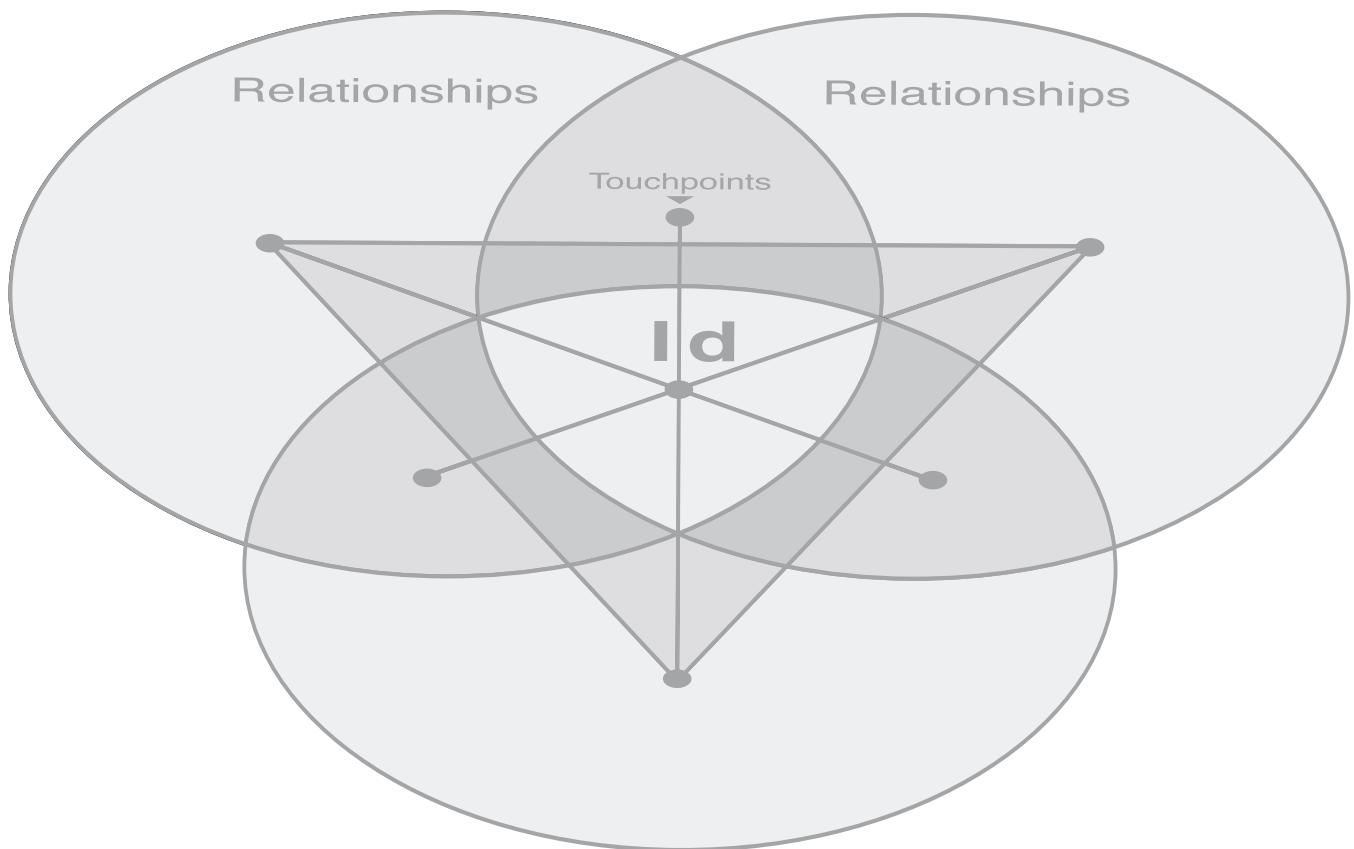


# Betty

Version 1.0



By the members of



Consortium for  
Service Innovation

*"Building Social Capital –*

*A Revolution in*

*Relationship Models"*

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# About the Consortium and the Betty Team

The Consortium for Service Innovation is a non-profit alliance of customer service organizations that are working together to solve industry-wide challenges. The Consortium is dedicated to improving the whole experience of customers, employees and partners through the development of innovative strategies and business models.

Through a process of collective thinking and collective experience, the Consortium members have developed principles and practices for Knowledge-Centered Support, Virtual Support Communities, incident and solution exchange standards and a scenario-based framework for thinking about the future.

*“Through the work the Consortium has done on knowledge management practices and virtual support communities we have come to recognize that things get done as a result of relationships,” observes Mike Mayfield, US Premium Support GVP, Oracle Support Services and President of the Consortium Board of Directors. “The strength and value of the relationships we have both as individuals and as organizations is what builds loyalty, and that is the currency of social capital.”*

The Betty team is developing a vision and a framework for creating and sustaining high value relationships. Betty is about:

- ▲ Understanding the “whole experience”,
- ▲ Employees, partners and customers,
- ▲ Collaboration to drive increasing value,
- ▲ Engaging context to expand the meaningfulness of content and it’s critical role in relationships,
- ▲ Improving the understanding of relationships between people and between people and knowledge in this pervasively connected, dynamic world.

Betty represents the convergence of the KCS and VSC strategic level work, we call this mysterious, insightful, and compelling vision — Betty (surprisingly, it is not an acronym). The Betty work has only just begun and this paper represents the team’s initial thoughts. If you find this work interesting please join us in the process of further discovery!

The companies who sponsored and launched Betty are:

Attachmate  
BancTec  
Compaq  
Ericsson  
eTranslate

Hewlett-Packard  
Kanisa  
Microsoft  
Novell

Oracle  
OutSights  
QUIQ  
Teradyne

The continued sponsorship of these companies provides the resources necessary to discover, explore and develop these concepts.

Specific acknowledge to those individuals who gave of their precious time and energy, juggled their demanding schedules, and came together repeatedly to develop insights and learning. The Betty Team is made up of individuals who have insights and experiences that can bridge ambiguity to take reality to a new level. It isn't a forum for everyone.

These very special people are:

**Peter Beatley**, BancTec  
**Greg Liverman**, Compaq  
**Sarah Nunke**, e-People  
**Elizabeth Goumas**, eTranslate  
**John Chmaj**, Kanisa  
**Russ Resslerhuber**, Kanisa  
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**Gig Griffith**, Novell  
**Shelley Benton**, Primus  
**Bob Debold**, Primus  
**Kartik Ramakrishnan**, QUIQ

The Betty Team is lead by Livia Wilson, Director of programs for the Consortium and co-founder of OutSights, Inc., who provides inspiration, insight and guidance to this effort.

For more information about the Consortium, please visit the web site at **[www.serviceinnovation.org](http://www.serviceinnovation.org)**

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## Foreword

We, the members of the Consortium for Service Innovation, in order to form a more perfect union with our customers and the businesses with whom we work, have begun to explore the dynamics and ramifications of orienting business towards relationship-centered practices. We call our initial work “Betty,” for now, because we want it to be self-defining. The concepts explored in this document integrate related ideas that are described in numerous books and articles. References to these are listed in the Appendix. Also, parallel work is being done within our member companies. And, while there are many parallels elsewhere, what we have described here grew from the blending of own experiences and perspectives as they relate to the challenges in our industry and in our lives. Most of us have lived in the services industry for decades — it was time for us to define Betty. Betty consists of exploration in the following areas:

First — the need for individuals and the organization to understand their essential purpose. To gain consistent alignment, one must see a connection to a larger purpose and then build a system of interactions that will inform and renew that purpose toward a changing environment. The **Corporate Id section** discusses how this type of alignment creates a new level of presence.

Second — a focus on the nature and significance of relationships. The greatest learning and influence in our environment comes from understanding the space between things. The **Relationship section** reflects on the role of evolving context in developing relationships that deliver value over time.

Third — A community structure that enables the appropriate touchpoints and forms of interactions to provide valuable experiences and engagement strategies. The **Community section** takes a more practical view of how the concepts explore in the first two areas can be manifested in a digital environment.

Finally, in the **Epilogue section**, we discuss the valuation of such a model in terms of benefits to the business. We recognize that while these ideas may have merit and profound implications, the bottom line is still the impact to the bottom line. Included in this section is a summary of the suggested course of action to pursue the concepts that are a part of this model.

This team has not explored all the details and implications of this model. We realize that, like the Knowledge-Centered Support model (which was also conceived in this team environment), Betty will not be fully realized in any single organization. And, many of the values and principles of the Betty model will represent a far reach for most established organizations. Yet, we know our thinking is right. And, it is the right things that we must reach for.

The Team will continue to build a collection of operational frameworks and practices that leading organizations may employ as they transition to a Betty model so that examples can be used as guides. Also, we invite you to share your perspectives about Betty on our online forum <http://www.outsights.com/ubb/> **Ultimate.cgi - understanding Betty.**



# Executive Summary

Over the past decade, we sought operational efficiencies in the services industry. We needed to extend resources and manage distributed and interoperable technologies. We created knowledge management systems to deal with the growing cost and complexity of solving technical problems; we knew we had to capture the context of those problems and connect people together to share their knowledge. We have realized that the foundation upon which we built these systems is inherently inadequate to enable these systems — and in fact, to support our future success as businesses and as individuals. Because the business itself is distributed across cultures and geographies, is interdependent with the people it engages, and because we must deal with an increasing level of complexity, connectedness, and change, our organizational structures have become obsolete.

Employees are dissatisfied with their work direction. Companies are spending as much as 30% of their budgets on employment issues. Businesses who traditionally have considered themselves successful, are struggling to maintain value in their markets. Companies who have deep and active relationships with their customers are being valued, in the stock market, twice as highly as those with shallow, passive relationships. Our corporations are investing millions of dollars on new and improved Customer Relationship Management — while we have not realized the ROI on our past CRM systems investment.

We are pursuing the right solution — relationships, but we are not focusing on it in the right way:

- ▲ Who our customers might be, first depends on our ability to understand and integrate our essential value with theirs.
- ▲ Relationships are not born with the customer; they are conceived inside our own organizational structures.
- ▲ The unit of measure for relationships is not the transaction that can be quantified and tracked, but the context that connects it to an evolving experience. Developing and aligning context is the key.
- ▲ The exchange of context such that it builds a positive “whole experience” requires a community structure that allows various touchpoints to form an efficient network with a collective memory.

We have already seen public and private market places emerge that drive supply chain costs to a fraction of traditional models — primarily in the food industries. These are new forms of demand networks. These demand networks engage partners and competitors in optimized exchanges. By coupling this digital framework with new relationship models, we create a business structure that addresses the challenges of our new economic environment.

Betty is a vision that integrates individual values and capabilities with organizational values and capabilities through relationship and network structures, such that we can improve the organizational capacity to perform, successfully.



# Why Betty

## The Origin

### It's the question that is important

At last year's CSI conference, our organization was asked some tough questions. Questions like:

*"Why are organizations everywhere — whether political, commercial or social — increasingly unable to manage their affairs?"*

and,

*"Why are people everywhere increasingly in conflict with and alienated from the organizations of which they are a part?"*

We pondered these questions together, thoughtfully — partly, because the man asking us was Dee Hock, founder of VISA International and author of *Birth of The Chaordic Age*, and partly because we knew that he was helping us to face our own dysfunctions so that we could create something new.

### Our front end is out of alignment

We believe our organizations are increasingly unable to manage their affairs because we have become fragmented from the top down. We are driven by market trends without understanding the market we are in — user groups do not have a voice in the boardroom. Between the organization and its stakeholders, there are not enough shared values : an overriding interest in increased revenues and share price is not enough to create alignment of purpose. Alignment of purpose is essential — money is an outcome, not a direction.

| *Over time, without a clear, essential purpose, the organization fails to evolve cohesively and faces extinction.*

Organizations change to keep up with the market without guiding principles — going through cycles of ups and downs — repeating marketing jargon, creating almost continuous disruption. How many organizations hire, then downsize in the same year, go through the same budget constraints every year like clockwork — reorganizing, re-engineering and regretting many of the large programs it undertakes? We focus on targeting new customers when we have trouble taking care of the current ones. With everyone trying to send a good message up our supply chain — how can strategic actions be based on real understanding?

## Relationships don't relate

*There are disconnects in our strategies* — Among employees there are a growing number of free agents — people who would rather work for themselves, because they realize no added security and no added relationship in being a part of an organization. Managers cannot lead. They are asked to handle programs worth millions of dollars, yet they have to get executive approval for trivial expenses. Are expenses of greater impact to the business than strategies? Or is it just that we think we can control one and not the other? It sounds a little like the story of the man searching for his keys under the streetlight. When asked if he lost them around there, he said “no, I lost them on the other side of the street but the light is better over here”.

*There are gaps in purpose of action* — Employees inherently distrust an organization's track record of repeated fragmentation: hire and lay off, reorganize, spend then freeze, and so on. Still, employee frustration is not rooted in these symptomatic inconsistencies, but in the conflicting rationale that underlie them. Relationships within the organization become increasingly alienated because people are too removed from the real purpose of the organization. There is no system for knowing to what degree an individual's actions are furthering or detracting from the achievements of the organization — which leads to a fundamental lack of meaningfulness. The individual is trapped in a system that he believes is not effective at making the best use of his skills.

*We must understand the effects of our interactions* — We can count and analyze all the interactions that happen with our business, but do we understand the implications of those exchanges? In the support organization, we have created mountains of statistics about call lengths, abandon rates, solution creation, but we haven't generated much data about customers' experience — from their point of view. Customer service should be measured by the degree to which it enables customers to do more business with their customers. Efficiency throughout the rest of the organization needs to support this activity. What does it take to create meaningfulness and alignment of purpose between customers and corporations? Can our interactions, alignment of purpose, and the network in which we operate, create a better “whole experience?”

## Even on our toes, we cannot reach

*Customer service is hard to deliver in a mass economy.* There is too much complexity, too much breadth, too much diversity in cultures and perspectives to respond to all possible combinations of users and products in the marketplace. The customer expects service to be simple and straightforward, but the technologies and products they purchase are getting more complex. It takes a minimum of 240 hours to learn to support a technology that a customer can obtain and install in 15 minutes.

*We can count and analyze all the interactions that happen with our business, but do we understand the implications of those exchanges?*

*Businesses cannot support their customers in point-to-point interactions.* We cannot extend our points of interaction far enough to reach from one end of our supply chain to the other. Even with common global systems, there are too many boundaries within our organizations, and too much self-interest across organizations. Expertise and knowledge reside in many places, but we can't grab it when we need it — often as it resides within our customers. In fact, customers are more influenced by other customers than they are by their suppliers. The customer has become the

integrator of our technologies and, in most cases, our best resource for knowledge about how our products actually work and interact together in the field.

How do we engage our customers to make their capacity a part of our business? The customer population has expertise, experience and perspective that can help our business. The business must provide the environment in which this community can enable itself. Perhaps through the collaborative models we have begun within our support organizations, we can build networks that transform our reach from “one-to-many” to “many-to-many”.

## Looking Out Into Our Marketplaces

The community environment creates the reach and proximity that extend our capacity across groups, products and markets. Exchange formats can be private or public. New forms of exchanges are being applied to many B2B environments — producing multi-vendor environments that can operate at a fraction of the traditional costs.

According to Jupiter Research, “spending in the B2B marketplace infrastructure will increase to \$80.9 billion in 2005, much of that driven by companies paying for technology and services to build private hubs that tie together their suppliers and business partners. There are, in theory, “consortium-run” marketplaces that could cut through red tape and make the entire supply chain much more efficient industry-wide. They would run auctions, set up catalog-style purchasing and evolve into forums for manufacturers and suppliers to do collaborative planning, forecasting and replenishment.” Most of these started out as private marketplaces by suppliers outside of our industry. Many, for example, are in the food industry, like Coca-Cola, Nabisco, Hershey and Proctor and Gamble. Companies are finding that private marketplaces are expensive — each one costing from \$1 million to \$50 million to launch.

*The issue is still how to draw new lines of engagement and change the rules by which we relate in our markets.*

Public marketplaces provide 100 percent of the benefits with only a small fraction of the costs. If we are to take advantage of these marketplaces, we have to learn to work with our competitors. Businesses who are constrained by their old-style management and operational structures are restrained — many are spinning off small companies to

play for them. Private or public, spin-off or not, the issue is still how to draw new lines of engagement and change the rules by which we relate in our markets.

