

MAKING HIGH VALUE WORK: THE BUSINESS BRIEFING



ASSOCIATION FOR
FINNISH WORK

the
futures
company

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WHY READ THIS BUSINESS BRIEFING

The world of work is changing. People are living and working differently, while the global financial crisis has forced governments and businesses across the world to reconsider the way they operate. Multinational companies are under pressure to adapt to new customer needs and expectations, and, with lower barriers of entry for new businesses, smaller and more innovative companies are increasingly able to disrupt established categories.

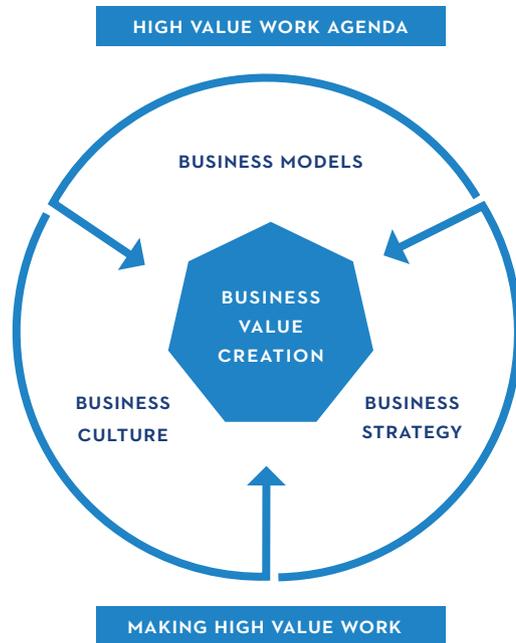
This Business Briefing builds on the work published recently by the Association for Finnish Work in The High Value Work Agenda, by outlining ways in which innovative businesses, in Finland and elsewhere, have done things differently to add value in their markets. One lesson: you don't need to be in the technology or sciences sector to achieve this. Some of the case studies are from businesses in sectors such as clothing and food processing. The briefing is your gateway to new thinking about growing your business and making it more productive.

Why High Value Work?

We identified high value work as being work that is:

- × **Productive** because it creates new value.
- × **Sustainable** because it creates value over time.
- × **Inclusive** because it creates shared value across businesses, employees and society.
- × For these reasons, it is also **meaningful**.

The Association for Finnish Work is interested in high value work because it creates a virtuous cycle, in which more productive workers create a platform for higher investment and therefore higher returns. So it is good for business as well as society.

EXHIBIT: CREATING BUSINESS VALUE

Source: The Futures Company / Association for Finnish Work

In The High Value Work Agenda, which can be accessed online, we identified four routes to high value work. Each of these represented a way of thinking about business models and business processes that could generate greater value in work. In summary, they were:

- × Service innovation
- × Resource innovation
- × Value in authenticity, and
- × Rich knowledge.

Business models are part of the story of business value creation. But they are only a part. The rest is down to business strategy and business culture: how you decide what to focus on to make a difference, and how you engage people inside the business to create the change you need to build a lasting shift in value.

Making High Value Work

In Making High Value Work, we introduce five practices that companies use, separately or together, to build high value cultures and business strategy. These practices are:

1. One Step Beyond
2. Running Towards the Problem
3. Human Centred
4. Lean in the Right Places
5. Living the Story

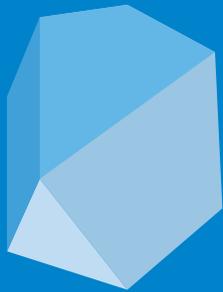
The first two identify the context of your business and its external challenges; the second two are about designing and running the business in the smartest and most inclusive way; while the fifth is about communicating all of this, both inside the business and outside, in a way that gives your company a distinctive purpose and identity.

This fifth practice, Living the Story, which involves having a set of defining values for your company and living by them, can activate the other four for both customers and employees.

A company could use these practices in sequence to identify ways in which their business can become more strategically, operationally and technically innovative.

Together these five practices are designed to help you transform your company into one where high value work will create business results in a way that shares this value, now and into the future, with your employees, your customers and society. They can test your existing business model, business strategy, company culture or core purpose and help you to identify new opportunities for development and growth for your business.

