

# STELLAR®

## DEEP DRIVERS OF PEAK PROFITABILITY

Management over the last 100 years has been profoundly influenced by Taylorian 'scientific management'. Exemplifying the classically dualistic Cartesian concept of the separation of mind from body, it introduced the analysis of work processes into discrete task-based units, hierarchical control, the division of labour, standardisation, the distinction of ownership from management and management from workforce, and a focus on increasing output and reducing costs. This resulted in huge improvements in efficiency of production, and continues to radically shape management in the modern world, for example in Lean and in business process re-engineering. Taylor's most enduring influence, however, probably lies in the use of financially-focused metrics as the standard common denominator of management, as the overriding criterion, language and guiding parameter connecting all of those analytically separated tasks, units and processes within a coherent whole. And when everything is ultimately evaluated in terms of financial value, then that becomes a management generic and universal that is perfectly suited to the creation of generic products and services.

This worked well, producing a competitively efficient market-place with producers of largely generic products competing primarily on price. During the 1980s, however, the limits of generic efficiency began to be reached, and with new advances in production techniques spreading around the world almost instantaneously, competition on price began to be profoundly influenced by regional differences in labour costs. Competing on price within a commodity market began to become hazardous, particularly for economically developed societies, as the never-ending cutting of margins inevitably lead to a downward spiral of reduced profit and reinvestment, and to eventual demise. It has become increasingly clear that the only hope of sustainable corporate success lies in the production of a uniquely differentiated product or service selling within a unique niche market.

Classic so-called 'silo' management was top-down, it engaged with symptoms and outcomes rather than causes, it responded almost exclusively to the universality of financially-focused metrics, and it was largely generic. Most recent acquisitions have been driven by this outdated mindset, with consistently high rates of failure in terms of shareholder value. Managing a uniquely differentiated company requires a significantly different approach, demanding the use of local instruments finely tuned to subtle individualities rather than what by comparison seems to be the approximation of a universal sledge-hammer. Over the years many different concepts and characteristics of a new kind of management have emerged, which one might classify under the description 'whole-system' management.

## Silo management

performance management  
 parameters of solutions  
 managing planned output  
 managing problem-solving competency  
 commodity value-creation competency  
 pulled by problems and need  
 focused on targets and outcomes  
 reactive and growth focused  
 growth directed by circumstances  
 surface appearance and phenomena  
 linear and causal  
 lean cost-cutting  
 generic metrics  
 task-oriented operations  
 brand as marketing tool  
 commodity sales  
 adapting to market needs  
 shareholder rationale  
 investment in profitable results  
 directed performance  
 hierarchical structure  
 organisation optimising its efficiency

## Whole-system management

capability management  
 parameters of capability  
 managing emergent output  
 managing value-creation capability  
 unique value-creation capability  
 driven by opportunities and potentials  
 focused on capability  
 empathic and developmental  
 growth organic from within  
 inner dynamic energy and potency  
 complex and emergent  
 creating added-value  
 unique metrics  
 process-oriented operations  
 brand as identity standard  
 category of one  
 aligned with market needs  
 whole-organisation rationale  
 investment in sustainable results  
 emergent performance  
 flat networks  
 organism optimising its capability

The most significant aspect of whole-system management is that purely generic metrics no longer dominate. Of course all of those financially-focused metrics are still fundamental to management. But whereas they used to provide the core parameters of management, they must now not only serve decision-making rather than dictate it, they must also be understood in terms of the unique 'deep driver' dynamics and processes that underlie them, and that actually create what those metrics measure.

