



THE SYSTEMIC PRINCIPLES OF CORPORATE EMERGENCE

mapping opportunities for real growth

Stellar® is a systemic architecture for mapping opportunities for radical but sustainable growth. That architecture comprises twelve archetypes, each one a conventional management term, and each one describing a domain of the company's unique value-creation capability.

GROWTH

Growth is a matter of creating value – experiential qualitative value. It seems to be the core essence of all human life to bring value into the world. Value-creation is the contradiction of the principle of entropy – what we get out is far more than what we put in, we actually *create* value. It is what we all try to do. It is the motivation behind every entrepreneur, to create something that is valued by others but didn't exist before. It is the difference we want make to our world. True growth represents real profit, not just financial profit, real added-value to the company, its employees, its stakeholders, its shareholders, its customers and the world at large. And the processes by which value is created, is 'grown', are those processes familiar to all corporate managers. What is managed within a company *is* this process of growth through value-creation – that is fundamentally why companies exist. Profitability is intrinsic to this process, but it is rarely the driving force in most successful long-lived companies. And what also seems to be intrinsic to this process is the desire to grow, to create more and better value for even more customers in a way that can change their lives even more richly.

VALUE-CREATION

So what are the principles by which we manage the creation of value? What are the principles of growing the impact of the company's value-stream?

We can identify many conventional principles of creating value, for example the classic functions of product, finance, production, marketing, operational management etc.. They are all well-proven ways of consciously systemising the management of growth processes within the value-stream. Ever since the science of management began to emerge as a discipline there have been attempts to identify those systems that can better manage the production and delivery of goods and services. And those that succeeded, such as those classic functions, have tended to operate as micro-, local- and silo-systems, identifying between them all of those principles that can efficiently manage the multiple processes of leadership, management and operations. The result is that almost any management function nowadays comprises a vast set of interlocking systems of different size, complexity and scope, through which the company's value-creation is managed. The difficulty, however, has always been that most systems are designed locally and discretely, resulting in ever more widely distributed silos and fiefdoms that have difficulty coming together coherently within the single identity of the parent company. This inevitably generates conflict, misalignment, confusion of focus, inefficiency and waste. So the question becomes how do we harness all of these various quasi-independent systems within one coherent whole-system architecture that can offer optimal alignment and efficiency of value-creation?

THE STELLAR ARCHITECTURE

The Stellar whole-system architecture is a framework of the company's unique value-creation capability. It offers a whole-system within which everything that is to do with a company's capability to create value is embraced, and outside of which nothing exists that is significant to that company's processes of value-creation. Stellar engages all possible systems within its twelve archetypal domains, which themselves all sit within the one whole-system of the whole-organisation.

This whole-system was developed from Stellar's developers' recognition that the commonality and coherence of an organisation's identity lies in its uniquely differentiated value-creation capability, and that there are twelve archetypal domains of capabilities that together comprise that unique whole-capability. The most important inspiration was a whole-system model suggested by the German philosopher Rudolf Steiner (1861-1925).

Steiner argued that all anything might have value and meaning in the world can be systemically managed within one or more of twelve different world-view philosophies. Those twelve archetypal systems combine to create one whole-system of a coherent 'whole' world-view embracing all other possible world-views. A world-view is by definition a set of qualities, properties or principles that can be applied systemically within the specific 'world' that it relates to. For example, two different cultures may co-exist within the same country both with profoundly different world-views, both of which can function perfectly adequately within their respective 'worlds'. And similarly, two different car companies are likely to have very different world-views, with radically differing understandings of how their respective 'worlds' function, and of the principles by which they can be managed. Which is not to say that they are world-views that are 'right', or that one is 'better' than the other, or that they are the only possible world-views. A world-view is a working understanding of a core principle operating throughout the specific 'world' within which it operates, and that offers parameters within which everything can be workably managed. Steiner's great perception was to recognise that whereas there is no one 'true' or 'absolute' world-view philosophy, there is a limited number of archetypes of world-view philosophies that embrace all of those infinitely variable possible world-view philosophies that are available to the human mind and condition.

Steiner argued that all world-view philosophies – understandings of the systemic qualities, properties or principles by which everything in the world 'works' – can fit within a circle of twelve archetypal world-views. Set out like a clock-face, at 12 o'clock there is materialism, the view of the world as physical matter, and at 6 o'clock there is spiritism, the view of the world as inner inspiration. At 3 o'clock there is realism, the view of the world as feeling, emotion and experience, and at 9 o'clock there is idealism, the view of the world as idea, mentality and cognition. And between all these a progression of world-views leads logically from one on to the next. Steiner's point is that all possible human world-views fit somewhere within the parameters of this model, and none can exist outside of it. As a whole-system, therefore, these parameters embrace *all* of those types of properties, qualities or principles that can ever manage value and meaning in the human world.