1. ONE STEP BEYOND

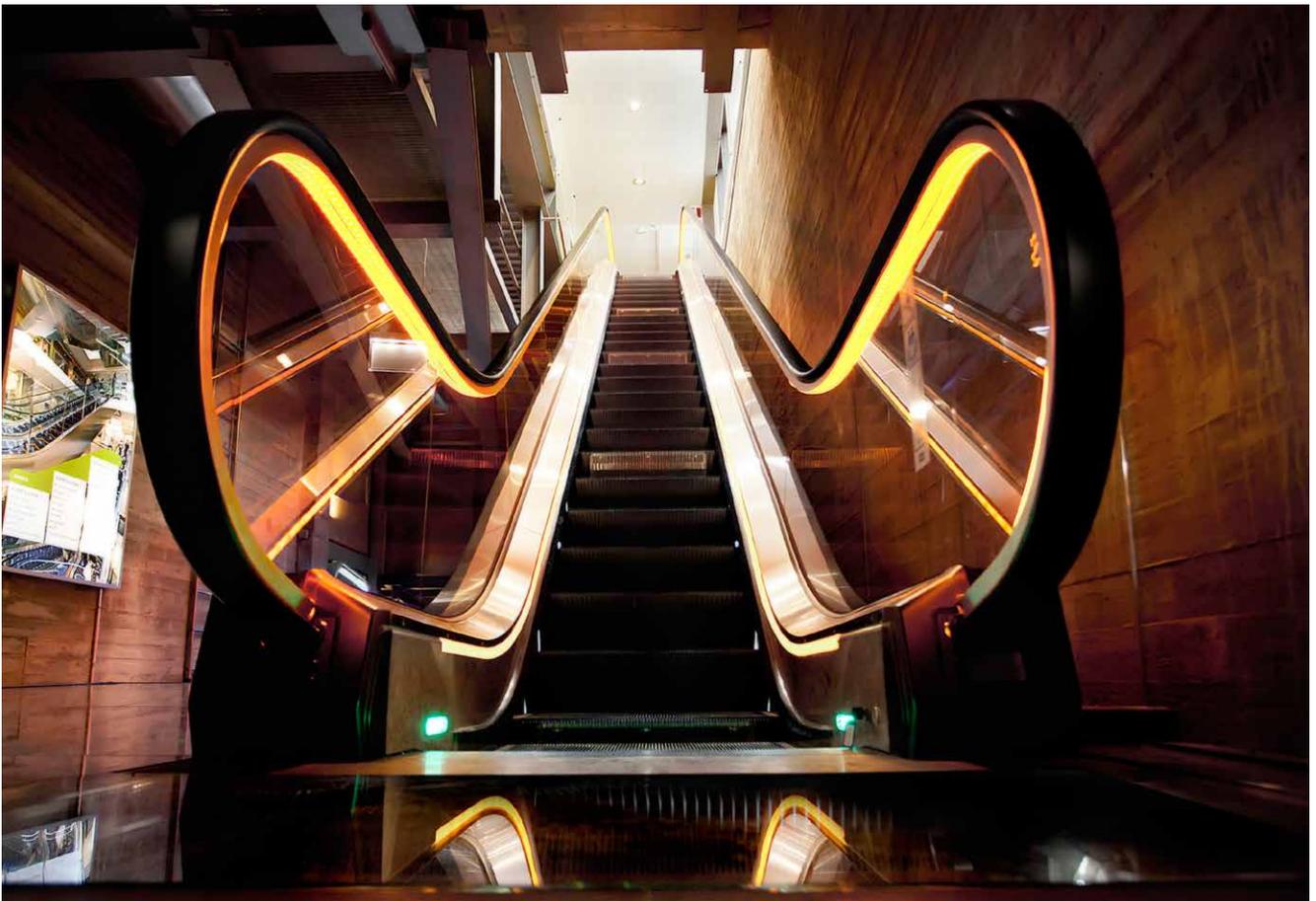


1. ONE STEP BEYOND

Thinking more widely and more long term. Companies who think One Step Beyond learn from outside their core business, and outside their category. They consider longer time scales, invest for the future, and use technology to anticipate operational issues.

It's easy for companies to take a short-term view. Financial pressures and business targets mean that the day-to-day tasks tend to take priority over strategic thinking. But meaningful innovation and new operational approaches are born from going One Step Beyond by stretching horizons into the future and beyond the narrow context of the company and your category.

