

Actualizing Organizational Potential

A Maslow-based approach to
strategic and business planning

Rethink Partners, LLC

Mark Pearlman / Jake Laub

212-650-0123 / rethinkpartners.com

CONTENTS

3 EXECUTIVE SUMMARY

6 INTENT: Actualizing Potential

4 APPROACH: The Hierarchy of Business Needs

- The Levels
- Organizational Benefits

9 APPLICATION: Leveling Up

- Key Requirements and Best Practices
- Service Offering
- Operations and Administration
- Sales
- Marketing
- Strategy
- Need Emergence and Overall Strategy
- Level Completion, Metamotivation and Fixation

17 IMPLEMENTATION: Visioning and Strategy Generation

- Visioning and Strategy Generation Workplan
- Putting Your Business on the Couch

SUPPLEMENTS

10 Less, but Better: How to Create “Beautiful” Financial Products

12 Targeting Market Segments

14 The New Necessities of Investment Management

ABOUT RETHINK PARTNERS

Organizations can be constrained by the framework of conventional wisdom or they can seek to reposition their products and services. Rethink Partners uses a systematic business approach to identify and implement strategy options that shift buyer and industry perspectives. For our partners our goal is to improve the perceived price-value proposition of the offering, increase profitability and build accretive value. We are partners, not consultants.

To further discuss the ideas outlined in this paper, please contact Mark Pearlman at mark@rethinkpartners.com.

Executive Summary

The goal of this paper is to offer a new strategy framework for assessing, transforming and monitoring an organization such that it is able to create a path to its potential.

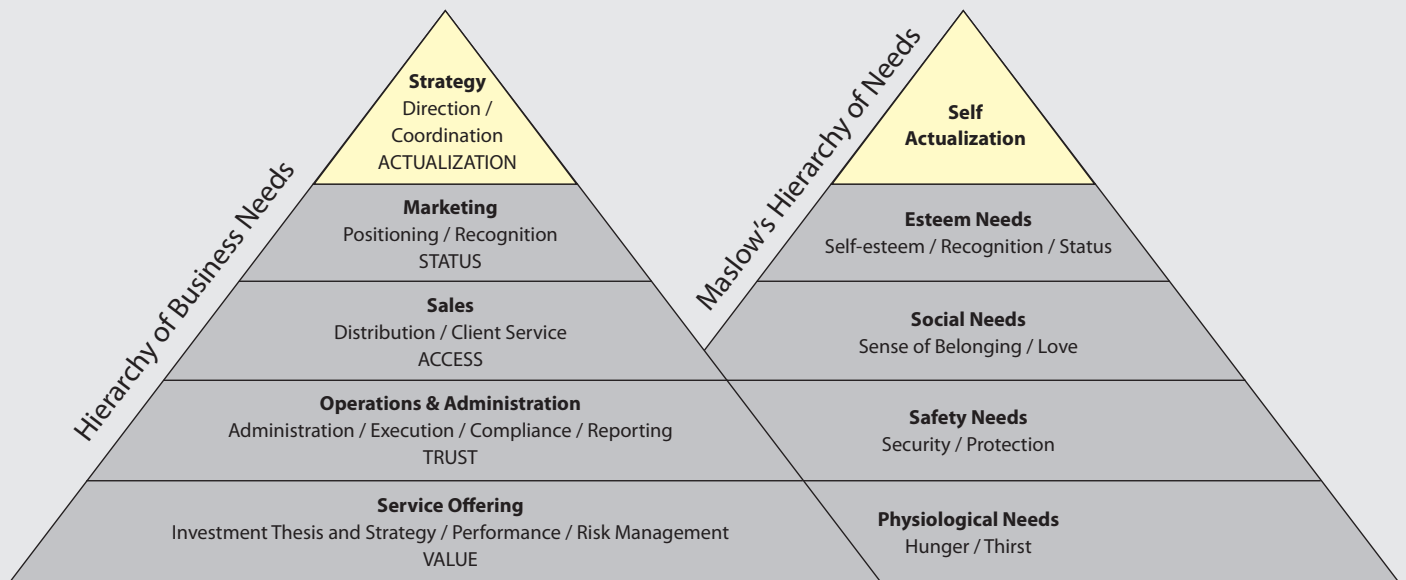
The ability to actualize potential rests on certain preconditions. In "A Theory of Human Motivation" (1943) psychologist A. H. Maslow articulated a five-tiered hierarchy of human needs: physiological, safety, social, esteem and self-actualization. The manifestation of a need typically rests on the prior satisfaction of a lower level need. For example, only once we feel relatively safe and satisfied physically can we truly turn our attention toward higher needs such as love, self-esteem, and self-actualization.

Businesses function in much the same way. Various lower levels of competency must be in place for higher-level strategy to have real impact.

Our approach is to apply Maslow's theory of personal development to financial firms as an effective framework for strategy development and implementation. At the core of this approach is the concept of a "hierarchy of business needs," which outlines the core capabilities a firm must achieve in order to progress from the most basic level of functionality up to high level strategy actualization.

Through our experience working with wealth and asset management companies, we have classified five levels of business needs. From lowest to highest, these needs are: Service Offering, Operations & Administration, Sales, Marketing and Strategy.

Maslow's Hierarchy of Needs Applied to Wealth and Asset Management Companies



Application of the hierarchy framework begins by determining the requirements for each level of need. What are the major issues? What must be achieved in order to progress to the next level? How can the organization maximize effectiveness at this level? The analysis of each level must assess existing resources, additional capabilities needed and applicable best practices. Ultimately this analysis results in a prioritized list of actionable strategy initiatives.

Executive Summary (continued...)

