

THE STELLAR® WHOLE-SYSTEM ARCHITECTURE

Stellar® is a management architecture that is designed to optimise uniquely differentiated value-creation that is sustainably and optimally profitable throughout an organisation's whole-system. Stellar is the only such whole-system architecture that exists, and is already being used in many organisations around the world. It clarifies and aligns decision-making within strategic guidelines scalably, and serves as a powerful strategy-governance instrument.

Whole-system profit

Profit is the core motivation of all life – it is the creation of value-experience that has greater meaning than the value-cost of its creation. Profit is the ultimate contradiction of the second law of thermodynamics – it is the direct outcome of our urge to create new life that is greater than what went into its creation, and it expresses not just our belief in the possibility of value-added-plus but of our innate obligation to pursue it. We all seek to create value, profit, life – in everything that we do. It seems to be what we are here to do.

The sophistication and competitiveness of contemporary management has reached levels at which a large organisation can only be managed successfully and sustainably as a whole-system. The most significant whole-systems within which individuals are intrinsically participants are state organisations and commercial companies, whether as employees or as customers. A whole-system embraces all participants and elements within the system, and a sustainable whole-system requires that all of those participants and elements profit meaningfully. Value needs to be created for the whole-system if the organisation is to operate successfully, and the failure to ensure that all participants and elements do properly profit can invite serious vulnerabilities.

Any whole-system has four constituencies – customers, stakeholders (including employees, suppliers, investors and the wider community), the system's resources, skills and assets, and its strategy-leadership. All value-creation within a whole-system must aim to optimise the value-experience and minimise the value-cost that is created within each of these constituencies.

Stellar

Stellar is a whole-system architecture that enables absolute management of an organisation's capability to sustainably create optimal profit-value throughout the whole-system.

Stellar has twelve domains arranged as if on a clock. Each domain is a conventional management concept, but is defined in terms of value-creation capability. Experience tells us both that no significant value is created outside

of these twelve domains, and that every strategy, decision or process fits wholly within them, potentially having some impact within all twelve. The twelve domains also embrace the four constituencies of customers (experience), stakeholders (motivation), resources (capacity) and strategy-leadership (planning) – see Fig. 1 below.

Commodity producers are condemned to an endless downward spiral in profit margins as they struggle to cut costs in competition with others producing the same generic product. Stellar focuses on the uniqueness that is latent within every organisation, identifying the unique value-creation capability within each domain that differentiates it from all others, and that can lead to the ideal outcome of a category-of-one, a unique market niche beyond competition.

The Stellar whole-system architecture therefore works by defining the organisation's unique value-creation capability within each domain, but it does this by defining that capability when it is at *peak performance*, as demonstrated fact (and not as mere imagination or ambition).