Being comfortable thinking broader and longer can be challenging, but it can also help to define the value of your business. Siamäk Naghian, Managing Director of Finnish professional and consumer audio technology company Genelec, sees the decisions his company makes as being as important as their products: "Unlike when I worked at Nokia, disruptions for Genelec come more from business than technology." When competitors panicked about costs and moved their production to China to compete on price, Genelec continued to manufacture in Finland and compete on quality, while developing a world-leading environmental policy. Provenance is not a headline issue in the category, but Genelec anticipated the nearshoring that has been happening recently in Europe in many sectors, and understood the desire for authenticity. It also identified that its customers want a long-term relationship with the brand, so it builds products that last, and are still able to replace parts in 36-year-old speakers.



Images: Pentagon Design

Finnish multidisciplinary design company Pentagon Design builds a wider and longer-term view into its business processes. It begins the design process by scoping the wider context of its client's problem, then feeds this into a set of hypotheses that directly affects the design. It is acutely aware of the future whenever it creates design concepts, and begins by thinking beyond current technology, even if it eventually has to rein back the idea. This means that it is constantly innovating and pushing the limits of its capabilities.

FACT BOX:

Company name: Pentagon Design Ltd.

Description: Pentagon Design, founded in 1996, creates holistic concepts resulting in user-driven products, packaging, spaces, services and brand experiences.

Number of Employees (average 2010-13): 14

Revenues (average 2010-13): €0.98 m

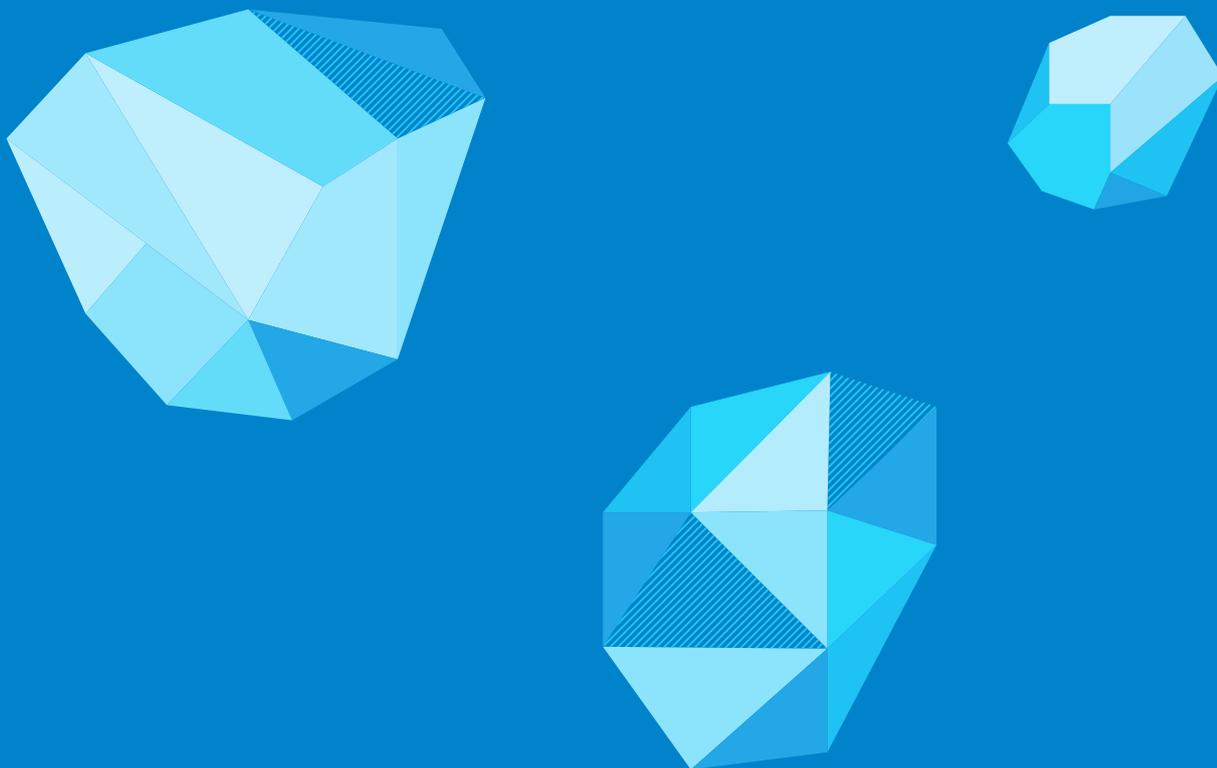
Operating profit (average 2010-13): 4.8 %

Growth figures (average annual growth, 2010-13): 4.5 %

Source: Finder Commercial Search: <http://en.finder.fi/>

Being future-facing in business is not just about thinking in the right way. It can be designed into a business or product. As many different business-to-business industries adopt a service model (Rolls-Royce sells flying hours, not aeroplane engines; Philips sells illumination, not lightbulbs) the “technology of anticipation” is a growing area of interest. The performance of Kone's elevators, for example, are monitored remotely to deal with faults and anticipate emerging maintenance issues, and also to better configure the kind of elevation they are selling. This is pragmatic future thought, but it is activated by a completely new way of doing business.

