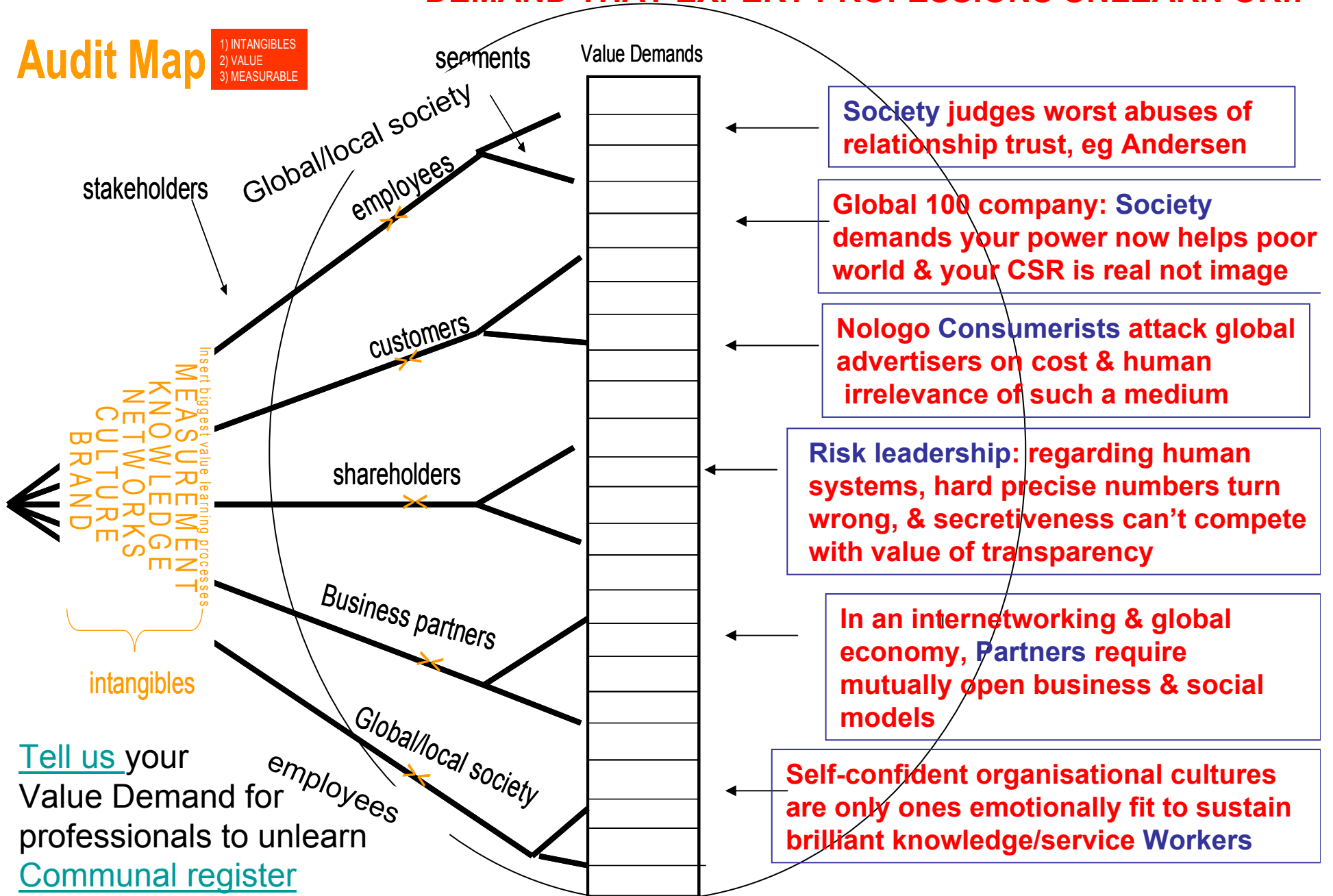


# DYNAMIC VALUATION

**-SIGNS ARE THAT STAKEHOLDER ACTIVISTS WILL DEMAND THAT EXPERT PROFESSIONS UNLEARN OR!!**

## Audit Map

- 1) INTANGIBLES
- 2) VALUE
- 3) MEASURABLE



## WHAT THE WORLD NEEDS NOW

## AND WHY SOFT IS THE HARDEST AGENDA OF LEADERSHIP!

**CRISIS:** Alongside quarterly numbers, business world & society urgently need **dynamic valuation:** a standard for mapping whether relationships of most value to company are likely to grow or be destroyed taking account of the systematic integrity, dynamics & environment of relationships business model measurably being operated.

