



2008: The Year to Change Your Paradigms

Do you have some paradigms that are acting as filters keeping you from business success? Now is the time to start determining:

- ▶ What those paradigms are
- ▶ What paradigms need to change

The word 'paradigm' comes from two Greek words: *para* that means beside, and *deigma* that means example. In contemporary English, paradigm means a model or a pattern.

Paradigms are models, or more specifically patterns of thoughts from which we begin to solve new problems. In many instances, these paradigms expedite the thinking process, such as in scientific investigations; but they can also restrict the thought processes. And within these known paradigms exist other supporting principles or guidelines that have evolved from the initial thought process.

In 2008, organizations and their leaders have the opportunity to look at three existing paradigms and their 21st century counterparts. How quickly companies leave the old and embrace the new will determine their future viability in this constantly changing, globally driven marketplace.

Old Paradigm #1 – Business Structure Based on Labor New Paradigm – Business Structure Based on Thinking

What does all this have to do with business? Plenty, if you realize that the traditional business paradigm of creating a labor-intensive structure is no longer profitable in the 21st-century. Companies such as General Electric have been shifting their paradigm during the last 20 years to a thinking-intensive structure. This change has resulted in a quadruple increase in profits per employee, as well as an 825 percent increase in market capitalization (Source: *Mobilizing Minds* by Bryan and Joyce).

Within this traditional paradigm of a labor-intensive structure exist other paradigms. For example, traditional knowledge suggests that the more people you hire, fewer profits will be realized. However, by creating a thinking-intensive workplace and structure, profits per employee actually increase.

From the 20th-century business model advocated by Alfred Sloan (U.S. Steel) and embraced by such contemporary business gurus as Peter Drucker, the management hierarchy paradigm became firmly entrenched. For decades, this top-down management style successfully ran companies both major and minor. With technology dramatically affecting interaction costs, even reducing some transaction costs, this management structure works against the benefits of technology and a thinking-intensive workplace.

Old Paradigm #2 – Customer Satisfaction New Paradigm – Customer Loyalty

Making customers happy or satisfied was the goal of years gone by. Even with the advent of total quality through such programs

as Lean to continuous-improvement processes such as Baldrige, customer satisfaction is no longer the strategic competitive advantage. As in Paradigm #1, technology (especially the Internet) has turned the tables, creating a far different marketplace.

Today's marketplace is no longer local, but global. Through the services of shipping organizations such as FedEx, customers can have anything they want from almost any place in the world. The past barriers of geography, time, and even cost have been greatly reduced or even eliminated thanks to technology that has opened up a global marketplace.

With far more educated consumers, knowledge has become almost a commodity. Your customers can Google what they want, find it, and come fully prepared to do business with you – or with your competitors. This change in the marketplace is why customer satisfaction is no longer viable, but customer loyalty is the strategic competitive advantage.

Creating a customer experience where every point of connection (what the customers can see, feel, smell, taste, or hear) is now absolutely critical to retaining that customer. As the marketplace continues to expand, the cost of acquiring new customers will potentially exceed the current level of five to six times the cost of retaining a current customer. Taking actions to increase customer retention by just five percent results in a 25 percent to 100 percent increase in profits.

Loyal customers provide additional value that satisfied customers don't. They simply buy more.

Hospitality Restaurant	Revenues Per Visit	Yearly Visits	Total Revenue Opportunity	Lifetime Revenue Opportunity
Satisfied Customer	\$25.00	1	\$25.00	\$25 (1 Yr) to \$250 (10 Yrs)
Loyal Customer	\$25.00	12	\$300	\$300 (1 Yr) to \$3,000 (10 Yrs)

Embracing a customer loyalty paradigm helps to reduce marketing costs because loyal customers talk a lot. In fact, they are far more likely than satisfied customers, and especially unsatisfied customers, to share their incredible experience with others. Word of mouth (WOM) is the best marketing strategy, without exception, because it is the most efficient and effective, not to mention the least expensive.

One last point about customer loyalty: customer loyalty is not just about external customers, but internal ones as well – your loyal internal customers, your employees, are the ones responsible for making all those points of connection exceptional.

Old Paradigm #3 – Technical Skill Training New Paradigm – Maximizing Human Capital through Development

Training and education are necessary for internal customers (employees) to complete their day-to-day job functions. Within a labor-intensive business model, everyone needs to be doing their activities; otherwise, the well-oiled machine fails. Individual employees are not trained to question or think, but rather do it or be fired.

The 21st century demands new skills, as suggested by David Thornburg in *The New Basics: Education and the Future of Work in the Telematic Age*. Thornburg suggests that today's workforce needs these four areas of skill development:

- ▶ Digital Age Literacy
- ▶ Inventive Thinking
- ▶ Effective Communication
- ▶ High Productivity

Outside of the Digital Age Literacy, all the remaining skills are not technical, but rather Self Leadership, i.e., what others may call 'people skills' or strong interpersonal skills. The shift away from technical may help to explain the explosion of executive coaching within the current marketplace.

The executive coaching industry has now mushroomed into a \$1.5 billion worldwide industry, with leadership being the number-one executive coaching request. This developmental approach, when properly designed and delivered, helps to strengthen the various abilities required for Intensive Thinking positions. And, of course, the positive return on investment, ranging from 200 percent to 1000 percent that executive coaching delivers, just adds frosting to the profit cake.

Focusing on truly maximizing human capital through development is more important than ever before. Employee productivity research suggests that at any given time 75 percent of the workforce is not actively engaged on the job. Such disengagement is costing billions of dollars. Reading about all the wasted time during Super Bowl, or even white collar executives who play video games online during working hours, offers just two examples supporting this paradigm shift away from labor-intensive to thinking-intensive, self-directed loyal employees.

In the late 20th century, much was written creating the Knowledge Worker who could quickly integrate technology and deliver even more results. The knowledge

worker does exist and many knowledge workers are in the right seat on the bus, as Jim Collins describes in his book *Good to Great*. But, if the bus is toxic or old, not on the right path, and driven by leaders from another era, the bus will not get to where it needs to go. Now is the time to look at your paradigms and start changing before it is too late for you and your company. Otherwise, you may be driving your bus off a cliff. **N**

Did you know that a five percent customer retention = 25 to 100 percent increase in profits? Leanne works with your human capital to develop results-driven leadership. If can't-do attitudes to unresolved customers' problems are keeping you from those priceless loyal customers, then visit www.processspecialist.com for a free customer loyalty audit.