## Market Demands

Fundamental change is driven by customer change. Emerging customer expectations have been listed in *The Customer Revolution* by Patricia Seybold:

*Today's customers demand:*

1. *Open, Equal Access*
2. *Real-Time Information*
3. *Specialist Information*
4. *Convenient Access*
5. *Information Portability*
6. *Process Transparency*
7. *Logistics Transparency*
8. *Pricing Transparency*
9. *Fair, Global Pricing*
10. *The Ability to Set Prices*
11. *Choice of Distribution Channels*
12. *Control Over Their Information*

*As you think about each of these, try them on for size. How will each play out in your industry?*

Most of these concern access, interaction, and influence. These are attributes of the experience of our new model. In the service economy, the core business is servicing the customer. Let's examine what progress we've made in service in the Internet Age.

## Knowledge-Centered Strategies — What's the latest model?

*More, faster, cheaper* In the support organization, our mantra is "efficiency." It may be the only place where human interaction is measured with that aim. We have invested in technologies, buildings and resource models to promote these efficiencies — though, not blindly, of course. We still care about quality. People in support organizations care personally about service — it's their product, after all. We have adopted the strategies of Knowledge-Centered Support and the Virtual Support Communities to produce efficiencies.

*Ironically, for knowledge management strategies to sustain improvements in efficiency, they require an investment in relationships. Knowledge is transactional, not static, and can only be imparted and absorbed within a mutually understood context.*

What have adopters of these strategies learned? In summary, we have learned that all the measures and emphasized targets of the organization (supported or otherwise), have to be engaged almost backwards, when shifting to a knowledge-sharing, or interaction-based, environment. Those who have hung unto their core structures — like activity-based measurement systems and goals, hierarchical resourcing models, top-down goal setting, and roll-out-and-get-all-the-training-done-by-my-deadline implementation plans — have found it to be an uphill struggle at best, and more often, a career-limiting disappointment.

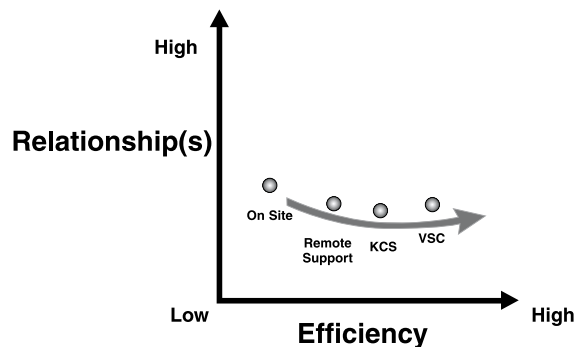
*Those who have hung unto their core structures have found it to be an uphill struggle at best, and more often, a career-limiting disappointment.*

## Knowledge-Centered Strategies — Evolution in focus

Knowledge-Centered Strategies are designed to decrease the cost structure while increasing the service value of those interactions. Through knowledge management, collections of people can access the knowledge of individuals. What was once expertise can become “common knowledge,” because it is now explicit and accessible.

The focus of organizations that are adopting Knowledge Centered Strategies is to create structures for the business to realize new types of value, not just to make the transactions more efficient. New value includes market valuation and positioning. With this approach, the business benefits the top line — revenue and relationship value — as well as the bottom line — cost and efficiency. The two dimensions of relationship and efficiency, when charted together, reflect the progressive shift of the support industry as a whole, from on-site models through remote support through Solution-Centered Support and Virtual Support Communities. Each model moves more toward efficiency and away from personalized, relationship-centered services.

## Efficiency Vs Relationship

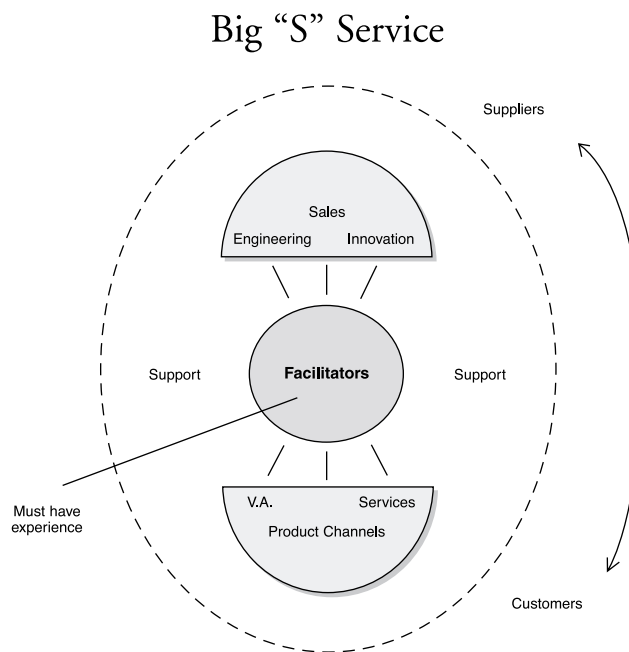


As each business adopts its own environment, it designs strategies to create value for its market. We are now enabling knowledge across organizational boundaries. For example, one model of a Knowledge Centered Strategy (KCS) aims to:

- ▲ Eliminate support as an organization and instead define it as a process — support is an inherent responsibility of the whole organization.
- ▲ Measure the use of knowledge and move toward minimized reuse and a stretch goal — solving the same problem again should be minimized whether it is automated or not. And, our goal to eliminate the cause of problems should be set at a challenging but attainable level.
- ▲ Line up the “whole business” across organizational boundaries to maximize the value of each “whole customer experience” — using customer scenarios, we can optimize processes which include players from all parts of our business as a team.

- ▲ Measure resource contribution by trends in knowledge maturity. The goals of “knowledge workers” should be to make their expertise systemic. Part of their performance goal is to measurably contribute to the maturing of the collective knowledge of the organization — not just through quantity of content created but by the demand for and impact of the knowledge contributed.
- ▲ Eliminate escalations, bottlenecks and call queue backlogs by creating open forums (group problem solving and collaboration forums help prevent escalations) and increasing exposure. These forums should be an integral part of the environment.
- ▲ Facilitate interactions between resources and tighten links between points of interaction rather than focusing on the resources themselves. By moving support resources into facilitation roles, they can transition from being repositories of knowledge to being conduits of interactions. They monitor the whole process to optimize connections between people and content.

This is the optimal performance model for a typical support organization. It can be depicted as the following:



The support focus is expanded to the Big “S” — all the things that the “customer” needs from the business — which we therefore consider service. This includes help from sales in making a purchase, help from HR in getting a job, help from shipping in tracking an order, help from a supplier on whose product the business’ offering is dependent...all the things that establish the relationship of the business with its environment.

In order to achieve this degree of leverage, KCS identifies some key processes and practices that help to support the transition to a more comprehensive, coordinating function:

*Profile each resource in the business environment.* The operational context of each “player,” not just the category of their skills, is part of the knowledge the organization processes. This way, customer/player needs can be associated with a resource that align to those needs. Every point of interaction becomes a player within the system. Make these profiles “searchable.”

*Process all needs (for knowledge) through the knowledge management system.* Context can be captured to mature the points of interaction and assess the relevance of each resource within the system. Learning is perpetuated across organizational boundaries to help people monitor how their area of expertise is being applied. The consistent use of knowledge within the system alleviates “urgent” demands on people, allowing them to focus on more “important” concerns of the business (i.e., performing tasks that deliver the most value).

*The consistent use of knowledge within the system alleviates “urgent” demands on people, allowing them to focus on more “important” concerns of the business.*

*Transition members of the “support organization” to become “facilitators.”* The support organization (as we know it) goes away, except for those needed to intercept, associate and improve the processing of new service needs. By new service needs, we don’t mean new occurrences, but new needs that have not been clearly aligned to a specific resource profile. The cost of support resources to directly satisfy customer requests drives to zero as the organization is structured to externalize information to its environment and eliminate problems from its offering. “Support resources” become focused on those who manage the associations and improve the system by which the organization can clearly examine its own performance trends and causes.

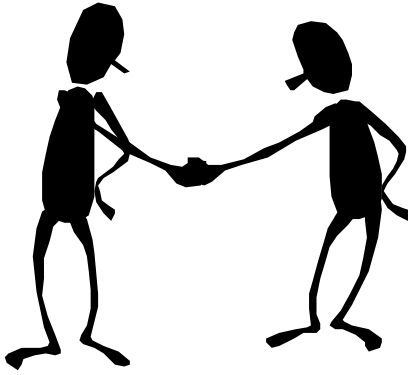
The bottom line is:

- ▲ Everybody who is a knowledge worker (i.e., people who don’t make things but who are involved in understanding things) is part of the service
- ▲ The customer is anyone who has a need of the business
- ▲ Core resources can come from anywhere
- ▲ Traditional service organizations are always in a losing game because they are always behind the learning curve; they buffer the generators of things from the users of those things — and they need to become conduits.

Companies that have initiated this model are finding recognizable value. Success has been greatest with smaller companies lacking rigid corporate structures and enormous interdependencies between their offering and pressures to show profitability.

However, for this or any other KCS to work, and in order for us to address the issues of today's organizations, we have to address the whole business environment. Support can only facilitate and integrate customers and the business in an environment where interactions are open across touchpoints, and where activities cluster around gathering the context necessary to stimulate and strengthen relationships.

Betty is a vision of how to achieve such an open and integrated business environment. It extends KCS principles and practices towards a whole new view of how organizations and individuals can achieve new levels of interaction, productivity and meaning with each other.



# Introducing Betty

## Not Just Another Face-lift — but a New Presence

Our businesses are focusing on building loyalty with customers and improving our supply chains. But marketplaces are emerging, both private and public, where competitors and other vendors' customers will be a part of our supply chain. In fact, it is expected that over the next three years, 30- 50 percent of the total e-commerce transaction volume (or about \$2 trillion) will take place in these open forums.

*We cannot separate our relationships with our customers,  
within our organization, and with each other across the industry.*

The customer relationship focus is gaining popularity across the industry. We have relationships with the customers, they have relationships with each other, and, more and more, it's the interactions we don't record that represent the "whole experience" and have the greatest influence.

The whole experience is part tacit and part explicit, driven by individual excellence and normalized through collectively trends, simultaneously feminine and masculine, self-directed and in need of strong leadership it is difficult to maintain alignment in something so complex. The nature of business, to orchestrate the many complex and fluid relationship of its makeup can no longer be rooted primarily in structural capital — it is largely dependent on social capital. We started with a couple of interesting questions. And as a society, we expect answers. Reading this, you are probably trying to get to the answer as quickly as possible. But there is no answer, there is no fix, and there is no work-around. There is only an environment that is based on integration of all the things with which we must content so that the business and the individuals related to it can achieve sustained value. The structures of this environment are described here.

### **The "whole business"**

How do we achieve a holistic organizational and interpersonal environment? We can take some clues from our current efforts to create knowledge sharing communities. The pieces and players of the business environment are in place — we have supply chains, customer contracts, product platforms, and business partnerships. These elements of business form the base ingredients that drive interactions across various "touchpoints" (where specific practices and exchanges take place). The challenge is to forge a new "recipe" from these ingredients: How can we strengthen our capacity for relationships and for learning. How can we stimulate a wider range of high-value interactions — and propagate the value from all these capabilities across our entire business environment?

The answer lies in an examination of the fundamental areas where we interact, to determine how and when value, knowledge and trust is built. As the CSI team studied our business environment, we began to realize that the motivations and interactions that create value for us as individuals in

relationships were no different from those which drive value and meaning within, between and in relation to organizations. Thus our personal and organizational challenge is the same: we must learn how to achieve connectedness with the things and people that matter to us. To achieve a new level of connectedness, it is necessary to identify the cycles and activities through which we interact, and learn how to leverage these in new ways to achieve personal and professional alignment.

*The degree to which both businesses and individuals can evolve and sustain truly meaningful connections with each other determines how complete and valuable their relationship becomes.*

We have identified four core dimensions of the business environment. Each of these dimensions informs and impacts the other; together they comprise the elements of the business environment that can drive shared value. These four dimensions are:

- ▲ **Id** — the core purpose and identity of the business that provides a resilient pathway for change and a persistent connection between individual and collective meaningfulness
- ▲ **Relationships Cycles** that evolve exchanges into valuable interactions between players to form relationships from which we can take mutually appropriate actions
- ▲ **A Touchpoint Framework** that engages all the players inside and around our business as they are relevant
- ▲ **A Community** where roles and modes of interaction are facilitated according to people's motivation and need

## **The answers lie within**

To understand how we might re-order our organizational structures and processes to stimulate deeper inter-personal interactions, leverage knowledge across touchpoints and build more meaningful relationships, we must start with an honest self-assessment. We must identify the premises and paradigms under which we currently operate, and contrast them to the future state we wish to invoke. We must examine the things that we presume generate business and personal value, and consider whether a re-ordering of these premises is in order. Once we have some sense of the new focus and paradigms we are striving for, we can consider how strategies for open interaction and relationship development support these new directions.

Our quest for identity and value at personal and organizational levels is an integrated one. If we can discover our identity and learn how and where we can generate value within the activities and perspectives we care about most, our motion in the world can become purposeful, empowering and connected — both to others and ourselves. We must start this quest by examining our current sense of self-identity: our Id.

## **Relationships — How we reflect on each other**

We must examine how relationships evolve, identify the core components of exchange and interaction that drive them, and consider how they support shared value for the people in them. Much has been made of Customer Relationship Management, but do we really have a relationship we can manage? What or who is it we actually want to manage? Is it possible that the goal is a bit more

flexible and fundamental than that, such as “relationship stimulation and evolution?” Beyond the superficial advantages of a relationship, such as perceived loyalty and access, are there more powerful resources available, resources that could potentially transform our capacity, understanding, and perhaps even our ongoing direction together? If we are going to truly enter into a deeper relationship with our customers, employees and partner organizations, we must let them all in on the discussion.

*If we are going to truly enter into a deeper relationship with our customers, employees and partner organizations, we must let them all in on the discussion.*

## **Touchpoints and interactions**

There are a host of places and ways in which we interact: across our supply chains, our support structures, our business partnerships, our employee organizations, etc. These touchpoints are where we transact business, and where we actually engage each other. If we are to envision our capacity for interaction, for relationship building, we must consider how we currently enable and inform our touchpoints. How do our touchpoints work together across specific business dimensions to deliver value? How might we reorder or combine touchpoints, given that we can harvest a deeper degree of insight and interaction through them?

While we have heard about mass production and mass customization for decades — now our challenge is mass collaboration. Through the support web, knowledge is shared, ideas are generated, and relationships are built. For these webs of interaction to work, the parameters and processes enabled through specific touchpoints must be well understood and supported.

## **Community structures**

How can we manage the “n” dimensions of our business in the world where time and space are traversed instantly and cultures and roles are intermingled indeterminably? Well, we have been doing this on a smaller scale for centuries — in villages — or in communities.

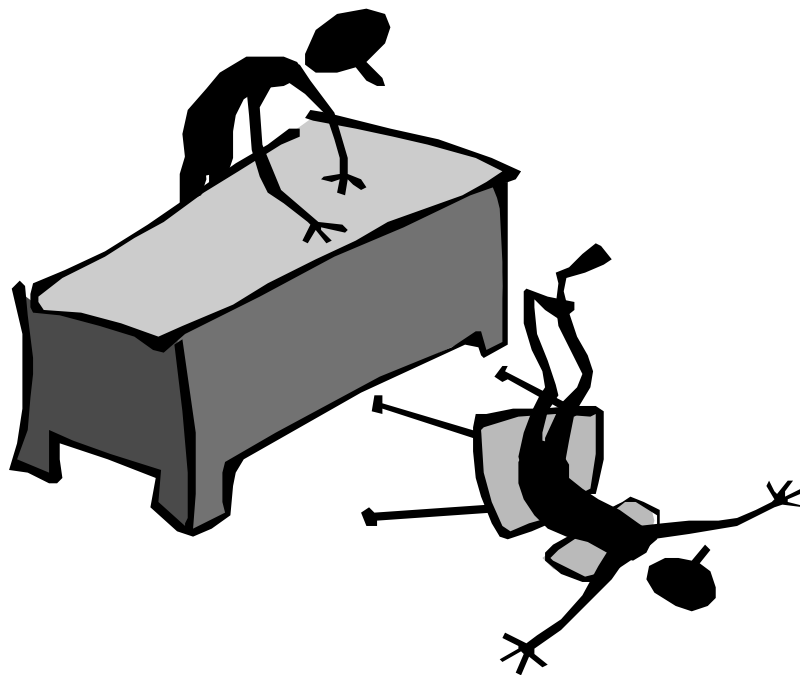
Communities have become a metaphor for commerce. The economic model that is redefining our relationships with partners, customers and even our own employees, is leading us to new technologies and new ways of organizing our businesses. The new organizing forces are not top-down controls, powerful marketing messages, one-way value-chains, and centralized decision-making. Those are things of the old economy.