In point of fact none of us ever lives purely within just one of these archetypal world-views, but we do tend, whether as individuals, companies, societies or nations, to focus on one or two in preference to the others. And this usually accounts for why we are particularly skilful in one domain and not another. But whether we like it or not we do sometimes and at some level or another have to engage with all twelve in that we do live in a whole-world, and that cannot, by definition, be effectively

managed from only a few domains. But by consciously aiming to engage with all twelve we can ensure that we do consciously manage *all* domains of the creation of value and meaning in our world.

Each of Steiner's twelve world-view philosophies was translated into those systemic qualities, properties and principles in the world that it gave value and meaning to. Those were then further translated into the capabilities by which those qualities, properties and principles are best managed (whether by individuals or by organisations). So for companies, the philosophy of materialism becomes 'material inputs to the senses', which in turn becomes the capability of 'product' (or 'what I produce in the world' for individuals), and the philosophy of spiritism becomes 'inner core sources of inspiration' which in turn becomes the capability of 'brand essence' (or 'the inner sense of what I do' in individuals), and so on (see Fig. 1).

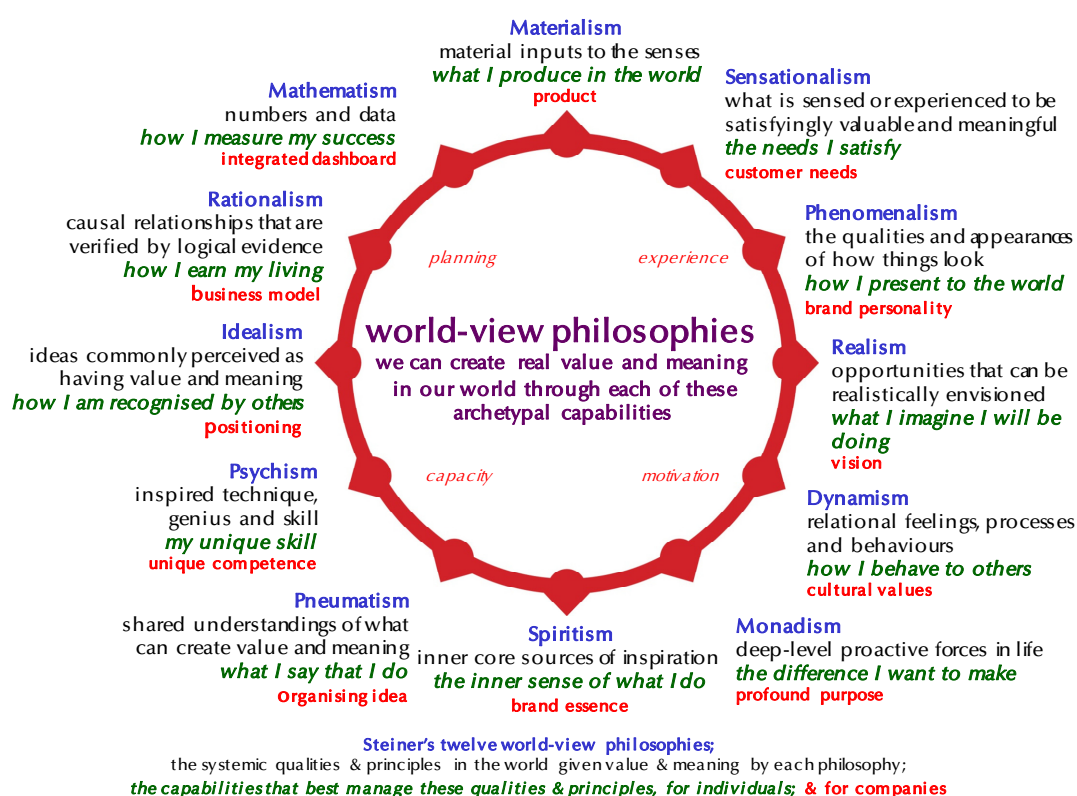


Fig. 1 – Steiner's twelve archetypal world-view philosophies

So twelve archetypal domains of capability emerge, each defined in conventional management terms. Each of these domains is then further elaborated in respect of the systemic qualities, properties and principles that are relevant to the application of that domain in the corporate world (see Fig. 2).