Level	Overview & Key Requirements	Best Practices
Service Offering	Based on a fundamental investment thesis, an organization must deliver an executable investment strategy with measurable performance that is competitive when compared to substitute products and services. This most basic of business functions is where value is created for clients. If no value is created, adding higher levels of capabilities will not be successful.	<ul style="list-style-type: none"> • Focus on understanding and satisfying investor needs and objectives • Creatively approach the intersection of products and markets • Differentiate within the competitive marketplace • Make functionality the driver of design • Emphasize simplicity • Challenge existing paradigms of value
Operations & Admin.	The organization must function reliably and have the expertise to consistently deliver the service offering to clients. Without sound execution and administrative procedures, clients will not trust the firm no matter how good the service offering or sales staff might be.	<ul style="list-style-type: none"> • Streamline and increase efficiency • Strive for consistency • Be accessible and communicate in a timely manner • Maximize operational and investment transparency • Assume accountability • Provide third-party verification • Focus on details • Prepare for all possible scenarios
Sales	Prospects and existing clients need an effective conduit to access the firm, product or service. This takes the form of an organized sales effort and/or third party distribution capabilities, as well as a systematic engagement process to connect and convert prospects into clients. In addition, ongoing client service must be responsive and personalized in order to manage and retain these clients.	<ul style="list-style-type: none"> • Leverage targeted campaigns to reach segmented markets • Create an unbroken chain of engagement in the sales process • Identify optimal distribution options • Minimize barriers to adoption • Hire and train knowledgeable sales staff • Set realistic expectations • Be proactive rather than reactive to client needs • Empower clients to be advocates
Marketing	It is essential that the organization positions the firm and its service competitively and communicates its differentiation and benefits. Potential clients must be made aware of the existence of the offering through various communications tools. Ultimately, the status and overall perception – on both an emotional and rational level – of the firm and its service are at stake.	<ul style="list-style-type: none"> • Create a differentiated positioning • Center communications around core narratives • Readily convey “signal value” (the terms and purchase criteria for the buyer) • Control the framework of discussion • Define the satisfaction criteria • Clarify and provide context • Establish needs and foster emotional connections • Leverage communications through curation and redistribution
Strategy	The firm must develop and implement initiatives that bring it closer to its fullest potential. Although tactical strategies are developed and executed at each of the lower levels, at the highest level strategy needs to be holistic, dynamic, integrated and long term. These strategies enable the firm to actualize.	<ul style="list-style-type: none"> • Assess the industry and determine the firm’s competitive role • Consider strategy options for the firm’s unique situation • Create a vision and associated strategic initiatives • Clarify the ultimate goal • Determine an execution plan while continuing to evaluate risk/return and desired outcome • Monitor progress and make it happen

Executive Summary (continued...)

Applying a hierarchy of needs framework to business planning is an approach that, in practice, is comprehensive as well as organized and actionable:

- It is a logical progression of decision-making that helps strategists understand which core building blocks are already in place and can be built from, and which need to be further developed.
- It forces a discussion on cross-functional lines, engaging the organization in thinking about total organizational effectiveness.
- It prioritizes initiatives and allows for systematic progress toward larger goals.

All firms can use this framework to address core functional issues and work steadily towards actualization. And while each organization's highest potential will differ, the framework for arriving there is fundamentally similar. With the right capabilities in place, any vision can be achieved.

INTENT: Actualizing Potential

Humans and businesses are driven by a variety of competing motivations. Some, such as the desire for physical satisfaction (in individuals) or immediate profits (in business), have great short-term appeal, but often fail to provide sustainable happiness or success.

A longer-term, more productive approach is to systematically minimize the gap between actual and potential. Personally and professionally, we all have a sense of what this potential is. We know where we are now, and – imagining a path through time and space – we know where we want to be.

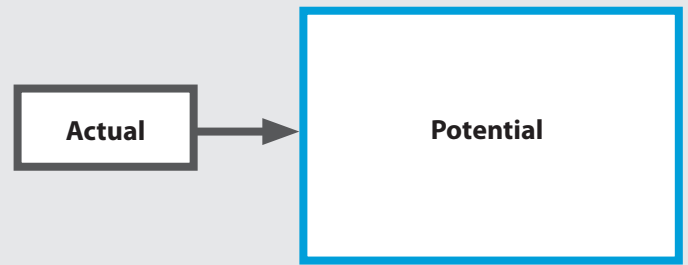
Psychologist Abraham H. Maslow used the term “self-actualization” to convey the process of realizing this potential. Innately, we strive for self-fulfillment, “the desire to become more and more what one is, to become everything that one is capable of becoming.”¹

On an individual basis, this might take the form of being an ideal parent or a generous person, or it may be expressed athletically or artistically. Companies might aspire to exceptional innovation, long-term value to shareholders, or industry leadership in service, price, workplace or community. By definition, our potential is a superior manifestation of ourselves. Actualization occurs when we remove the obstacles standing in our path and make meaningful progress toward this fullest potential.

The goal of this paper is to offer a new strategy framework for assessing, transforming and monitoring an organization such that it is able to create a path to its potential.

The core concepts of this framework are applicable to any business, organization or government body, though in this paper we limit our focus to the investment management industry, and in particular wealth and asset management companies. We hope the ideas presented here will help industry participants think about their businesses in new ways and foster a productive dialogue on business strategy options. Only through systematic thinking and organized planning can we discover strengths and weaknesses, address areas of opportunity and peril, and better prepare to succeed.

Objective: Minimize gap between Actual and Potential



Psychologist Abraham H. Maslow used the term “self-actualization” to convey the process of realizing this potential.

The goal of this paper is to offer a new strategy framework for assessing, transforming and monitoring an organization such that it is able to create a path to its potential.

APPROACH: The Hierarchy of Business Needs

Unfortunately, neither people nor organizations can progress immediately to actualization. The ability to actualize potential rests on certain preconditions. In his groundbreaking essay, “A Theory of Human Motivation” (1943), psychologist A. H. Maslow articulated a five-tiered hierarchy of human needs: physiological, safety, social, esteem and self-actualization. The manifestation of a need typically rests on the prior satisfaction of a lower level need. For example, only once we feel relatively safe and satisfied physically can we truly turn our attention toward higher needs such as love, self-esteem, and self-actualization.

Businesses function in much the same way. Various lower levels of competency must be in place for higher-level strategy to have real impact. These lower levels of competency are the building blocks. In order to reach the top of the pyramid (actualization), a company must first ensure these essential blocks are properly placed. Only then can an organization make meaningful progress toward its potential.