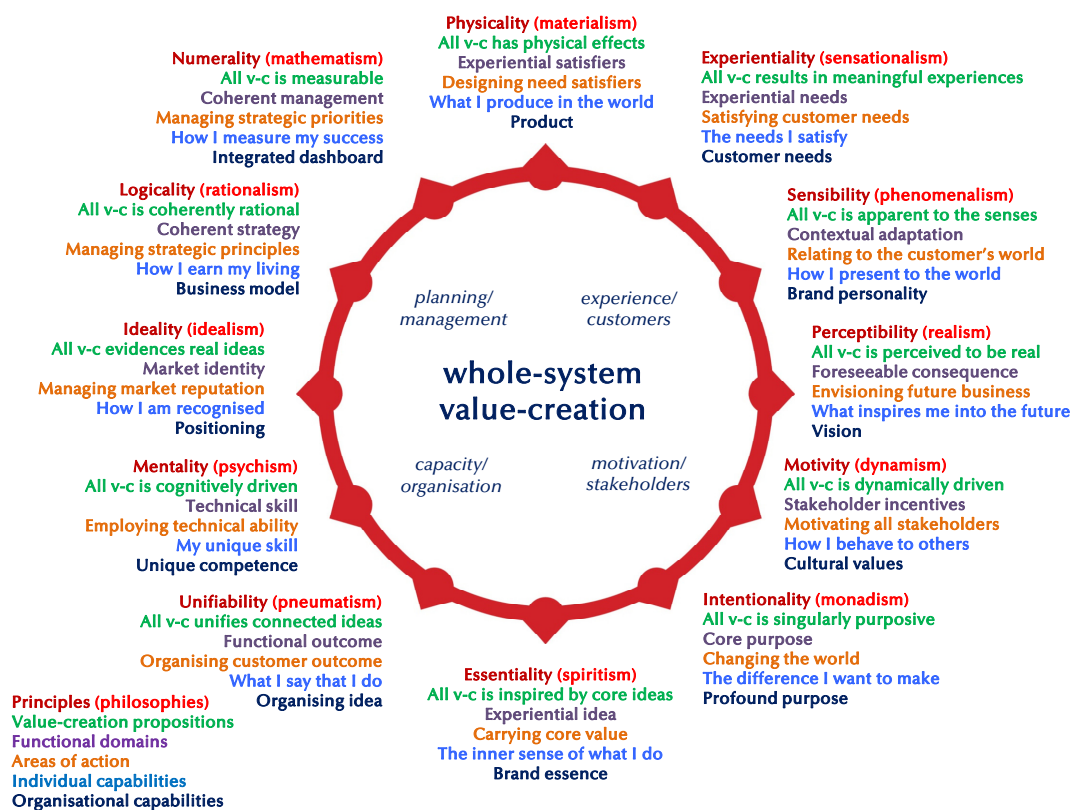
The dynamics and processes that underlie financially-focused metrics comprise the organisation's unique value-creation capability in action. They are what the company is all about, namely the creation of unique experiential value. Nobody buys a car, they buy the experiential value that it brings into their world, and everything within an organisation is indeed dedicated to the creation, delivery and customer consumption of that experiential value. And it is this unique experiential value that post-silo whole-system management is focused on, not the financially-focused metrics of the generic company.

Making decisions on the basis of generic financially-focused metrics is relatively easy and straightforward. Shifting over to decision-making that is designed to optimise the profitable creation of unique experiential value is a very different matter. At its core such decision-making will still need to be ultimately based around metrics, but the interpretation of those metrics will now need to be in terms of their unique deep drivers. Whereas silo-management was directive, removed and distanced from the issues being managed, managing unique value-creation demands intimately and fully involved leadership from within a full understanding of and participation in the processes of value-creation. And it is these unique value-creation processes that are the deep drivers of a company's metrics, its strategies and its decisions.

The process of creating value, however, is hugely complex. Stellar® is an architecture that was developed to map an organisation's unique value-creation processes within the value-stream, and to facilitate decision-making within the parameters of the deep drivers that it maps. The nature of value and value-creation is of key significance in Stellar.

