Time for a new Paradigm
from Financial Accounting to Relational Thinking
Who we are

- Roy Childs
  - Chartered Psychologist
  - Managing Director, Team Focus Ltd
- Michael Schluter CBE
  - Economist
  - Chief Executive, Relationships Global
What we will cover

- Why doing nothing is not an option
- A psychologist’s lens
- An economist’s lens
- Applying a relational lens to some current dilemmas
- A methodology for rebalancing economics with relationships
What do you see?
What do you see?
What do you see?

1. Financial lens
2. Environmental lens
3. Individual Lens
4. Relational Lens
The importance of relationships

The scientific search for the basic building blocks of life has revealed a startling fact: there are none. The deeper that physicists peer into the nature of reality, the only thing they find is relationships. Even sub-atomic particles do not exist alone. One physicist described neutrons, electrons, etc. as “...a set of relationships that reach outward to other things.” Although physicists still name them as separate, these particles aren’t ever visible until they’re in relationship with other particles. Everything in the Universe is composed of these “bundles of potentiality” that only manifest their potential in relationship.

Margaret Wheatley
Main reason for a paradigm shift

“Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile.”

Robert F Kennedy 1968
Why is it a paradigm shift?
What is the importance of water?
Why do we need a paradigm shift?
The changing world of work
We are in the Information Age
What are our options?
Psychology and Leadership
Why now?
How to value companies?
‘Do Nothing!’ – this is not an option

The problems we face cannot be solved at the same level of thinking we were at when we created them.
If we do nothing.....
What is Relational Thinking?

- Relational Understanding of Life
  - Philosophy, Religion
  - Ideology, Worldview

- Relational Understanding of Public & Private Life
  - Society, Government
  - Community, Family

- Relational Understanding of Specific Sectors
  - Business, Finance
  - Justice, Health, Education

- Relational Understanding of Specific Organisation
  - Shareholders, Employees
  - Regulators, Customers, Suppliers, etc
Measuring Relationships?

You cannot manage what you cannot measure

You cannot measure what you don’t understand
A model for relationships

Relational Proximity describes the structure of a relationship:

‘It is a measure of the distance in the relationship between two people or organisations which determines how well each can understand the thinking and behaviour of the other.’

The opposite of Relational Proximity is

Relational Distance
Five Relational Drivers

- Directness
- Continuity
- Commonality
- Multiplexity
- Parity
- Purpose
- Information
- Communication
- Story
What is Directness?

This is the nature and style of contact - mediated (via technology or other people) and unmediated (face-to-face) contact. Achieving the right amount of directness maximises a sense of connectedness.
What is Continuity?

This is the amount of time invested (or that is anticipated will be invested) in a relationship. Achieving a strong sense of continuity will maximise the sense of significance, roots and momentum.
What is Multiplexity?

There are known knowns
the things we know that we know.

There are known unknowns.
the things that we know we don't know.

There are unknown unknowns
the things we don't know we don't know.

This is the range and variety of contact – the development of understanding of another person beyond a narrow range of circumstances. Achieving a high level of multiplexity encourages openness which creates the foundation of mutual understanding.
What is Parity?

This is the way in which power is exercised in a relationship. The fair use of power maximises the sense of fairness and builds mutual respect.
What is Commonality?

This is the sense of common purpose and direction that exists in the relationship. Achieving high levels of commonality create a sense of cohesion and synergy and unity.
A Case Study

SAS Airlines
The Relational Proximity Model
Which relationships to measure?

- With customers, suppliers, shareholders
- Between management and employees
- Between technical teams
- Between divisions of companies
- Between HQ and subsidiaries
- With regulators, industry bodies, media
- With communities, trades unions
- etc.
5 Steps to using RPF

1. Identify key stakeholders and choose method of interviewee selection

2. Survey both sides of the relationship using the same 20 question survey tool

3. Using the RPF, analyse strengths, weaknesses and perception gaps in the relationship for organisational improvement and corporate governance

4. Validate findings using all other available data

5. Explore causes and responses through dialogue between stakeholders.
## A Relational Balance Sheet

<table>
<thead>
<tr>
<th>Example Company</th>
<th>Relational Balance Sheet</th>
<th>Relational Proximity Drivers</th>
<th>Corporate Score</th>
<th>Institutional Gap</th>
<th>Counterparty Score</th>
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<tbody>
<tr>
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<td>Overall Score</td>
<td>Directness</td>
<td>Continuity</td>
<td>Multiplicity</td>
<td>Parity</td>
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<tr>
<td>Internal Stakeholders</td>
<td>Internal Hierarchy</td>
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Analysis of a Specific Relationship

Relationship with Regulators

- Commonality
- Parity
- Multiplexity
- Continuity
- Directness

Legend:
- Red: Regulator's view
- Blue: Company's view

RELATIONSHIPS
GLOBAL
building relational organisations

teamfocus
PROFILING FOR SUCCESS
A key supplier relationship
Satisfaction and RPI

The graph compares Relational Proximity Index (blue line) and Satisfaction (red line) across various categories:

- Stock Markets
- Customers
- Suppliers
- Partnerships
- Communities
- Media Organisations
- Trade Unions
- Industry Bodies
- Shareholders - Board
- Regulatory Authorities
- Management - Employees

The graph shows a trend where both the Relational Proximity Index and Satisfaction decrease across these categories.
Beyond measurement

1. A model for deconstructing relationships
2. A method for obtaining valid perceptions
3. A balance sheet that shows levels and gaps
4. An outcome that leads to intervention

You don’t fatten a goose by weighing it ...
Transforming Capitalism from within

1. Rethinking the purpose of companies
2. Re-engaging investors
3. Measuring the strength and quality of stakeholder relationships
4. Engaging with stakeholders through dialogue
Contact Us

If you would like to try out this new relational tool, please get in touch with:

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