

## Creating Lasting Organizations: An Integrated Framework

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### ABSTRACT

*Corporate form of business has enabled perpetual existence for firms. However, just the corporate form is not a sufficient guarantee for firms to last. What is needed is a robust core which would help the firm to survive onslaught of time and competitive forces. This article deals with five vital pillars which in author's view could form the core of corporate longevity. The '5V framework' proposed in this article consists of vision, value proposition, value delivery, value creators and value system. They all need to be addressed holistically. Further, each of these pillars has four vital aspects which need to be addressed and have been briefly touched upon in this article. There is a need for an ongoing senior management review to ensure that all these aspects are addressed holistically for cracks in one pillar can threaten the long-term existence of a firm.*

**KEY WORDS:** Corporate Longevity, Lasting Organization, Integrated Framework.

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Modern corporate form has an inherent advantage of perpetual existence. A corporation is expected to last for a period far longer than the life of the individuals who created it. Separation of ownership from management, liquidity & value creation through a stock market listing and limited liability have contributed in creating firms of a global scale & reach. While the corporate form & structure has inherent advantage of continuity, growth and scale, whether a firm using the corporate form would sustain & grow really depends on several softer aspects which have been embedded in its DNA at the time of its foundation and how they are valued & nurtured later as the organization becomes bigger. In the last few decades, we have seen examples of human greed for money and power which have risked existence of firms. The

societal response has been increasing regulation and more intense scrutiny by stakeholders and media. While regulations have their own part in ensuring right behavior by firms, for them to achieve sustainable growth and a lasting impact, they need to follow an integrated approach which goes far beyond compliance. Further, fierce marketplace and growing demands of customers & other stakeholders pose rising challenges for firms in their journey to greatness and there is a need for an integrated, holistic approach which addresses the core pillars & principles of sustained value creation by a firm.

In this brief article, I propose an integrated framework which can provide a robust basis for firms to look at various aspects in a holistic manner as they are all important in creating a lasting organization.

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This framework is woven around five important fundamentals and I propose a 5V framework for that purpose. Later in this article each of these Vs has been elaborated with some deliberation on vital aspects of each one of them.

**a. VISION**

Vision emanates from the core purpose for which the firm was created. Clarity of purpose and the power of vision have the ability to seek commitment of large number of individuals in creating a lasting institution. While earning reasonable profitability has to be one of the core objectives of any firm, it cannot be the purpose of its existence. The purpose must be something larger, serving a genuine need of humanity. Firms which were created to meet frivolous needs of people have had to mend their ways or face closure. On the other hand, if the core purpose is powerful and meets genuine needs of society, that vision is actively supported by the society itself.

**b. VALUE PROPOSITION**

Every firm has to provide a demonstrable value through products and services that meet & exceed customer expectations. While the customer need is sought to be met by many competing firms, value proposition deals with how uniquely a firm is able to demonstrate a distinct flavor of its offering which makes a positive impact on the user.

**c. VALUE DELIVERY**

Value proposition must be backed by a solid value delivery mechanism. Imagine a firm creates a wonderful product which meets or even kindles latent needs of customers. However, it is not able to deliver the product

or service on time and in a consistent manner. It would create a very negative impact on the customers and the customers would drift away to competition. Value delivery requires a careful choice of structure, processes and technology which will help the firm in fulfilling the customer need consistently, timely and in a cost effective manner.

**d. VALUE CREATORS**

Any organization is a living organism of people who rally behind it and create value. A firm's ability to channelize the energy of these value creators has a direct bearing on its longevity. A significant part of the value that a firm creates is added by its vendors and service providers too. While nurturing the potential of employees is vital, it is also very important that a win-win is created with these external associates of the firm.

**e. VALUE SYSTEM**

Value System emanates from the core beliefs, attitudes, motives, desires, drivers and the world view of the founder entrepreneur. They together qualitatively shape the organization and create a lasting impact on the ethos, behaviour and longevity of the firm.

In the following pages vital aspects of each of the 5 Vs discussed above have been elaborated.

**VISION**

Vision of a firm arises from the purpose for which it was created. It is, however, quite natural that as the time passes and societal needs change, the 'purpose' of the existence of the firm would also change and align with changing societal needs.