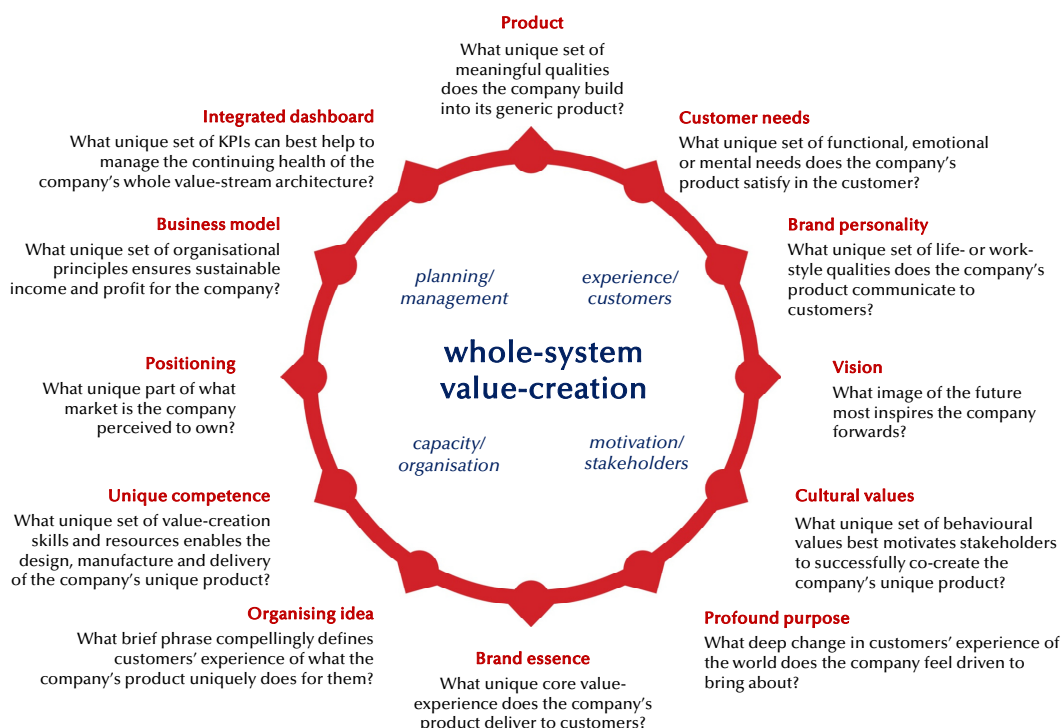
There seems to be a huge desire in all of us to bring value into the world. It is noticeable that almost all entrepreneurs with long-term success have been driven not primarily by money, but rather by their almost hard-wired desire to make the world a better place in some way. In every decision that we take in life we cannot help but look to generate new life, new value, new profit. We hope that all of our actions will result in overall value-creation and not eventual value-cost. And the creation of that value is what gives us our identity and our sense of coherence, meaning and purpose, whether as individuals, groups or organisations. The question always facing us in life is 'what is the right thing to do?', 'what decision will be truly most creative, sustainably and optimally profiting the whole-system?'. Stellar clarifies how to design the right decisions and the right strategies, based on the right deep drivers of value-creation.

The purpose of every decision is to bring meaning and value into the world in some way, with the unsurprising consequence that almost all complex decisions are extremely difficult to design confidently and coherently. Good decision-making is always a challenge. In particular, identifying and then optimally aligning the multiple elements and considerations of a decision with the actuality of its respective issue is usually fraught with confusion and lack of clarity. The Stellar architecture analyses the constituent deep drivers of proposed decisions, enabling clear decision-making that can lead to optimal whole-system value-creation. The Stellar architecture embodies twelve principles, each of which extends logically to a value-creation proposition, to a functional domain, to an area of action, and to an individual or organisational capability, but all of which also function as an indivisible whole.



The twelve principles of value-creation and their logical extensions as propositions, domains, actions and unique capabilities

Working with the Stellar architecture invites an organisation (or an individual) to consciously and deliberately engage equally with all of these principles, and with the coherence and wholeness that is implicit within them. Stellar operates by first defining the organisation's unique value-creation capability within each of the twelve principles.



