



Align for Growth (Part 2 of 2)

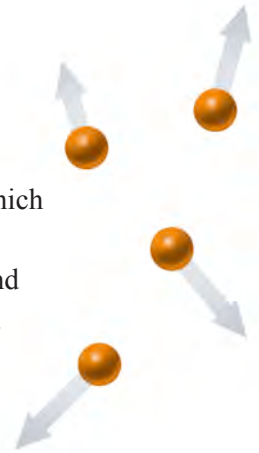
Show your company its greater potential.

The business case for progressive brand marketing...

In an earlier paper, we identified the problem of entropy within B2B companies and the challenge the condition presents to CEOs and marketing leaders. The purpose of this paper is to further define the condition, its causes and our recommended treatment for recovery and growth.

Entropy as defined in physics and communication

“The concept of entropy in physics has surprising relevance to any discussion of the communications structure. It is a term which suggests the degree of ignorance, chaos, and randomness in a system. It is closely interlinked with notions of organization and information. Entropy can be resisted only by organization; and organization depends primarily on information.”¹



The problem of entropy

We have observed how entropy within a B2B enterprise will continue to go untreated, so long as its CEO fails to recognize the condition and does not take steps to correct it. A CMO or marketing manager can bring the problem to the CEO’s attention, but they cannot cure the condition independent of the CEO.

This is because entropy is a topmost leadership challenge. To solve it, the CEO needs to lead the alignment of the organization to a unified understanding of value potential, mission and message. Only then, can the organization work collectively to deliver on this message in the marketplace and to thereby achieve its full business potential.

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Entropy is also then, a people problem. In the absence of topmost leadership –without a distinct vision, mission and message – an organization’s course of action will default to the divergent beliefs of dominant personalities and otherwise become mired by the beliefs of mid-level managers who will remain silently contrary, yet just as resilient in their independent behavior.

In such a random organizational state, misalignment on value and purpose becomes everyone’s problem, ultimately the customer’s. Entropy becomes a VP level managerial problem and a mid-management problem. It spreads across all organizational disciplines including R&D, HR and customer service, affecting (or infecting) the company’s sales behavior, all of which affects customer relationships and brings undesired customer behaviors.

For this reason, entropy is also a brand identity and marketing communication problem, as the affected organization has failed to define and articulate for itself the company’s unique sources of value, as interpreted by the needs of one or more customer segments. Without this clarity, the company cannot align itself to apply its greater capabilities to the discovery of stronger and longer-term customer relationships.

In our earlier paper, we outlined the symptoms of entropy, which are visible to a business leader. However, there are insidious other outcomes of the condition that can go undetected, because they are not so visible: Entropy obscures business advantage, causing business leaders to overlook growth potential. Thus, entropy impedes innovation while fostering underachievement, sameness, and the illusion of motion. In its advanced state, entropy leads to lower margins and a weak or commoditized brand image in the marketplace.

Because entropy is a product of poor brand identity development, the cure in part requires an interdependent approach to marketing and branding. Ultimately however, the cure can only come about when its danger is understood by an informed CEO. And that is why the prevention of organizational entropy should be a primary responsibility of every CEO.

Misalignment on value and mission

Misalignment is the most telling symptom of organizational entropy. In a down year, it seems business leaders would be especially perceptive of any misaligned behaviors that may have previously been tolerated or overlooked within their organizations. Doing so

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would contribute to a healthier recovery and longer-term growth. However, the detection and cure of entropy is difficult in any economy.

During good times, revenue flow can be mistaken for business momentum, as apparent motion precludes deeper analysis of the misalignment that may be preventing the company from reaching its greater potential in the marketplace.

Even now, throughout the present recession, the problem of entropy has likely not been detected or treated by many companies, because their CEO's have ordered a different prescription for a different problem.

Cost reduction has become the common prescription for the common problem of business survival. As a result, important efficiency improvements have been made at the operational level, from supply chain through manufacturing and delivery, and with special attention likely given to increased efficiencies in IT. The effort to cut costs has also provided some emotional relief to the extent people have been actively preoccupied with bringing about operational changes.

Nevertheless, the more systemic problem of entropy can remain.