### Evidence of Crisis:

- Intangibles Crisis reports (Brookings, EU)
- Value Destruction Cases :
  - "*Human*" : 9/11, 4 billion in Poor World, bankruptcy of pensioner class in West
  - "*Business*": Enron, Andersen
- Testimonies of expert witnesses in: risk leadership, brand leadership, people & community, knowledge management...

### RESOLUTION BY MAPPING:

- Agree standard "chessboard" & pieces
- Adopt Missing Link Culture: key mapping values :integrity, dynamics, sustainability, unlearning, relationship systems, environment, value exchange
- Steadily compile & benchmark common language & rules of game progressing from simplest generality to rich contextual details

### Expected Implementation Crises:

Mathematically, the standard gameboard is as simple and logically robust as balance sheet BUT:

Billion dollar relationship exchanges typifying global business networks are rich in contextual detail

**Balance Sheet has 100+ year of codifying its experiences; dynamic valuation is a baby**

**Dynamic valuation asks that every stakeholder expert commits to unlearning (examples overleaf)**

**From A New Brand World (2002), Scott Bedbury,  
Previously Chief Brand Officer at Starbucks, Nike...**

**a conscience that goes far beyond Wall Street** - society should reward companies that make their brands better not just bigger...achieving this will require that **we stop measuring success merely in terms of strength of financial numbers and begin to account for goodwill, business ethics & creating a world better than the one we know today...Brand values** provide a much better organising principle for an enterprise than an EPS target, market share goal or stock price. The latter are merely financial performance measures. **They don't tell us anything about how to get there.** If we take this one step further and envision a future in which **brands will be more closely scrutinised and held more accountable for their global impact, then it is inevitable that they will also become a conscience for companies.**



## -Missing Link Briefing #

**DO IT systematically or not at all**

- Make it of the business, of the vision your business is there to lead
- BUT1 win-win it so that it is also sustainable for the community you are helping to develop and core to their vision
- BUT2 expect activist feedback, critical at first (because...)

Consider:

- if it is big: involve and lead the whole industry rather than half doing it
- if you are as powerful as a global 100 company, make sure your CSR is focused on an issue narrowing the gap between poor world & rich

Expert comment:

. I've been thinking a lot about how the field of CSR uses the terms poverty and social justice - and I don't think much effort has gone on to link CSR to root cause issues - possibly because what I think would come out of it is less about what companies should do but more about what they shouldn't do and where they are complicit.

Two things that I think get overlooked in corp/community engagement are: HOW companies engage, so that they are putting the community at the center of their own development process rather than the corporation - and how skills/knowledge/ is transferred in the process - too much focus on what the program is (health, education, microenterprise) and not enough on how its implemented and if its meeting the needs of the community as defined by the community.

Secondly I don't think companies are thinking enough about how all of their assets can impact (positively and negatively) communities. Philanthropic efforts are nothing compared to what a company can do with its purchasing/hiring/investing/siting decisions etc. Need more focus on economic development.

And this brings a third idea to mind: I think companies engaged in economic development need to focus more on market development - rather than individual SME development. Doesn't have to be export focused, but developing individual business without strong, competitive markets is not a good long-term development strategy

Our network will not rest until large companies use relationship mapping alongside Quarterly Numbers.

You can see more of our public rehearsals at <http://www.egroups.com/group/simplysee>

Or contact Chris Macrae at [wcbn007@easynet.co.uk](mailto:wcbn007@easynet.co.uk) if you have a more urgent interest