The structures that form our organizations, that define our ways of interacting, our ability to scale, the norms of our performance and behaviors are fundamentally unable to support the nature of business today.

The Internet connects people outside the organizational lines of communication. The model that will re-align our organization is based on community. It represents a transformation from the traditional model. Just the word “transformation” scares organizational leaders. How can we create this level of change?

*We need to harvest learning from community behavior and structures that are well-formed and mutually empowering, yet also dynamic and self-organizing.*

While we endeavor to build communities, we are part of the communities of others. The many-to-many and situation-specific interactions across communities represent a touchpoint network with numerous contexts from which we can learn and evolve our market space. We need to harvest learning from community behavior and structures about how to interact in ways that are well-formed and mutually empowering, yet also dynamic and self-organizing.





# Corporate Id

## Identity Crisis

Our corporations have to balance and act on numerous business objectives simultaneously. Making consistent progress requires making decisions and changing course with agility, while maintaining alignment to a purpose. It is natural for the organization to become overly focused on its activities and the cost and consequences of those activities. Over at least the last three decades, we have seen a transition in our internal operational models — from a more centralized, factual, hard-line, type of focus to a more dispersed, understanding, soft-skills, focus. From:

- ▲ Centralized to distributed workforces
- ▲ Manufacturing to TQM
- ▲ MIS to knowledge management

These movements, as well as others, represent a movement — not from one thing to another but to movement itself. The nature of the focus isn't on something different, but the nature of focus itself, is different. The organization is what it pays attention to and it becomes known according to how it attends. If it pays attention to serving customers, it is a service organization. How it pays attention to important things defines its Id.

We see a growing need to balance the focus on technology and accounting functions with the human dimensions of business. There is a growing realization that the power needed to meet this century's business challenges resides within the people and the environment that we are a part of — and that we have to learn how to align one to the other to achieve our goals. We cannot get there by doing more of the same — even if we do it cheaper, faster and with fewer resources. We know this because we see what we used to think were successful businesses fail.

### What is a “successful” business?

A successful business *maintains relevance to its environment. The objective of the successful business is to serve.* If our business is of service to its environment, it will remain viable. By serving, we mean creating a valued interaction. Through valued service, we generate experiences and develop relationships that will sustain relevance, even in a state of change. The challenge is to serve a market in a way that is of value for an individual customer, one whose needs are relevant to our purpose, and whose influence is relevant to the environment that he is a part of. In other words, we must be able to see and understand the relevant associations between our purpose, key influencers, and the environments in which we all play. Does this mean that successful businesses needn't concern themselves with pursuing satisfied or loyal customers? Pretty much — satisfied customers do not assure business, and loyalty in a fee-based relationship is misleading.

Peter Drucker, in *Business 2.0* magazine, states “The corporation as we know it, which is now 120 years old, is unlikely to survive the next 25 years — legally and financially yes, but not structurally and economically.” Drucker says that while the last 40 or 50 years have been dominated by economics, in the next 20 or 30 years social issues will be dominant. We fear that in these imploding intersections of time, space and the economy, the success of traditional businesses is at risk.

## **We have not formalized our social structure**

Our business models reflect accounting practices. Often the way we are organized cuts across critical processes to facilitate better accounting. That seems a bit backwards. How can a business enable distributed, effective action when it is rigidly tied to a static structure? People form informal operating procedures to override as much as they can the existing, documented formal organizational models. It would seem our businesses cannot “go with the flow” of new challenges in our environment because we are operationally geared to support:

- ▲ Centralized control and stability; proven methods and timelines, and reproducible procedures

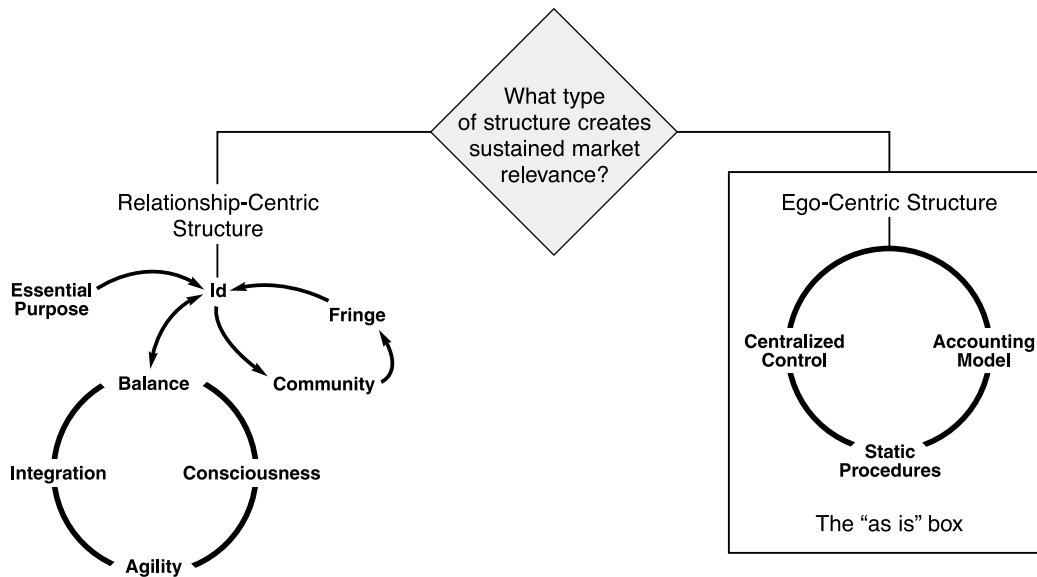
Whereas the environment in which our business lives calls for:

- ▲ Interdependence, naturally occurring order, and systems which change continuously as inputs and outcomes evolve

In our business, we face the need to adapt, to resolve conflict, to engage societies, to learn and grow. Our structures do not support these things. Our business structure is designed to create obsolescence. If we are organized to achieve our goals, we can reach them or not — and still over time, lose. To win over time, the business must have structures that integrate its goals with those served by the business. A structure that continually integrates sustains relevance. People learn to do this naturally in order to preserve their social associations and survive. When we compare how people work with the way organizations document their workflows, we find they are two, or more, different things. People’s inclination to do the right thing often puts them at odds with the management of the organization. Can the organization learn to “organize” itself according to those social associations to survive? Many “successful” companies with good products and talented people are becoming dinosaurs — struggling to keep up with changes in the market. An increasing number of organizations today have half the life span of businesses of the last century.

*People’s inclination to do the right thing often puts them at odds with the management of the organization.*

# Corporate Id



## The Id Alignment Loop

The operational model of our business in a dynamic environment has to promote “becoming.” The structures and principles by which we operate are different in a state of becoming than in the state of “as is” (a.k.a. the precursor to “has been”). We have created a model that we call an “Id Loop.” The Id refers to the psycho-logical principle of one’s self-identity. Both individual and group activity is shaped and driven by the need to reinforce and strengthen the entity’s sense of identity and purpose. As with personal psychology, the Id can be a starting point for open exploration and development, or a bastion of static identity to be defended at all costs, regardless of evolving realities.

The evolutionary Id derives its identity through interaction cycles. These interaction cycles can either sustain or degrade the market relevance of the business. If the interactions are inwardly focused, they will degrade the business. In conditions of constant change, it is critical for these interactions to be as open and outwardly focused as possible. In a distributed, complex, global market, we have to spread our interaction cycles around — to stay focused. Through increased interaction and openness to influence, we can find it easier to stay on course and progress in a relevant way. We must develop an ecology within which we can interact. Engagement of our “selves” with others through interactions, creates social capital.

The Id is whatever the business believes itself to be — whether others believe it or not. For the business’ Id to have sustained relevance, the structures that create conversation flows (i.e., flows of vision, values, communication, processes, deliverables, profitability) must include the players in the business, the people being served, and much of the world at large that might have experiences that could be relevant to the business.

## Combining Principles and Structure — attributes of the environment

Creating social capital is to evolve the relationships in our business through the natural change and chaos that exists in our environment. The value comes from the perceived differentiation that is created when the integration between those relationships distinguishes the “whole business” from other areas of the market. Thus, the “whole business” is not just the legal entity but extends in present and future value to those that are tightly related to it. The degree to which they can achieve a level of harmony with those in the relationship, determines the perceived value. The business then adapts with those surrounding it, and rather than separate itself, it seeks to maintain harmony. Through that harmony, it becomes powerful.

Some businesses can be described as dinosaurs: though dominant in some way, their large size or rigidity makes it difficult for them to adapt — they become symbols of past times. Conversely, some businesses can be described as sharks. Sharks are an example of an animal that achieved an optimal balance with nature, and adaptability that has enabled it to survive over 300 million years. A shark is at the top of its food chain because it has achieved harmony with its environment. It exists at the balance point. To create this type of reliance, the business must harmonize with its environment. The business must operate with Balance, Consciousness, Agility, and Integration.

### Balance

We must create a balanced input between our essential purpose and the new outside influences — which we call the fringe. It is the environment that defines the business. If we want to understand something (e.g., our business and its value in the market), we cannot separate it from the environment in which it exists. How can we look inward and seek to understand our values? We must learn how we fit by the way in which others are influenced by us, and then we must look to be influenced, in order to become more how we seek to be.

**Essential purpose is the definition of why we are in business** — What is our “root cause” for being in business? How is the world served through our existence? This must be described in terms that are not self-referencing or self-serving. It is the “larger than self” perspective. The issue with some mission or vision statements today is that they can be self-centered. Sometimes they do not provide resiliency through change and sometimes they do not express the interest of those being served. Consider this: You’re a knowledge management technology vendor. What’s your essential purpose:

- A) To be the world’s leading provider of innovative e-knowledge tools?
- B) To enable persistent learning across global communities?

One of these statements is about me and the other is about whom I serve. This is not a syntactical difference. It’s a profound difference. If my purpose is focused on your purpose, everything I do can shift as long as it aligns with value for you. If I am focused on me, then whatever I do with you may be compromised to serve my needs. The point of focus has to be outside myself in order to guide direction. This is true in business, spirituality and love. It is just a matter of where we focus that creates either alignment or fragmentation.

*It is just a matter of where we focus that creates either alignment or fragmentation.*

We have to center ourselves on our essential purpose. It is our core “self.” It is the DNA that permeates how we do business. The essential purpose is usually defined, as Doc Searls says, by the “dead white guy on the wall.” This means that the person who established the business generally continues to influence its culture (values, customs, priorities, etc.) even after they are gone. It sounds simplistic, but the personality of an organization often comes from the heart of those who established it. Organizations tend to inherit the “way things work around here” even as leaders change.

*Engage the Fringe.* Outside of what we think our business is about, there are mental models and operational models that we can learn from. We should not look just to our competitors or to others in our market as relevant comparative models. Who is the fringe?

The fringe includes those people inside the business who are always thinking of “what else” could be. These people are generally oppressed by the organization and usually end up leaving to start new ventures with their ideas.

The fringe can also come from outside the industry. The fringe represents those who might operate in other industries, but in some other context have similar or relevant issues. The associations with those outside our world may be drawn from single threads/concepts that are relevant across industries. For example, we often talk about how Southwest Airlines learned to improve their on-ground time from race car crews. They were already the fastest within the airlines industry, but if they were going to stay ahead, they had to seek new models.

By engaging the fringe systematically (i.e., as a normal part of our interaction models), we are integrating a market research capability as an ecological dimension, rather than as a separate function. These connections provide an outside view of relevant but different perspectives. Why wouldn't we have conversations about improved inventory controls between the food industry and the technology industry? It has been said that Walmart treats their entire inventory as “perishables” — one reason they have achieved such efficiencies in that area.

The fringe tells us “what else” is happening, not so we can discount it as different (hence irrelevant), but so we can learn from it — before we have to react to it. It's amazing how many companies dismissed the Internet because it would “never be used for business” — or, more recently, how many dismissed Linux because “no one is making money with Linux”.

Through integration of our essential purpose and relevant outside perspectives we can create a balanced Id. A balanced Id can put our focus in the right place. That focus should not be in seeking to reinforce how we want to perceive ourselves, but in maintaining alignment to the basis of how we serve.

*The fringe tells us “what else” is happening, not so we can discount it as different (hence irrelevant), but so we can learn from it.*

The hard part of serving customers is not in providing service, but in how the business' perceived identity operates within the products and services it provides. Is it possible that the reason airlines have a reputation for poor service is because they don't perceive themselves as service organizations? They consider themselves "manufacturers of revenue seat miles". Conversely, Charles Schwab, the brokerage firm, who handles money for people and performs many banking processes, sees itself clearly as a service organization — which specializes just in financial services. Don't service organizations often find themselves at odds with the organizations of which they are a part?

## Consciousness

We must create a system to manage an explicit level of awareness — a persistent consciousness that exists above the transaction level and the accounting hierarchy. We are very used to monitoring the everyday work — the transactions. We can get caught up in knowing how many of what type of transaction we conducted. We don't necessarily know how those transactions align to the purpose of the organization or the aspirations of our people. We need to create a system that recognizes the transaction level (the content of the work) and a context level. We must understand the relevant associations between the purpose of the business and other critical factors of the environment, such as:

- ▲ Individual talents and aspirations of our people
- ▲ Emerging opportunities from other industries
- ▲ Impact of our business on the community, customers and ecology

We have learned through our knowledge management practices that framing the context of a problem can help us find and recognize a solution. Likewise, context frames, or taxonomies, that define people's perspectives, skills and strategies can help us discover relevance. Framing people's context may require additional social skills to draw out multiple levels of perspective and strategic purpose. The associations continually shift.

If we can make the contextual connections as explicit as the content of our work, we can analyze the associations and learn. The natural connections between ideas, people, and knowledge must be understood rather than controlled. The natural traffic patterns can tell us what to optimize, where there is new learning, what relationships should be reinforced.

Those associations that connect people's inner drivers at a purpose level provide persistent alignment even as events change. Much has been written about the organization working more like a jazz band that organizes the parts around a loose underlying theme, rather than a pre-defined score. There is no conductor. There is awareness of the underlying thrust and style of the music even as each player may experiment with the score. The theme is maintained and roles can shift within the music, as players interact to support each other's ideas and solos, all the while maintaining the energy and flow of the music.

## Agility

The natural order of life is change. The tactics, boundaries, and definitions of our business can all create rigidity that makes it difficult for the organization to swim with the current. We often start to drown in change programs. We are built to reinforce our current systems and behaviors. What makes us more agile? Things like:

- ▲ Creativity sessions, not just problem solving sessions
- ▲ Celebrating failures instead of just successes
- ▲ Funding experiments as if they weren't known ROI projects
- ▲ Focusing on learning instead of past experiences
- ▲ Cross-disciplinary and multi-level meetings instead of just departmental or "staff" meetings
- ▲ Creating mobile and temporary work spaces
- ▲ Developing partner leaders whose complementary styles can balance the perspective of the organization

These create balance with the titles, headquarters, policies, groups and other fixtures that label, limit and set things in place.

*If our value is gained at the expense of others, it is only a partial solution.*

## Integration

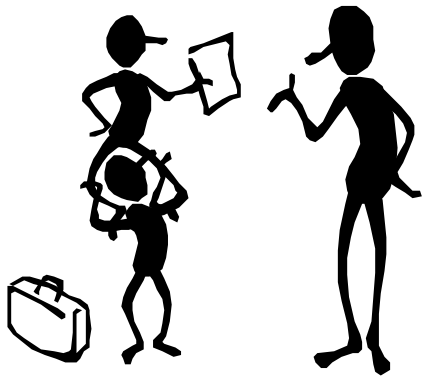
The underlying qualities and characteristics of people and relationships are universally consistent. If we are caught up in conflict, we are still looking at the surface. We can reconcile differing positions by going to another level. We can draw on the common qualities and opportunities rather than limitations and inhibitions of the past. If our value is gained at the expense of others, it is only a partial solution. Eventually, what we take from others comes back around to us in the form of resistance, resentment and retaliation.

