



Q&A: Increase Confidence and Build Value

By Norm Smallwood

Q: With today's uncertain economy, how do companies create the conditions where there is confidence in their future with employees, customers, and investors?

Norm Smallwood: Customers choose a company because the company consistently delivers the distinctive service, or product, they value. They have built a brand and that brand makes promises that are valuable to customers and gives them the confidence that what they buy will serve their needs.

Companies create the conditions for confidence by building technical and

cultural capabilities that enable promises made through advertising and firm brand a reality. Distinctive capabilities last across disruptions in the market because you're clear about what it is that you can do better than any other company for your customers.

The existing, volatile business climate is an important time to assess from a customer and investor perspective if your capabilities need to change because the answer determines your future success. However, unless your customers or their basic needs have actually changed during COVID-19, then you need to stay the course and double-down on all four elements of the Architecture for Intangibles (see [Figure 1](#)).

Q: Don't companies know what customers and investors want and do it already?

Norm Smallwood: Surprisingly, that is not what we typically find. Senior leaders can have blind spots about their customers and market disruptions. I am balding a bit on the back of my head. I sometimes hope that if I grow my hair out, or if I color it, people won't notice. But even if I did, I'm not really hiding that from anybody. It's the same way with most of our clients. Often, people take the path of least resistance and assume that everyone in the organization is aligned to the strategy, investors believe what they're being told about the strategy and

execution, and customers are experiencing the ideal. Subconsciously, they don't want to risk asking investors or customers for feedback; just like I don't want to really know that my comb over is failing me.

When we work with clients, we almost always find there are key elements of the Architecture for Intangibles that are unclear in the organization, even to the executive team. Identifying these differences is important because it is the starting place for creating value. Earnings are generally clear; an organization either met their earnings or they didn't. However, some companies are constantly trying to deliver (or even over deliver) on earnings and then wonder why stock price does not go up. High market value companies move all the way up the Architecture for Intangibles blueprint. When talking about strategy, technical, and cultural capabilities, only distinctive businesses have the level of clarity and alignment that inspires confidence. Meanwhile, businesses that lack clarity or alignment about strategy, technical, and cultural capabilities spend their time focused on operating margins, which is important table stakes but not enough to build sustainable confidence.

In our experience, diagnostics reveal harsh truths that leadership either didn't want to believe or everyone was afraid to tell them, or both. One CEO we worked with was incensed when we presented the results. He said, "I told everybody my strategy a thousand times last year. There's no way." But the data from the diagnostic was very clear: customers and investors didn't understand his strategy.

Q: How does a diagnostic help clients build confidence?

Norm Smallwood: Let me continue with the previous example as an illustration. The CEO that couldn't believe that customers and investors were not clear about his strategy led a company where we had collected data from customers and investors. That data shifted the conversation from what the CEO believed he had done to the data from customers and investors about their perceptions of what he had done. Investors wanted the company to push harder on cost

Figure 1: Architecture for Intangibles



reductions and customers wanted the company to focus on customer service. As the CEO led focus groups with each group of stakeholders, he explained the data and the different perspectives and stated the company's intention to move forward on building deeper customer service/ connectivity rather than work on even greater cost efficiencies. The investors were swayed by the logic and supported the direction with strong buy signals.

Once you take the initial risk and understand what customers, investors, and clients really think, it becomes clear what to do next to build confidence. The gaps are clearly identified and it is easier to align executives and the organization around the need to close those gaps and the most effective course of action.

Q: How is this kind of assessment different from benchmarks?

Norm Smallwood: Benchmark data does not apply to technical and cultural capabilities because nobody's trying to build capabilities for your customers the way you are. The goal with capabilities is distinctiveness--detailed understanding of what others are doing doesn't matter.

Benchmark data can be helpful for transaction support work, but when it is used for where you are striving for excellence it is misapplied.

Q: What else is important to consider?

Norm Smallwood: Some leaders see the gaps and begin immediately acting to close the gaps without a perspective on how to build the overall capability. Leaders who hold themselves accountable for measurable progress towards closing the gap in a systemic way, generate more confidence.

This is a value creation process, so we need ongoing measures of how we're doing around the core technical and cultural capabilities. Executives expect answers to questions like: Are we investing to build our technical capabilities? Are we too broad or too narrow in our applications? Are we investing enough of people's time, energy, and money to build them? How do we see ourselves inside? How are we perceived on the outside? If we're saying that we're the most innovative or highest quality or most innovative, is that what our customers are experiencing or is that rhetoric?

Technology enabling the measures of progress and building a guidance system is where this is going now. We've been working on a platform to do this is us at RBL in partnership with CorpU.

Q: What are the most important elements of how you diagnose confidence in the future?

Norm Smallwood: Norm Smallwood: In order to understand the business and where it wants to be distinctive, we interview investors, customers, senior executives. We ask them how they've been doing on earnings. Then we ask about their corporate portfolio and business strategy. Surprisingly, most executive teams don't answer these questions consistently. Our goal is to get perception right about business model and strategy among the executives and so that we understand the

organization's aspirations.

When we get to the technical capabilities, the questions are more around what is going to help you win? What will help you grow? What do you see as some of the key technical areas that you need to be great at to deliver what you're promising? What cultural capabilities do you need? Are there areas where you are below industry parity? In my experience members of the executive team often have very different answers to these questions. Learning these gaps is an important part of the process as it allows us to clarify and align around the strategy in order to build confidence in the future through the Architecture for Intangibles.

Once the results of the diagnostic have been discussed, executives are much more aligned around direction and priorities and the process to resource and deliver on it is clear. The conversation shifts from what we want to be, to how do we want to build it. Investors are willing to invest their money because they believe they'll get a good return. Employees want to work with you because they want to be part of the vision. Customers believe that you have a reputation for delivering what they want.

To learn more about the architecture for intangibles or to do your own diagnostic, [contact us](#).

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