The ability to actualize potential rests on certain preconditions.

Various lower levels of competency must be in place for higher-level strategy to have real impact.

1. A.H. Maslow, A Theory of Human Motivation, Psychological Review 50(4) (1943): 370-96.

Our approach is to apply Maslow’s theory of personal development to financial firms as an effective framework for strategy development and implementation. At the core of this approach is the concept of a “hierarchy of business needs,” which identifies the core capabilities a firm must achieve in order to progress from the most basic level of functionality up to high level strategy actualization. All too often companies struggle because a) they have addressed lower-level capabilities but have failed to “level up” to higher ones, b) they have not adequately addressed one or more lower level needs, thus damaging the prospects of higher-level initiatives, or c) they are fixated on one or two levels to the detriment of other areas of functionality.

At the core of our approach is the concept of a “hierarchy of business needs.”

Managers, owners or consultants may envision the potential of a business, but meaningful progress toward that vision is only possible by adequately addressing the hierarchy of needs in an organized manner. Assessment and implementation must occur on a level-by-level as well as a holistic basis, with extra emphasis on lower levels that are not adequately fulfilled.

The Levels

Through our experience working with wealth and asset management companies, we have classified five levels of business needs. As with Maslow’s psychological needs, these organizational needs are hierarchical. Each need describes a set of practical capabilities as well as a less tangible benefit that must be achieved in order to successfully progress to the next level of capabilities and value creation. From lowest to highest, the needs of investment management firms are:

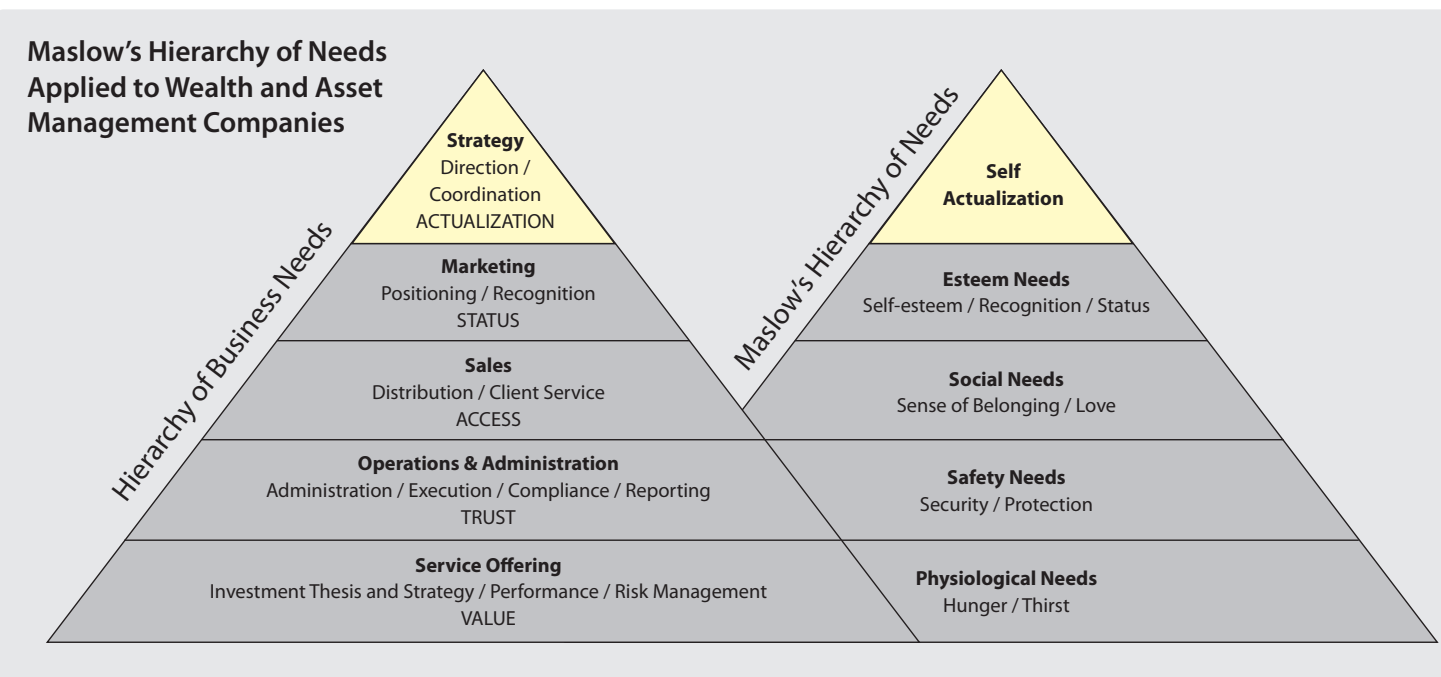
Each need describes a set of practical capabilities as well as a less tangible benefit that must be achieved in order to successfully progress to the next level of capabilities and value creation.

1. Service Offering

Based on a fundamental investment thesis, an organization must deliver an executable investment strategy with measurable performance that is competitive when compared to substitute products and services. This most basic of business functions is where value is created for clients. If no value is created, adding higher levels of capabilities will not be successful.

2. Operations and Administration

The organization must function reliably and have the expertise to consistently deliver the service offering to clients, including client support such as reporting. Without sound execution and administrative procedures, clients will not trust the firm no matter how good the service offering or sales staff might be.



3. Sales

Prospects and existing clients need an effective conduit to access the firm, product or service. This takes the form of an organized sales effort and/or third party distribution capabilities, as well as a systematic engagement process to connect and convert prospects into clients. In addition, ongoing client service must be responsive and personalized in order to manage and retain these clients.

4. Marketing

It is essential that the organization positions the firm and its service competitively and communicates its differentiation and benefits. Potential clients must be made aware of the existence of the offering through various communications tools. Ultimately, the status and overall perception – on both an emotional and rational level – of the firm and its service are at stake.

5. Strategy

The firm must develop and implement initiatives that bring it closer to its fullest potential. Although tactical strategies are developed and executed at each of the lower levels, at the highest level strategy needs to be holistic, dynamic, integrated and long term. These strategies enable the firm to actualize.