We have to look deeply for a holistic solution. We can deepen our perspective by differentiating symptoms from causes — we often don't realize the difference and seek separate solutions instead of a comprehensive one.

- ▲ When servicing a customer, it means eliminating the cause of problems to be able to claim we have supported them.
- ▲ In sales situations, it means ensuring that the product we have sold is surrounded by the critical services that enable the customer to address the cause of the need for the product.
- ▲ In addressing an employee's performance problem, it means recognizing how the current performance makes sense to the individual and addressing the "unsaid" rationale, not just the resulting action.
- ▲ In addressing the issue of different language needs, it may mean not just translating words but creating different language contexts such that the audiences may easily interact and frame their own issues to reach common knowledge that is relevant to them.

To explain this principle, we often use the example of a group of people who were working in a room with many papers lying on the table. There is a window in the room. Some people say they want the window open — to get fresh air. Others say they want the window closed, because the air disturbs the papers. This can be viewed as a conflict. If it were a conflict, a compromise might be sought, like having the window a little bit open. But that might mean that the papers blow and people don't still get enough fresh air. The integrative perspective would take the focus away from the window and understand the underlying causes for what was being expressed — that is the need for fresh air and orderly papers — which neither group disagreed with. The integrative solution was to open a window in the room across the hall and leave the door open so the air was indirectly flowing — a simple example.

These types of structures are open and integrative. They can help to avoid rigidity and create associations between meaningful things in our environment. By allowing those things within our business and outside in the environment to find relevance, we can establish a community whose commonality can give it form and function that maintains alignment to its purpose.



## Relationships

Our success in the market depends more on how we interact than on what we build. A good product depends on the environment into which it is introduced. The use of the product depends on the understanding of the user and on its performance with related products. Between products, partners, and people are relationships.

### Everybody All Aboard — Where Is This Train Headed? — CRM Promises

The CRM bandwagon promises to manage the customer's experience. We can track our interactions and project future interactions that fit a pattern. A small-to-medium CRM implementation costs between \$300,000 and \$500,000 for technology and 1.5 times that in implementation services. Some say that over 60 percent of the implementations don't deliver on the promise. Others would object to that perception. The issue isn't whether it works — the issue is how do we need to work? This issue raises a couple of questions:

*A small-to-medium CRM implementation costs between \$300,000 and \$500,000 for technology and 1.5 times that in implementation services.*

#### Can we manage the monster system?

Remember the CRM systems we have had for the past 20 years? They provided management capabilities in the areas of:

- ▲ Customer data (contact, sites, billing, history, priorities, etc.)
- ▲ Configuration (parent-child technology relationships, revision controls, etc.)
- ▲ Contracts (time and expiration, service levels, points of context, aging and escalation requirements, etc.)
- ▲ Inventory and asset management (pick lists, logistics, depot third-party maintenance, depreciation, etc.)
- ▲ Field resource (paging, varied schedule and geographic coverage reconciliation, skills-to-service matching, labor etc.)
- ▲ Support Center (queuing, skills-based routing, aging and escalation, dispatching, etc.)

Not to mention Computer Telephony Integration (CTI), reporting, global replication and redundancy and integration to other business systems. What percentage of the capabilities have we been able to actually *manage*? Most businesses cannot track labor against service requests, don't know what their real cost per resolution is, and don't maintain accurate customer configuration records. Data, data, everywhere — and not a drop of real customer insight.

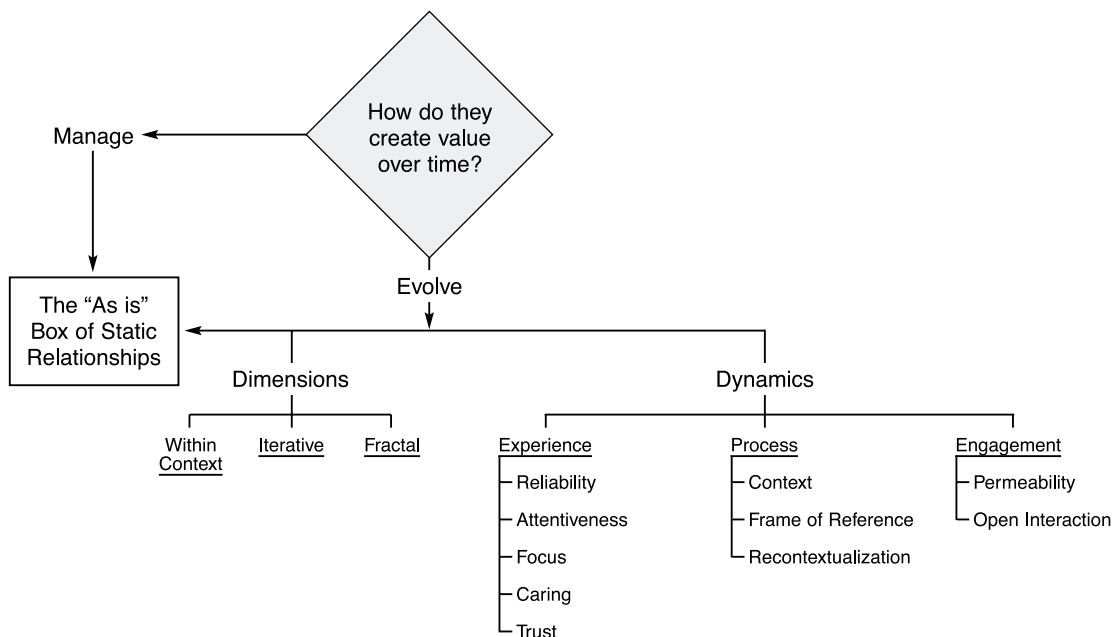
## Can relationships BE managed?

The term “management” implies to direct, supervise, or handle. We have tried to do that with our employees. We are coming to understand that people other than ourselves cannot be managed. People are autonomous beings with their own wills, perceptions, and capabilities. If we could manage people, then performance across the people who work with us would not vary by orders of magnitude, and performance would not be influenced primarily by a person’s attitude. If relationships in general could be managed, many marriages wouldn’t fail, and most teenagers would not be at odds with their parents. On the other hand, if we can create whole environments in which relationships can evolve, they can bring us new levels of awareness — about ourselves and those we value. We should focus on nurturing the relationships that create that type of awareness. At least we can aim for that — knowing we are going in the right direction doesn’t have to be the same as having arrived. Where do we find relationships that create that type of awareness?

*If relationships in general could be managed, many marriages wouldn't fail, and most teenagers would not be at odds with their parents.*

*We will not be successful with CRM or with the marketplace economy unless we address the real nature of relationships. We believe that relationships are the key to the next level of economic value.*

## Relationships



## It's All in the Space Between

Relationships reside between things, not in them. They are constantly changing, and they involve emotions as much as explicit exchanges. Organizations tend to want to draw a box around things and label/categorize them. It isn't about what something or someone is — it is about how that

person or thing fits or relates to the right aspects of other things such that it can improve and therefore increase capacity. Let's take two fringe examples:

**In an outsourcer** — it isn't whether the outsourcer can process thousands of calls per month or has the most advanced call distribution technology. It is more about whether the outsourcer can convey the type of culture that is needed for the customer base and acts appropriately out of understanding for the business. If that is the case then it will put in place the system needed to deliver on that view. With the business and with the customer is where the outsourcer is visible — not in the things that work in between.

**In a spouse** — it isn't whether the person is outgoing, ambitious or even honest. It's about how the way they are relates to how we are and whether that increases our ability to be our true selves or not. Do people connect from their core — do they truly relate?

If they truly relate, then there's an authentic relationship. Only authentic relationships can provide the benefits described. But we also know that such connections "cannot be managed into existence," that they "cannot be manufactured or engineered, only encouraged." [*In Good Company*, p. 22]

The desired outcome of our relationships is increased awareness and capacity: increased learning, productivity, joy, and meaningful experiences, ultimately a deeper awareness of our purpose. Enabling relationships between a company and its customers, and between customers themselves, means tapping into the inexhaustible, primordial supply of energy supplied by others. Through the increased capacity derived from relationships, we create social capital.

*The social capital created through trusted relationships is the only way to sustain a competitive advantage in business, as it is the only way to gain the capacity needed to connect the goals and concerns of the customer with those of the business.*

## **What is a relationship — the definition revisited**

Relationships entail affective mutuality. Perceptions about the relationship affect interactions, and perceptions about interactions affect the relationship. Relationships are both the ground on which interactions take place, and the result of a series of interactions or engagements.

**Relationship:** The way in which people behave or feel toward each other, or the way in which [people or] things work together or are connected. [*Cambridge Dictionary of American English*]

Relationships are crucial building blocks of value. Effective relationships are built on trust. Trust is developed as our experiences in the relationship continue to connect in alignment with the core of who we are and what we care about. Trusted relationships exhibit reliability, attentiveness, focus and caring. Relationships built over time with a common purpose develop value, which we call social capital.

**Social Capital:** Social capital consists of the stock of active connections among people: the trust, mutual understanding, and shared values and behaviors that bind the members of human networks and communities and make cooperative action possible. [Cohen and Prusak, *In Good Company*, p. 4]

To put it another way, social capital is the value created through collective purpose. Finally and fundamentally, relationships effectively shape perception. Which is to say, relationships determine to a significant extent what we know and even who we are, as individuals and organizations (i.e., our egos, personalities and brand “images”). They can redefine us.

## The dynamics of relationships

Relationships share a set of common qualities and characteristics. Regardless of the participants, mode of interaction or the topic at hand, relationships:

*Exist within a given context* — The context that is typical of our industry involves the organizations, networks and communities in which they participate. At an individual level, a relationship is defined by the roles through which people engage, the need or desire which initiates a particular interaction, or the history of previous interactions. Often, the things that fall outside of the expected context are not recognized — they are often disregarded because they are out of character, out of scope, not in our business model, “not in our frame of reference” — how many opportunities have we passed by?

*Are iterative, and dynamic* — This is probably more distinctly so in the early stages of a relationship. The initial interactions may be more difficult, more varied, more exciting, simply because they occur with the least amount of context and disclosure. Relationships which create meaningful interactions gather more context and create additional connections such that the nature of the relationship expands and evolves over time. Being in relationships is about change; openness to change is one of the prerequisites of relationship. Relationship interactions incorporate adaptive behavior. A static relationship quickly becomes irrelevant, or at best, very limited and uninteresting.

*Are fractal: function in distributed patterns at different scales* — Each connective experience extends beyond the original context, and even beyond individual players, to the communities in which they participate. The better the relationship between the company and the employee, the better that employee will relate to the company’s customers. A relationship between organizations is thus a constellation of specific relationships between people who represent those organizations to each other, or who participate in them. In this way, patterns of relationship exist at both a micro (one to one) and macro (many to many) scale.

*The better the relationship between the company and the employee, the better that employee will relate to the company’s customers.*

## If we don't manage them — how do we grow the value?

Relationships build increasing returns. For the value to develop, an environment must be in place where valued benefits can grow. Some of the benefits they provide include:

### Dimensions      Values

*Experience:*      Reliability, attentiveness, focus, caring and trust

*Process:*      Synchronous, scalable, agile, and self-regulating

*Engagement:*      Fostering reciprocal discovery  
Ecology for the propagation of intelligible, actionable knowledge  
Pleasure of human company and good conversation  
Ability [and desire] to cooperate to achieve common goals

Over time, people have said “it’s not what you know, it’s who you know.” In a world that is persistently connected, that is the fundamental truth. We don’t often even know who we know, or, more importantly, who knows us.

## The Environment for the Right Experience

Relationships require: reliability, attentiveness, focus, caring and trust. Through these qualities, they have value in themselves. Cohen and Prusak remind us that “being part of a network must to some extent be an end in itself rather than solely the means to an end” [*In Good Company*, p. 58], i.e., that each participant has to care about the other[s], and possibly about the relationship or network itself, *per se* — perhaps in the same sense as when you add a measure “for the pot” when making tea.

### **Reliability**

On the surface, reliability is the consistency with which expectations are met. In cases where it is measured by the degree to which someone does what they say they will do, it is explicit. In a more sophisticated view, reliability is a response that is within a reasonable proximity of what will be relevant to the other party. It is the ability to provide what the other party needs to know, in terms and timeframes that are meaningful, as implied by the relationship at hand.

### **Attentiveness**

Attention has been described as “the scarcest resource in the digital economy.” Getting the customer’s, or the prospect’s, attention is probably the greatest challenge companies face today. Conversely, the rapid adoption of first-generation automated customer-facing systems has left many users doubting that companies have any interest in connecting with them.

The attentive company is attentive to each individual customer, not to representative elements of market segments. And, of course, attentiveness must extend beyond the traditional notions of the “customer” to everyone involved in any interaction that occurs within the scope of activity of the extended enterprise, including employees, partners, user communities, and others. Attentiveness also means “not forgetting”, being attentive to the history of interactions with each customer, and then using that knowledge to inform and enhance each subsequent interaction. Such learning represents a substantial investment by both parties to the relationship, which becomes more valuable as a result.

## Focus

Attentiveness helps the company focus not only on the customer’s specific needs or desires, but also on the particular way in which that customer prefers to engage. The more shared context has been developed between the parties, the more coherent — or aligned — their conversation is likely to be. Such a conversation reduces or eliminates ambiguity; it brings the essential elements of the any interaction into focus quickly and clearly, and validates mutual understanding.

Both attentiveness and focus are outcomes as well as drivers of the “context building loop.” This loop in effect constitutes a *Learning Relationship*, as described by Peppers and Rogers: “A Learning Relationship between a customer and an enterprise gets smarter and smarter with every individual interaction, defining in ever more detail the customer’s own individual needs and tastes...A Learning Relationship ensures that it is always in the customer’s self-interest to remain with the firm that has developed the relationship to begin with.” [*Enterprise One to One*, p. 15] Kelly concurs that the “cost of switching [such] relationships is high.” [*New Rules*, p. 124]

## Caring

Not surprisingly, the customer can usually tell whether or not a company gives a damn, and usually prefers to do business with those companies that care — about product quality, of course, but also, and more importantly, about the customer experience. One of the best ways to demonstrate that you care for your customers is to educate them, to make them as smart as possible about your product and your company. In a sense, this makes them “family:” it blurs the distinctions — and the barriers — between a company and its customers. Kevin Kelly, noting that many technical companies post the same technical information and diagnostic guidelines on their help sites that is used by their own support professionals answering hotlines, asks “Who’s working for whom?” [*New Rules*, p. 120]

*Not surprisingly, the customer can usually tell whether or not a company gives a damn, and usually prefers to do business with those companies that care.*

Customers must also be allowed — and assisted in every way possible — to educate the company: Peppers and Rogers have demonstrated that “*Once a customer’s individual needs have been taught to a 1:1 enterprise, the value of the enterprise to that particular customer increases dramatically.*” [*Enterprise One to One*, p. 185] Much of the work required to make a company more caring is structural and operational, as described in the process of relationships, but it also has a great deal

to do with personal character (e.g., the Id) and — to a lesser extent — with training. Some people are inherently more sympathetic, easier to converse with, better listeners, more focused, and more patient than others, and these are the ones who should be talking with our customers.

## Trust

None of the other attributes are possible without trust; trust is itself the outcome of reliable, attentive, focused, caring interactions. By a wonderful alchemy, each participant in a relationship owns the relationship — he or she decides, at every turn, how much to disclose or withhold, which contexts to deepen or to add, what to expect from the other participant[s] and what to settle for. Ultimately, this means deciding how much, and in what context, to trust the other person. And this is where it gets interesting, because trust is a magical substance. It “can’t be bought,” it “can’t be downloaded,” it “can’t be instant”; more often than not, it “can only accumulate very slowly, over multiple iterations.” [Kelly, *New Rules*, p. 133]

## The “Process” of Relationships

In order to determine how to shape effective interactions, we must understand the frameworks in which relationships exist and evolve. The ability to identify how context operates, and define some of its core qualities, allows us to see more deeply into how we organize and absorb what we communicate with each other.

