



# Enterprise Rules

The foundations of high  
achievement – and how  
to build on them

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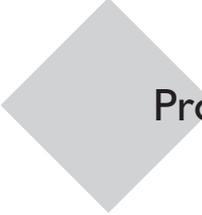
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## Prologue

This is very much a book for today. It is hard to think of a time when people have felt so disenchanted with commercial enterprises, especially banks and newspapers; so distrustful of politicians and their advisers, so put upon by those that they consider are ripping them off and so unhopeful about their own futures. Religion with its promise of reward in the life to come is far less likely to provide consolation than in the past. Economic gloom, unemployment and anxiety about old age add to the general feeling of dissatisfaction and concern.

All the same, the vast majority of people still want to work and to do something worthwhile with their lives. Many studies have shown that most people are looking for meaning in work. Good employers who consciously seek to provide that meaning get high employee commitment. Many talented young people seek out work that can provide them with the satisfaction of doing something worthwhile. So canny employers and senior managers are starting to realise that they must take these pressures seriously: otherwise, in the longer term they will have less capable, less responsive workforces, unable to respond to the

shifts and dramas of survival. They also know that they will not be successful with their customers in the medium term unless they can provide a convincing experience of good products, helpful service and responsible public behaviour.

Not all organisations are like the worst of the banking and media worlds. Excellent customer and employee focused ventures can be found in many places, even in banking, and public trust is high in less commercially focused ones, such as community interest companies and charities. Some organisations that are owned by their employees or customers, such as the John Lewis Partnership and the Co-operative Group, also engender confidence, as do many family companies. And what these organisations do is in no way mysterious or impossibly clever. Nevertheless, mythologies have been created by those who benefit by encouraging the rest of society to forget old wisdoms and instead put themselves in the hands of gurus, 'heroic' leaders, peddlers of expensive technologies and, worst of all, market manipulators.

The messages of this book are simple but hugely important. Organisations that manage to provide meaning for employees, satisfaction for customers and a net contribution to society can expect to prosper in the longer term. This has been known for a long time, ever since the nineteenth century and the Quaker entrepreneurs; but in the era of instant gratification, of celebrity without effort and of ridiculous wealth without responsibility, we have seen good things disparaged as 'boring' and have lost sight of what matters. Let's get down to the enduring foundations of high achievement and build enterprises that add value to people's lives and to the wider community.



## Introduction

Let me start with a personal note. I was a manager for over 30 years and a consultant for six in companies I helped to found. My introduction to management was through the central graduate trainee scheme of Unilever, a global consumer products company. In those days some called the likes of me and my fellow trainees 'Crown Princes'. But Unilever was a wise company: its graduate trainees were sent to do real work at the front line. After eight years or so selling soap to grocers, working in fish and chemical plants in the UK and helping to run a trawler fleet in Newfoundland, I was wiser about notions of royalty. Working in factories was probably the most important experience of my life. And my most influential mentor ever was a supervisor called Stan Allison, who was the embodiment of practical wisdom. I now find it hard to conceive how anybody can be an effective top manager without the experience and insights generated by working at different organisational levels – from the 'shop floor' up. My own experience was enlivened in its middle and later stages by a growing predilection for working in large enterprises facing big problems. Most of these were a result of past mistakes and poor management by executives, often

people with public reputations that belied their private deficiencies. The really proficient managers that I had the privilege of working with generally had lower public profiles and were little known in the wider worlds of the financial markets and media. Many were not British.

During a long career which saw me reach the top teams of three large companies, and co-found two smaller ones, I had the good luck to work with some of the best business gurus, many of whom are still active. In particular, I remember professors Jay Lorsch of Harvard, Henry Mintzberg and Gareth Morgan of McGill, Warner Burke of Columbia, Marcus Alexander of London Business School and Roger Harrison, a wise American consultant. The reason I remember them is that they had the courage to abandon their classrooms and come to work with groups of senior managers who were tackling difficult problems in real time. Most said they had not had such an experience before. Mintzberg wrote about it.

