

Understanding your “VALUE equation”

By John Greco

There is at least one thing that “for-profit” corporations and “not-for-profit” organizations have in common. They both need to understand how to create and maximize “value” for their stakeholders. Corporations need to create “value” for their customers, their shareholders and their employees. Not-for profits need to create “value” for their members and sponsors. In either case, “value” can become an over-used buzzword unless it is at the center of the organization’s planning process in a very strategic way. In fact, the “VALUE equation” for any organization can make the difference between success or failure if the “V-A-L-U-E” is uniquely defined as follows:

V is for “Vision” of success. Your organization must have a clear vision of success, based upon your customers’ or members’ evolving needs (and wants) compared to your own capabilities. You must also establish a clear vision of where and how you will compete, in which segments and on what competitive basis. Sound marketing and strategic planning will play a key role in ensuring a clear vision of success is established, updated and maintained. Whether it is based on quantitative research, qualitative findings, or just old fashioned intuition, the clarity of, and degree of passion behind the vision, is the catalyst for the entire value equation.

A is for “Alignment” of your strategy within your organization and among your stakeholders. The clearest vision will go unrealized if the key people in the process of bringing that vision to life are not pulling in the same direction. This may sound obvious, but in practice it is often the step given the least attention. The champions of the vision must take the time to ensure that key change agents in the organization are “signed on” and supportive. Blockers of the vision can be found in both those who don’t agree with the vision or just don’t get it. In either case, if you want to bring your vision to life, take the time to really identify who needs to buy-in and what they will need in order to get on board. Whether you use the carrot or the stick, make sure you know where your key players stand. It’s also critical to take the time to ensure that your strategy, structure, reward/recognition system (including incentive compensation), information/decision systems and overall human resource processes are all in alignment. If any of these are out of alignment, it will decrease your ability to create value just as a car’s wheels out of alignment cause it to pull in the wrong direction and get lower gas mileage.

L is for the “Leadership” to challenge your organization and move decisively in the direction that will optimize both your long term and short term goals. Leadership is not confined to the boardroom or the top of the organization. Many successful organizations encourage and develop leaders at all levels so that the strength of the organization is magnified by their compounded conviction and support. Strong leaders of organizations, both large and small, use every possible opportunity to check-in with their teams about what it takes to keep their customers or members happy. It doesn’t matter whether you are a Fortune 500 CEO, a small business sole proprietor, or the volunteer board member of a not-for profit trade association, professional association, or charity. A key factor in

determining the quality of your leadership is the degree to which you focus on creating value for your customers or members.

U is for “Understanding”. Your employees, members, and other stakeholders must have a clear understanding of your strategy and more importantly their role in its success. Once they do, they will be able to do their part in the overall value creation process. The bonus will be that they will also then be more likely to be disciples of the overall mission. It’s a lot easier to support and promote something you truly understand than a top down edict given out of any context. Every minute and every dollar spent on internal and external communications programs should be viewed as a strategic investment in the value creation process instead of just a necessary item on a communications manager’s checklist.

E is for the “Execution” of the plans you seek to implement in a manner that will deliver the financial results that you require; position you to develop future growth; and provide superior customer and member satisfaction. This unfortunately is where many great strategies go astray. So many failures can be described as a good strategy with poor execution, or stated differently, “underdeveloped value”. Sound execution is extremely dependent upon all of the other parts of the “VALUE equation”. It’s difficult to execute a flawed vision of success. It’s difficult to execute in an environment that is out of alignment. It’s difficult to execute in an organization with weak leadership. And it’s difficult to execute if you don’t understand what your role is or where and how it fits into the big picture.

The basic principles of creating value are the same whether you are Walmart, the local discount liquor store, or the XYZ association. It’s just a matter of scale and focus.

Organizations, both large and small, need to develop their own skills for dealing with each part of the “VALUE equation”, and complement their skills with outside expertise proficient in each step of the process. We each must take care of our own health, but need to rely on a physician for a regular checkups and specialists when we have a problem. Similarly you must take care of your own organization, while reaching out to marketing and business development experts to ensure that you are getting the most out of your business or association for all of your stakeholders.

What does your “VALUE equation” look like?

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