So by identifying each of these twelve world-view philosophies in terms of its 'local' value-creation capability, Stellar emerges as a whole-system architecture of the whole-capability, embracing all of those local capabilities that together combine to manage all of those sets of processes that might be involved in the creative transformation of an original idea of value into the eventual end-customer-experience of that value. Which is of course what the company's business is all about.

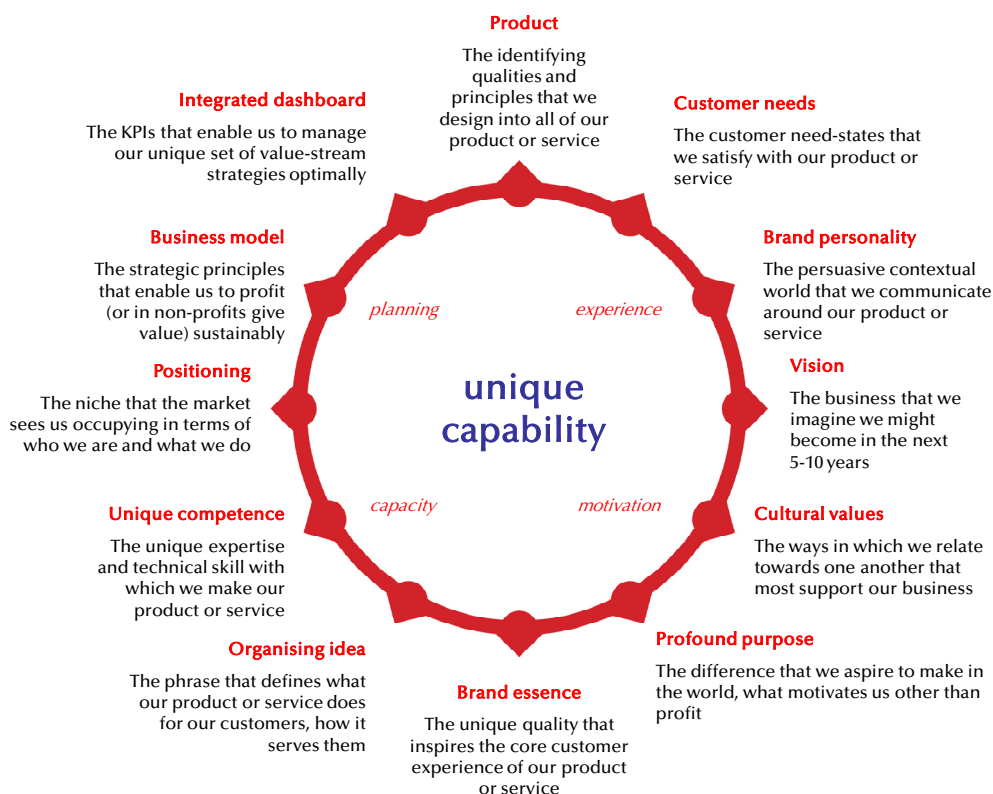


Fig. 2 – The Stellar architecture of the value-creation capability within each domain

And when this is applied to a specific company, to accurately define the unique capability of the company within each domain in terms of that domain's systemic qualities, properties and principles, a rich and clear picture emerges of who the company is and what it uniquely does. (See the example of Daimler in Fig. 3)

