

## The Case for a "Lifework" Services Firm A HELIXX WHITE PAPER

In their 1998 book entitled *Blur*, Ernst & Young researchers predicted that "connected individuals and their knowledge, not the corporation, are becoming the key organizing unit.... They will be the investment vehicles of the twenty-first century just as small companies were in the twentieth and large ones in the nineteenth (*Blur*, pp. 145, 156)."

This anticipated shift of influence is based on many emerging trends, most notably the new reality that knowledge (not money) is the key form of capital now. This is the primary reason why the individual is replacing the corporation as the "primary engine" of value creation in the New Economy: why resource leverage has been shifting from corporate titans like Disney to "high-impact humans" like Steven Spielberg in recent years.

The implications are that we will increasingly manage our careers as a "portfolio" of experiences involving different categories of work, as British sociologist Charles Handy has described it. Our portfolios, if we are to live full and rich lives, will include "paid work, gift

work, study work or learning, plus...work in the home, cooking, caring and cleaning (*Elephant and the Flea*, p. 4)."

Peter Drucker is writing about the fact that this new world of work and relationships is opening up to us, and finding us entirely unprepared to deal with it. He says we need to develop new skills and services for self-management, in part so we can better understand ourselves and the questions relating to our life stewardship strategy:

Many people intuitively know the answers to these questions, but because they do not work through them systematically, they often sell themselves short. So we find ourselves in an unprecedented place: The most educated people in history, with a world full of options for meaningful work, and yet unsure of just where we belong (*Management Challenges of the 21<sup>st</sup> Century*, p24)."

This "Helix White Paper" will explore the ways that these predictions are beginning to prove accurate, the implications of these new realities for all of us.

## Re-defining Capital

Amazingly, for a country with a well-developed capitalist economy, few Americans today can accurately explain the concept of "capital" and how it relates to value creation. Applications of the term

proliferate today as we try to describe varying characteristics of our potential wealth. We speak of human capital, intellectual capital, social capital, and so on.

The emerging recognition of new forms of "capital" has largely been an effort to account for the huge growth of intangible value recognized in many businesses. Karl-Erik Sveiby, a leader in the new field of knowledge management, describes the phenomenon by reference to Intel, the leading computer chip maker. Recently, Sveiby noted, Intel had an actual tangible market value of around \$17 billion. Its market value, however, was nearer \$93 billion. Accountants can only capture this discrepancy in value as "goodwill," but what exactly is this goodwill and how can it be managed?

In *The Mystery of Capital*, Hernando de Soto points out the importance of distinguishing between capital and the assets that underlie the value creation process. De Soto traces the concept of capital and reminds us that it connotes the creation of surplus value from an asset: that is, value that exceeds the face value of the base asset.

This means that on their own, accumulated assets are not the same thing as capital. de Soto tells us that "capital is not the accumulated stock of assets but the potential it holds to deploy new production." Capital, in other words, is an abstract concept for value-creating potential, and according to de Soto, this concept must be given fixed, tangible form to be useful. Today, we consume money for capital, but money is only one of many vehicles for the transfer of value.

What we need to recover is an understanding of how the value-creating potential of assets (the proper definition of capital) can be applied so as to enable enhanced value creation. de Soto reminds us that value creation is a human process. He likens it to the process an engineer uses to capture potential energy from a lake by building a dam to harness the kinetic energy of falling water, then translating it to electrical energy that can be widely distributed far from the geographic location of the lake. The addition of value did not exist in the dormant waters of the lake, but was created only when a man-made process extrinsic to the lake activated the potential energy of the water.

Capital, like energy, is also a dormant value. Bringing it to life requires us to go beyond looking at our assets as they are to actively

thinking about them as they could be. It requires a process for fixing an asset's economic potential into a form that can be used to initiate additional production.

We believe that what holds for corporate capitalism will also apply to free agent capitalism. The opportunity is to help highly motivated and skilled business and idea entrepreneurs go to the place where they are effectively thinking about their assets as they could be.

Sveiby suggests that there are essentially three kinds of intangible assets that help comprise the "goodwill" found in so many companies today: individual competence, external structure, and internal structure. We believe that individuals possess these same types of intangible assets and that by identifying them (what we have called the *Life Value Code*), the portfolio worker can begin to think more strategically and creatively about how they are best deployed.