I have tried to express the wisdom of these worthies and Stan, as well as the experiences of working with some inspiring colleagues in companies that ranged from well-run industry leaders to basket cases. High on the list of learning experiences have been mistakes that I have made. The weakness behind many of these was a tendency to assume people could be coached to competence. Alas, I got it wrong too many times and learned the hard way to take good advice about appointments.

Sadly, in my later days I was witness to the growing influence of the investment markets over big quoted companies, and the consequent changes in the behaviour of managers at the top, which damaged long-term performance and sustainability.

Being instrumental in making an enterprise high achieving is immensely rewarding and worthwhile. As well as the financial benefits available to all stakeholders, economic success increases resilience, and enables investment for the longer term that will cushion against the inevitable shocks that will beset any organisation. But the story goes much further: sustainably high-achieving enterprises are more often than not rewarding

for people to work in. They can enrich people's lives in ways that go far beyond financial success. There is good evidence to show that they are vibrant communities, creating purpose and meaning for many people, some of which extends into their personal lives. Thus they can also enrich a wider community – the creation of trusting relationships within such organisations is likely to spill out into a wider theatre. There is good evidence to show that sustainably high achievers generally add value to the communities around them and thus to the wider economy and society.

Unfortunately, there are too few of them left, especially in the UK. The ravages of 'financialisation', short-termism and 'creative destruction' – and political meddling in the public sector – have destroyed many a valuable enterprise and damaged others. Today, the best places of work are often to be found among smaller enterprises and organisations that are not subjected to the full blaze of investor and media scrutiny.

## ■ This book

Most management writing examines specific facets of knowledge and practice: finance, strategy, organisational behaviour, marketing and the like. Many business school programmes are similarly organised. I once attracted unfavourable attention at INSEAD, a business school, by commenting that the structure of its programmes seemed to match the organisations of the large bureaucracies that provided most of the students.

This book is different because it is based on the fact that good managers have been shown not to think in specialist 'silos'. It examines the roots of high achievement from many angles, and then pulls the various strands together into integrated action programmes.

The second part looks at the relationships between organisations' external and internal environments, and the way they are run from the board through to middle management all

the way to the 'front line', with a view to integrating the whole enterprise.

In seeking to provide an understanding of high achievement it looks at the following perspectives:

- Economic: discussing value creation, financial and socio-economic aspects.
- Psychological and social: examining the vital and often underused contributions of the social sciences.
- Political: considering organisational politics and the uses and abuses of power.

The third part, the Workbook, contains self-use material that should provoke readers to consider the strengths and weaknesses of their own enterprises, and, if they wish, plan and implement their own programmes of change and performance improvement.

Finally, the appendices include three profiles of enterprises that by and large live by the messages or 'rules' of this book – and are prosperous and happy places to work. Evidence that shows that the ingredients needed to create high-achieving enterprises are a portion of flair and an enormous amount of effort and attention to detail. The journey has no end but many twists and turns. High-achieving enterprises usually have a sense of destiny; they never relax in their efforts; they know that the road ahead is full of opportunities, surprises and not a few challenges. The most successful forms of growth are those based on incremental innovation and improvement coming from rich veins of experience rather than sudden spurts of inspiration or ego-driven big deals. In many ways, the journeys of accomplished top managers and their organisations are similar to those described by John Bunyan in *The Pilgrim's Progress*. The road to success and salvation is long and often winding, and there will be temptations aplenty to leave the high ground; but those who remember what really matters and are true to themselves and others are the

ones whose enterprises will eventually win the prize of sustained high achievement.

High achievement is a product of the dedicated efforts of everybody, not just a special few. High-achieving enterprises attract the commitment of all their staff and the support of customers and other stakeholders in equal measure.

The top managers most likely to support sustained achievement bond with their organisations, listen to the wisdom of other people, especially those on the front line, and have sensitive antennae to detect strong and weak signals denoting changes, problems and opportunities. There is much evidence to say that the best managers regard strategy as something they work at all the time. They believe in experimentation, in many small initiatives, and not grand plans. They also use all their senses and are respectful of 'hard' data, but they would not dream of acting on it without going and checking by personal observation what is really happening.