**First, we will define what we mean by context.** While the initial definitions are necessarily abstract (all definitions are), they give us a vocabulary to understand the very concrete and messy act of how we work and play together as people.

**Then, we will examine how context shapes relationships,** and how we can become more attuned to the elements at play and learn to absorb and reflect upon them to deepen our understanding and communication with each other.

### What is context?

Context is the organizing element of knowledge. It is the conduit for information and experience to pass, within which meaningful transactions can build knowledge. Knowledge itself is built through expansion of context and information developed through interaction.

*Context is the framework of understanding applied to the perceptions and actions in a given situation.*

Context organizes experience. It has the ability to relate the elements of experience into the framework of one’s past understanding, that allow us to connect events and memories into patterns that expand our understanding and activities in the world.

Without context, the connection that happens in an interaction may be accurate and rich with information, but it is not meaningful. The elements of experience would achieve no pattern, interactions could not build on each other, and relationships would be limited to the interactions of the moment (i.e., transactions between people who aren't really connecting). Our experience of the world would lack the depth and richness of ever-expanding rings of relationship and understanding.

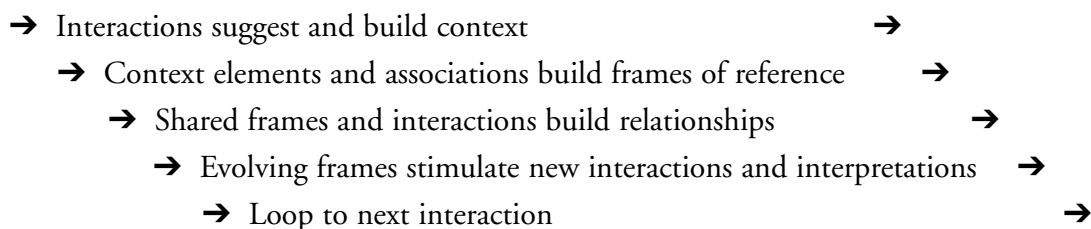
By understanding context, we can start to expand our capability to build relationships that lead to more meaningful interactions.

## How context shapes relationships

Context is developed through the mutual interplay of questions and answers, ideas and preferences, expressed as we work and play together. In a developing *relationship*, context operates as the *frame of reference* that defines the focus and nature of interactions. Relationship development takes place through the gradual development and absorption of context between participants in an interaction. In informal personal interactions, the frame of reference is often created largely through implicit, qualified dimensions (the types of people we are and assume others to be, our roles and titles in the current situation, common terminology and social norms for the topic at hand, etc.). In more formal settings, such as business-related transactions, the specific business objectives and relationships may be more explicitly outlined.

Participants in a relationship define context as they interact. Typically, the amount of context in play during any interaction is just that amount sufficient to achieve the goals of the participants. "I'll tell you as much as necessary to move the interaction forward." The act of *reciprocal disclosure* occurs when participants begin to share more of their personal context and history as part of an interaction, which in turn encourages mutual openness by other participants at a new level of familiarity. Trust and familiarity helps drive relationship development by exposing new levels and types of context.

Each interaction in the relationship adds to the understandings and assumptions of the participating parties, which, in turn, affects what future interactions will occur, and how they will be interpreted. In this way, the development of relationships is somewhat circular:



To promote evolution of the relationship through these iterations, there are two basic process steps.

1- **Build Frames of Reference**

2- **Recontextualize**

When these process steps are performed through a relationship-centric engagement strategy, they create the desired values. The values are: synchronous, scalable, agile, self-regulating.

## **Building frames of reference**

The frame of reference is the operating context of the current interaction. For example, the frame of reference of a technical support customer interacting with a call center defines a range of questions, payments, service level expectations and responses, as well as providing a general limit on the types of information and processes that can occur.

*Frames of reference express the groupings of context elements and known associations between those elements that comprise a particular relationship or set of interactions.*

Each participant in an interaction represents a potential multitude of experiences and capabilities. The elements and dimensions of context referenced and invoked within a particular interaction can be defined as the *frame of reference*.

The frame of reference formed in a relationship impacts the evolution of context within the interactions in the relationship, ultimately evolving the frame itself as interactions occur and the relationship develops.

For example, as customers and suppliers interact and learn about each other's habits: what's usually in stock, what kinds of products are typically requested, etc. This "transaction memory" is a record that forms a frame of reference. Each interaction provides the opportunity to gather even more valuable information about the needs and capabilities of the customer (or the supplier). In general, entities seeking to develop their mutual frame of reference, are always looking for ways to augment shared context. This means that the assumptions and requirements for interaction are potentially always changing.

## **Re-contextualizing — the key to persisting relevance**

*Re-contextualization* is the act of expanding and/or deepening the associations and elements involved in an interaction, and the act of mapping the existing elements into one's own frame of reference. This is a critical activity in communication, as people strive to relate their assumptions and understandings to the experiences they have with others they interact with.

*Frames of reference are dynamic and evolutionary. The frame of reference, itself composed of contextual elements, expands and evolves through interaction. As a result, interactions must be continuously re-contextualized to maintain relevance.*

Defining, storing and leveraging the dimensions of context exchanged from a pattern of interactions increases our awareness of the larger connections. We gain a new level of awareness from which to respond to that context in the future.

Context is itself dynamic, changing depending on the goals and current relationship of the participants interacting together. Leveraging previous knowledge and frames of reference is a good place to start in building a new interaction, but the ability to correlate previous knowledge while remaining open to the current statements and actions of someone you are participating with may yield new insights into their real needs and assumptions.

For example, an online music site notices a consumer buying CDs of classical flute sonatas for small group, as well as jazz flute combo recordings. Through re-contextualization, we would build a new association (small group flute music of jazz + classical), and offer cross-over music with both classical and jazz elements, in a small group setting. There may also be opportunities to correlate music by certain performers with the specific works similar to those being purchased, to provide very customized titles that match the overall tastes of the consumer. This is a form of re-contextualization: developing new context from known interactions and dimensions to date.

As we expand and deepen the frame of interaction, the richness and depth of the interactions can increase. Ultimately, relationships evolve through development of shared context that forms implicit frames of reference and new contexts. These relationships can be deepened and extended through an engagement strategy that sets the right modes for these interactions.

## The Right Engagement for Relationships

What or how much we do anything — such as interact — is only effective if done in a mode that represents the “right” intent. The intent determines whether we are not just collecting more data but, in fact, deepening the relationship itself, making it capable of creating and operating within a wider range of value (the law of “ROR: Return on Relationship”). ROR is fostered through the intent of interactions in two important modes/styles: Permeability and Openness.

### **Permeability: The act and art of listening**

As relationships evolve, the depth and breadth of shared context increases. Depth of context refers to the number of instances of specific context elements playing out in interactions, and new, more complex relations between context elements being formed. Breadth refers to additional dimensions coming into play, which in turn influences new connections that add depth.

*Expanding the contextual frame and deepening interactions results in the potential for greater knowledge creation and richer relationship development*

In order to achieve deepening levels of understanding and communication, it is necessary to achieve a certain degree of permeability: the ability to identify and absorb outside context as interactions take place. Since the frame of reference can be quite dynamic, an ability to listen, learn and react to evolving context is critical to the ability to be truly engaged, both at an interaction level and at a general relationship level.

The business must be able to express and absorb context — “*breathe it*” — so as to optimize transaction value and build deeper customer relationships. In order to breathe, one must be attentive to the potential dimensions of context in play from the other person’s perspective. The business must seek and take in relevant re-contextualization to one’s own key context parameters. In order to “breathe out,” the communication back to others must reflect the information and context elements originally expressed by them. New ideas and dimensions should be framed within the evolving common context, so that the frame of reference is aligned and enlarged upon mutual consent.

Permeability is also driven by how open and trusting the interaction environment is: whether it is based on the attributes of attentiveness, focus and caring. In an open and trusting environment, the participants will share a broader range of information and expose more of their identity. In turn, those who receive this information in such an environment are likely to reciprocate and extend their own linkages to additional information, such that each interaction provides an opportunity to explore and establish new connections — many of them happen by chance.

*When people are open to sharing with each other, interaction becomes an opportunity for disclosure, linkage and bonding, rather than hoarding, discrimination and differentiation.*

Good salespeople are always on the lookout for serendipitous connections: shared interests or goals will build common ground and develop customer trust and understanding. This process of finding additional, perhaps unrelated or unexpected shared context, can be stimulated through relevant correlation of what is known about one’s interaction partner: “applied attentiveness.” It may be that the customers’ buying habits suggest a certain line of business or profession, or a shared interest that may imply additional interaction opportunities. To discover and apply the rule of serendipity, however, parties must be open to the possibility of unexpected discovery, and have some capacity to absorb and learn from it.

### **Open Interaction: To create increasing returns**

As we interact, we have the capacity to learn more about each other: our preferences, default behaviors, strengths, weaknesses and capabilities. If we are open and attentive during our interactions, we can share and develop our shared context. The learning that takes place expands the frame of reference, making it possible to engage in future transactions in new and potentially richer ways.

*To expand and deepen the frame of reference between two entities, a context feedback loop must be shared and gathered*

Repeat customers are not necessarily satisfied ones. In fact, they are often in the best possible position to give feedback about how to improve the interaction or goods they are currently purchasing. Open, relationship-centered interaction seeks to elicit feedback on the operating context itself, as well as the specific goal of the interaction, from within the context of the interaction itself (i.e., while it is happening). Deficiencies in previous interactions can also be exposed, to identify assumptions about shared context that are not true.

All too often in a customer/vendor relationship, the parameters and processes of interaction have a limited, static nature — confined to the specific requirements of the current interaction. Surveys, focus groups and feedback solicitation typically occur outside of real interactions. The idea of gathering feedback directly from within interactions which are not specifically marketing or sales-focused activities seems disjointed to many organizations.

The weaknesses of this approach are twofold. First, the real motivations, context and perceptions of specific participants cannot be well captured outside of the interactions where they typically occur. Studying them after the fact is a bit like seeking to understand natural habitat behavior from a caged animal in a zoo. Second, it is all but impossible to aggregate experiences and expand one's frame of reference for specific customers outside of the actual relationship they truly have with the organization. Feedback that is disjointed and disconnected from the actual flow of business provides a snapshot, not a living record.

In comfortable, trusted interactions, we give each other feedback on how our communications are going naturally and continuously. “Is it good for you?” is often checked both tacitly and explicitly through the signals we give each other about how much we value and understand the topic of interaction, how comfortable we are with the rhythm of interaction, and where we think the whole thing is headed at any point in time. In large respect, the overall quality of any service interaction is judged by how attentive the service personnel are to these factors. The most powerful, yet hidden, factors in any interaction are the tacit assumptions and limitations of the participants — about how much time, effort and value they are willing to invest in a specific transaction. The degree to which these factors can be identified, externalized, and fed back into the system, will determine the ultimate capacity of the system to improve.

*Openness occurs step by step, not all at once —  
as participants learn to trust each others' ability to listen, re-contextualize and share,  
the scope and depth of interaction can evolve naturally.*

If we create an environment that can systemically connect people, such they evolve a shared context and integrate feedback from within those interactions back into the system, we can create cohesive action that is based on collective understanding.



# Communities: Relationships Organized for Collective Action

## Webs of Relationships Extend Our Reach

The ideal structure for effective action, when those actions are distributed, and performed by autonomous beings, is a network. Control that creates course alignment through complexity, to produce cohesive results, must be distributed across individual units that interplay. The metaphor for such a network, is a community. Within this community, all entities at play are part of a whole.

Could it be that our market value has so depreciated because we started a long time ago to slice the market up as competitors instead of realizing the larger potential? Much as businesses like to think of their employees, customers and partners as separate entities, the reality is that each of these constituencies are already engaged in interactions with each other. These days:

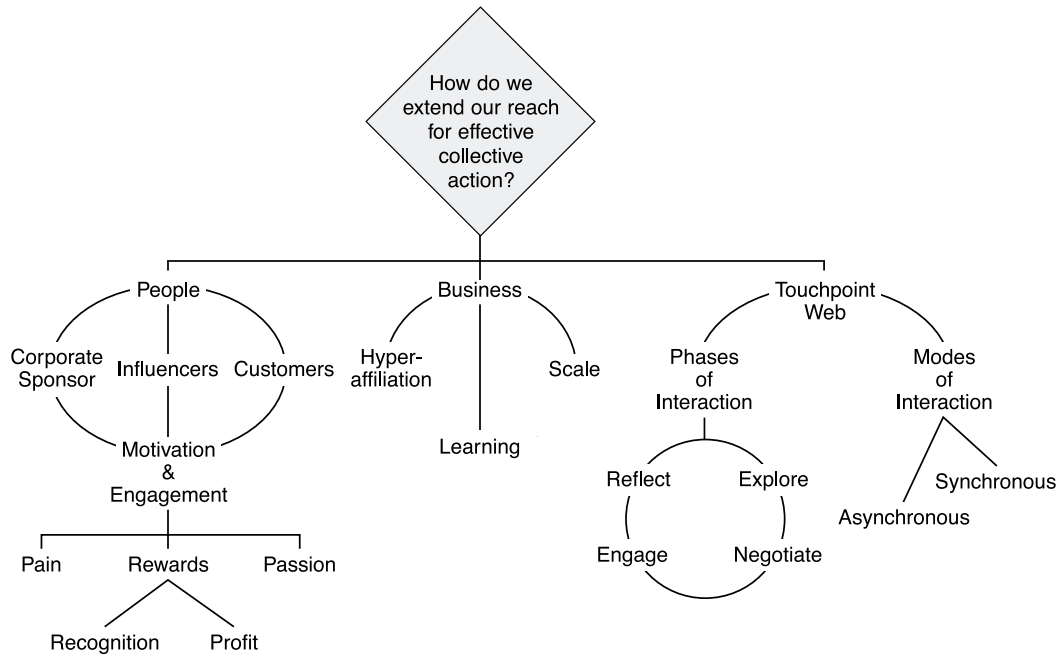
- ▲ **People** are performing in individual roles, not fixed positions (i.e., my competitor is likely to also be my customer)
- ▲ **Businesses** are more likely to be complementers than competitors (i.e., the interdependencies between offerings means that a supplier is more likely to win if others win)
- ▲ **Interactions** need to be open, multi-dimensional, broad forms of communications in order to educate us, as suppliers, as much as to inform our customers.

We must learn to connect the points of interactions that exist, with or without our recognition, and learn to spin a web of productivity around the relationships that are our community. The following describes the way these three dimensions become an effective community.

### The dimensions of the community web

The dimensions of the community are the people (whose purposes must be integrated), the business (whose economic model sponsors the evolution of interaction), and the Web (the connection of touchpoints where it happens).

# Community



## People — Influence and Value

*People are influenced by their community* — For example, a customer needs a new home network. How do they decide what to buy? They ask their neighbors. The customer needs a new printer. Does the store clerk or the on-line buying agent give them the information they need? No, they give them rhetoric. The customer asks someone in line at the grocery store who comments on the pain he has gone through with his printing, or he comes across a newsgroup that talks about issues with the latest networked printers — and maybe in doing so, he makes a buying decision for his home and his businesses. Who is influencing the customer these days?

If the customer is being influenced most by those he is connected to (formally and informally), then businesses should position themselves to be a part of that connection. Through the Internet, there are increased instances of “chance” interactions. Whether companies acknowledge it or not, customers are influencing each other outside of corporate control. How then do businesses create a structure that engages customers so that the right influence will happen? We propose that fostering relationship-centric communities provides such a model. Communities provide the environment for shared interactions, while preserving and potentially enhancing the context of interactions.

