people, based on a culture of authenticity
<b>BUSINESS MODEL</b> What business models will best achieve our goals? How might we create value, and for who?	<b>VALUE CAPTURE:</b> static, limited business models focused on capturing value from competitors, based on a culture of self-interest						<b>VALUE CREATION:</b> evolving, holistic business models focused on creating value for all stakeholders, based on a culture of reciprocity
<b>OPERATING MODEL</b> What operating models will best achieve our goals? How might we solve problems, develop plans, and execute?	<b>REPETITION:</b> top down, linear operating models, based on a culture of certainty						<b>INNOVATION:</b> inclusive, learning-cycle operating models, based on a culture of discovery
<b>ORGANIZING MODEL</b> What organizing models will best achieve our goals? How might we define our teams, roles, and interactions?	<b>COMPETITION:</b> rigid, hierarchical organizing models, based on a culture of coercion						<b>COLLABORATION:</b> scalable network organizing models, based on a culture of partnership
<b>ECOSYSTEM</b> What are the key market opportunities and challenges facing us? To best achieve our goals, which should we participate in, and how might we navigate them?	<b>PRESERVATION:</b> views markets simplistically and seeks to be shielded from change through high entry barriers, based on a culture of scarcity						<b>EVOLUTION:</b> seeks to understand, shape and adapt to a complex and dynamic environment, based on a culture of abundance

# Author



## **Michael Lurie, *Founder, Business Co-Creation Group***

A highly experienced consulting professional and practice leader, Michael helps senior business leaders develop the capabilities to build high-performing, agile organizations. For over 25 years, Michael has worked with corporate, business unit and functional leaders at over 180 companies to help them reframe their key opportunities and challenges, design new strategies and business models, and unleash the full potential of their organizations. His entrepreneurial consulting career has included McKinsey, the world's premier management consulting firm, leading a strategic consulting practice at Blanchard, a global leadership development firm, and founding and building three consulting firms. Michael has also served on the boards of several non-profits. He is an ATD Master Instructional Designer, and holds BComm and MBA degrees from the University of the Witwatersrand in Johannesburg, South Africa.

## **Our practice**

We offer the personal attention of a small, independent practice, while also providing the scale of a large firm through an extensive network of alliance partners and world-class independent professionals. These include Umbrex, a global network of alumni from McKinsey, Bain, BCG and other top-tier firms, and The Ken Blanchard Companies, a global leader in leadership development.

## **Appendix: recommended sources**

# Recommended sources

The five disciplines and introductory models of business co-creation draw on a range of emerging research and practice.



business co-creation

leading agile organizations in the digital economy

# Recommended sources (continued)



business co-creation

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