### The twelve questions that identify an organisation's unique capability

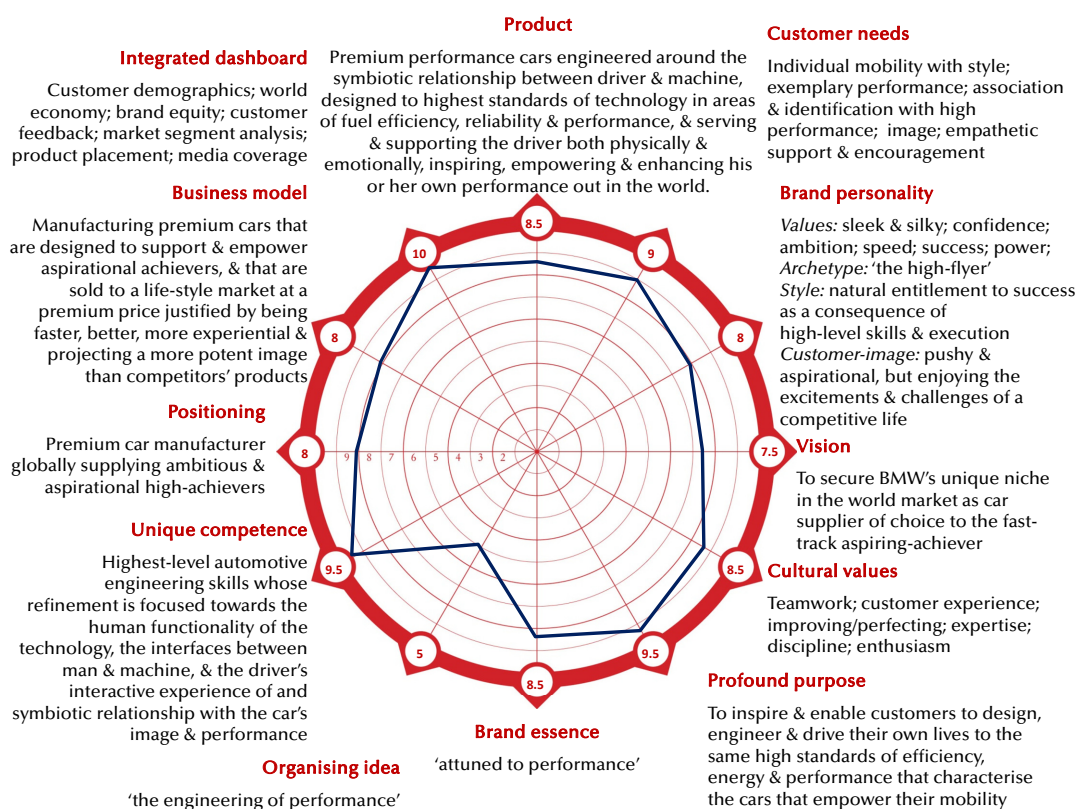
Every company has unique capability (as does every individual). By identifying a company's own unique value-creation capability within each of the twelve domains, and by defining that capability at peak performance, at its very best, a Stellar of the company's core value-stream deep drivers can be compiled.

The process of accurately defining an organisation's unique capability is a major and significant process, and it always has revelatory impact and results in profoundly illuminating answers, most particularly concerning the company's unique identity and its differentiation from other businesses. These definitions of peak performance, however, only become of real practical value with the application of Stellar through the use of a radar. A radar scores on a scale of 1-10 the degree to which any behaviour or action, actual or proposed, fulfils the definition of optimal unique value-creation capability within each of the twelve domains.

At its simplest, the radar can be used to evaluate overall performance of current strategies and decisions in relation to peak, and it is the gap between actual performance and peak that is so valuable. By asking the question of why there is a gap, why one is not performing at peak, one can identify blockages, either internal or external, and clarify what is lacking, what needs to be done, and whether or not a decision is likely to succeed or not.