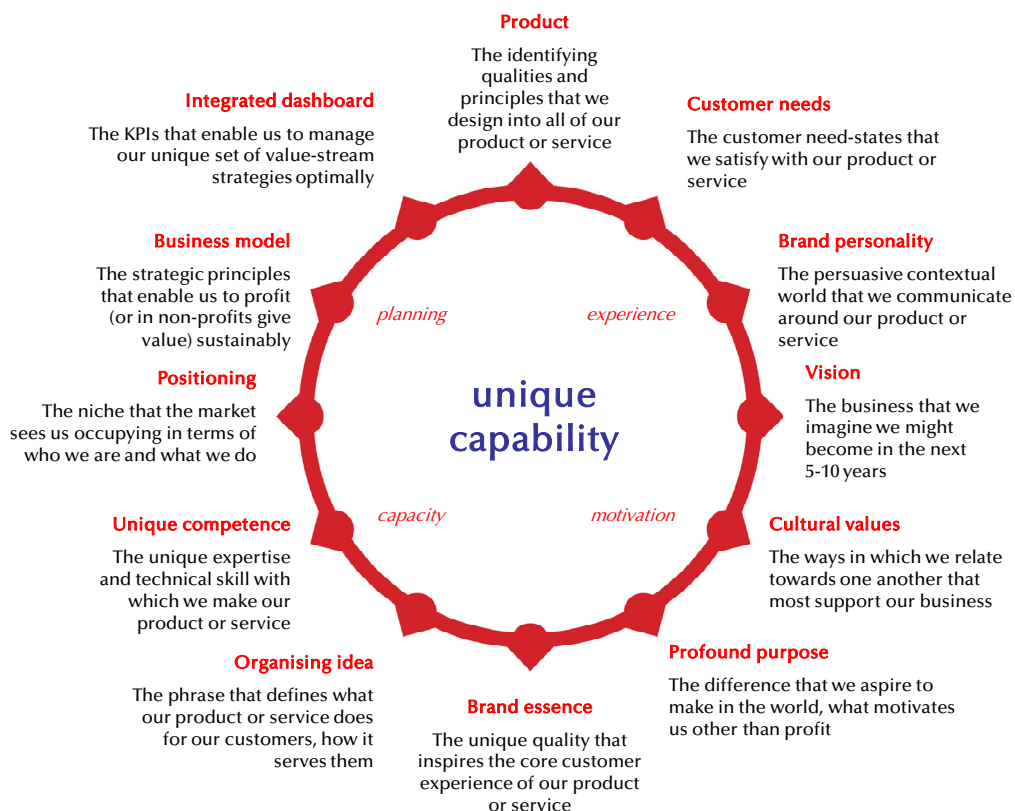


Fig. 1 – Stellar's twelve domains of unique value-creation capability at peak performance

This means that the twelve Stellar domain definitions comprise the definitive parameters of the organisation's unique value-creation capability at peak performance – together they define what the organisation does best, uniquely and most easily and effectively. And as such the Stellar definitions can be regarded as comprising the organisation's true core identity, in terms of describing the unique value it brings into the world.

Radars

Within the Stellar architecture's twelve definitions of the organisation's unique value-creation capability, any current or planned strategy, decision or process can be evaluated as a radar in terms of how compatibly it aligns with the capability defined in each domain, how much of that unique value it might help to create, and how well – see Fig. 2.