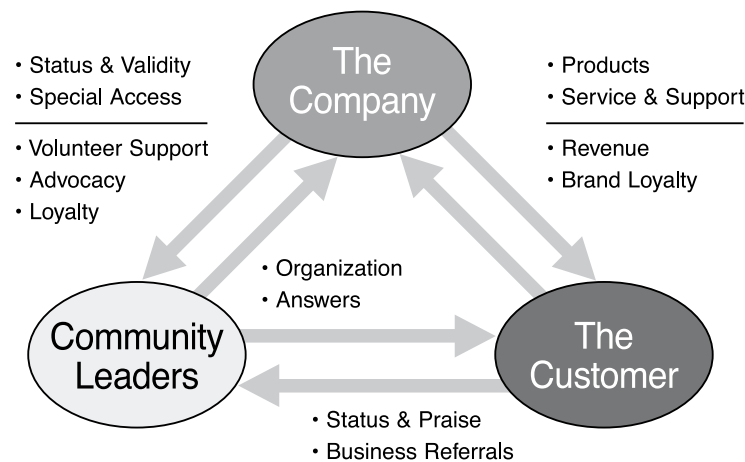
Engaging the whole community from an insular point of control is not possible — insular positions lack insight — insight comes experienced context. And insight is what influences a community. Additionally, a single point of control is the same as a single point of failure. So, just as we evolved to distributed intelligence in computing, we also must learn to operate with distributed intelligence in our businesses. By this, we don't mean distributing the business' intelligence from the inside out — it means establishing engagement strategies to pull the intelligence from the

outside in. Intelligence and influence comes from those who can speak with the same voice and context as those being influenced. Thus key leverage comes from community influencers: those people whose knowledge is of immense value, and can create a vibrant flow of value exchanged between the company, its customers and partners. Isn't that with whom we want to maintain relevance?

The community structure connects the voices in conversation. Through these conversations, the business can learn what is important — but not just to them. Richard Sennett (1978) has argued that the industrial society has driven community to a second place or third level of abstraction in our Western mode of interactions. Because of our credo of rugged individualism, America is more vulnerable than other cultures to regard social intercourse in terms of personal feelings rather than in community terms. Thus, our communities, which are a mixture of a shared sense of collective self, fail to embrace the whole and instead tend to become trapped in the ego of the Business. It is our duty to look at the world as humans with a peripheral vision that realizes the whole. It is individuals that bring their personality to the community, and by the sum total of these interactions, a community personality develops. The integration of the individual and business personality enables the social phenomena that will make the business persistently relevant in its market.

## The Community Value Triangle

Leveraging Natural Tendencies



### The dynamics of the community value triangle

The triangle positions the players' roles according to their needs and values. The business provides privileges to the Community Influencers that coincide with the "special" status and which enable them to be in the lead. The Community Influencer provides to the business the advocacy — which only an independent, knowledgeable, third party can. The Community Influencer provides expert knowledge to the Customer. The Customer provides recognition and continued flow of interests to the Community Influencer. The Business provides products and services to the Customer, and the Customer provides sustained participation and resulting revenue to the Business. Every community has influencers who emerge and are either structurally supported or oppressed — depending on how their engagement is supported.

## People — Why do they engage?

There are many reasons why people engage with each other in communities. Each of these motivations can result in compelling community environments with vibrant participation. Exploring these motivations provides a perspective on how communities can help companies maintain sustained relevance in the market place.

### ▲ Pain

“Fix my problem.” “Help me.” Clear examples of this motivation are found in communities of interest-centered around chronic illnesses, or on technical support for a technology or product. People engage in these communities because they share a common point of pain, or are in the sphere of influence of those in pain. Coming together in a community environment provides support and succor, a place to share insights and knowledge.

### ▲ Passion

There are many common examples of communities of interest around sports, music, and technology platforms. Zealous enthusiasm for the subject or righteous indignation over perceived wrongs fuels much of the passion that is brought to the community effort. We have seen cases in which chief contributors persist even when they have retired from business and no longer have a vested interest in helping others. These people participate because they share in the vision (the “cause”) of the movement and the enjoyment of being members of a community that listens to, reinforces and even argues with their views.

*People participate because they share in the vision (the “cause”) of the movement and the enjoyment of being members of a community that listens to, reinforces and even argues with their views.*

While people are drawn together because of shared interests or affiliation, the extent and depth of participation can depend on the feedback they receive from the community.

### ▲ Rewards: Two Types

“Feedback” can create tangible or intangible rewards, and its effects depend on the specific community.

#### 1. Recognition as Reward

One of the prime motivations for participation in communities is the opportunity for recognition. Recognition in a community environment is seen as highly desirable, and adds to a person’s sense of self-worth and esteem. Consequently, some participants go to great lengths to obtain recognition by giving freely of themselves. Such recognition can be very inexpensive (even automatic) for companies to dispense, while at the same time being highly valued by customers themselves.

## 2. Profit as Reward

Business opportunities abound for those who have created good reputations for themselves in online communities. Based on their behavior, ability to help others, and demonstrated expertise, these individuals are often approached in the free space to undertake profitable business deals for service. Often partners engage in the community environment and establish their credentials by becoming valuable community members, which can be used as a key competitive advantage in gaining new business. Companies also sometimes choose to monetarily incent external participants, especially when demand for information/services is high, and availability of resources to meet demand is inadequate.

*Business opportunities abound for those who have created good reputations for themselves in online communities.*

## Businesses — What's the value?

*Our Businesses do not stand alone* — Our products are embedded in other companies' products. Technologies are hitting the market before all the inter-dependencies are known. Our customers' experience is likely to be influenced by the products of our "complementors", i.e. , those whose products make ours more valuable and useful. Those who package, ship, service, host, etc. our products are part of the value proposition.

The platforms on which products reside and the services necessary for operation are part of the whole product. As the team explored this item, the example of recent home technologies came up — in particular, DSL, cable modems, and wireless networks. With so many of us having home offices, these things are part of our experience. Our experience is that the providers of these products have not surrounded them with a level of services that considers their interdependencies. Each person has to reach out to their neighbors and friends to learn what they need in order to make them work. Those interactions across products, features and functions necessary to make the customer "whole" can be modeled before products are introduced to the general market. Different "vendors" often hold parts of the situation, and none of them has experience or responsibility for the "whole."

As a result of such interdependence, businesses must consider ways to continuously evolve their own understanding of how customers use their products and evolve support structures that can respond as customer needs progress. Furthermore, support structures must inherently integrate knowledge across all products involved in the customer platform. The "whole product" exists in the field, on the customer's desk, and unless the service/support paradigm shifts to respond to the customer's reality, there will be a perpetual disconnect between customers and the products they use. Communities reflect the product realities that customers endure, and their need to interact within that context, with people whose trust has been earned by their actions and reputation in the community.

## How do we make the business extensible?

Even if they wanted to, companies simply cannot keep up one-to-one relationships with all their customers and partners. The current structure for transacting business must change so that we can be inclusive, and integrate and learn from the interactions that cross our “space.” Some considerations:

### ▲ **Scale**

In the community context, customers and partners play a vital role in helping spread knowledge and information about companies’ products and services, and in solving problems they might encounter. Indeed, as products and services become more complex, and are required to inter-operate with other products and/or services, often the ability to understand the interdependencies exists only in the customer base. Thus, nurturing customer-centric communities helps companies effectively and efficiently scale their ability to be responsive.

### ▲ **Hyper-affiliation**

Customers and partners already have an affiliation to the company because they have bought into the product/service the company is selling. Because they have already made the investment, they now want to maximize their return on that investment. Nurtured properly, this basic affiliation can easily transform into hyper-affiliation. By engaging these affiliated entities through proper care and nurturing, this commitment on the part of customers can result in a high degree of loyalty to the company. This type of relationship is a “special” instance that positions the parties to exchange new levels of insights and leading information that can model scenarios for the larger population of customers and partners. Creating this level of differentiation is an inherent point of leverage that can produce tremendous efficiencies.

### ▲ **Learning**

A vital aspect of every community environment is the knowledge and learning that occurs. Clearly, community structures enable greater learning by providing a shared context for interactions that can result in new insights and knowledge creation. This can be valuable both at the individual level and at the level of the business. Unlike traditional hierarchical business environments, the community model enables businesses to expand their context by being open, or permeable, to the influence of the external environment from any relevant participant in that environment.

To enable the type of interactions that respond to and deliver on these values, we have to build a touchpoint web.

## The Touchpoint Web?

Touchpoints are those places of exchange and interaction where people experience each other, where people experience organizations, and where organizations experience other organizations. Touchpoint webs are the combinations of touchpoints that function or chain together to deliver an overriding value (such as a product, a service or a series of related transactions). It is within these networks of relationship that customers buy products, ask questions, and receive support.

*A touchpoint refers to an interaction at a specific location in one's personal or business landscape.*

As technologies move to ASP models, and aggregators provide common ground for solutions, people care less about specific products. They care about their experience: how they feel about the touchpoints they've engaged in. Did these touchpoints make their life more difficult or easy? In an August 2001 Darwin magazine article, there is a quote from John Geisler, corporate vice president of Cargil in which he says:

*Handling simple transactions online is already passé. Provide transaction capability as an entry point, but the real wins are in the collaboration.*

We have known for a long time that customers don't want just features — they want capability. The way they get the capability is through the experiences they have in actually using and interacting with products and people. Customers' attention span is short, the competition is present and connected to the customer base, and the forums for interaction are varied. The way we structure the forms of interaction is critical (i.e., when do they browse and when do we connect personalized mobile access).

### Phases of interaction

To enable the right experience, we should consider that there are specific phases of touchpoint interactions. Whether people are requesting service, buying something, or getting together for dinner, they go through phases intended to transform the nature of the interaction to another level of understanding. The phases are iterative. The phases of each iteration may be described in the following way:

*Whether requesting service, buying something, or getting together for dinner, people go through iterative phases intended to transform the nature of the interaction to another level of understanding.*

- 1. Explore** — *Create a relevant connection* (i.e., in context). At this stage, someone with a need or desire looks for, locates and examines possible connections relevant to the need or desire. Where suitable relationships already exist, they will probably represent first choices; e.g., if I'm looking for a book and have had previous good experiences with amazon.com, it's very likely that I will look there first. If I have a question about how to use a spreadsheet and have received useful assistance in the past from the spreadsheet wizard two doors down, chances are I'll ask her first. What I'm looking for in either case is connection with a

resource that will help me address my need or desire. From among several possible connections I will select one, based on a context that includes existing relationships — i.e., previous connective experience — as well as elements and associations unique to the situation at hand. This exploration really takes place at what may be described as a “metacontext” level, or within multiple, simultaneous frames of reference: it involves adding and aligning contextual dimensions, validating that we are, in fact, using the same language.

2. **Negotiate** — *Seek alignment.* Having selected a potential connection, the parties may mutually engage in a process that both elicits and infers information relating to a proposed interaction or engagement; this consists of telling and asking, as well as reciprocal disclosure. Have you got what I need or want, and at what price or under what circumstances will you provide it?
3. **Engage** — *Doing the work.* The parties agree to collaborate, and the engagement is consummated. A successful interaction at this phase may be described as one in which both parties complete the exchange.
4. **Reflect** — *Create the feedback and learning* from the outcome to inform and affect subsequent interactions between the parties. If the outcome was positive, it will contribute to the relationship and make future engagement likely.

If the initial contact is “live,” this process can iterate very quickly. In social situations, or meetings, the process begins when individuals decide with whom they will meet. They proceed with initial chatting or “small talk.” They then discuss what people want to do or accomplish, do what was agreed, and finally reflect on what was accomplished or how they felt about the experience. No matter how well people know each other, the iteration tends to take on these dimensions in an expanded or abbreviated way.

*Interactions occur in many potential modalities, or exchange formats, such as by phone, email, online, or interpersonal. Each modality offers strengths and weaknesses in terms of what can be conveyed, what can be inferred, and what can be preserved as a result of the interaction.*

## **Elements of the Community Service Web — Multi-Mode Interactions**

The offerings that are a part of this Service Web have to consider what type of touchpoint is needed, how to accommodate the medium of interaction to the function and the preferences of the community members.

### **Asynchronous Communication**

#### **▲ Message Boards/Newsgroups**

This is where persistent community lives, and thus forms the cornerstone for most online community presences. Message Boards afford a means for posting messages and coming back to look for replies over time. It is a fairly persistent medium, although messages need to be “aged off” the system and/or archived due to the sheer volume of content that can collect over time.

### ▲ **Email/Mailing Lists**

Email is ubiquitous and the preferred means of communication of some individuals, because when at work they are engaged in it constantly and it is, therefore, an easy means with which to engage. It can be fairly private or quite public, and provides asynchronous communication that users can refer to when the time becomes available.

### ▲ **Members Helping Members**

Peer Help Environments offer great value by acting as “matchmaking services” to connect those with the right match of skills and needs so that they can help one another. This is often customers helping each other, and may involve means for sharing information and tracking progress on shared projects. Having connected the interested parties, this collaboration environment also relies on other means for communication among its members, including email, chat, newsgroups and instant messaging.

### ▲ **Polls, Ratings and Reviews**

Often neglected because it is “metadata,” (information about the information), these are actually valuable user-created content used to communicate what is most valuable, a very important function in optimizing the signal-to-noise ratio in common.

*Message boards are where persistent community lives, and thus forms the cornerstone for most online community presences.*

## **Synchronous Communication**

### ▲ **Chat**

Chat is online, real-time, text-based communication. It is excellent for event-based interaction, such as hosted chats featuring an industry guru. Those who prefer this medium often gather in chat rooms during regular times to talk with others like themselves about shared interests. The advantages and disadvantages have to do with the real-time nature of the medium. Attendance is not often as large as in newsgroups, but archives of important chat sessions can be saved for re-use and publication.

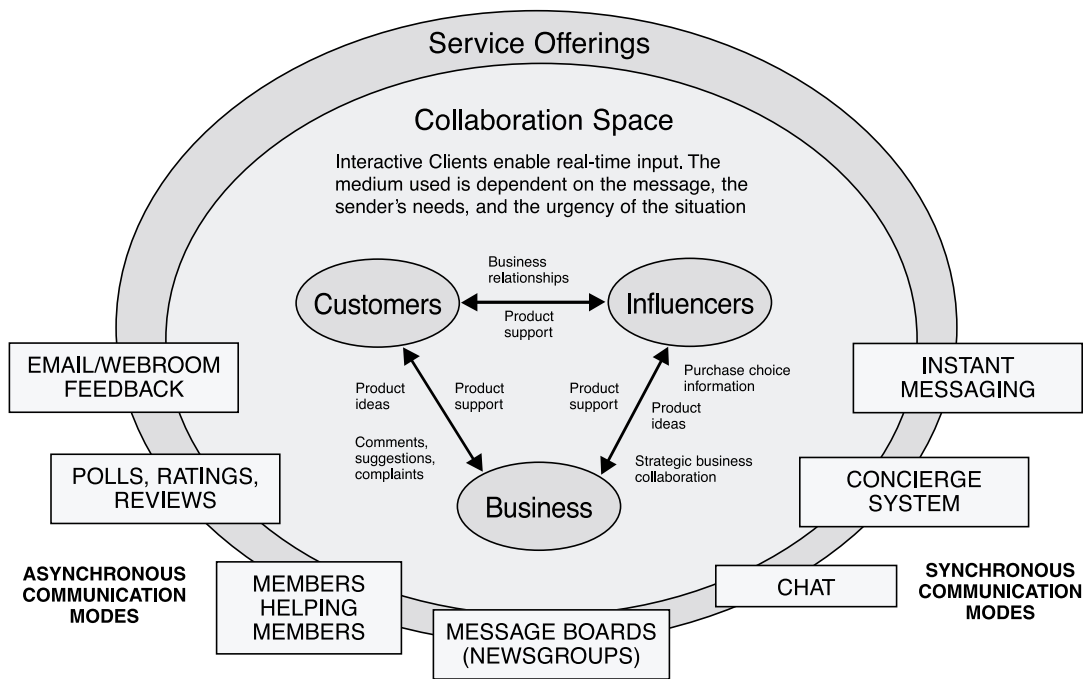
### ▲ **Concierge Services**

Basically, a concierge service is a one-to-one, real-time chat set up to be a sort of online helpdesk. It can become a major driver of customer satisfaction because they get answers to their question in real time. It also can be much less expensive than phone support.

### ▲ **Instant Messaging**

Instant Messaging is in use by more than half of those on the Internet today and is an extremely valuable medium for business communication. It allows the user to know who in their buddy list (a group of people selected according to their importance to the individual) is online at any particular moment, and allows them to fire off a message in real time. Instant messaging sews together the patchwork quilt of community conversations by forming a more instantaneous adjunct to message boards and email.