There are following four aspects of vision which are vital:



### **The zone of relevance**

The potential zone of impact and relevance for a firm's products or services has a direct bearing on its longevity. Wider the zone of its relevance more would be the possibilities of its longevity.

### **Kindness to earth**

Earth's environment is under threat. Firms with offerings which are kind to the environment and whose practices enable conservation of resources have an inherent strength to survive over a long period.

### **Offshoots for growth**

If the firm's purpose and hence its vision are too narrow, the firm would have restricted opportunities for growth and stands the risk of getting marginalized as the socio-cultural, economic and technological shifts take their toll. Instead if the vision provides an opportunity to blossom into something bigger and even more relevant than its

original conception, the firm can be on a growthpath for a very long period of time.

### **The impact on humanity**

Due to information explosion, the customer has become very discerning in terms of tastes and the impact on humanity in the long term. This shift has been very rapid in light of issues such as global warming and scarcity of resources. Firms which create a positive impact on humanity would naturally sustain over a much longer period.

### **VALUE PROPOSITION**

The pillar of value proposition has four vital aspects which have been discussed below:



### **Differentiation**

With much easier access to technology for all, many goods and services stand the risk of getting commoditized. Differentiation has become very important for firms to create pricing power and survive competitive onslaught.

### **Brand Management**

Brands communicate a set of values & core

offerings which the firm & its products stand for. A look at the brand will generate a certain image, perception and sentiments in the minds of the observer! Brands need to be actively nurtured and nourished.

### **Customer Centricity & Alignment**

More aligned is the firm to the needs of the customers and actively listens to its customers, greater the chance that it will enthrall the customers with solid value. Once the customers know that the company is willing to listen, they will go all out to ensure that they give honest feedback with the intention that the firm succeeds!

### **Unique Selling Proposition**

Unique Selling Proposition is that feature which when communicated to the customer succinctly conveys the distinctiveness of the product or service. Clear message increases the potential for the product or service to make an impact.

### **VALUE DELIVERY**

Great value proposition to the customers must be backed by robust structure, process and technology to deliver value. Following are four vital aspects of value delivery.



### **Capacity Management**

It is vital to align capacity creation with the market demands. Capacity includes aspects such as manufacturing, distribution, storage and even talent. Capacity need not be only created internally. Access to capacity through key vendors can also be cultivated by building strategic partnerships with them.

### **Working Capital Management**

Efficient internal processes are vital for using capacity which is already created and for smooth operations. They help in ensuring that the customer is seamlessly serviced in a very predictable way.

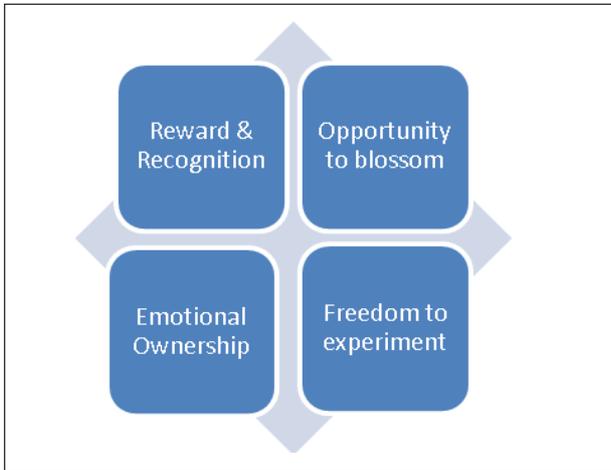
### **Cost Management**

Along with efficient working capital management, it is vital that firm manages its costs prudently. Cost structure and its drivers must be reviewed from time to time so that timely initiatives can be taken to ensure that customer is able to access the product or service in a very cost effective manner.

### **Risk Management**

Many firms spend enormous energy in micro-managing costs but one risk could blow them away. Risks are inherent to any business. However, an integrated risk management framework can help a firm in identifying and managing the risks proactively.

## VALUE CREATORS



### Reward & Recognition

Fair reward has to be a basis of engaging services of a human being and that is only the beginning of relationship. This fairness is a must throughout the journey together. Unfortunately, this view is often restricted only for the insiders i.e. the employees. The approach towards vendors is that of exploitation. This is a serious mistake. Further, apart from reward, recognition for good performance is also vital.