What happens if a company fails to function properly at one or more of these levels? Just as a person may become ill when deprived of security or love, so might a company struggle to reach its goals. The conditions that make for a healthy human are similar to those necessary for a healthy company – namely, that the entity has all of its basic needs fulfilled to the point where it can reach for its full potential.

Organizational Benefits

Applying a hierarchy of needs framework to business planning is an approach that, in practice, is comprehensive as well as organized and actionable:

- It is a logical progression of decision-making that helps strategists understand which core building blocks are already in place and can be built from, and which need to be further developed.
- It forces a discussion on cross-functional lines, engaging the organization in thinking about total organizational effectiveness.
- It prioritizes initiatives and allows for systematic progress toward larger goals.

As opposed to strategy approaches that have no clear resolution, the hierarchy of needs framework is always focused on what must be done to move the organization to the next level.

This method can be used to help plan the launch of a new business or business unit, strengthen an existing organization, or manage a company for long-term success. In this respect it is similar to other business strategy frameworks that offer internal, organization-focused approaches.

The hierarchy of needs model is also complementary to externally oriented tools such as the Five Forces model or Blue Ocean strategy. While these strategy frameworks help businesses chart the competitive landscape and determine potentially successful marketplace strategies, they are often less focused on the internal requirements needed to realize these strategies. Applying a hierarchy of needs perspective to an organization on an ongoing basis fills in this gap and increases the effectiveness of externally oriented strategies.

What happens if a company fails to function properly at one or more of these levels? Just as a person may become ill when deprived of security or love, so might a company struggle to reach its goals.

Applying a hierarchy of needs framework to business planning is an approach that, in practice, is comprehensive as well as organized and actionable.

This method can be used to help plan the launch of a new business or business unit, strengthen an existing organization, or monitor a company for long-term success.

APPLICATION: Leveling Up

Application of the hierarchy framework begins by determining the requirements for each level of need. What are the major issues? What must be achieved in order to move to the next level? How can the organization maximize effectiveness at this level? The analysis of each level must assess existing resources, additional capabilities needed and applicable best practices. Ultimately this analysis results in a prioritized list of actionable strategy initiatives.

Key Requirements and Best Practices

Service Offering:

The service offering is the essential value-creation engine of any business. It is driven by an investment thesis, but must also be executable and commercially viable. Equally important is whether the offering is competitive in the marketplace, adds relative value to buyers and will sustain this advantage over time. This applies to both asset management and wealth management portfolio solutions.

To create value and sustainable advantage at the service offering level requires assessing the offering's core attributes and competitive marketplace:

Attributes

- Does the investment thesis generate value for clients?
- Does it have the potential to sustain this value over time?
- Is there an investment process that can be articulated and understood?
- Is the investment strategy executable? Is it scalable?
- Does the strategy generate performance that is measurable?
- Is there a track record (actual or back-tested)?
- What is the process for managing risk?
- What is the research and trading process?
- What are the key internal and external components delivering value?
- What controls the rules of the strategy? Can they be altered?
- Will the strategy deliver on the expectations it creates? Will it do what it is built to do?
- Is there enough liquidity to allow investors to access and exit the strategy?
- Can components of the strategy be leveraged into other offerings?

Competitive Marketplace

- Is there an existing market for this strategy? Or, does a market need to be created?
- Is the strategy competitive to existing solutions or potential market entrants?
- Who are the primary competitors? What is the differentiation?
- Will new market entrants move in with substitute or competitive offerings?
- What major market forces need to be considered? What are the biggest trends?
- Where is there opportunity for future innovation?

Application of the hierarchy framework begins by determining the requirements for each level of need. ... Ultimately this analysis results in a prioritized list of actionable strategy initiatives.

The service offering is the essential value-creation engine of any business. It is driven by an investment thesis, but must also be executable and commercially viable.

In fulfilling these requirements, organizations can maximize the impact of their service offering through the following best practices:

- Focus on understanding and satisfying investor needs and objectives
- Creatively approach the intersection of products and markets
- Differentiate within the competitive marketplace
- Make functionality the driver of design
- Emphasize simplicity
- Challenge existing paradigms of value



Less, but Better: How to Create “Beautiful” Financial Products*

Every year financial institutions develop thousands of new investment products, yet intuitive, functional design is not always a central concern in how these products are structured. Dieter Rams would be disappointed. The German industrial designer is famous for his elegantly simple approach to consumer products at Braun, which he has articulated in his “Ten Principles of Good Design.” Here are Rams’s principles** and how they might apply to the design of financial products and services:

Principle	Investment Application
Good design is innovative	Does the innovation stem from a truly new concept or surface characteristics?
Good design makes a product useful	Does this additional element add to the usefulness of the product or is it a distraction?
Good design is aesthetic	Does the structure of the product feel in tune with the product’s purpose?
Good design makes a product understandable	Does the design of the product make its function clear?
Good design is unobtrusive	Can the design be a building block for further innovation?
Good design is honest	Does the product inflate expectations or gloss over hidden risks?
Good design is long-lasting	Will the product still be relevant a decade from now?
Good design is thorough, down to the last detail	Are even the most minor aspects of the product optimized?
Good design is environmentally friendly	Is the product detrimental to the entire system?
Good design is as little design as possible	Is functionality at the core of the product design?

RT 20 tischsuper radio, 1961, by Dieter Rams for Braun



Vitsoe.com

MPZ 21 multipress citrus juicer, 1972, by Dieter Rams and Jürgen Greubel for Braun



Vitsoe.com

Cylindric T 2 lighter, 1968, by Dieter Rams for Braun



Vitsoe.com

* This is an excerpt from Rethink Partners’ Pop Investing blog on Registered Rep. To read the full article, visit blog.registeredrep.com or [click here](#).

** The ten principles and product images are sourced from Vitsoe.com, a company that produces many of Rams’ designs.

Operations and Administration

Operations and administration allows a firm to consistently deliver the service offering to clients as well as build and retain the trust of those clients. This includes fundamental requirements such as custodianship and regulatory filings as well as codified procedures such as investment decision-making and management oversight. Although differences exist between the operational needs of institutions and individual investors, the need to execute according to expectations – and demonstrate doing so to clients – is universal.