A CEO who understands the organization's unique sources of value will not be satisfied with making changes at the operational level alone. Vision, mission and message are not operational issues. Operational efficiency marginally relates to marketing and sales efficiency. Even after the rounds of cost cutting and operational streamlining, the sales force must continue to work harder to sell products and services, and you can bet that marketing is the first discipline to pitch in by way of severe "cost" reductions, even though it is the function of marketing to create new customers.

Research shows that in the end, cost cutting does not do much for new, long-term revenue generation. This has been the subject of several reports by Price Waterhouse Coopers, which demonstrate that the value you can add to a business through cost cutting is mathematically limited to zero.

Dare we say that even our nation's government may be missing the point, if operational cost cutting is regarded as the way to pay for expanded and better healthcare. When all gets said and done, in a free enterprise, if a hospital is to remain a business, it must follow smart business practices. This was the counsel of a 2005 Price Waterhouse Coopers report² that found poorly managed IT has been a major cause for billions of wasted

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healthcare dollars. A key recommendation of the report was that hospitals needed to manage IT as a business, in part by linking IT strategy with business strategy.

The same should be said of the interrelated disciplines of marketing and branding in a B2B enterprise. Just like IT, these disciplines should not be allowed to behave as cost centers, when they can become drivers of the business. And just like IT, so long as marketing and branding continue to fail by not working to solve organizational entropy, they will continue to be guilty of the charge “cost centers”.

The neuroscience of misalignment

Once a CEO recognizes the need for internal alignment on mission and message, he or she is still challenged to lead this change. From the start, the CEO should anticipate resistance by way of contrary behavior on the part of key people throughout the organization – those who will continue to defy change by way of passive if not outright resistance. Upon realizing just how entrenched the opposition, a CEO can impose one’s will to influence the desired new behavior, but such directives will not change the beliefs that govern the behaviors that will continue to hold the company back.

This is the crux of the problem when it comes to overcoming entropy in a business enterprise. The goal is not operational change, but people change. This is not to say the values of people need to change, but that their divergent beliefs as to the company’s mission and purpose must be aligned, so that their behaviors will collectively work to achieve the growth potential of the company.

Beliefs are formidable barriers to change, however. Beliefs are personal, forged by interpretations of individual experiences and often by short-circuited inferences. A CEO who wants to set a more profitable course in the marketplace will find that the first barrier to such progress is not in the marketplace; it is internal, in the form of willful resistance caused by dissonant beliefs that are likely based on a lack of current evidence and solid deduction.

It may seem incredible, but a CEO is at odds with neuroscience itself.

Neuroscience, the scientific study of the nervous system, has discovered how regions of the human brain become activated as we go about editing our daily realities. A recent article entitled *The Neuroscience of Screwing Up*³ reports on how even scientists must learn to overcome their preconceived beliefs before they can succeed in their missions.

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The research proves that our beliefs are preserved in a region of the brain called the dorsolateral prefrontal cortex. As the author of the article observes, the first step to solving a problem (in our case the problem of organizational entropy), we must recognize the biological design of the human brain to disregard divergent, contrary information as though it were never encountered:



“The lesson is that not all data is created equal in our mind’s eye: When it comes to interpreting our experiments, we see what we want to see and disregard the rest... Belief, in other words, is a kind of blindness.”⁴

Despite the brain’s tendency to screen out new facts, thus preserving established beliefs, scientists nevertheless persist in making breakthrough discoveries. They are able to do this because they keep asking a simple question: Why? By examining failures, resisting conformity, and often by seeking a collaborative, outside-in level of objectivity, they do not allow false beliefs to deter them in their missions to become breakthrough winners in the scientific marketplace.

The lesson here, is that a company’s leadership needs to question everything, keep gathering evidence, and refuse to lead based on false status quo beliefs. Which leads us to the question: Who in your organization, if not the CEO, is asking the right questions about identity, value generation, related customer needs and the greater growth potential of your company?

Passing the Buck

You might say that sooner or later, organizational alignment is the responsibility of HR and middle management at-large, because on a day-to-day basis, their activities ultimately forge the culture of an enterprise. This seems to be the theory at work among the mid-sized, underachieving, entropy-burdened B2B companies we have come across. The risk here is that when the activities of an organization are assigned to silos of management, the roles of management and leadership become blurred. Leadership cannot be delegated, as by definition it is not the act of handing off, but of extending a hand down.

