

THE AUTHENTIC ENTERPRISE REPORT SUMMARY

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Leaders of 21st century enterprises face a rapidly changing context for global business and society. At stake is their ability to manage successfully their relationships with customers, investors, partners, employees and other key audiences and stakeholders. Indeed, corporations are increasingly engaging in fierce competition over their very identities. A new report and a survey of Chief Executive Officers commissioned by the Arthur W. Page Society examine the drivers and implications of these shifts. The report proposes a set of strategic options for CEOs and other “C-suite” executives to consider in helping the enterprise successfully respond to the new realities.

I. Drivers of change

Businesses and institutions today are confronting a rapidly changing landscape, shaped by broad, secular forces:

1. **The digital network revolution:** More than ten years after the advent of the World Wide Web, the Internet has emerged as a digital information commons for the planet. The Net provides interlinked, low cost (even free) and easy-to-use ways to communicate, to publish and broadcast, to work and to organize people with common interests. This is driving a shift in the way people interact with each other and with companies and institutions. It changes how dialogue occurs, how perceptions are shaped and how relationships are forged.
2. **The reality of a global economy:** Free trade agreements, the Internet and the emergence of highly skilled populations in developing regions have created a “flat world.” This is reshaping the footprint – and even the idea – of the corporation. It’s shifting from a hierarchical, monolithic, multinational model to one that is horizontal, networked and globally integrated. Because the operations and responsibilities of organizations can now be componentized, “virtualized” and distributed over an ecosystem of business relationships, work can now be located wherever it makes sense, driven by the imperatives of economics, expertise and open business conditions. This creates new challenges for companies to manage their identities and reputations.
3. **The appearance and empowerment of myriad new stakeholders:** In addition to the familiar intermediaries and

constituencies with whom corporations have interacted in the past, there is now a diverse array of communities, interests, nongovernmental organizations and individuals. Many of these new players represent important interests, while others are not legitimate stakeholders, but rather simply adversarial or malicious. Regardless of motive, all are far more able to collaborate among themselves around shared interests and to reach large audiences. At the same time, companies and institutions themselves are seeking similar kinds of engagement with multiple constituencies. Public opinion surveys demonstrate that many of these new stakeholders are held in high esteem, while at the same time we have witnessed a marked decline in public respect for institutions in general and business in particular. This, in turn, has led to heightened regulatory scrutiny (e.g., Sarbanes-Oxley) and new demands for transparency in corporate performance and behavior.

Together, these forces have created a global playing field of unprecedented transparency and radically democratized access to information production, dissemination and consumption:

Companies used to control their identities, value propositions and the content of the messages about themselves.

Today, information, knowledge and perception of the corporation are created, exchanged and modified by a vast, distributed ecosystem of employees, customers, partners, communities and interest groups.

Companies used to segment and target audiences. In an open information commons, everyone can see communications and information, no matter to whom they are targeted. In effect, infinite segmentations are possible, down to the segment of one.

Companies used to have distinct expertise in and control over the channels of communication. Today, channels are exploding in number, easy to use, freely available and, as a result, now “belong” to everyone.

The quality of the company’s products and services (or lack thereof) is apparent to all customers and potential customers. Its treatment of employees and retirees is visible across the corporation and to potential employees and public interest groups. Its citizenship, environmental behavior, corporate governance standards, executive compensation practices and public policy recommendations are transparent to all.

II. The Authentic Enterprise

Each of these challenges is daunting – but each also presents an opportunity. To seize these opportunities, corporations must adopt very different behaviors and develop new skill sets. Most importantly, in such a radically open and dynamic environment a corporation must be grounded in a sure sense of why it exists, what it stands for and what differentiates it in a marketplace of customers, investors and workers. Those definitions – call them values, principles, beliefs, mission, purpose or value proposition – must dictate consistent behavior and actions.

A company must be able to answer such questions as: What business are we in? What markets do we serve? What differentiates us as an employer, an investment, a partner, a neighbor? In what do we deeply believe? What will endure? What do we value? And how can we ensure that everyone associated with the far-flung enterprise understands and acts in accordance with our mission, values, goals and operating principles?

In a word, *authenticity* will be the coin of the realm for successful corporations and for those who lead them. Going forward, it will not be sufficient to shape perceptions within narrowly defined contexts. It will be necessary to demonstrate authenticity in radically open environments.

A survey of CEOs conducted in 2007 for this study by the Arthur W. Page Society found that chief executives believe we are at one of those inflection points in business history when new technologies combine with new economic and societal conditions to change the game in fundamental ways. They see that accepted beliefs, long-standing institutions and highly successful enterprises are subject to rapid redefinition – for good or ill. This presents both major threats and major opportunities to the corporation. In general, reactive approaches are no longer adequate – and even the “proactive” approaches that have emerged during the past couple of decades are insufficient. Leaders recognize the need for their enterprises to engage in fully interactive ways – playing both offense and defense – with their important constituencies.