2. RUNNING TOWARDS THE PROBLEM



2. RUNNING TOWARDS THE PROBLEM

Tackling head-on the business issues that cause the greatest concerns for customers. ‘Business as usual’ sooner or later creates problems for businesses, as customers start to see side-effects that worry them. (For example, retailers have increasingly long supply chains and it becomes increasingly difficult to know how or where something has been made.) By addressing such issues directly, companies can differentiate themselves from competitors while also better aligning the values of the business, its employees and its customers.

As people worldwide feel disenfranchised by big business and globalised production, value gaps are emerging between individuals and the world of commerce.

Running Towards the Problem means moving your company into these spaces by aligning your own business interests with those of your customers and of wider society. These problems are different for every industry, but are often obvious. In many cases, big businesses have not been adaptive enough to change. High value and meaningful businesses can thrive here.

In the USA, Everlane, an online clothing manufacturer, has carved a market for itself by understanding that consumers had lost confidence in the apparel industry because of its secrecy. One of these secrets was pricing. Everlane declares the margins on each of their products, works directly with producers, and operates only online. “I just didn’t understand why clothes cost what they do” says founder Michael Preysman, “so I set out to start a company that would offer the same quality products at disruptive, direct-to-consumer margins.”¹ As well as transparent pricing, Everlane ran towards another glaring problem: factory working conditions. Its website has details and photographs of every factory that it uses, so customers know exactly where what they wear has come from.

¹ ‘Fashion Icon: Michael Preysman, Founder and CEO, Everlane’, *TheNativeSociety.com*, October 2014, <http://thenativesociety.com/tnspeak/2014/10/27/fashion-icon-michael-preysman-founder-ceo-everlane.html>

By solving high-level consumer issues that have been ignored or avoided by other companies in an industry, Running Towards the Problem both makes operational business sense, and generates marketing and brand positioning opportunities for a challenger company.

LESS IS MORE

Snellman was the first Finnish food company to remove sodium glutamate completely from its products. It also removed all added phosphates from its sausages and replaced them with meat. It doesn't use GMO when farming pork and beef, avoids mechanical filleting, and doesn't blend in any pig rind or pig skin to its meat. The company identified early on that people are worried about what undesirable elements are being added to their food. By cultivating an image and culture of removing non-natural products, Snellman has dispelled customer concern.

"When most customers think of our products they also think about what we have taken out."

– Tommi Fors, Snellman

FACT BOX:

Company name: Snellmanin Lihanjalostus Oy

Description: A family-owned company, whose functions include procurement, abattoir, cutting and processing of meat and sliced products.

Number of Employees (average 2010 -13): 579

Revenues (average 2010 -13): €177.4 m

Operating profit (average 2010 -13): 3.5 %

Growth figures (average annual growth, 2010 -13): 9.6 %

Source: Finder Commercial Search: <http://en.finder.fi/>



Image: Snellman

3. HUMAN CENTRED



3. HUMAN CENTRED

Putting people first – both employees and customers – can make a business more productive and more innovative. Investing in staff through training and good pay creates better customer experiences and increased loyalty, and by identifying new ways of doing business that are designed to benefit consumers first, innovation can be more effective.

It seems obvious that people are at the centre of any company, but businesses can forget this when they are under pressure. Companies that build people into the heart of their business model and culture gain the benefits from those they employ and those who buy their products and services.

Employees at food company Snellman feel valued by the family business because they are able to make important decisions themselves. Every member of staff has the quality control authority to stop production at any time, and, for product development, the staff are the R&D team. “We trust our employees a great deal in terms of knowing about the market and where there might be a gap,” says Tommi Fors from Snellman. The company knows its employees are also its customers, and empowers its staff to be in touch with the wider world beyond day-to-day business.