Anchoring the company’s mission and message in the culture is important, but the effort is long term and can only succeed when it is guided by a sustained company identity and the unifying knowledge that all are personally and collectively providing unique value to

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the marketplace. Without this identity, the mission of HR and middle management will be less than meaningful, as they will also simply be going through the motions in a state of entropy.

Middle managers especially know what it is like to go through the motions, having to deal with the entropy exposed within their organizations by the recession. A recent study by McKinsey & Company, entitled *Leaders in the Crisis*,⁵ shows how hard the recession has been on middle managers who are feeling left out of whatever missions their companies have yet to share with them...



“27 percent of middle managers (compared with 18 percent of all executives) say they find their current roles less meaningful and exciting than their roles before the crisis. And just 36 percent of middle managers (compared with 52 percent of all executives) report that they are very or extremely likely to choose to be with their current employers two years from now, given their current excitement about their roles and their companies...”⁶

In companies where entropy reigns and where performance is left to individual beliefs and behaviors, there can be no anchoring in the culture of vision, mission and the promise of unique value. How can middle management deliver on such a promise, when the unique value of the organization has yet to be internalized to an actionable personal level, let alone practiced in the marketplace?

Progressive brand marketing

This brings us to the interrelated disciplines of marketing and branding, no longer serving as operational functions, but as business drivers, actively providing the company’s process for internal alignment and the achievement of external business potential.

Upon reading this assertion, many CEOs will justifiably cringe. For years, CEOs, along with their middle managers, have suffered the uncertainty of marketing. Perennially, they have authorized expenditures for marketing and branding that have underachieved or failed altogether.

A new appreciation for the value of marketing and branding will come about when these interdependent disciplines own up to their roles in overcoming organizational entropy

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and in bringing about necessary alignment on value, mission and message. This new appreciation will occur as more B2B marketing titles understand that the responsibility of marketing is to create customers, and that the responsibility of branding is to create a company identity that both the organization and the customer segment believes in.

This is not just a call for “fresh new ideas” and better storytelling in marketing communication. These come later. Rather, it is first a call for insight – insight into the potential value of a company and insight into the customer segments that care about this greater value.

In the practical world of B2B marketing and branding, there can no longer be a place for creativity that is unguided by deep insights into company and customer. Throughout this era of post-recession recovery and renewal, there remains no value in creativity that can improvise ten ideas by next Tuesday, but fail to address the deeply significant communication problems and opportunities your company must face in order to move forward.

This is a call for progressive branding and marketing – progressive because these interdependent disciplines are designed to help a CEO bring about the alignment the organization needs, change that is based on a deeper understanding of the organization’s core capabilities and the related needs of key customer segments.

Progressive brand marketing makes clear the two reference points by which a CEO can lead this change: On the one hand, the organization’s business potential, and on the other hand, the customer segment’s business potential.

Reference points for organizational alignment

Your Organization’s Potential

Your organization’s understanding of its competitive advantage and its capacity to cultivate distinct sources of value.

Your Customer’s Potential

Your organization’s pursuit of customer problems beyond the immediate application to issues of process and performance.



Progressive brand marketing defines and connects the two reference points by which a CEO can lead organizational change. Such clarity of vision is prerequisite to overcoming the entropy that is preventing the company from achieving its full growth potential.

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Seeking problems as opportunities

The CEO who recognizes that organizational entropy is a serious problem will likely also recognize that the ultimate solution to the problem is to align the organization's business potential with the business potential of like-minded customer segments.

One way we assess the health of this relationship is to observe how a company approaches a customer's undefined set of problems – problems the company could solve and profit by, if only it were aligned as to its sources of value, its mission and its message.

After a decade of “solution selling,” it is puzzling how few companies walk this walk, as they continue to push products as solutions, failing to seek out a customer's deeper problems. These deeper problems require more than the capacity to meet application specs. They require the collaborative application of the company's core sources of value to discover and solve problems that the customer may not yet even know they have – problems still to be defined as to operational costs and more, problems that are embedded in a customer's processes, R&D and marketing roadmaps; problems that are really opportunities for increased performance and business advantage; problems that are opportunities for relationship development, revenue growth and greater profitability for both sides.