III. The Imperative of Trust

Of all the challenges facing corporations in the emerging era of the authentic enterprise, perhaps the most fundamental are those surrounding the issue of trust.

At the level of the individual, how can we maintain and even strengthen our trust in one another – including trust of people with diverse ways of thinking, and of strangers we’ve never met and never will meet?

At the level of the enterprise, how does a business sustain trust in increasingly distributed models, and respond to the demands of increasingly diverse and empowered stakeholders?

At the broader societal level, how does any organization achieve global integration and transparency while operating within multiple legal and regulatory regimes, cultures and political environments?

These are far-reaching challenges. They touch on an organization’s standards of governance, its financial management systems, how it maintains transparency, how it protects privacy, its systems and rules for security, the quality of the products and services it creates and delivers to the public, and the way it interacts with its communities and with global society at large.

All those systems and standards need to be maintained, even when a company’s products and operations are handled by a dozen or more organizations in a dozen or more countries. Leaders today no longer have control—but ultimately they still have responsibility. Fulfilling that responsibility will require imagination, courage, innovation, shared values and trust. The result will be the Authentic Enterprise.

IV. Call to Action

Enterprises that successfully adapt to the new business and societal context will require new forms of leadership to tackle four key challenges:

1. **The enterprise must define and activate core values in new ways.** In earlier eras, a company’s principles, credos or beliefs – like its strategies and processes – were typically dictated from the top. However, we now live in a world of distributed, dynamic enterprises and shifting workforce attitudes and expectations. This demands increased delegation and empowerment, while maintaining consistency of brand, customer relationships, public reputation and day-to-day operations. Values are the “glue” shaping behavior and uniting goals. However, building *a management system based on values* is a significant challenge.

Understanding what the company and its people truly value and turning that into pervasive behavior require new kinds of leadership, tools and skills.

2. **The enterprise must build and manage integrated, multi-stakeholder relationships.** Constituent relationships have always been important for businesses and institutions, but the proliferation and empowerment of new kinds of stakeholders have profoundly altered the landscape. First, in a radically more transparent world, organizations can no longer be different things to different constituencies; an enterprise must be one thing across its entire ecosystem. Second, businesses today – as well as communities, people and nations – are in an acute, high-stakes battle for their identities and global reputations. A competitive war for definition affects all organizations and even individuals. Most daunting of all, it is asymmetrical. Greater resources no longer provide a significant competitive advantage. Key to winning this battle is shaping a consistent and authentic reputation by building support among multiple stakeholders and across civil society at large, while defending the company, its principles and its reputation against malign or misguided attacks.
3. **The enterprise must enable its people with “new media” skills and tools.** It is in the corporation’s best interests to empower more and more of its workforce with new collaborative tools, training, know-how and trust – so they can responsibly and strategically interact with the external world. The organization and its people must acquire mastery of these capabilities; develop the appropriate policies and guidelines to ensure responsible use of social media; and apply these new capabilities both internally, to build understanding and consensus on core values, and externally, to build influence and relationships of trust. Enterprises must also embrace new tools for measurement – in order to extract insight from the unprecedented amount and depth of information that social media make available.
4. **The enterprise must consciously build and manage trust in all its dimensions.** Trust is no longer a function only of compliance with the law and business ethics. With the emergence of empowered, distributed and technology-enabled employees, customers, communities and other stakeholders,

the challenge of building trust is more acute than ever. It is a complex equation involving everything from employer/employee relations, financial management and corporate governance, to the quality of a company’s goods and services and its responsiveness to societal issues. Successful enterprises must have a conscious strategy for building trust internally and externally, and operating in the public interest.

V. The Response of the Enterprise

In our survey, CEOs described their companies’ need to capitalize on today’s new realities. It is clear that these are challenges for the enterprise and that CEOs must lead the response, with the full support of senior line and staff management, as well as the commitment of individuals across the enterprise. The changes required involve stakeholder relationships, public perceptions and far-reaching culture change – both within the company and across its extended ecosystem. Our survey found that CEOs are looking for their Chief Communications Officers to take a more strategic and interactive role within the senior leadership of the company in driving these changes. But no single function will bear sole responsibility. The Authentic Enterprise requires a highly coordinated approach across marketing, human resources, IT, legal, finance and other corporate functions, as well as line management. More than ever, leaders will need to hone their collaboration skills.

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The full report of The Authentic Enterprise is available for downloading at no charge from the Page Society’s web site at http://www.awpagesociety.com/site/resources/white_papers/. Individual hardcopies of the full report may be ordered at no charge, while supplies last. Additional quantities are available for purchase. To place your order or for more information, contact Susan Chin at the Arthur W. Page Society at (212) 400-7959 x 100 or by email at schin@awpagesociety.com.

The Arthur W. Page Society is a select membership organization for senior communications and public affairs executives who seek to enrich and strengthen their profession. The Authentic Enterprise is the product of a Page Society task force that was chartered to explore how changes in 21st century business, technology and global society are impacting the way corporations and their leaders can and should communicate and build their reputations.