## Re-defining What We Value

A far-reaching and profound revolution sweeping America is changing the very meaning of what we value. Twenty years ago Richard Cornuelle, author of *Reclaiming the American Dream*,

recognized the beginning of this revolution in the phenomenon he described as "de-managing America." Today, Daniel Pink has described the rise of "free agent nation" and has documented the changing values and work habits of Americans as they strive to create a better balance among work, family, and play.

Work today, Pink suggests, "is not just about making money. It's also about making meaning." The emerging free agent work ethic described by Pink reflects the growing value we place on four key conditions: freedom, authenticity, accountability, and self-defined success.

With the growth of the free agent ethic, the world of the "Organization Man" —who gave his loyalty to one company in exchange for a lifetime's security— has been turned on its head.

The Free Agent Economy differs from the Organization Man Economy in two fundamental ways. First, as power has shifted from organizations to individuals, talent has replaced capital as the economy's most important resource—and a new talent market has emerged to organize, price, and allocate it. Second instead of being

humdrum and personality-free, work has become, as Pink describes it, more "emotionally complex" (p.38).

As noted earlier, management expert Peter Drucker has called attention to the need for individuals to develop skills of self-management. But what does this mean? The growing need for self-management fundamentally requires us to understand the nature of value and how we create it. Only when we know what we value are we free to pursue it. Only when we know how we create value are we able to work in the way best suited to our unique nature. Only when we define what success means to us can we establish systems of personal accountability for our performance.

### Analyzing Trends in the U.S. and Abroad

In his ground-breaking book entitled *Free Agent Nation: How America's New Independent Workers Are Transforming the Way We Live*, author Daniel Pink notes that "As the twenty-first century unfolded, it had become clear that the Organization Man had lost much of his power as the decoder of the American economy" (p. 14).

Pink documents that the growing number of Independent Professionals, the "high end" of the self-employed workforce, now

number about 35 million in the U.S., or about one-fourth of the total workforce (ref: Aquent Index). The business research group IDC predicts that the number of home-based businesses will surpass 37 million by 2002. Pink, who was an assistant to Labor Secretary Robert Reich, says that the best efforts to eliminate any possibility of double-counting lead to the assumption that there are roughly 13 million micro-businesses operating in America today. In historical context, these statistics are quite staggering.

The U.S. may be leading the way in this regard, but the trends are emerging elsewhere as well. In Britain, as Jonathon Reynolds of the SAID Business School at Oxford reported to us, the nature of work is dramatically changing. The SCPR study he cites highlights three major trends: (1) increased reliance on non-permanent contracts; (2) growth in job insecurity; and (3) a substantial decline in the UK worker's commitment to work.

The major consequences of these trends, the study asserts, are that: (1) productivity and loyalty are sacrificed for short-term flexibility gains; (2) there is increased psychological distress; and (3) there are increasing evidences of the cumulative effects of a 24-hour society.

According to PSI, Reynolds notes:

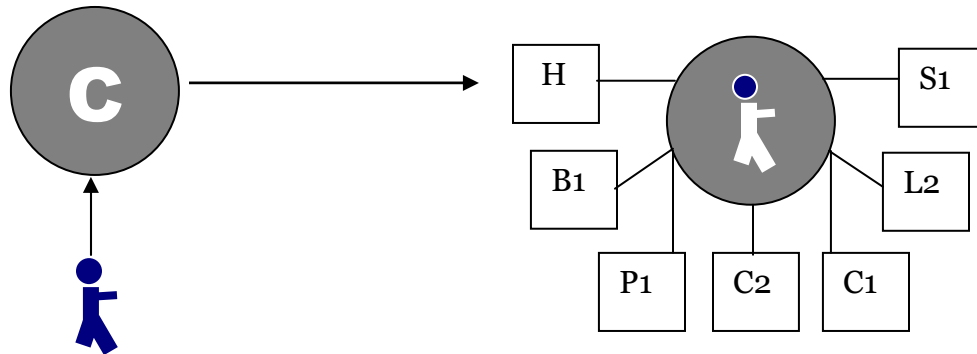
*By 2010, the typical worker will be a woman in a flexible job market, juggling during her lifetime between full-time and part-time work, self-employment and temporary contracts."*

*In other words, Handy's prediction of the dawning of the portfolio life is well afoot in the UK (as well as in the U.S.); yet people are ill prepared to deal with the many implications of this new reality.*