To succeed at an operational level requires assessing the firm's basic capabilities and procedures:

Basic Capabilities

Does the firm have the capability (through internal or external resources) to:

- Transfer and custody client money?
- Trade and invest as required by the strategy?
- Monitor and manage client accounts?
- Verify and value investment holdings?
- Provide performance and tax reporting?
- Keep records and comply with all regulations?
- Scale to meet increasing demand

Controls and Procedures

Are there internal controls and procedures to:

- Make investment decisions in an appropriate and timely manner?
- Prevent unauthorized activities?
- Avoid conflicts of interest?
- Provide management oversight?
- Complete due diligence requests?
- Communicate regularly with investors?
- Respond to investor concerns in a timely manner?
- Protect business data?
- Recover from a catastrophe?
- Provide for the continuity of the business?

Operations and administration allows a firm to consistently deliver the service offering to clients as well as build and retain the trust of those clients.

In fulfilling these requirements, organizations can increase the effectiveness of their operations and administration through the following best practices:

- Streamline and increase efficiency
- Strive for consistency
- Be accessible and communicate in a timely manner
- Maximize operational and investment transparency
- Assume accountability
- Provide third-party verification
- Focus on details
- Prepare for all possible scenarios



Sales

Sales is not only about bringing in new clients. It is also about building long-term client relationships. The business development functionality of an organization encompasses the entire process of targeting, engaging, converting and retaining clients. It is the primary point of connection for prospects and clients and is essential to building and maintaining a profitable enterprise.

To succeed at the sales level requires assessing the firm’s overall client engagement and individual client service:

Prospect and Client Engagement

- Who is the target market for the offering? Who are ideal clients?
- What are market segmentation options?
- What are distribution strategies?
- What internal and/or external distribution capabilities are needed?
- How does the firm engage new prospects? Are targeted campaigns used?
- Are prospects and clients actively engaged across all possible touchpoints?
- Do sales materials exist for the entire sales process? Are they consistent?
- Does the sales staff understand the offering and convey a persuasive message?
- Are marketing efforts leveraged in the sales process?
- How are prospects converted to clients (‘closed’)?
- How is the sales process monitored? Is there a prospect/client relationship management system?
- What are the firm’s sales goals?

Client Service

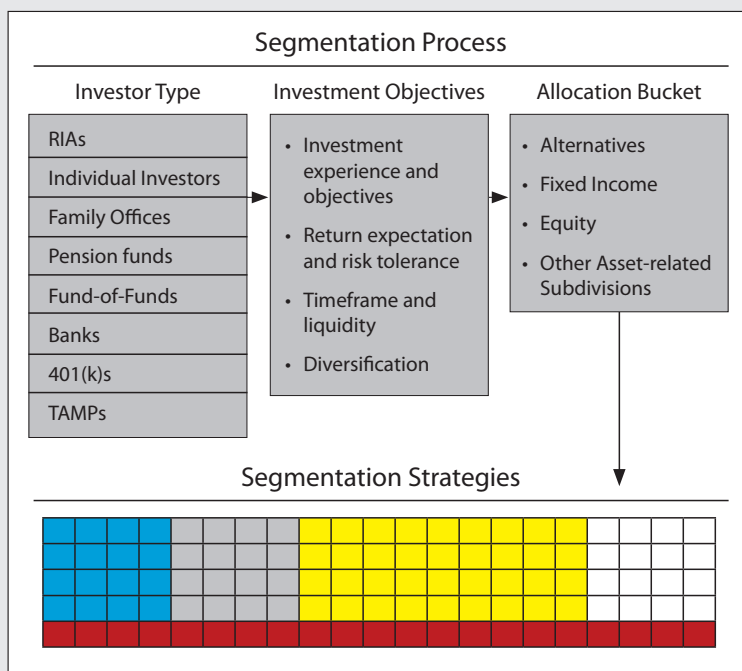
- How is the offering tailored to client needs?
- Do clients have a reliable contact within the organization?
- Is business development focused on building long-term relationships?
- Is the business responsive to client concerns?
- How do clients perceive the organization?
- Do clients feel they can trust the organization to act in their interest?
- Are there procedures for monitoring client satisfaction and feedback?
- What are primary factors leading to lost business?

The business development functionality of an organization encompasses the entire process of targeting, engaging, converting and retaining clients.

Targeting Market Segments

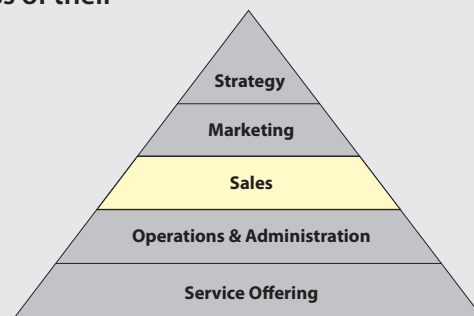
In chemistry, the Periodic Table is an organizing framework that groups individual chemical elements by related properties. Not only do the elements in a row or column share related properties, but so do entire blocks of elements.

A similar approach is useful when determining segmentation for a targeted sales and marketing effort. First, subdivide the market into narrowly defined “microsegments.” Then, based on shared characteristics and opportunities, group microsegments into a broader target market approach.



In building these capabilities, organizations can increase the effectiveness of their sales process through the following best practices:

- Leverage targeted campaigns to reach segmented markets
- Create an unbroken chain of engagement in the sales process
- Identify optimal distribution options
- Minimize barriers to adoption
- Hire and train knowledgeable sales staff
- Set realistic expectations
- Be proactive rather than reactive to client needs
- Empower clients to be advocates



Marketing

The purpose of marketing is to position the offering and the firm, creates awareness, draw investors into the sales engagement process and increase the effectiveness of ongoing client communications. Core to this process is emphasizing the benefits of the offering and how investors can access those benefits. Communications are organized along core narratives that relate back to the positioning, expertise, and sales strategy of the firm. Marketing also has the ability to elevate a firm to thought and industry leader status.