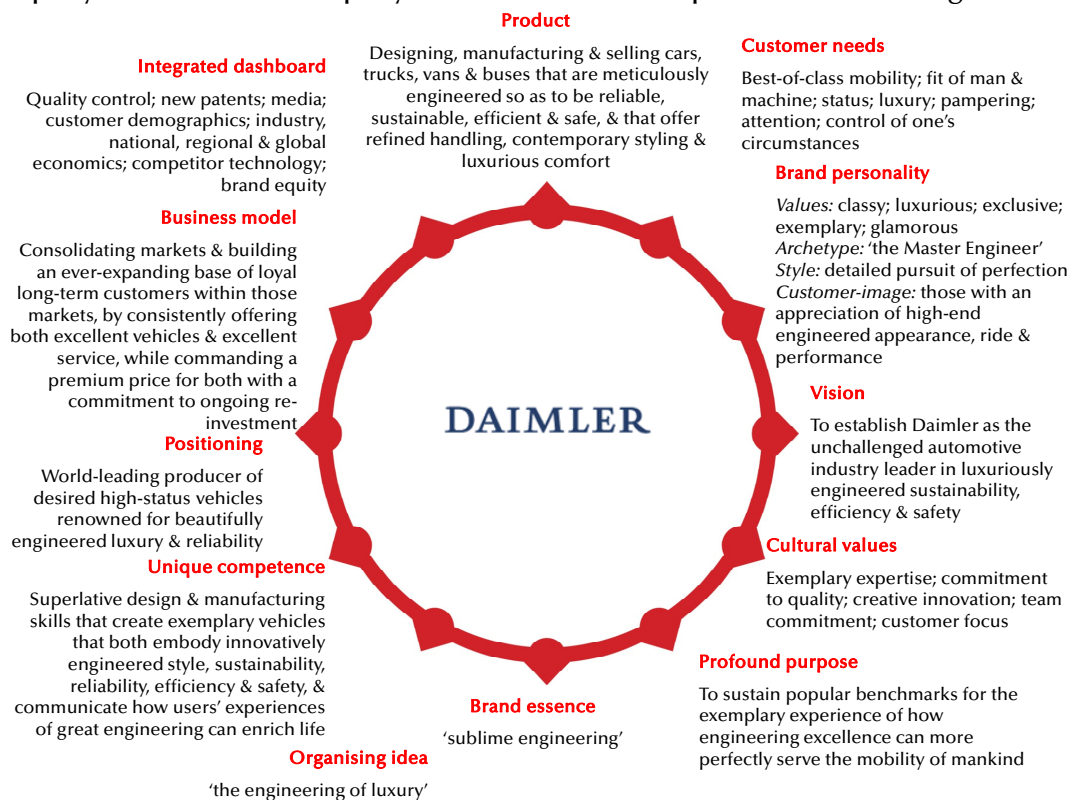


Fig. 3 – The core Stellar of Daimler

UNIQUE CAPABILITY

The process of defining each domain of a company's Stellar involves very detailed penetration of who the company is and what it does. What is being defined is the company's capability to create unique value within each domain. Generic management capability is presumed, but if that is all there is the company will fail. A commodity company that has no differentiated capability can only compete in terms of price, and there will always be someone who can deliver the same product or service cheaper, resulting in an ever-increasing downward spiral of ever-tougher competition and ever-diminishing margins, progressively starving the company of profit and re-investment. If a company is to thrive, it is essential for it to identify its differentiated capability to create *unique* value.

The significance of uniqueness is twofold. Firstly, and most obviously, the company needs to focus on what it does best, on how it is different to all possible competitors. Indeed the ideal is to become a Category-of-One company, with a so-called Blue Ocean strategy of occupying an exclusive niche in the market beyond competition. Of course every company is in fact unique, even if it means that this general store is on this street corner, which is different to being on that street corner over there. And behind that uniqueness there is always unique capability in some degree or another, and it is around this differentiation that the company needs to build its strategy. Secondly, however, uniqueness is also important in that it defines what the company does and does not do. The point of this is that a company can only do what it has the capability to do. It can only grow from within an existing capability – it cannot simply imagine that it can supply a product or service that requires a capability outside of its ownership. And this is particularly true in relation to its uniqueness. It is extremely difficult to competitively create value outside of those areas within which the company has unique capability. A company's unique value-creation capability is its most prized asset, and it is both very easy and very dangerous to disregard both its power and its limitations. It is extremely important that a company limits its ambitions to what is practically feasible.

DEFINING DOMAINS

The first step in compiling a company's Stellar is to briefly define its twelve domains of unique value-creation capability. These short but accurate definitions of capability are essential to a company's understanding of itself, of who it is and what it does. The process of arriving at these domain definitions often represents a threshold in the life of the company. It is a serious task, is usually carried through at Board level, and it almost always raises fundamental issues and questions that have often never surfaced properly before. Discussion, consultations and explorations are initiated, data is researched and collected, and what emerges is a far deeper grasp of what each archetypal capability domain actually means, as well as a far clearer picture of the company's uniqueness within each of those domains.

The twelve unique capability domains within a Stellar are always identified and defined in terms of the company's peak performance, of its unique capability when operating *at best*. A company's performance of course is almost always somewhat erratic, and only rarely does it hit peak. But by defining a capability when it has been at best, however briefly, means that the company is indeed capable of achieving that. It is not a dream, vision, fantasy or wish-list – it is actual, proven and demonstrated as an actual capability. (And it is always beautiful!). The consequence of this is that the Stellar not only presents a clear description of who the company is and what it does at best, it also implicitly defines the company's optimal strategic objectives.