### Opportunity to blossom

Reward & Recognition is simply the starting point. More vital is that individuals associated with the firm whether as employees, service providers or vendors get an opportunity to blossom their personality by way of new skills, knowledge and abilities.

### Encouragement to Innovate & Experiment

Encouragement builds confidence. All people stakeholders, whether employees or vendors look for opportunities to Innovate & Experiment. Encouragement to do so can bring the best out of

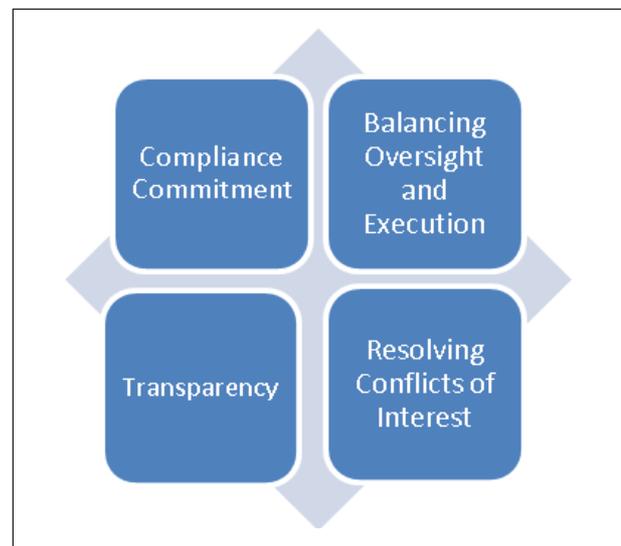
them and in turn help the firm to garner a lot of learning on the way which can be translated into commercial success.

### Emotional Ownership

We find lot of efforts on part of firms to converge the interest of the employees with that of the shareholders through employee stock ownership. Even more important than financial ownership is the Emotional Ownership of employees. Emotional Ownership is the result of the respect for the individuality of the employee and his or her contribution to the firm. Emotional Ownership needs to be also fostered among the vendor fraternity for creating a win-win.

## VALUE SYSTEM

Value System forms the bedrock of any organization. Following four aspects are vital to demonstrating that a firm is indeed committed to a value system which is fair to all stakeholders.



### Compliance Commitment

Commitment to adhere to regulatory framework

applicable to the firm and governance framework that it has voluntarily created should be without any exception. This commitment is able to attract stakeholders who can in turn commit to its growth & progress.

### **Balancing oversight and execution**

One of the most vital aspects of governance is the balance of power between the executive wing and the independent directors. A firm that encourages active oversight by independent directors is doing a great service to its shareholders and to itself. This benign internal scrutiny is an inbuilt mechanism for a firm to be in business for a long time!

### **Dealing with conflicts of interest**

When there are multiple stakeholders, conflict of interest among them is natural. Some of the stakeholders such as Directors and employees are internal stakeholders and vendors, customers, shareholders and society at large are external stakeholders. It is important for the internal stakeholders of a firm to demonstrate that they resolve the conflicts ethically and without undue benefits to themselves. The commitment that it will elicit from external stakeholders would be amazing!

### **Transparency**

While respecting business secrecy is important, transparent way of conducting business provides an assurance to all the stakeholders that the

business of the firm would be conducted in a fair manner.

### **CONCLUDING REMARKS**

These five core pillars and their components discussed above apply not only to a business firm but also to a charitable organization or an NGO. These five pillars must be addressed on an ongoing basis and the people at the helm of affairs must put mechanism in place to examine how the firm is doing in respect of each of these pillars. As mentioned earlier, even one weak pillar can cause collapse of the organization and thus, each pillar merits adequate attention. Stronger these pillars, longer would be the ability of the organization to sustain in the long-term. As any modern structure or building becomes older, we are required to carry out their structural audit to examine how robust the structure is and whether it requires any repairs or refurbishment. In case of any firm too, this assessment is required to be done on an ongoing basis. This millennium is going to be that of intense scrutiny. Every organization, institution, firm and even religions are being severely tested and examined by the people at large. With information explosion and access, this scrutiny is going to be even more intensified. Before subjecting itself to the external scrutiny, it is important that every organization creates its own mechanism to examine whether each of its pillars is strong enough to carry it forward and for it to making a lasting positive impact on humanity.