Human Centred also means building what your company does around how people use your products or services. In the consumer technology industry, for example, usability and user-centred design are critical differentiators for customers. But it’s true of other sectors as well. The Finnish clothing company Reima starts from the world of its customer: the child. By thinking about the life of a child alongside the company’s mission, to help kids spend “one more hour outside”, Reima designs its outdoor wear from a child’s perspective. This has led to product innovations such as quick-drying materials, inbuilt UV protection, and warm patches on snow wear for young children so they can sit down comfortably in the snow.



Image: Reima

Another approach to becoming more human centred is to have design respond directly by customers. Philips changed its whole business-to-business lighting model when a customer told them “I’m not interested in the product, just the performance. I want to buy light, and nothing else.” Philips came up with a ‘pay-per-lux’ service that reduces cost, saves their customer money, and helps the environment by incentivising good lighting performance. Some of the most powerful innovation comes from personal experience.

FACT BOX:

Company name: Reima

Description: The Nordic region’s leading manufacturer of children’s clothes

Number of Employees: Approximately 200

Revenues: Estimated net sales in 2014: € 75 m

Growth figures: Reima doubled its group net sales from 2009 to 2014.

Source: Reima

“We put the child at the centre
of everything we do and start
with the needs of the child”
- Elna Bjorklund, CEO Reima



Image: Reima

4. LEAN IN THE RIGHT PLACES



4. LEAN IN THE RIGHT PLACES

Innovative businesses are lean, but not as a result of cost-cutting.

The critical distinction is that high value businesses invest in the areas that create value, and are lean in those that are merely necessary, automating them if possible. This distinction will be different in different sectors and companies, but these decisions need to be taken with an eye for the whole business and its long term development.

To be 'lean' is a priority for many small and medium-sized businesses. Cutting spending and investment can inflate profits and create easy "wins." But it can be a false economy. Value is created by investing, even over-investing, where it matters most, and using effective business systems to keep the rest of the company lean.

Cost-cutting often happens when middle managers are tasked with improving profitability in their particular area of the business. Their biggest controllable cost is wages, so people are laid off and wages held down. Instead, it is necessary to consider the business as a whole to see what needs investment, and what can be trimmed without causing problems.

Spending money in the right places often means investing now to save money in the long-term. Where can your business learn the most? What future costs can be avoided by spending money now? For example, an engaged workforce leads to less staff turnover and reduced cost of recruitment and lost performance while new staff members learn the business. The Spanish supermarket Mercadona trains its staff across a number of disciplines within the company, and is purposefully overstaffed on shifts. When customers need help, there is someone on hand. When they don't, there is plenty of work to be getting on with. The effect is that staff feel empowered and engaged. But investing in people has meant that Mercadona has had to stay lean elsewhere in the business to maintain its low prices. As a result, its warehouses and stocking systems were automated before any of their competitors. They also significantly reduced their product offering; a bold move that has led to more people buying their "white label" own brands.



Images: Mercadona. Photos: Christina Hughes from The Futures Company

Mercadona stood out against the industry's received wisdom that customers wanted more choice, and it paid off. Everlane rejected the idea that you should never sell out of products, and limits factory output so it has less unsold stock. This created a buzz about sold-out products, with waiting lists for some items. Lean in the Right Places is about being smarter and more savvy than your competitors.

INVESTING FOR PRODUCTIVITY

Budget Spanish supermarket Mercadona has 74,000 employees on permanent contracts, paying far above the industry standard (and bonuses on top), who work regular hours and receive 20 times more training than the staff of an average American retailer. This makes it more productive: sales per Mercadona employee were 18% higher in 2008 than at other Spanish supermarkets. Staff turnover is less than 4% a year, and in 2013 staff productivity rose by 6%.²

FACT BOX:

Company name: Mercadona

Description: Mercadona is a 100% family-owned Spanish supermarket with over 1500 stores across the country.

Number of Employees: 74,000

Revenue in 2013: €19.8bn

Profits 2013: €515m

Growth figures: 4% growth in revenue from 2012 to 2013

Source: The Good Jobs Strategy ²

² See The Good Jobs Strategy, by Zeynep Ton (Houghton Mifflin, 2014) for a fuller account of Mercadona's business.

5. LIVING THE STORY



5. LIVING THE STORY

Identifying the core values of your business and making them central to your brand message. The core values are the pivotal elements of what creates value and differentiates you from your competitors. By living by and investing in these values, the business can create a clear vision and focus.