## Intangibles Value Map – Introductory Level\*

1 Initiation Process: Mapping Intangibles	2 Preliminary System Checking Culture	3 Open & Advanced Leadership Practices
<p>1.1) Clarify all the <b>stakeholder segments</b> which a company is promising to exchange value with over a <b>relationship period</b> (eg people whose loyalty you want to earn over (say) the next 3 years)</p> <p>&gt;Anticipate that 1.1-1.3 require building a new management approach to measurability linking higher and higher levels of integrated learning and actions. <b>Integrity</b> is essential to energising and sustaining intangibles value. The corresponding mathematics of humanly activated relationships and system flows does not obey the rules that are appropriate for counting up separate tangible assets. This fact needs to be confronted from the outset in order to resolve the emerging conflicts between traditional management accounting and valuation of corporate worth.</p>	<p>2.1) <b>Attention: Mapping 85% of Value Productivity &amp; up to 100% of Value Destruction.</b> The whole of the map should be seen as an interconnected system which merits continuous attention and proof-checking (at least as much as that which the whole organisation complies with in quarterly auditing and corresponding appraisal of bottom line performance).</p> <p><b>SWOT Navigation:</b> eg average 85% of current worth of leading companies is attributable to the dynamics represented by this map. Consequently companies that do not navigate around value maps are at constant risk of being unaware of how one rotten relationship can destroy most of a company's valuation (eg Andersen).</p>	<p>3.1) In best practice, a company often makes its value map <b>transparent</b> to selected stakeholders and openly seeks to understand value maps that it is connecting into. eg1 in a long-term partnership, seamless value appreciation is derived from both sides understanding each other's maps. eg2 Companies serving knowledge products must map how customers will create their own value exchanges with each other.</p> <p>&gt;Most new economy models – harnessing the greatest human productivities of global networking technologies – have been poorly organised so far. Transparent sharing of value maps is a management behaviour required for open leadership of a BusinessWeb.</p> <p>&gt;Relationship capital patterns are so intricate that the chances of competitors copying them are minimal.</p> <p>&gt;Non-transparency is becoming the biggest corporate risk.</p>
<p>1.2) For each stakeholder segment, clarify primary <b>value demands</b>, ie the <b>promises</b> that the stakeholder would most expect the company to keep in exchange for their loyalty</p>	<p>2.2) <b>Interact all your employee intelligence</b> so that primary value demands are correctly understood, being actioned with the integrity assumed by your business model. To ensure this and to gain feedback on any changes in stakeholder needs or the competitive environment, design intangible processes to flow into each other with no broken links. In this manner, human productivity is channelled by intangibles - energising positive emotions at individual and group levels.</p> <p>&gt;Intangibles guru Karl Sveiby has compiled list of 17 ways in which best practice management of digital/knowledge-working companies connects employees differently than in the tangible-asset era. Ref: <a href="http://www.quicktopic.com/11/D/MjGSvU9nf7nrx.html">http://www.quicktopic.com/11/D/MjGSvU9nf7nrx.html</a></p>	<p>3.2) <b>Types of value.</b> In online directories, we catalogue human demands of various types such as monetary, personal development, social, spiritual. All stakeholders evaluate the intangibles of human relationships in a rich variety of ways. Making a business model measurable to only one type of value (eg monetary) is a serious leadership error, assuming your interest is in developing a sustainable organisational system and one that will enjoy playing the most productively valuable roles in a networking world.</p>
<p>1.3) Audit pairs of value demands and how the current operating model of the business typically works: -is the pair <b>Win-Win?</b> ie keeping one promise is likely to reinforce keeping the other promise -or is the pair <b>Win-Lose?</b> ie when of these promises is prioritised it is likely to be kept by breaking the other promise</p>	<p>2.3) <b>Dynamic Business Modelling</b> shows that a Win-Lose can seriously damage a system if it lurks long enough to cause knock-on effects. Ideally a company should re-design its business model rather than permit too may win-loses or even one serious one festering for long. Contrary to conventional wisdom, value mapping experience reveals that it is usually easier and less costly to redesign a relationship business model when early warnings are detected than once everyone can see there's a crisis of confidence.</p>	<p>3.3) <b>Leagues of Business Worth.</b> Look at businesses – and value mapping priorities – in different leagues.</p> <p>&gt;For example, the world's leading global businesses must be far more measurably accountable to society's stakeholders – most notably in narrowing the gap between poor &amp; rich world. <a href="http://www.hp.com/e-inclusion">http://www.hp.com/e-inclusion</a> “This issue should not be seen as altruism”. For example, it is obscene to use all of a global's promotional monies on advertising when some of it could be doing visible good. Global companies who fail to provide any channel for the work of poor world activists will be boycotted now that global communications is not just a one-way image-driven affair.</p>

\*These notes are intended as an introduction to The Audit Map. Further detailed & customised notes are available on demand. Contact our network via [wcbn007@easynet.co.uk](mailto:wcbn007@easynet.co.uk)

# Audit Map

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