Given the domain definition of what the company is capable of at peak but in which current performance is less than peak, that definition presents an immediate strategic objective that intrinsically demands that the company performs more towards achieving peak than it currently does. The easiest and most efficient route to successful growth is almost inevitably to grow organically from within itself, moving from current towards peak. In other words, the strategy that makes the best sense to the company will almost certainly be to develop and improve its current capability to the best of that capability as is possible. The twelve definitions of the unique capability domains therefore comprise in their whole the core strategic objective that can most economically grow company performance within its existing parameters. So by evaluating within each domain where current performance lies (on a scale of 1-10), a radar can be drawn identifying the distance between current and peak. By definition, therefore, each gap between current and peak represents an optimal opportunity for growth – closing the gap will inherently enhance the performance of the company towards the peak of what is possible. It is through this principle that Stellar serves as an architecture mapping a company's best opportunities for optimal growth.

THE RADARS

Radars can be used to identify and measure the gaps between current or likely achievement and peak for an almost infinite number of different issues, especially in areas such as operations, quality control, lean, marketing, competition, finance, HR and CRM. There are however essentially three different types of radar applicable to growth within the parameters of the company's Stellar. There is a radar evaluating *overall* company performance. This should probably be compulsory for every new Stellar that is compiled, giving a clear picture of overall strategic requirements facing the company (see Fig. 4). There is a radar for *existing* local strategies, evaluating their current performance within the core Stellar. And there is a radar for *proposed* strategies, evaluating their likely performance within the core Stellar.

Each gap in the radar represents not only an opportunity for growth within that specific domain, but also implicitly carries within it the necessary questions about how that opportunity might be realised. Why is the company not at 10 in that domain? Why is there a gap – what is stopping us? How might the gap best be closed so as to bring current performance closer to peak? Is there a blockage? Is it internal or external? Does the company need outside help, more funding, better training, a different strategy, better leadership...?

A serious exploration of the radar gap within any domain will raise many issues of significance to the company, and may well require extensive further research and investigation. What will emerge, however, is a strategic objective within the domain (or ideally across several domains) that will carry within it a process that can in execution close the gap(s), bringing the company towards peak performance of its unique value-creation capability. The point is that any gap-closing strategy designed within the parameters of both the specific domain and the broader picture of all twelve domains as a whole, can be evaluated, re-designed and implemented, secure within the knowledge that its parameters are real, achievable, optimal and fully aligned. From the company's own historical experience, and from its own participation in and ownership of the Stellar domain definitions, such a strategy is known to be achievable within the company's actual capability.