High value work can be created by taking a step back from your business and considering the approaches outlined so far. But unless you are also Living the Story, it can come to nothing. This might sound like a marketing exercise, but it is far more than that. It is the basis of a clear vision about what your business stands for, which then lets you focus on those parts of your business that differentiate your company's culture and offer.

Finnish audio company Genelec isn't a typical technology company. Its headquarters are in lakeside Iisalmi in Eastern Finland, far from Helsinki, and they are not part of any tech business ecosystem. But their location and their history defines their story and their culture. Managing Director Siamäk Naghian is philosophical about what Genelec means: "The company mission is to bring joy to peoples' lives through sound... technology and art together is emotion. We help make this emotion tangible." As well as buying its high-quality speaker systems, Genelec's customers are buying into this vision. "Stories can be very powerful – they make the abstract tangible," Naghian says. This is as true of internal communication as external. Stories motivate people and make them enthusiastic about their work. But it isn't just about telling stories. It's about living them. "It's human nature to listen to stories," says Naghian, "but they have to be true and realistic, not artificial."

Living your story is about being authentic, at a time when people everywhere are increasingly sensitive to the inauthentic. You can't just tell your story in advertising, it has to inform all of your actions. Multinational food company Danone introduced traceable milk sources to their French dairy lines. While consumers were impressed by the ability

to scan barcodes and see which farm produced the milk for their yoghurt, the most important work was done in the supply chain, so it could make the links to its 20,000 independent producers real and tangible to its customers.

Living the Story means having a company that is defined primarily not by its products or services, but by its people, its purpose, its working environment, its values and its culture.

THE SOUND OF SILENCE

Genelec aims to make products that deliver the most clean and natural sound possible. This naturalness is embodied at their offices overlooking Lake Porovesi. Says Managing Director Siamäk Naghian: “Sound comes from silence... We have a lot of that here.”

FACT BOX:

Company name: Genelec

Description: Genelec, founded in 1978, designs and produces loudspeaker systems, especially for professional studio recording, mixing and mastering applications, broadcast, and movie production.

Number of Employees in 2013: 130

Revenues in 2013: € 20 m

Source: Genelec



Images: Genelec. Photos: Pentti Vänskä

Where to start in Making High Value Work

The five approaches described in this Business Briefing can be used to create high value work in your business. They are connected to the four types of work discussed in The High Value Work Agenda, which were reviewed on page 4 of this briefing. But – deliberately – they do not map to the value areas in a linear way. They help you think about the strategic decisions and business culture that can realise the new value promised by the four High Value Agenda propositions. The different value propositions in The High Value Work Agenda need different core behaviours, as seen in the table.

EXHIBIT: CONNECTING BUSINESS BEHAVIOUR TO BUSINESS MODEL

HIGH VALUE AGENDA	LEAD BUSINESS BEHAVIOURS
Service Innovation	Human Centred, Lean In The Right Places
Resource Innovation	One Step Beyond, Lean in the Right Places
Value in Authenticity	Living The Story, Running Towards The Problem
Rich Knowledge	Human Centred, One Step Beyond

Source: The Futures Company / AFW

In speaking to businesses during the research for this briefing we have also gathered advice from those who have already taken steps towards High Value Work. These are set out below, and form a checklist on how to go about developing the vision, culture and offer to become a high value business:

1. PURPOSE AND VALUES

- × Do what you love, commit to it, and believe in it.
Think about the best thing your company can bring to the world, and do that.
- × Have a set of core values that the company lives by.
- × Be clear about what you don't do.

2. AWARENESS AND FOCUS

- × Embrace what seems to be the biggest problem your business could face. Be willing to take risks in dealing with it.
- × Know where the value lies in your business, so you know where to invest and where not to cut.

3. OPENNESS

- × Treat your employees and customers as people, and make sure that you can learn from them.
- × Have an open company culture that enables employees to contribute and have their voice heard.
- × Create lasting value for your customers by building long-term relationships with them. Strong relationships save time and money.

4. LOOKING OUT

- × Study the changing world outside of your business, as well as changing markets and trends.
- × Behave as if the long-term matters, even when times are tough.

CREDITS

Making High Value Work: The Business Briefing was created and written by Andrew Curry, Ben Wood, J. Walker Smith and Chloe Cook of The Futures Company, and Tero Lausala and Jokke Eljala of the Association for Finnish Work. Additional research was by Rachel Lloyd.

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