# Community is a Service



The community can engage customers to interact with one another. Influencers within the community can drive loyalty through their own advocacy and try new environments to help mature them. We can create a service web that puts the customer's whole experience at the center. The knowledge that we gain will help us to learn and evolve.



# Epilogue

## Value Proposition

Gideon Sasson, who is the Enterprise President of Charles Schwab's \$420 billion online brokerage business, says, "Customers are now in control. And the competitive landscape is much more transparent. Before the Internet, customers had no real way to measure or compare the value of the exchange; they gave us money, we gave them something of value".

Companies used to "promote" their products, "incent" their employees, and draw hierarchies and matrices to define authority and "span of control." In a network environment, the lines of influence and authority are not so clearly drawn. Natural connections form between people with shared interests or with complementary skills that come together to achieve, learn and explore. These connections are facilitated with technology to form communities — some for profit and some for other benefits.

Businesses can sponsor communities themselves and participate in them. By engaging in a community, the business can leverage the resources who, like it or not, are influencing their business. Although our businesses have worked to create satisfied or even loyal customers, they have not really learned to build and care for relationships. Organizations are known for being one of the greatest structures for organized defensiveness in existence. It is a place where people rarely say what they mean, where people don't feel comfortable taking risks, and where people have felt growing insecurity over the last few years.

The Betty strategy defines a way for businesses to reconsider their operational models, to redefine their relationships within and outside themselves to create new economic value and well-being. The economy recognizes the values of human relationships and calls it "social capital."

*Social capital is defined as the sum of the value of all our existing relationships. It's a measure of the number of relationships we have, the depth and quality of those relationships in terms of their capacity to generate current and future earnings, the duration of those relationships, and their overall profitability.*

The nature of the relationships makes a difference in value. Stock prices have been shown to increase if the business' customer relationships are deep and active. Therefore, it is not enough to engage and track customer interactions, it is necessary to really be influenced by customers and to let them inside the business. Mutual understanding must evolve in order for both parties to more deeply trust and respond to each other.

The question facing service and support leaders and managers today is not just "What is driving change in the economy today?" It is "What should I do to respond to these changes?" Betty is intended to answer the second question.

# A Getting Started Summary

Transforming the business to a Betty model requires vision, courage and the ability to influence. The following are key steps that will move things in the right direction:

1. **Establish a corporate Id** — Learn what your real essential purpose is. Failing to identify and communicate it causes disruption. Implement a normalization approach that takes the essential purpose from the top down and then integrates how the business is perceived, from the bottom up. The gaps will define the adjustments that need to be addressed — and the connections that need to be implemented to turn it into a network.
2. **Connect the touchpoints** — Create customer scenarios that illustrate the points where interactions happen in different situations. Determine the methods that could optimize the flow of interactions across touchpoints — with the active participation of all those actually engaged in them.
3. **Design the “Value Net”** — Engage the players that are in the business’ value net to define explicit relationship models that connect at a contextual level. Create a common touchpoint network where all players can engage within the context of the value proposition. Help them use impartial, objective facilitation to put in place:
  - a. Transparent processes
  - b. Knowledge sharing and management across the community
  - c. Validated pricing and configuration models
  - d. Rules of conduct
  - e. Principles of operation and decision making
  - f. Fringe engagement
  - g. Review and renewal counsel
4. **Provide multi-textured interfaces** — Enable customers to interact through forums that reflect their needs and provide optimal access to relevant resources and information. Avoid generalized assumptions. Ones we hear a lot include:
  - a. Customers want to use the telephone in critical situations
  - b. Our customer base just doesn’t use the Internet
  - c. Chat sessions require too many resources

Don’t confuse bad implementations with bad ideas. Meet customers everywhere they operate, with access and knowledge in a context they can relate to and act upon, and watch what happens.

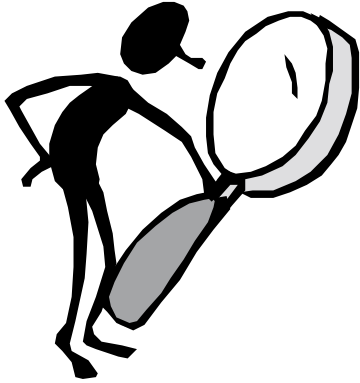
5. **Enable community practices by:**
  - a. Enabling influencers to participate as models
  - b. Creating motivation that corresponds to the context of the audience
  - c. Aligning interactions with the stages of the relationship
  - d. Aligning the media with the mode of interaction that fits
  - e. Allowing competition to provide choices for customer
  - f. Ensuring the environment represents values that will develop trust

## 6. Focus on the process, not the product

While this trite phrase may seem more suited to parenting small children, it is no less relevant in identifying the shift that needs to take place in relationship-centered thinking. Relationships build through iterations of interaction. Context can only be captured and assessed as it is defined, implied and exercised through the inputs and outputs of interaction. The degree to which relationship-centered systems can focus on and enable a continuous process of learning, feedback and adjustment will determine how truly dynamic, fluid and personalized those systems can be. One does not “ship” a community; from the same perspective, a product is less a combination of features and functions than an opportunity to engage in customer interaction.

The higher purpose of business is to deliver customer value — put the customer in the center of the value proposition (not the product). The relation between products, the organization, and other customers falls naturally into activities focused on monitoring and maintaining their success. “Relationship management” then becomes an act of continuous mutual exploration, creation, assessment and celebration of success.

*Context can only be captured and assessed as it is defined, implied and exercised through the inputs and outputs of interaction.*



## Appendix A — References

### The Betty Reading List

These books are listed in an order roughly based on the frequency of reference in the Betty discussions.

#### **The Tipping Point: How Little Things Can Make a Big Difference**

By Malcolm Gladwell

*Amazon.com*

“The best way to understand the dramatic transformation of unknown books into bestsellers, or the rise of teenage smoking, or the phenomena of word of mouth or any number of the other mysterious changes that mark everyday life,” writes Malcolm Gladwell, “is to think of them as epidemics. Ideas and products and messages and behaviors spread just like viruses do.” Although anyone familiar with the theory of memetics will recognize this concept, Gladwell’s *The Tipping Point* has quite a few interesting twists on the subject.

*The Tipping Point* is one of the most effective books on science for a general audience in ages. It seems inevitable that “tipping point,” like “future shock” or “chaos theory,” will soon become one of those ideas that everybody knows — or at least knows by name. — *Ron Hogan*

*The New York Times Book Review, Alan Wolfe*

...a lively, timely and engaging study of fads...*The Tipping Point* is worth reading just for what it tells us about how we try to make sense out of the world.

#### **The Customer Revolution**

By Patricia Seybold, Ronni T. Marshak (contributor) and Jeffery M. Lewis (contributor)

*Amazon.com*

It used to be that developing customer relationships in a mass-market economy didn’t matter. All a successful company had to do was make products that people generally liked — build it and they would come. Patricia Seybold thinks those days are long gone. Thanks to the Internet, customers matter more than ever, and companies that don’t get it simply won’t make it. In *The Customer Revolution* she writes, “For the first time in the history of modern business, it’s now cost-effective for companies to establish relationships with each and every customer who wants us to know him.”

Seybold outlines the principles of the “customer economy” and looks at 14 companies, including Charles Schwab, Snap-on, and Hewlett-Packard, who are in the process of refocusing their businesses to meet customer needs and expectations by measuring and running their businesses on metrics such as customer satisfaction, acquisition, retention rates, and wallet share. In the

customer economy, building brand means more than creating a clever logo—it requires creating an “experience that your customers love.” She offers up a set of practices—what she calls a “Customer Flight Deck”—that allows companies to monitor and tune the success of their customer contacts. Customer relationships are so important, Seybold believes that a new metric of corporate reporting will emerge alongside profit and loss, return on assets, and P/E ratios—one she calls a “Customer Value Index” designed to give investors the means to measure a company’s performance by looking at the present and future value of its customer base. As with her previous book *Customers.com*, *The Customer Revolution* should be required reading for managers at any company — old or new — who are assessing the real impact of the Internet on their businesses. Highly recommended. — *Harry C. Edwards*

### **The Cluetrain Manifesto: The End of Business as Usual**

By Doc Searls, Rick Levine, Christopher Locke, David Weinberger

*Amazon.com*

While the captains of industry might dismiss it as mere science fiction, *The Cluetrain Manifesto* is definitely of this day and age. Aiming squarely at the solar plexus of corporate America, the authors show how the Internet is turning business upside down. They proclaim that, thanks to conversations taking place on Web sites and message boards, and in e-mail and chat rooms, employees and customers alike have found voices that undermine the traditional command-and-control hierarchy that organizes most corporate marketing groups. “Markets are conversations,” the authors write, and those conversations are “getting smarter faster than most companies.” In their view, the lowly customer service rep wields far more power and influence in today’s marketplace than the well-oiled front office PR machine. — *Harry C. Edwards*

### **Leadership and the New Science Revised: Discovering Order in a Chaotic World**

by Margaret J. Wheatley

*Amazon.com*

When Margaret J. Wheatley’s *Leadership and the New Science* was initially published in 1992, it outlined an unquestionably unique but extremely challenging view of change, leadership, and the structure of groups. Many readers immediately embraced its cutting-edge perspective, but others just could not understand how the complicated scientific tenets it described could be used to reshape institutions. Now Wheatley, an organizational specialist who has since coauthored *A Simpler Way*, updates the original by including additional material (such as an epilogue addressing her personal experiences during the past decade) and reconstructing some of her more challenging concepts. The result is a much clearer work that first explores the implications of quantum physics on organizational practice, then investigates ways that biology and chemistry affect living systems, and finally focuses on chaos theory, the creation of a new order, and the manner that scientific principles affect leadership. “Our old ways of relating to each other don’t support us any longer,” she writes. “It is up to us to journey forth in search of new practices and new ideas that will enable us to create lives and organizations worthy of human habitation.” — *Howard Rothman*

## **In Good Company: How Social Capital Makes Organizations Work**

By Don Cohen and Laurence Prusak

*From Publishers Weekly*

Relationships between supervisor and worker are important, but so are the relationships between other kinds of colleagues. For example, UPS workers frequently get together on a lunch break, not simply to eat but to exchange information or to divide up the workload more fairly. Prusak (executive director of the IBM Institute for Knowledge Management) and Cohen (editor of Knowledge Directions) provide insight into the causality between a company's social atmosphere and its success.

*New York Times, February 25, 2001*

“The book's novelty and appeal lie in the...attention to the power of commonplace conversations...”

*Book Description*

Knowledge has always resided in organizations—but it wasn't until the Information Age put a premium on ideas that intellectual capital was recognized as a critical resource. Now, forces like technology, globalization, and the rise of free agency and virtual workplaces are bringing another form of “hidden” capital to the forefront.

*In Good Company* is the first book to examine the role that social capital — a company's “stock” of human connections such as trust, personal networks, and a sense of community — plays in thriving organizations. Written by leading knowledge management experts Don Cohen and Laurence Prusak, this groundbreaking book argues that social capital is so integral to business life that without it, cooperative action — and consequently productive work — isn't possible. The authors help today's leaders understand the nature and value of social capital, suggest ways they can encourage and enhance it, and explore how they can protect this vital but increasingly vulnerable resource in a volatile, virtual world.

Drawing on major social and economic theories, and the experiences of organizations including the World Bank, Aventis Pharma, Alcoa, Russell Reynolds, and UPS, *In Good Company* identifies the social elements that contribute to knowledge sharing, innovation, and high productivity. The authors convincingly show how almost every managerial decision — from hiring, firing, and promotion to implementing new technologies to designing office space — is an opportunity for social capital investment or loss. They also reveal the benefits that derive from investments in social capital, such as greater commitment and cooperation, increased talent retention, and more intelligent responses to customer needs.

## **Bowling Alone: The Collapse and Revival of American Community**

By Robert Putnam

*Amazon.com*

Few people outside certain scholarly circles had heard the name Robert D. Putnam before 1995. But then this self-described “obscure academic” hit a nerve with a journal article called “*Bowling Alone*.” Suddenly he found himself invited to Camp David, his picture in People magazine, and his thesis at the center of a raging debate. In a nutshell, he argued that civil society was breaking

down as Americans became more disconnected from their families, neighbors, communities, and the republic itself. The organizations that gave life to democracy were fraying. Bowling became his driving metaphor. Years ago, he wrote, thousands of people belonged to bowling leagues. Today, however, they're more likely to bowl alone:

Television, two-career families, suburban sprawl, generational changes in values — these and other changes in American society have meant that fewer and fewer of us find that the League of Women Voters, or the United Way, or the Shriners, or the monthly bridge club, or even a Sunday picnic with friends fits the way we have come to live. Our growing social-capital deficit threatens educational performance, safe neighborhoods, equitable tax collection, democratic responsiveness, everyday honesty, and even our health and happiness.

The conclusions reached in the book *Bowling Alone* rest on a mountain of data gathered by Putnam and a team of researchers since his original essay appeared. Its breadth of information is astounding — yes, he really has statistics showing people are less likely to take Sunday picnics nowadays. Dozens of charts and graphs track everything from trends in PTA participation to the number of times Americans say they give “the finger” to other drivers each year. If nothing else, *Bowling Alone* is a fascinating collection of factoids. Yet it does seem to provide an explanation for why “we tell pollsters that we wish we lived in a more civil, more trustworthy, more collectively caring community.” What’s more, writes Putnam, “Americans are right that the bonds of our communities have withered, and we are right to fear that this transformation has very real costs.” Putnam takes a stab at suggesting how things might change, but the book’s real strength is in its diagnosis rather than its proposed solutions. *Bowling Alone* won’t make Putnam any less controversial, but it may come to be known as a path-breaking work of scholarship, one whose influence has a long reach into the 21st century. — *John J. Miller*

## **Value Based Management: The Corporate Response to the Shareholder Revolution**

By John D. Martin, J. William Petty, and William J. Petty

Why Do Some Firms Create Extraordinary Value for Shareholders, While Others Destroy It? A Powerful Suite of Value Based Management Tools Can Make the Difference.

Companies that either diminish firm value or destroy it far outnumber Wall Street’s wealth-creating superstars — and investors hate it. To respond to growing pressures to put shareholder value creation at the top of the agenda, today’s leaders are increasingly turning to a powerful set of tools for value based management.

The corporate world’s comeback to shareholder revolt, value based management (VBM) refers to tools that financial managers can use to plan, monitor, and control a firm’s operations in ways that enhance shareholder value. This timely book — based on the authors’ research and on an extensive study of firms that have successfully implemented VBM systems — provides the first objective, field-tested synthesis of the most popular models in use today: the free cash flow method, the economic value added/market value added (EVA/MVA) method, and the cash flow return on investment approach (CFROI). Pointing to the lessons learned by VBM adopters in a wide variety of industries, the authors outline the advantages and disadvantages of each model,

and guide managers in electing, implementing, and operating one that best fits their organization. At its essence, value based management involves transforming behavior in a way that encourages employees to think and act like owners. Laying the foundation for building a capital-market-focused measurement and reward system that ties employee-level performance to owner-level rewards, this book will help today's leaders establish a continuous cycle of value creation that benefits all stakeholders of a company.

## **The Prince**

By Niccolo Machiavelli, Daniel Donno (introduction)

*Amazon.com*

When Lorenzo de' Medici seized control of the Florentine Republic in 1512, he summarily fired the Secretary to the Second Chancery of the Signoria and set in motion a fundamental change in the way we think about politics. The person who held the aforementioned office with the tongue-twisting title was none other than Niccolo Machiavelli, who, suddenly finding himself out of a job after 14 years of patriotic service, followed the career trajectory of many modern politicians into punditry. Unable to become an on-air political analyst for a television network, he only wrote a book. But what a book *The Prince* is. Its essential contribution to modern political thought lies in Machiavelli's assertion of the then revolutionary idea that theological and moral imperatives have no place in the political arena. "It must be understood," Machiavelli avers, "that a prince...cannot observe all of those virtues for which men are reputed good, because it is often necessary to act against mercy, against faith, against humanity, against frankness, against religion, in order to preserve the state." With just a little imagination, readers can discern parallels between a 16th-century principality and a 20th-century presidency. — *Tim Hogan*

## **The Innovator's Dilemma: The Revolutionary National Bestseller That Changed The Way We Do Business**

by Clayton M. Christensen

*Amazon.com*

What do the Honda Supercub, Intel's 8088 processor, and hydraulic excavators have in common? They are all examples of disruptive technologies that helped to redefine the competitive landscape of their respective markets. These products did not come about as the result of successful companies carrying out sound business practices in established markets. In *The Innovator's Dilemma*, author Clayton M. Christensen shows how these and other products cut into the low end of the marketplace and eventually evolved to displace high-end competitors and their reigning technologies.