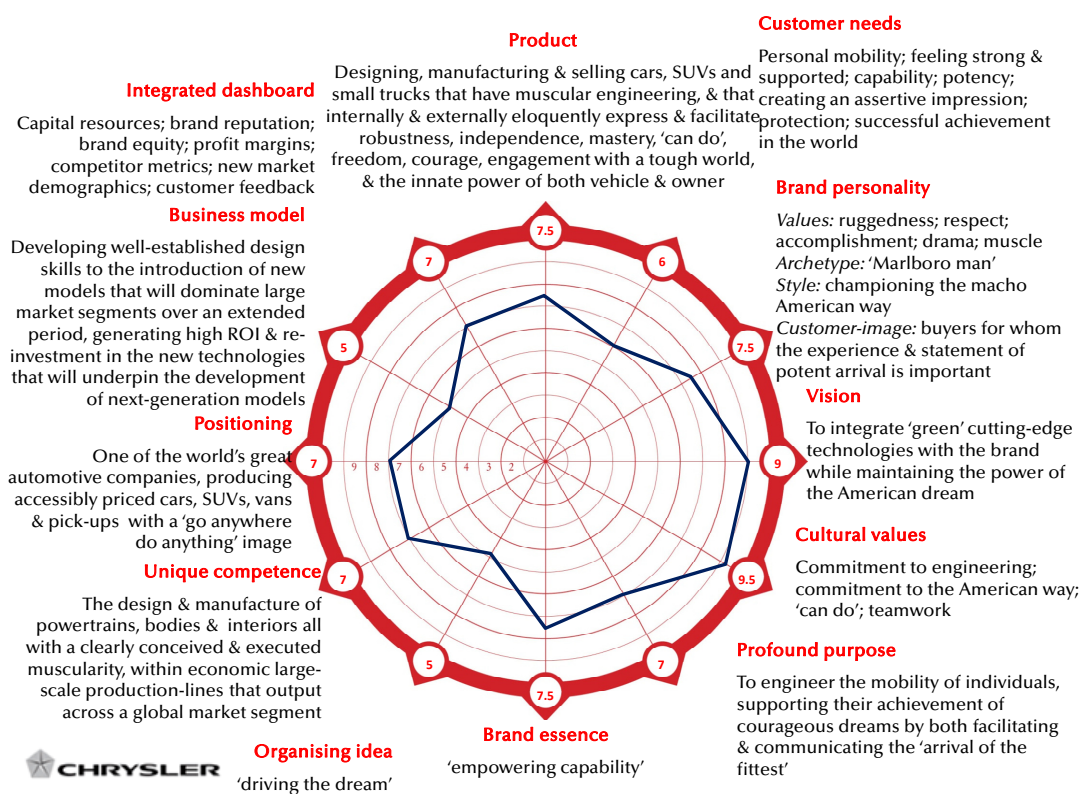


Fig. 4 – Chrysler's core Stellar, with the radar of its current performance

RADICAL GROWTH

Organic growth of the company within the parameters of its existing capability is probably the most secure, minimally wasteful, clearly transparent and sustainable strategic path forwards. Such growth, however, is usually slow and steady, and although history suggests that organic growth has often been the most successful long-term strategy for a company, the tendency these days is to pursue radical growth. In practice radical growth usually means growth through new product developments, adjacencies or acquisitions, most of which are almost guaranteed to be outside of the company's unique capability.

Compiling a Stellar of a company's unique capability does not, of course, imply that its identity is written in stone. During the passage of time a company's Stellar definitions will of course evolve and hopefully, barring accidents, if the company aligns properly with its Stellar it will steadily grow. But the company can of course grow much faster by venturing beyond the parameters of its Stellar and pro-actively expanding its unique capability. An acquisition, for example, means that the company is taking on board another identity, another unique capability that will to some extent or another be different to its own. Simply being different is of course no argument against acquisition, but both companies' leaders need to have a very clear understanding of the differences, most particularly those differences that might appear to be mutually irreconcilable.

Exploring the respective domain definitions of two companies engaged in an acquisition can lead to very clear radars of the possibilities of compatibility, alignment and co-integration. Consistently some 75% of all acquisitions fail in terms of ROI. The same is true of adjacencies, and the figures for new product development failures are likely to be even higher. There is extensive evidence

against the statistical success of acquisitions, and Stellar is a powerful means by which those crucial differences of identity and capability can be properly and clearly understood and managed. In particular Stellar offers a detailed instrument for designing how if at all possible two companies can be engineered together successfully within one larger and healthier unique value-creation capability.

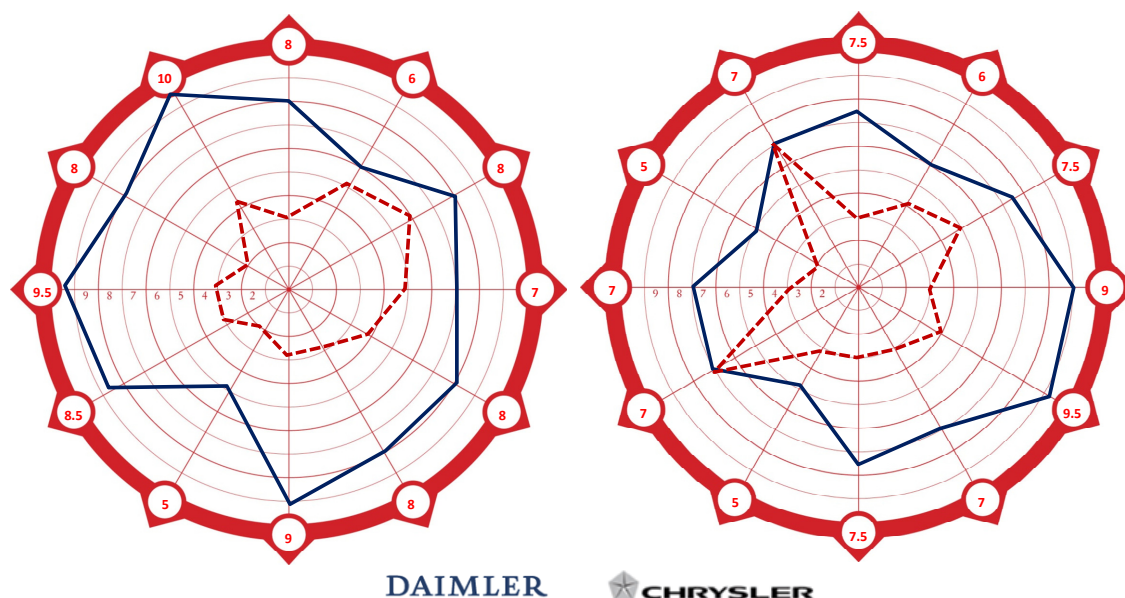


Fig. 5 – Comparing the radars of current performance of Daimler and Chrysler (blue line), and of their compatibility with the other (dotted red line)