A study entitled Routes to Revenue⁷ released a year ago by the CMO Council found that 76% of senior marketers said they were not realizing the full revenue potential of their existing customers, and less than half said they had good insights into retention rates, customer profitability and lifetime value.

A more recent CMO Council study entitled Giving Customer Voice More Volume,⁸ found that only 32% of respondents said their firms looked for ways to turn customer problems into new sales opportunities. Nevertheless, these markers agreed on the importance of being “customer-centric,” as 83% said this was either essential (54%) or increasingly important (29%) in determining brand advocacy and business performance. In so saying, they pointed to many strategic advantages in being aligned with customer needs, among the most important being:

- Improved customer experience and brand affinity
- More relevant and successful products
- Deeper, more valued and lasting relationships

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Understanding the WHY factor

When a company fails to seek out deeper customer problems, it fails to seek out new opportunities for growing customer relationships.

This dynamic may seem perfectly logical to business leaders who understand that business growth does not depend on the sale of today's new product or service, but on the long-term relationship potential the new product represents.

However, as neuroscience now corroborates, human behavior, and so organizational behavior, is not governed by perfect logic. It is governed by individual inferences and beliefs that are either changed by current factual insights into company and customer realities – or not.

Recall that the reason scientists persist in making breakthrough discoveries is because they resist near-sighted thinking. They overcome entropy by turning to others to achieve an outside-in level of objectivity, and they keep asking the question: Why?

In our experience, finding out “why” requires a straightforward discovery process that leads to a bedrock understanding of both sides of the entropy equation:

1) Your company's core value potential and 2) your customer segment's related problem/opportunity potential.

Using in-depth interview techniques evolved from traditional qualitative research, the discovery process can fairly quickly establish these company/customer reference points and provide the communication strategy for initiating this alignment. By clearly articulating value, vision, mission and message, a CEO then has the reference points moving forward, to align the organization's internal beliefs and behaviors, to strengthen the core coalition and to bring alignment across the organization.

This articulation of value and mission is initially accomplished through internally unifying brand identity communications. As the internal alignment program gains traction, a related marketing communication program can be developed based on the insights acquired from the customer segments. Such a program may be developed to support a range of marketing goals and endeavors, including mergers and acquisitions, regional strategies to take market share, channel expansion or strengthening, and the launch of a new product or service.

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The power of progressive brand marketing



Vision and mission: B2B companies empowered by progressive brand marketing can maintain a focus on achieving the long-term value delivery potential of the company.

Align for growth

“What business are you in?” is one of those questions we have all used around the B2B networking table, but nowadays it has been given a more provocative meaning. It is akin to asking, “What’s your passion?” when in today’s economic climate, such questions can make one uncomfortable.

At the heart of such questions is the implication that we are not living out our personal aspirations, that we are underachieving and that the jobs we have now are holding us back from greater significance. Even as thousands of people remain unemployed, including friends and family members, such an ungrateful question seems out of place. The overriding sentiment is that now is the time to be thankful and to accept what we have.

And therein lies a danger all B2B leaders now face.

It is one thing to be grateful for a job, but it is counterproductive for a company’s workforce to accept status quo. For CEO’s and other business leaders, now is the time to lead; and if you agree that establishing a sense of urgency is the first step to leading organizational change,⁹ then you will also agree that now is the time for your marketing and branding disciplines to communicate the change vision¹⁰ for your company.

From the perspective of business leadership, these earlier questions go to the heart of the matter: What business are you in? What is your company’s passion? Is it the purpose of your company to more efficiently sell products, or to create customer relationships that bring greater profitability?

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Of course, your vision and mission will be articulated uniquely. The point being, clarity and consensus is essential to overcoming the entropy that will otherwise hold your company back. As to the need for establishing this clarity and consensus within your company, it depends on your answer to yet another question:

What is your company's greater business potential?

About Centrifuge Brand Marketing

If you are a B2B business leader at a “challenger brand” company, then you may have recognized the serious limitations of conventional B2B marketing and branding. So did we, when we forged Centrifuge in 2009.

The need is for what we call “progressive brand marketing”, and this has become our vision and mission: Having combined our experiences in B2B research, strategic problem solving and insight-inspired creative communications, we offer business leaders a highly collaborative approach that is focused on helping a company achieve its greater business potential.

To discuss your circumstances, and how our approach can help your company grow, please contact us directly: 630-317-7759

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