At the heart of *The Innovator's Dilemma* is how a successful company with established products keeps from being pushed aside by newer, cheaper products that will, over time, get better and become a serious threat. Christensen writes that even the best-managed companies, in spite of their attention to customers and continual investment in new technology, are susceptible to failure no matter what the industry, be it hard drives or consumer retailing. Succinct and clearly written, *The Innovator's Dilemma* is an important book that belongs on every manager's bookshelf. Highly recommended. — *Harry C. Edwards*

## **The Balanced Scorecard: Translating Strategy into Action**

By Robert Kaplan

Here is an accounting text that requires absolutely no knowledge of methods and acronyms, but rather needs a strong business orientation to understand. What professor Kaplan and consultant Norton have created is a system that not only measures but, more important, manages such elusive corporate goals as mission, vision, customer and employee satisfaction, and the like. The “balanced scorecard” they’ve devised is based on long-term studies of five companies. The beauty of the scorecard is its reality-grounded perspective; the authors readily admit, for instance, that if such a system is put into effect, it will fail without the consensus of senior management. For organizations and their employees undergoing change. — *Barbara Jacobs Ingram*

*The Balanced Scorecard* shows managers how to mobilize their people to fulfill the company’s mission. More than just a measurement system, this revolutionary tool tells readers how to channel the energies, abilities, and specific knowledge they possess into the achievement of long-term goals.

## **Net Worth**

By David Hagel

*Amazon.com*

No one ever said consumerism was easy. At one end, the poor consumer faces a bewildering array of goods and services. On the other, vendors contend with a diverse and fragmented marketplace that makes finding the right set of customers akin to finding the proverbial needle in the haystack. And in between are the billions misspent on muffed purchases and broken marketing campaigns that serve only to stuff mailboxes and alienate the very customers that vendors are trying to attract. The rise of e-commerce has only intensified the problem by offering consumers even greater choice and vendors more competition. John Hagel and Marc Singer think they’ve got a better idea, and in *Net Worth*, they present an online scenario that would end this chaos and give both customers and vendors what they really want.

At the heart of Hagel and Singer’s solution is the “infomediary” that sits between the customer and vendor. For the consumer, the infomediary acts as a trustworthy agent who knows the needs and habits of the client. For the vendor, the infomediary is the holy grail of consumer behavior, a marketer’s dream. The infomediary brokers client information to vendors in exchange for goods and services for the consumer. The result? Happy consumers, satisfied marketers, and a very lucrative business model that awaits those entrepreneurs and companies that are bold enough to embrace the idea. The authors painstakingly outline the challenges and opportunities of developing an infomediary business and go as far as to peg the potential market cap of a dominant player at \$20 billion by its fifth year of operation. While the idea of software agents is nothing new, Hagel and Singer may be breathing new life into the idea at just the right time. And even if infomediaries never arise, following the thinking of Hagel and Singer is well worth the price of admission. For marketers, managers, entrepreneurs, and just about anyone who thinks about e-commerce. Highly recommended. — *Harry C. Edwards*

## **Net Gain: Expanding Markets Through Virtual Gain**

By David Hagel

*Amazon.com*

Building relationships with customers has been a buzz phrase in many business circles for years. Now John Hagel and Arthur Armstrong declare that's not enough. They make a strong case that business success in the very near future will depend on using the Internet to build not just relationships, but communities. The payoff, they maintain, will be phenomenal customer loyalty and high profits. But, they warn, this race will definitely go to the swift. Here's a cyberspace book that could make your business future. Not everyone agrees with Hagel and Armstrong, but with stakes so high they deserves a serious reading.

*David Warsh, The Boston Globe, April 5, 1998*

"The book that is the current rage of the Internet marketing community — *Net Gain: Expanding Markets Through Virtual Communities* by John Hagel and Arthur Armstrong — puts it this way: "The appearance of the global computer network has set in motion an unprecedented shift in power from the producers of goods and services to the customers who buy them."

*Business Week, September 27, 1999*

"Hagel is a fountain of concepts that are being put into practice all over the Web. In 1997, his book *Net Gain* (co-authored by Arthur G. Armstrong) suggested how noncommercial Web communities could use content, chat, and bulletin boards to promote e-commerce."

## **Getting Together: Building Relationships As We Negotiate**

by Roger Fisher, Scott Brown (Contributor)

*Amazon.com*

As a sequel and complement to *Getting to Yes*, Fisher offers a practical, straightforward approach to the long-range problem of sustaining relationships that can deal with difficulties as they arise.  
— *Ingram*

## **The Spell of the Sensuous: Perception and Language in a More-Than-Human World**

by David Abram

*Amazon.com*

David Abram's writing casts a spell of its own as he weaves the reader through a meticulously researched work that gently addresses such seemingly daunting topics as where the past and future exist, the relationship between space and time, and how the written word serves to sever humans from their primordial source of sustenance: the earth.

"Only as the written text began to speak would the voices of the forest, and of the river, begin to fade. And only then would language loosen its ancient associations with the invisible breath, the spirit sever itself from the wind, the psyche dissociate itself from the environing air," writes Abram of the separation caused by the proliferation of the written word.

In writing *The Spell of the Sensuous*, Abram consulted an engaging collection of peoples and works. He uses aboriginal song lines, stories from the Koyukon people of northwestern Alaska, the philosophy of phenomenology, and the speeches of Socrates to paint a poetic landscape that explains how we became separated from the earth in the first place. With minimal environmental doomsaying, Abram discusses how we can begin to recover a sustainable relationship with the earth and the nonhuman beings who live among us — in the more-than-human world.

— *Kathryn True*

### **The Power of Alignment: How Great Companies Stay Centered and Accomplish Extraordinary Things**

by George Labovitz, Victor Rosansky

Offers managers the principles and techniques necessary to direct the human potential of their entire organizations toward achieving sustained growth and profit, winning loyal customers, and creating a high performance workforce. 50,000 first printing. \$100,000 ad/promo.” — *Ingram*

Book info: This book goes beyond TQM and reengineering by creating a new approach called Alignment. The authors show that great companies manage to link strategy and people and integrate customer needs with continuous improvement processes. DLC: Organizational change.

### **The Firm, the Market, and the Law**

By Ronald Coase

#### *Book Description*

Few other economists have been read and cited as much as R.H. Coase, a scholar who approached economics as a philosopher: with contemplation, careful scrutiny of real conditions and consideration of the practical implications of theory.

“These essays bear rereading. Coase’s careful attention to actual institutions not only offers deep insight into economics but also provides the best argument for Coase’s methodological position. The clarity of the exposition and the elegance of the style also make them a pleasure to read and a model worthy of emulation.” — *Lewis A. Kornhauser, Journal of Economic Literature*

### **The Art of War**

by Sun-Tzu, Sun Tzu, James Clavell (Editor)

#### *Book Description*

Written in China over two thousand years ago, Sun Tzu’s *The Art of War* provides the first known attempt to formulate a rational basis for the planning and conduct of military operations. These wise, aphoristic essays contain principles acted upon by such twentieth-century Chinese generals as Mao Tse Tung. Samuel Griffith offers a much-needed translation of this classic which makes it even more relevant to the modern world. Including an explanatory introduction and selected commentaries on the work, this edition makes Sun Tzu’s timeless classic extremely accessible to students of Chinese history and culture, as well as to anyone interested in the highly volatile military and political issues in present-day China. —*This text refers to the Paperback edition.*

### *Ingram*

The writings of the ancient warrior Sun Tzu have provided tremendous wisdom to generations through the ages. Now these philosophies are available with anecdotal extracts by the author of *Shogun* and *Noble House*.

## **Sight and Sensibility: The Ecopsychology of Perception**

by Laura Sewall, David Abram

### *Book Description*

In the tradition of *A Natural History of the Senses*, an esteemed expert in ecopsychology shows how expanding the way we see the natural world can improve the way we relate to it.

In recent years, there has been a surge of interest in the connection between the human psyche and the natural environment. Fueled by a growing awareness of worldwide ecological degradation, an entirely new field of study, called ecopsychology, has emerged. At universities across the country, scientists are learning how the decline of our planet's environment affects not just our physical health but also our minds and emotions.

## **Relevance Lost: The Rise and Fall of Management Accounting**

By H. Thomas Johnson

### *Book Description*

Management accounting is vital to long-term planning. However, in today's climate of rapid technological change, vigorous global and domestic competition, and the enormous expansion of information-processing capabilities, current management accounting systems are inadequate and outdated. In *Relevance Lost*, H. Thomas Johnson and Robert S. Kaplan, both professors of management accounting, combine their unique perspectives to describe the evolution of management accounting in American business, from the early textile mills to present-day computer-automated manufacturers. As they say, "understanding the reasons behind the obsolescence of existing systems should provide improved rationale for organizational change." Johnson and Kaplan argue that the use of outdated accounting methods may have helped undermine American manufacturers' efforts to adapt to the rapidly changing competitive environment of the 1980s. When management accounting systems report highly inaccurate product costs and provide misleading targets for productivity and efficiency efforts, America's large decentralized corporations become vulnerable to smaller, more focused competitors. Ineffective management accounting systems can prevent companies from achieving gains through vertical integration and diversification. Today new management accounting developments taking place in leading American manufacturing firms show promise of reversing this trend. *Relevance Lost* cites numerous cases of forward-looking companies that are accomplishing just that. Johnson and Kaplan masterfully and persuasively illustrate the need for modern corporations to reexamine their existing practices and to redesign new management accounting systems. Tomorrow's leaders will be those companies who have the foresight to lead management accounting back to the path of relevance from which it strayed over sixty years ago.

*Ingram*

Now in its ninth printing, *Relevance Lost* has had a profound impact on the way management accounting systems operate in the 1990s. Featuring a new preface, this edition explores the evolution of management accounting, and stresses the importance of rapid technological change in today's global and domestic competition. "... (this book) could be a survival manual for troubled industries." — *The Wall Street Journal*.

## **New Rules for the New Economy: 10 Radical Strategies for a Connected Economy**

By Kevin Kelly

*Amazon.com*

There's hype and then there's the Internet. The widespread emergence of the World Wide Web and the idea of a network economy have set new records for excess in overheated marketing campaigns, breathless newspaper and magazine articles, and topsy-turvy financial markets. From his perch as founding editor of *Wired* magazine, Kevin Kelly has long been one of the new economy's chief hypesters. In *New Rules for the New Economy*, Kelly tries to encapsulate the characteristics of this emerging economic order by laying out 10 rules for how the wired world operates. The result is a dizzying, sometimes confusing, but always thought-provoking look at the behavior of networks and their effect on our economic lives. At the root of this network revolution is communication. As Kelly writes: Communication is the foundation of society, of our culture, of our humanity, of our own individual identity, and of all economic systems. This is why networks are such a big deal. Communication is so close to culture and society itself that the effects of technologizing it are beyond the scale of a mere industrial-sector cycle. Communication, and its ally computers, is a special case in economic history. Not because it happens to be the fashionable leading business sector of our day, but because its cultural, technological, and conceptual impacts reverberate at the root of our lives.

Kelly's genius lies in synthesizing large amounts of information in unique and interesting ways. His ability to turn a phrase is reflected in the names he gives to his 10 rules, and it makes this book a pleasure to read. Some, for example, are: "Embrace the Swarm: The Power of Decentralization" (Rule 1); "No Harmony, All Flux: Seeking Sustainable Disequilibrium" (Rule 8); and "Let Go at the Top: After Success, Devolution" (Rule 6). A few of his ideas have a kind of Teflon quality that makes them elusive and difficult to evaluate. But that's OK. Like other prognosticators of the future — Alvin Toffler and John Naisbitt come to mind — Kelly's job is to imagine a new world. Far from hype, *New Rules for the New Economy* is required reading for anyone pondering business in the not-too-distant future. — *Harry C. Edwards*

*Upside, Noah Shachtman*

Soon all business will be Net business. Everything from cattle on a ranch to the shirts on our backs will be embedded with a silicon chip. And each of these chips, suggests Kevin Kelly, executive editor of *Wired* and author of *New Rules for the New Economy*, will be linked to the network, transmitting tiny droplets of data that will add up to an enormous reservoir of information about how we buy and sell, work and play. How do you prepare for this future? Embrace the rules of the Net: Give away your products (or come damned close), detonate hierarchies in favor of organic organizational structures, and push to become the universally

adopted standard in your field. The author paints a compelling, well-written vision for how the technology-driven world will work. But you'd better take Kelly's prognostications with an industrial-size dose of salt. He's the master of breathlessly declaring the trends of the moment the standards of the future.

### **Eva and Value Based Management: A Practical Guide to Implementation**

By S. David Young and Stephen F. O'byrne

#### *Book Description*

Economic Value Added (EVA) and Value Based Management (VBM) are today's hottest management buzzwords. But written information has often been biased and clouded by the authors' hidden agendas. EVA and Value-Based Management is the first book to unflinchingly discuss the pros and cons of EVA and VBM. Covering both implementation and conceptual issues, with a strong emphasis on performance measurement, value drivers, and management compensation, it allows readers to come to their own informed conclusions.

#### *Book Info*

Provides in-depth coverage of how to implement Economic Value Added and Value-Based Management. Shows how to determine the cost of capital, use accounting adjustments to make better use of EVA, identify value drivers to guide performance improvement, and how to manage compensation to EVA. DLC: Economic value added.

### **Breakup! How Companies Use Spin-Offs to Gain Focus and Grow Strong**

By David Sadtler, Andrew Campbell, and Richard Koch

#### *Book Description*

In the space of two years, dozens of the most famous companies in the United States have all elected to self-destruct: ITT, Grace, Marrion, AT&T, 3M, Baxter, Tenneco, Anheuser Busch, Ralston Purina, General Motors, Corning, Dial, and Dun & Bradstreet.

#### *What on earth is going on?*

As the authors of this hard-hitting book explain, what's going on is a rush to unlock the nearly \$1 trillion worth of value currently trapped in unwieldy, unfocused, and badly managed big companies.

The means to this end is the spin-off. By carefully spinning off companies and divisions, conglomerates can transform themselves into lean, focused, and far more profitable organizations. The excised divisions, reformed into stand-alone businesses, also benefit. No longer hampered by corporate centers without expertise in their core businesses, they thrive.

Based on extensive research and executive interviews, *Breakup!* analyzes the spin-off phenomenon and tells business people what they need to know to get in on the action, whether they are managing their careers, planning strategy for their companies, or looking for investment opportunities. This book covers all the angles, giving the details on what market forces drive breakups, how breakups create value, who should break up, how to profit from a breakup, and how to wind up with a better job should your company break up.

Special features include an analysis of the Fortune 100, showing which companies have the most to gain from considering breakup, and a list of tips, drawn from interviews, for leading your company through a successful breakup.

### **Bionomics: Economy as Ecosystem**

By Michael Rothschild

*Ingram*

Hailed as a landmark account of how we organize ourselves for work, this wise, experience-tested book looks to nature as the model for how things work in the modern business world. Rothschild's anecdote-rich text challenges traditional thinking with a fresh vision of economics as a self-organizing system that is as natural as life itself.

### **21st Century Capitalism**

By Robert Heilbroner

*Amazon.com*

Economists, practitioners of the dismal science, are little known for their compassion or their profundity, but Robert Heilbroner, author of *The Worldly Philosophers*, displays both in this sweeping study of the state and future of capitalism. Based on lectures delivered at Massey College, Heilbroner's book argues persuasively that the public sector, far from being a drag on the marketplace, can be "an indispensable source of strength;" that the death of Communism, not just an unalloyed cause for celebration, represents in some ways the end of the ideals of egalitarianism and community; and that there is "a limit beyond which acquisitiveness no longer serves, and may well disserve, the adaptability of the order." A book everyone concerned about more than their next paycheck should read.

*The New York Times Book Review, Robert Eisner*

An exhilarating exploration of ideas . . . Heilbroner ponders the possibilities for 21st-century capitalism in a sweeping examination of the "idea of progress."