The radar also evaluates how well any *proposed* strategy or decision might align with the company's unique capability at best, and so offers the possibility of both improving the likely effectiveness of the proposed decision, and better managing the parameters of its execution towards optimal performance. If, therefore, we want to design a decision that can lead to optimal value-creation in a particular situation, we need to first analyse what

exactly within that situation needs to be considered, understood and acted on within each of the twelve archetypal principles. As the design of a decision begins to emerge, a radar can then identify the extent to which the twelve constituent elements of the proposed decision and its action align with the company's unique capability.



### The twelve definitions of BMW's optimal capability, with a radar evaluating overall current performance in relation to peak

Whereas the definitions of peak capability are always beautiful, the radar evaluation always represents the cold light of day, identifying what needs to be done to bring the company's everyday performance up to peak, constantly. It is the radar that facilitates proper alignment of the company's strategic performance and decisions with its capability, and that enables proper management of the execution of those decisions. This enables the proper and informed justification of any decision within the strategic context of the company's capability, its evolution and the opportunities facing it.

The radar also highlights the fact that to generate sustainable profitability, value must be created in all domains throughout the whole-system, for the benefit of all stakeholders. This implies creating meaningful and valued experience for customers; motivation and reward for employees, suppliers, investors and society; growth and development for the company's assets and resources; and strategic planning and direction for its management. For a company to be genuinely sustainable all parties involved need to profit appropriately.

Stellar provides the parameters for evaluating the appropriateness of any planned strategy or decision within the context of the company's unique identity and capability. It identifies the deep drivers that shape and direct its core metrics, and that give them their unique meaning within the value-stream. As such it is not only a powerful core strategy and decision-making tool, it is also particularly valuable in the areas of core business identity and consciousness, brand, marketing, adjacencies, acquisitions, competition, investment, governance, succession and exit strategies. And because Stellar serves only

as an architectural framework, all other management tools, instruments, systems, policies and processes fit easily and productively within its parameters, and can benefit from its clarification of strategic capability.



The Stellar architecture offers

- deep-level knowledge and control of the value-stream
- explicit identity
- clarity of unique capability
- differentiation beyond the generic
- accurate analysis of a proposed decision's constituent elements
- tailoring proposed action to unique capability
- execution in alignment with unique capability
- universal compatibility and applicability
- evaluation of optimal value-creation
- sustainability of profit for all stakeholders
- whole-system coherence, meaning and purpose.

Whether as individuals or as organisations, we can only ever create what we have a capability for creating. Stellar is an architecture of optimal unique-capability value-creation, illuminating the deep drivers of sustainable profitability. It develops within both Board and workforce a conscious awareness of, connection with and deep-level control of the unique value-stream capability that flows through everything that the company does, culminating in its output of uniquely differentiated product or service.



Stellar® was co-developed in 2002 by Angus Jenkinson and Richard Leachman, and they were joined in 2004 by Kathelijne Drenth. They are the co-directors of Stellar Ltd, the principal task of which is to protect the integrity of Stellar®, and to continue to safeguard its development into the future.

After the twelve core domains of Stellar® had been identified, the work of development was largely focused on clarifying the definitions and meanings of those domains, on understanding how they can best be communicated within an organisation, and on how they can then be best applied by those within the workplace. Stellar is fundamentally about an organisation's clarity of its coherence as a whole entity, manifesting in its unique value-stream capability. Introducing a company's Stellar throughout the organisation involves above all a development of all stakeholders' consciousness of the uniqueness of its core value-stream. The co-developers of Stellar® continue to work on how best to bring about this change of consciousness.

The Twelve B.V. is a co-founder of Stellar® – see [www.thetwelve.eu](http://www.thetwelve.eu)  
 Stellar® is a proprietary registered trademark of Stellar Ltd – see [www.stellar.eu](http://www.stellar.eu).  
 Consultants licensed in Stellar® can be located at [www.stellarnet.org](http://www.stellarnet.org).