To succeed at the marketing level requires assessing the firm’s positioning and communications:

Positioning

- What is the firm’s core DNA?
- How is the firm positioned relative to competitors?
- What are the strengths of the existing brand?
- What are key benefits of the offering that can be conveyed?
- What are points of differentiation to emphasize?
- What are the emotional and rational arguments?
- How is the offering applicable to the individual? How does it fit into an investor’s life/portfolio?
- What are engaging calls to action?
- What are the benchmarks or qualities by which the offering is judged? What is the perceived value?
- What are engaging narratives?
- Is the firm a thought leader? In what areas?

Communications

- Does the firm regularly communicate with investors (beyond reporting)?
- How are communications presented to clients?
- What are opportunities for public commentary?
- Is there a publication strategy?
- Who are public representatives of the firm? What is their personality strategy?
- What is the firm’s digital identity?
- Does the firm host or participate in events?

Core to the marketing process is emphasizing the benefits of the offering and how investors can access those benefits.

Communications are organized along core narratives that relate back to the positioning, expertise, and sales strategy of the firm.

Has the firm created a:

- Mission statement?
- Unique selling proposition?
- Tagline?
- Logo?
- Website?
- Newsletter?

In building marketing capabilities, organizations can increase their effectiveness through the following best practices:

- Create a differentiated positioning
- Center communications around core narratives
- Readily convey “signal value” (the terms and purchase criteria for the buyer)
- Control the framework of discussion
- Define the satisfaction criteria
- Clarify and provide context
- Establish needs and foster emotional connections
- Leverage communications through curation and redistribution



The New Necessities of Investment Management

All preferences are not equal. Within and across industries, consumers will consider some products, services and service attributes essential while viewing others as less so.

Recently both Advertising Age and ad agency Leo Burnett completed studies* on this spectrum of consumer needs versus wants. For example, "connectivity" is one category that has shifted strongly toward being a need, with cell phones and in-home Internet no longer considered purely discretionary expenses. In contrast, designer clothes, spa treatments and high-end hotels are all "wants" that consumers have cut back on.

In the investment industry, the 2008 market collapse dramatically shifted investor perspectives. Service attributes such as liquidity, transparency and controlled volatility that before may have been "nice-to-haves," are "must-haves" now. Uncertainty surrounding future retirement benefits has made long-term planning and funding an IRA ever more important.

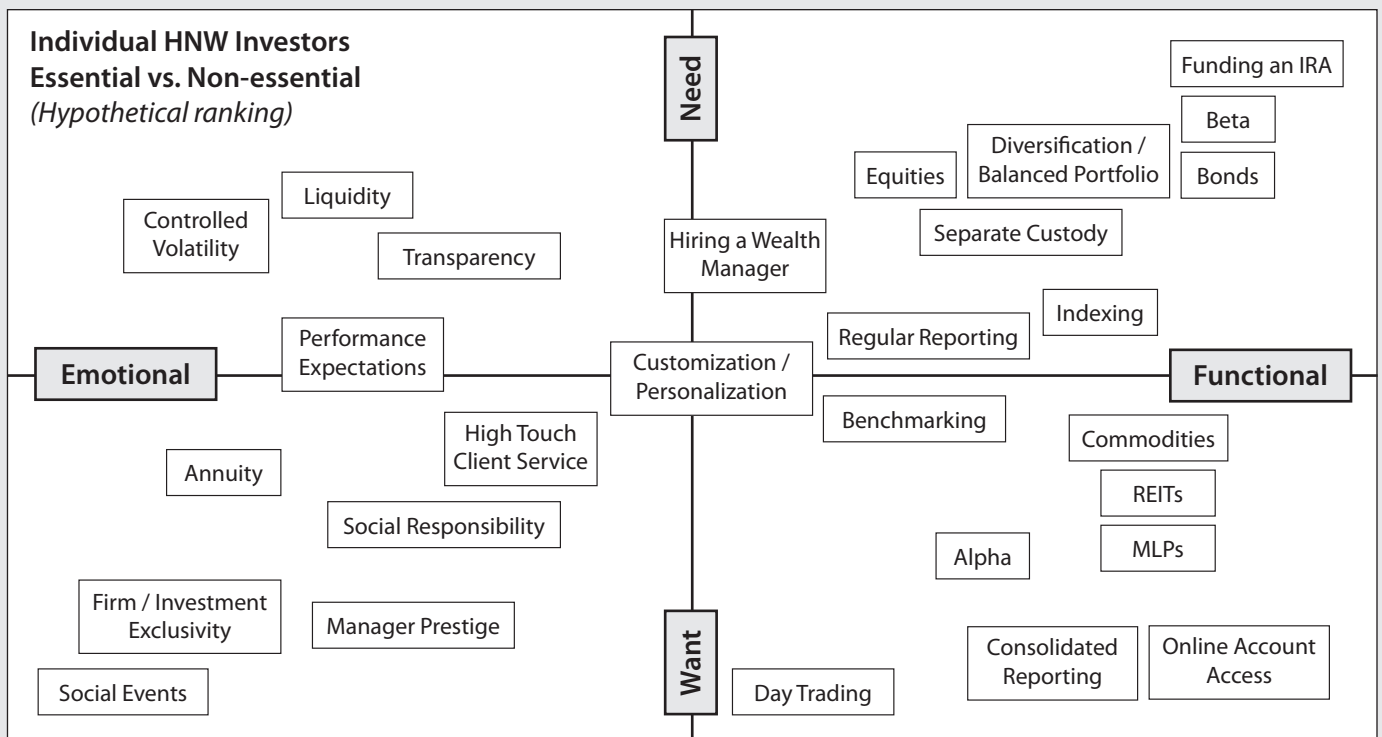
Assessing the needs/wants landscape of an industry can provide insight into service offering, sales, and marketing strategies. We charted high-net-worth investor sentiment along need/want as well as emotional/functional dimensions. These are not survey results, but rather our industry perspective. Nor is the position of any one attribute directly applicable to every individual. Age, financial situation, past experiences and emotional disposition, among other factors, all contribute to an investor's ranking

of services and service attributes. The diagram below is a work-in-progress designed to stimulate an engaging discussion as opposed to a definitive assessment of investor attitudes.