But there are many ways of ruining good enterprises. Neglect of the organisation, egocentricity, autocratic and bullying behaviour, getting cut off from the real world, rushing into deal-making as a first resort and complacency are just some of them. Inept or uncaring top managers can, with a little help from a small number of 'advisers', ruin enterprises very quickly.

The book is based on a number of fundamental premises:

- There are no standard 'recipes' that apply to all enterprises. Each one is unique in terms of its history, culture and context.
- A working knowledge of a range of social and economic dimensions is essential to success. Overemphasis on any one is likely to cause damage.
- It is essential to understand the roots of high achievement and have a good understanding of organisations, people, markets, finance and power in organisations.

### The characteristics of high achievers

I have chosen to focus on 'high achievement' rather than 'performance' because achievement has the connotations of something that is built up to through training, hard work and dedication. Like successful sports teams and athletes, high-achieving enterprises are not created overnight and they need to keep working, learning and adapting to sustain their success.

What differentiates high achievers from others is examined in Part 2, but here are some of their characteristics:

- They achieve alignment between and satisfy the needs of all their stakeholders – staff, customers, owners/investors.
  - They do this in a timeless way; their economic performance enables them to invest for the long term.
  - They are resilient and can ride difficulties, as well as profit from good times.
  - They are attuned to their environments, constantly adapt and learn from experience.
  - They are internally aligned, with close bonding between staff at all levels. Information passes easily up, down and across the organisation.
  - They create positive meaning for their staff, through pride, relationships and generating a sense of doing good.
- 
- But getting hands-on in your own organisation is what really matters. It's like the difference between understanding food science and practical cooking.



## 1. Sense and nonsense

The phenomenon of management as a topic worthy of serious study is relatively recent. The beginning of the twentieth century saw the emergence of serious research into the nature of organisations and their leaders. Henri Fayol and Frederick Taylor both applied scientific methods to studying the nature of leadership and the organisation of work. Much earlier, Adam Smith postulated that the division of labour would make large-scale production possible and efficient – and Max Weber developed the concept of bureaucracy as a means of organising in government and industry.

The evolution of the business school brought with it the notion of management as a serious professional activity. The modern business school developed in the United States and spread rapidly through the Anglo-Saxon world of business – rather less so in Asia and continental Europe.

For a time, scientific management became popular. Rigorous and methodical long-term planning using stringent analytical constructs was all the rage for a time. Managers were exhorted to respect the primacy of hard data and be on top of the numbers. Robert McNamara, as US defence secretary during the Vietnam

War, wanted only 'hard' data and revealed the dangers of getting cut off from direct experience, from intuition or 'feel', and thus from reality.

The post-war period has seen an explosion of research and thinking about enterprise and leadership. There has been a thread of rigorous investigation that has sharpened understanding of the realities of management. For example, research by Rosemary Stewart, Jay Lorsch, Gareth Morgan, John Kotter and Henry Mintzberg among others has exploded the myth that organisations are neat hierarchies obeying tight rules – and that good managers behave in an orderly manner, applying scientific methods to forecasting, planning, organising and so on. Acute observers like Peter Drucker and Charles Handy, who based their writing on research evidence, confirmed these findings.

But alongside such insightful and stringent research has come a huge explosion of what might be described as quasi-religious material, often pushed by 'gurus'. This has given rise to a number of dubious ideas, among which several stand out:

- The development of such concepts as visions, missions and values. In some respects, much of this is harmless, but it has given rise to the creation of rigid 'templates' requiring followers to spell out the vision, the mission, the values, the guiding principles and the strategies. While this approach may help to clarify some issues, taking it too seriously can get in the way of crafting real strategies.
- The religious theme has been accentuated by the popular notion of the charismatic leader, who can transcend reality by sheer willpower and personal magnetism. This concept of leadership gained traction in the 1970s and was personified by Lee Iacocca, the legendary (in his own mind at least) chairman of Chrysler in the 1980s, and more recently by Jack Welch, late of General Electric.
- Associated with charismatic leadership have been the positive psychology and New Age movements, which

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