### Considering the Implications

*The primary task of the successful independent worker in the future will increasingly shift from the creation of a long-lived organization to the careful investment of personal assets in shorter-lived, value-creating projects. "Rather than being managed by the organization you join, you manage its contribution to your career" (Blair, p. 155). The new paradigm that Handy, Drucker and others envision can be pictured in this way:*

Graphic 1: The Shift to the New Paradigm of Work



Training the Organization Worker

Training the Portfolio Worker

To reference Handy's terms, high-impact humans will have study work involvements through schooling (S1) and continuous learning (L2) experiences incorporated into their ongoing "life portfolio." They will have paid work assignments with numerous companies during their career (C1, C2). They will create social impact through philanthropic participations (P1) that comprise their gift work

As part of their economic and philanthropic value creation strategies, they will participate in strategic Board and governance assignments (B1) as part of their overall development and stewardship strategy. In addition, they will have renewed flexibility to focus on their personal activities and relationships, what Handy calls their home work (H).

This will require careful and diligent self-management of the individual's own assets, and skill at facilitating the self-management of one's associates and employees. But instead of demanding that entrepreneurs and other high-impact humans devote more time to self-management, the rise of free agency is giving rise to what Pink has described as "a new breed of professional specialists who help the Free Agent Nation work" (FAN, p. 98).

Just as a professional athlete may be working with numerous professionals--including sports agents, independent trainers, motivational coaches, marketing professionals, their team managers and others-- the free agent entrepreneur can now enlist the coordinated support of numerous professionals in a unified agency program. Services delivered will include, on a primary or secondary basis, strategic career coaching, family office management, philanthropic, legal and branding services, media relations, negotiations counsel, research, and more.

Imagine getting--imagine needing--periodic reports on where your attention was spent, the return it realized, and how much attention you gained. It's inevitable that a whole set of mechanisms and players will appear on the scene to help each of us invest our attention optimally (BLUR, p. 123).

In their recent book, *BLUR: the speed of change in the connected economy*, Stan Davis and Christopher Meyer describe the revolution of value creation that occurred in the realms of sports and entertainment when free agency became a possibility.

Although all-star centerfielder Curtis Flood lost his 1969 court challenge against the reserve clause in his contract with the St. Louis Cardinals (a clause that gave the Cardinals the right to trade him against his will to Philadelphia), his challenge opened the door to future challenges and helped introduce free agency to Major League Baseball. These days, value rests on individual players and their performance more than on team franchises, and star players often earn more money on their ancillary marketing activities than on their team contracts.

The same kind of revolution happened in the world of entertainment. In Hollywood, the big studios—MGM, Warner Bros., and 20<sup>th</sup> Century Fox—used to be vertically integrated autarchies. Actors and actresses had contractual affiliations to studios that left them very little personal control over the work they did. The power began to change hands when Charlie Chaplin, Douglas Fairbanks, and Mary Pickford recognized their value in the marketplace and formed United Artists. Now, the “franchise” stars rule, the studios are distribution companies, and the agencies that represent the talent are becoming the most powerful corporate entities in the industry (*BLUR*, pp. 155-156).

Now Davis and Meyer and others are beginning to imagine the possibility of securitizing individuals. “It’s safe to predict,” they write,

"that Wall Street will devise new instruments to develop, measure, evaluate, and reward the knowledge and experience of individuals.... As a result, a whole set of mechanisms will arise to support exchanging securities in individuals" (Blair, pp. 156, 160).

As securities markets open to help individuals as well as corporations finance their goals, previously unimaginable opportunities will open up for entrepreneurs who have honed their Personal Performance System and can demonstrate a measurable track record in creating value. Increasingly, one's personal "brand" or offering prospectus—like those of Michael Jordan, Oprah Winfrey, and Martha Stewart today—will be more important to success than an entrepreneur's educational credentials or similar items from the traditional resume.

By helping clients coordinate the host of new professional services they will need in establishing their personal brands and agendas, new kinds of agencies will emerge that will provide them with the expertise and personal attention required to understand, improve and fully deploy their value-creating processes. The Helixx Group is a pioneering example of these emerging "personal service providers".

These services, which will be generally referred to as "life planning services," will be defined and refined with a very affluent clientele. But over time, these services will be commercialized to a broad and mainstream market, not unlike financial planning services.