As a broad assessment of HNW investor psychology, however, thinking along these lines can help strategists refine the overall positioning of a product or service, articulate benefits and focus targeted campaigns. A product fulfilling a functional need, for example, might require a different tone and approach to marketing than an emotional want. Alternatively, the goal of a targeted sales effort might be to shift a product from secondary want to essential need. Or the goal might be to strengthen the positioning of a traditionally functional product by highlighting emotional benefits.

Just as we applied Maslow's hierarchy of needs to the investment industry, evaluating the product/service landscape through the perspective of investor wants and needs can open new avenues of strategic thinking. This approach can be applied on an industry level, to target market segments or even to individual clients to determine an optimal service offering mix or the most appropriate messaging.

How is the landscape of wants and needs changing? What are the new necessities? What strategies can harness the dynamics revealed here? What strategies can change the status quo?



* Matt Carmichael. "The New Necessities: What Products and Services Can Consumers Not Live Without?" Advertising Age 11/14/11

Strategy

Strategy is the process of guiding a firm from one place to another. This takes the form of coordinated, strategic initiatives aimed at pushing the organization from within and moving it closer to its fullest potential. In this way, the strategic process of actualization is holistic, dynamic, integrated and long term.

The strategic process of actualization is holistic, dynamic, integrated and long term.

To succeed at a strategic level requires assessing the firm’s organizational vision, opportunities and challenges, and capabilities and history:

Organizational Vision

- What is the vision/mission of the organization? What will success look like?
- What are long and short term goals? What are the time frames for these goals?
- Are current strategies taking the firm in that direction?
- What are the goals and expectations of shareholders?
- What internal or external resources can be leveraged to assist in achieving the vision?

What is the vision/mission of the organization? What will success look like?

Opportunities and Challenges

- What are the biggest opportunities available now or in the next few years?
- What are the biggest obstacles that need to be addressed?
- What are potential landmines that could derail the organization’s efforts?
- In what areas is the business most likely to face stiff challenges in the foreseeable future? What can be done to prepare for them?

What are the biggest opportunities available now or in the foreseeable future?

Organizational Capability and History

- What are the organizational strengths? Where are weak links limiting performance?
- What is the corporate culture? How is it evolving?
- What behaviors are encouraged/discouraged?
- How has the organization performed in the past? How do people think it has performed?
- How were goals set? Were they insufficiently or overly ambitious?
- Were internal or external benchmarks used?
- What happens if goals are not met?
- What efforts have been made to change the organization? What happened?
- Who has been instrumental in changing the organization?
- Do individuals know how they can make a difference in the organization?
- Does the compensation system reinforce the strategy?

What are the organizational strengths? Where are weak links limiting performance?

As a firm progresses towards its potential, the following are best practices to develop and implement overall strategy:

- Assess the industry and determine the firm’s competitive role
- Consider strategy options for the firm’s unique situation
- Create a vision and associated strategic initiatives
- Clarify the ultimate goal
- Determine an execution plan while continuing to evaluate risk/return and desired outcome
- Monitor progress and make it happen



Business strategy requires concrete thinking not about what exists, but what might exist.

Overall strategy is a continuous and ongoing process. Firms may be at different stages of their life cycle, but all stakeholders should consider where they would like to be on different time frames, whether three, five, or 10+ years from now. To do this requires concrete thinking not about what exists, but what might exist. Though many owner/operators are so closely involved in their businesses that they do this subconsciously every day, it is helpful to articulate and commit to a series of strategies aimed at building a sustainable competitive advantage for the organization.

Need Emergence and Overall Strategy

Up to this point we may have given the impression that the hierarchy of business needs is a strict, step-by-step progression. In reality, a need does not have to be 100 percent satisfied in order for the next level to be addressed. Most normal, healthy businesses are both partially satisfied and unsatisfied in all their basic needs. A more practical view of the hierarchy would describe decreasing levels of capability as we go up the chain of needs. For example, a business might be 90 percent competent in its service offering, 80 percent in its administration and operations, 60 percent in its sales, 40 percent in its marketing and 20 percent in its strategy and actualization.

Likewise, the emergence of a new need is not an all-or-nothing event. Needs gradually emerge and rise in importance in step with increased lower-level competency. Using our previous example, as service offering and administrative competency progress toward 100 percent, the need for sales and marketing competency becomes increasingly pressing. Shifting external factors, however, can influence the relative importance of any one level of capability at any point in time.

The relevance – and reality – of this observation is that applying business strategy to the hierarchy is neither a completely bottom-up nor top-down process. Strategy is ongoing. Launching and running a business requires a strategic vision and set of core assumptions that are then applied to building capabilities. Overall strategy guides initiatives, but strategy also relies on the existing capabilities of the business.

Furthermore, as a business moves up the hierarchy it has the option to build on the foundations already created or to reassess the original strategy applied to lower levels. For example, increased effort and competency-building at the sales and marketing levels might trigger the need to modify the service offering or add additional administrative support. The result is that strategic decisions are rarely focused on only one level of needs. Rather, initiatives often address a functional issue with primary implications at one level (e.g. service offering), but with secondary impact at all other levels of the hierarchy. The fact that most strategy initiatives are multi-motivated is another reason to use the hierarchy of business needs in strategy planning and implementation. The framework allows strategists to develop initiatives focused on key functional issues while also assessing the impact at all levels of the organization.

Level Completion, Metamotivation and Fixation

A final note must be made on the concept of level completion. It is not possible to “complete” a level and forever move on to higher capabilities. A business can achieve stellar performance at a particular level, but the ever-changing nature of the marketplace will eventually erode established competency unless it is readdressed continually. Even a firm that has reached the level of actualization must undertake an ongoing process of reassessment and improvement.

As Maslow refined his hierarchy of needs theory, he addressed this issue of post-actualization by creating a new term – metamotivation. Maslow drew a distinction between people operating below the level of actualization (those who had yet to fulfill lower level needs) and those operating above it. The former are driven by Deficiency needs (D-needs) while the latter are driven by Being needs (B-needs). People and organizations that have achieved the ability to pursue and fulfill B-needs are truly working toward their potential.