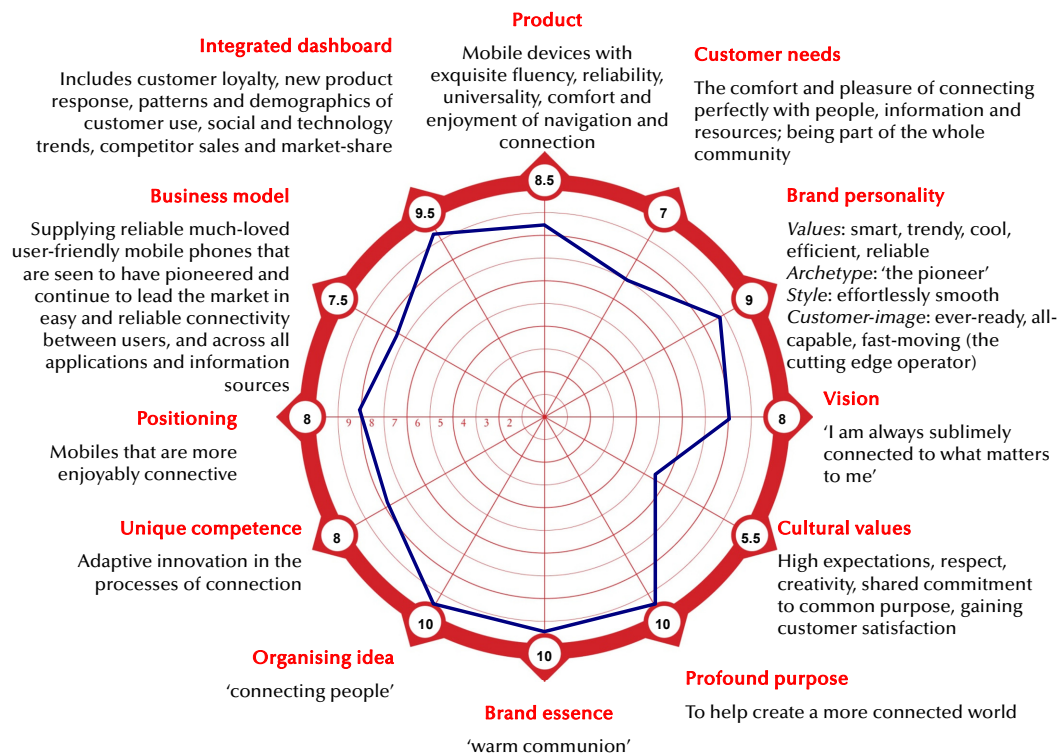


Fig. 2 – Nokia's Stellar, with a radar evaluating current performance in relation to peak

A radar evaluation on a scale of 1-10 identifies the degree of successful alignment of a strategy, decision or process with the organisation's unique value-creation capability, therefore illuminating within each domain the gap between the anticipated outcome and the optimal outcome of peak performance (scoring at 10). The radar facilitates the identification of any blockage, weakness or misalignment that is the cause of the domain gap, and that is thereby preventing achievement at peak. It clarifies what will close that gap in each domain, in terms of helping to identify objectives, targets, measures and processes that will be necessary for successful closure. It also offers the design and implementation of those processes within the contextual parameters of the other domains, and even seamlessly meshes execution within a Balanced Scorecard.

Adjacencies and Acquisitions

Stellar enables leaders to maintain organically sustainable development and growth within the parameters of the organisation's proven unique value-creation capability. It also offers a means of assessing the potential of non-organic development and growth, such as in an adjacency or acquisition. The

unique value-creation capability of the 'parent' organisation can be evaluated for its potential compatibility with either the new capability that is required by an adjacency, or the existing but different capability offered by the organisation being acquired. If the adjacency or acquisition lies outside of the parent organisation's Stellar then it is essential to know that fact, and to understand the degree and nature of the differences. One can then either abandon the proposal, find some other over-riding rationale for continuing (for example financial contingencies force one along that path, albeit it is not what one uniquely does), or consciously 'grow' the Stellar in new directions to accommodate new capabilities. Given that a consistent 75% of all acquisitions fail in terms of shareholder value, Stellar can be an invaluable instrument.

Embedding Stellar

Stellar is intended for use principally by an organisation's Board for aligning strategic decisions. It is also wholly scalable and can be cascaded throughout an organisation, providing clear strategic guidelines for all decisions and implementations at all levels. And it is a perfect architecture for strategy governance, enabling the Chairman, non-executives, investing banks, shareholders and workers councils a clear means of evaluating, monitoring and calling to account strategic decisions by the executive. It is axiomatic that every decision should be justifiable somehow in relation to the organisation's Stellar – if it extends beyond the capability defined in its own Stellar, why do it?

A Stellar can be defined by a Board within two to three days. The process always stimulates deep and powerful discussions within areas that are rarely visited but that are crucial to an organisation's well-being. Embedding a completed Stellar within an organisation, whether just at leadership level or cascaded down, is largely a matter of careful communication and rigorous diligence in monitoring but-in and implementation. The principal change involved in introducing and embedding Stellar is that a whole-system architecture requires an understanding and appreciation of the organisation as a whole-value-stream, as a set of processes that translate the original idea of value-creation into meaningful customer experience of that value. This way of seeing is familiar to marketers, who know full well that no customers buy cars, they buy the experiential value that cars afford them. This understanding needs to become the common language and criterion of the whole organisation. Once everything within the organisation is seen as an integral and component element of a clearly and coherently defined unique value-creation value-stream, then absolute whole-system management can begin.

The Twelve B.V. is an international strategic management consultancy based in Amsterdam. It has worked with the Boards of many organisations around the world, both large and small, and can be contacted at www.thetwelve.eu.

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