The core Stellars of Daimler and Chrysler reveal the two companies to be so profoundly different in terms of unique capability that they never really stood any chance of survival as one company. In Fig. 5 Daimler is currently performing at a high radar score within its core Stellar whereas Chrysler is not performing too well, a disparity that does not bode well. In terms of their compatibility, however, neither company can offer any real grounds for any optimism at all, and their de-merger was wholly to be expected. By way of comparison, BMW (not illustrated) has a high-scoring radar performance within its core Stellar that is similar to Daimler, although in terms of compatibility eleven of their domains are significantly different, and both companies are fiercely individual and self-protective. Within the Business Model domain, however, both companies score 10, suggesting that a merger (but not an acquisition) could well work if the two marques are allowed their independent development but within a shared financial strategy. (Due diligence analyses of several suggested automotive acquisitions of 2009 can be downloaded from www.thetwelve.eu.)

The Stellar architecture presents a powerful picture of the multiple parameters involved in a potential acquisition. In terms of compatibility, those often conflicting parameters might well seem discouraging, but that does not of itself mean that the acquisition should not proceed. What it does mean is that differences can be identified with some precision and detailed in a way that informs both companies what problems of alignment and integration are likely to face them. And, again, the radar offers a tool for understanding those differences and for hopefully bridging the considerable gaps, both within the respective companies and between them. Radical growth is of course possible, but only when leaders have full information and understanding of the objective realities facing their attempts at accelerating the natural growth-rates of their companies.

PROCESS DESIGN

What most radars have in common is that the gap between current or likely performance and optimal performance is key to any understanding of how to grow the company. It is the gap that presents the optimal opportunities for suitable growth, and it is in working towards closing the gap that Stellar can serve as a powerful architecture for optimal value-creation.

The process of closing the gap within a domain entails designing an achievable strategic objective within the parameters of current performance, peak performance, gap blockages, and the organisational whole. Given the amount of information that becomes available within a properly researched Stellar and radar, it is clear that a strategic objective can be designed to be very closely aligned with both the company's Stellar and its current circumstances and issues. And particularly in the context of new product developments, adjacencies and acquisitions, within which many companies seem to move almost blindly forwards with the minimum of supportive information, Stellar enables strategic objectives to be designed on the basis of full and deep knowledge of attendant opportunities, limitations and problems. Stellar's role in designing strategic processes is to clarify and detail, at every level, what is trying to be achieved, why, and with what resources. This can confer a huge advantage over conventional process design, which can all too often amount to a kind of discovery-driven growth. 'Discovery-driven' tends to mean – think of an idea, try it out on a small scale, and if it works develop it within defined parameters, but if at certain stages it fails to meet the criteria then dump it. That of course may well be a practical way of dealing with the unknown, but it certainly lacks precision, planning, coherent purpose and strategic differentiation. With Stellar the process parameters are extremely clear and precise, have an inherent rationale, and are known right from the beginning.

WHOLE-SYSTEM EXECUTION

It is the design of executable processes that succeed in achieving precisely engineered strategic objectives that will ultimately justify the use of Stellar. Up to this stage in this paper Stellar has not yet fully engaged with and impacted the company's value-stream. The value-stream is defined as that set of processes that translate an idea of value into customer experience of that value – the value-stream *is* the company, it is totally and exclusively what the company does, it is how it brings value into the world. Indeed, if an action doesn't contribute to the value-stream, why do it? And it is the execution of the strategic process within the value-stream, with clearly designed objectives, measures and targets, that will lead on to the creation of optimal growth.

At this point of the design and execution process Stellar can in fact easily mesh with a conventional Balanced Scorecard, deconstructing the specific domain objective into finance, customer, internal and learning and development perspectives, and then further within each of these, into objectives, measures, targets and initiatives/processes. But equally, if Stellar is properly employed as the whole-organisation whole-system that it is, all of these perspectives can also be fully engaged across all of the other domains, indeed even more comprehensively and profoundly than within a Balanced Scorecard.

The Stellar architecture is itself of course a whole-system, but it is also truly scalable and fractal in that the whole-system operates at every level and in every part of the whole-organisation. Within Stellar no decision or evaluation can take place outside

of its whole context – any decision within one domain must take into account, however briefly, what is happening in, and required by, all other domains. *Any* initiative or process that is embarked upon is intrinsically within the context of the whole-system. An initiative in one domain is by definition an initiative within the whole Stellar, and although it may not necessarily cause an adjustment in other domains, it is nevertheless essential that the whole-system is checked in case it does. Every decision-maker needs to be fully and constantly aware of the company as this ever-responsive and ever-adaptive whole-system. Everything responds to everything, and it is indeed this principle that defines a whole-system. *Every* decision is strategic.