On an organizational level, B-needs can be expressed by striving for optimal performance at each of the lower levels as well as by seeking to achieve higher aspirations for the entire organization. Meta goals might include tangible objectives such as long-term, sustainable enterprise value or intangible qualities such as Dynamism, Uniqueness, Completion, or even Goodness.

Most normal, healthy businesses are both partially satisfied and unsatisfied in all their basic needs.

Needs gradually emerge and rise in importance in step with increased lower-level competency.

Initiatives often address a functional issue with primary implications at one level, but with secondary impact at all other levels of the hierarchy.

Deficiency Needs (D-Needs)

Needs that motivate an organization due to a *lack* of competence.

Being Needs (B-Needs)

Motivators beyond basic functionality. The drive to realize qualities that represent actualization.

Example B-Needs:

Wholeness, Completion, Perfection, Uniqueness, Dynamism, Goodness

To switch psychologists for a moment, the opposite of metamotivation is fixation. Sigmund Freud theorized that if an individual does not successfully resolve certain issues at the appropriate stage, they could become fixated – essentially stuck – at that stage. One danger for businesses unfamiliar with the hierarchy of business needs is that they can fixate on certain functionality to the detriment of other areas. This fixation might take the form of excessive attention and resources directed at the firm’s dominant capability or the persistent inability to develop competitive competency in a certain area despite meaningful efforts.

In both cases, applying the hierarchy of needs model provides a check and balance against fixation. In the first case (excessive attention), assessment of the business from a hierarchy of needs perspective encourages a holistic view of organizational needs. One of the primary strengths of the hierarchy of needs model is to bring together leaders from various functional areas of the business to address total organizational effectiveness in this manner. In the second case (inability to fulfill a need), the hierarchy model might reveal that the source of failure is actually due to deficiencies at lower levels of competency – or that a strategic adjustment at lower levels could significantly benefit capabilities at higher levels.

In total, the hierarchy model helps determine the key capabilities needed at each level and also provides a method to assess the organization on a holistic basis. Organizations that successfully apply the model are able to develop higher-level strategies based on solid lower-level foundations as well as revisit core competencies based on progress at higher levels. Firms recognize that no level will ever be permanently completed, and that once competency is sufficient to allow for actualization, the process of metamotivation will continue to take firms closer and closer to their potential.

One danger for businesses is that they can fixate on certain functionality to the detriment of other areas.

Applying the hierarchy of needs model provides a check and balance against fixation.

In total, the hierarchy model helps determine the key capabilities needed at each level and also provides a method to assess the organization on a holistic basis.

[Implementation]

IMPLEMENTATION: Visioning and Strategy Generation

Applying Maslow’s framework of higher and subordinate levels of needs to investment management firms results in a comprehensive business strategy framework. How can this framework be implemented such that it results in actionable initiatives?

It is beyond the scope of this paper to delve into the details of strategy execution at the level of individual initiatives, but we will briefly discuss a practical approach to arriving at the execution stage. Starting with a simple visioning exercise, the goal of this process is to develop a prioritized list of executable initiatives. Below is a basic outline of a workplan:

The goal of the visioning and strategy generation process is to develop a prioritized list of executable initiatives.

Visioning and Strategy Generation Workplan

1. Visioning

An initial visioning session is organized with a select group of key team members (the “Think Tank”). The goal is to codify the core DNA of the firm and its long-term vision and assess possibilities and limitations. Additional sessions with larger or more select groups might be a part of this process.

2. Strategy Brainstorming

Using the DNA and vision as a guide, the Think Tank brainstorms problems and solutions within the hierarchy of needs framework. The result is a first draft list of initiatives organized by functional level (service offering, operations and administration, sales, marketing).

3. Strategy Plan and Prioritization

Management prioritizes the list of proposed initiatives based on an analysis of impact, urgency and incremental cost, and reviews the prioritized list with the relevant governing committees. Each project is assigned a coordinator and an estimate timeline.

4. Execution and Ongoing Assessment

The firm begins executing strategies according to the prioritized list. Management tracks progress toward milestones and periodically reviews individual initiatives in the context of overall strategy and the hierarchy of business needs.

Within each of these broad stages are multiple intermediary steps. The concept, however, is that once team members reach a consensus on the firm's fundamental nature and vision, the hierarchy framework provides a method to brainstorm, organize and prioritize strategy initiatives. As these initiatives are implemented, the hierarchy framework provides a structure for prioritization, tracking progress and recognizing success.

Sample Worksheet: Strategy Plan and Prioritization

Area	Initiatives	Impact / Importance	Urgency	Incremental Cost	Coordinator / Manager	Timing
Service Offering	1.					
	2.					
	3.					
Operations & Administration	1.					
	2.					
	3.					
Sales	1.					
	2.					
	3.					
Marketing	1.					
	2.					
	3.					

Putting Your Business on the Couch

“In our society, basically satisfied people are the exception,” Maslow wrote in 1943. Unfortunately, he might make the same observation today. Only a small portion of the world's population has fulfilled all of their basic needs and is able to self-actualize.

Likewise, not every firm in the investment management industry has mastered all four lower levels of capability and is thus able to actualize. Is your business one of them? By adapting Maslow's hierarchy to the investment management industry, we are providing a guide to answer that question.

Self-assessment is not easy, however. Applying this framework and resolving any problems it might reveal requires deep organizational discipline and commitment. Yet putting your business on the couch forces an assessment of key aspects of the organization – from big-picture vision to here-and-now strategies – in a logical and productive manner. This can help better position the firm for long term success.

This process does not require third-party intervention, though consultants can be helpful as guides. All firms can use this framework to address core competency issues and progress toward actualization. And while each organization's highest potential will differ, the framework for arriving there is fundamentally similar. With the right capabilities in place, any vision can be achieved.

Applying this framework and resolving any problems it might reveal requires deep organizational discipline and commitment.

With the right capabilities in place, any vision can be achieved.