The implications of this for process design and execution are, particularly, that every decision or part of a decision must consciously engage with how it impacts and integrates within the whole Stellar of all twelve domains. So although a decision might be taken solely within its respective domain, it is a core principle that all possible consequences, impacts, influences, interrelationships, synergies or conflicts that might arise or be latent within any of the other domains are brought to consciousness, evaluated and wherever possible reconciled. And if this is done properly, a company can then be said to operate whole-system management.

At this point too, single domain strategies begin to engage, ‘partner’ and coalesce with other domain strategies, and what happens is that the company begins to transform itself at every level and in every department towards becoming a truly whole-organisation. Silo-management becomes increasingly redundant as the whole company shifts towards whole-system management, leaders begin to understand that their task is to lead and manage not performance *per se* but the company’s unique value-creation capability, whether that capability is of financial resources, knowledge, technology, employees or assets. And as silo-management begins to crumble, any number of working principles, behaviour patterns, cherished myths and icons, beliefs, models, motivations and sacred truths begin to change, gradually forced to adapt to what might be called Enterprise Capability Management.

Silo-management	Whole-system management
performance management	capability management
parameters of solutions	parameters of capability
managing planned output	managing emergent output
managing problem-solving competency	managing value-creation capability
commodity value-creation competency	unique value-creation capability
pulled by problems and need	driven by opportunities and potentials
focused on targets and outcomes	focused on capability
reactive and growth focused	empathic and developmental
growth directed by circumstances	growth organic from within
surface appearance and phenomena	inner dynamic energy and potency
linear and causal	complex and emergent
lean cost-cutting	creating added-value
generic metrics	unique metrics
task oriented operations	process oriented operations
brand as marketing tool	brand as identity standard
commodity sales	category of one
adapting to market needs	aligned with market needs
shareholder rationale	whole-organisation rationale
investment in profitable results	investment in sustainable results
directed performance	emergent performance
an organisation optimising its efficiency	an organism optimising its capability

SUSTAINABILITY

The definition of the Stellar domain Business Model is ‘the strategic principles that enable us to profit (or in non-profit give value) sustainably’. Any decision taken within the architecture of a company’s Stellar needs to fulfil the requirement of financial sustainability if at all possible. Sustainability in this sense is inevitably, however, ultimately a subjective judgement. The main principles by which one judges financial sustainability are time, context and proximity. For how long should the profit be reasonably expected to last so as to count as sustainable – short-term is generally agreed to be ‘bad’, but how long is long-term? How dependent is that profit on either the continuation or the change of current conditions – can the business model accommodate other scenarios? And at what point do negative financial impacts on third-party interests cease to be part of the sustainability equation – for example will a supermarket’s negative impact on a corner store be perceived as unsustainable in terms of its reputation? Such questions are difficult, and can only be properly answered within each company, within the informed context and character of its whole Stellar. The objective, however, is to identify what degree of sustainability will most help each company to grow within its Stellar definitions, consistently and steadily without danger of collapse. And the point is that Stellar can help a company to assess real sustainability both more comprehensively and realistically within the big picture of its identity, within both the market and the local world that it occupies.

Sustainability also carries meaning within Environmentalism, and within its cousins Corporate Social Responsibility and Corporate Governance. All three doctrines currently exist as part-legal part-moral restraints largely imposed from outside upon companies, internally often regarded as alien to the real interests of the company, and at best as distracting but unavoidable irritants. Within a Stellar-managed company, however, if due seriousness is attached to the definitions of each domain, all of the concerns addressed within these three doctrines are already accommodated across the domains as implicit issues of sustainability. Most companies’ domain definitions do, taken as a whole, engage with the potentially malign impacts on society that these doctrines are designed to curb, but they do it from self-interested organic integrity, not merely as a necessary evil.

A company optimising the value it creates in satisfying the needs of all of its stakeholders – employees, suppliers, investors, customers and the wider society – cannot help but evaluate negative impact, assess what levels are acceptable and what are inappropriate, and adjust their behaviours accordingly. What is important, however, is that all of those decisions are taken firmly within the company’s twelve whole-system Stellar domains, and that they are not imposed from without, by interests that often are hostile to corporate success. Being a whole-system company means, by definition, that the company’s whole sphere of influence is an integral part of that whole-system, and leadership’s task is to identify the company’s best interests within that wider sphere. It is those companies that truly believe in and commit to the theory and practice of whole-system management that will genuinely grow, authentically and sustainably into the long-term, and creating value to the profit of all.