

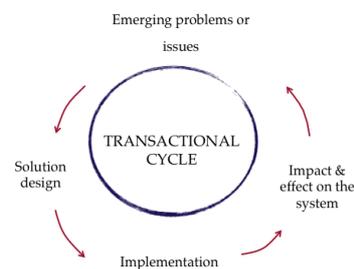
# SHIFTING SANDS

## The rules for success are changing

### *'Business as Usual'* will no longer cut it

Models that worked for us over the last century underpinned a way of life that emerged over 200 years or so. All models eventually reach their limits and we need to find new ones that shift us beyond transactional thinking.

IT IS UNLIKELY THAT BUSINESS AS USUAL  
DECISION MAKING WILL GET US THERE



## Why Transactional Thinking won't do

The *'identify, plan, do, review'* model of decision making is central to many of the success models developed during the 20<sup>th</sup> Century. It underpins most problem solving methodology, time management, policy development and scientific or reductionist thinking in general. As a methodology it was popularized by W. Edwards Deming, the godfather of continuous improvement through what was known as the Deming Wheel (PDCA - plan, do, check, action).

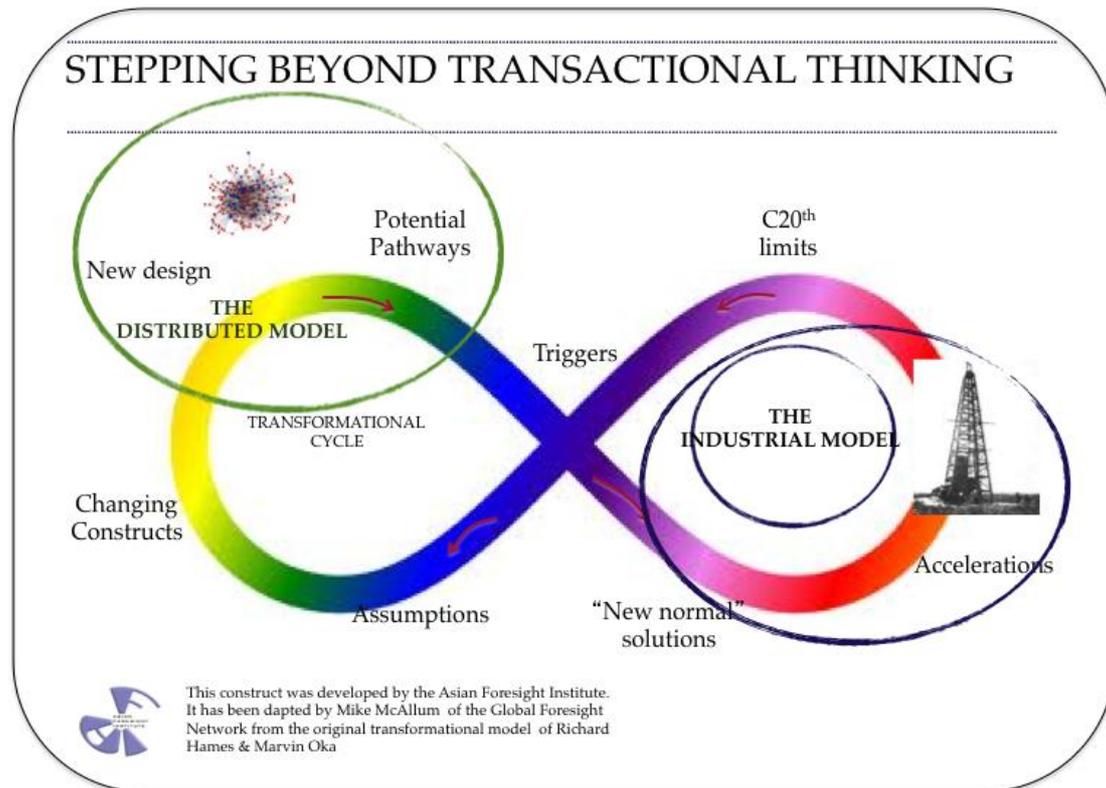
At its best it provides clarity of focus, efficient use of resources and the ability to rapidly iterate or improve what is desirable. It has underpinned the technological achievements and rapid improvements in the standard of living that most of us in the now enjoy.

However it does have a few downsides. Firstly it's extended use over time piles one solution upon another until we reach a point of complication where complexity sets in. At that point the real impact of any desired solution becomes increasingly hard to define and the number of **unintended consequences** (both good and bad) rises exponentially. **It also tends to ignore any focus on what a total system might look like.**

We can see examples of this in the areas as diverse as education, health and food. For instance, many farmers have relied increasingly on farm efficiency as the basis for maintaining or increasing their profitability. This is what we have termed the 'green revolution.' This however has led to a sector that is heavily reliant on oil based fertilizer and thus the price of oil. It also ignores the reality that interactions further up the chain (the exporter or the domestic retailer) are probably a more significant

determinant of farm profitability. The focus for farmers therefore should really be on either the food system (and there is probably more than one) or the fibre system, not agriculture.

## The Transformation Option



## Running on Empty; the case for Transformative Change

In this second decade of the 21st century, it is now very clear, **that the rules for success in almost every sphere are changing.** The very basis of competitiveness is being reinvented before our eyes. In other words, current ideas and associated value propositions are not delivering the energy to keep organisations moving. Those caught up in the eddies of chaos are finding that the old and now tired technique of **yet another externally led efficiency review does little to arrest the pace of decline.** That is because **a focus on incremental change, based on a mindset of problem/design/change, is simply insufficient** and transitions that have no clear understanding of the destination are demotivating time wasters. Thus, for many it feels as though we and they are **'running on empty.'** The question is; are we simply moving along a well known trend line or are we at an inflection point - a rupture in history?

Whatever the view, with respect, those confronted with such situations might do three things:

**CONFRONT.** The first is understand what kind of circumstances they think they are in and have both the honesty and courage to confront the situation.

**ENGAGE.** The second is to engage in an intense and highly focused conversation that has as its intent the renewal of value.

**TRANSFORM.** The third is to have a framework, which will enable the organisation to transform itself into something that is better and different than what it is now.

Only this last proposition requires any new knowledge. What is outlined below is an overview of the steps that one might take in creating a transformation process. Some caution is required though. Transformational processes require careful design and management. If the design is poor and focus is lost then the second law of thermodynamics (that everything runs to entropy) will take over. If transformation is what is intended and required, **design and conversations need to start at a whole of system level** and then work into second order questions. This is in stark contrast to most of our 'normal' conversations, which are almost always the other way around.

## **Transformation is Anticipation, Design and Integration**

Based on our view that transformation is a process of **anticipation, design and integration**, some suggested steps are:

### **1. STEP BEYOND LIMITS**

Define and agree what ideas/notions of value and the like are at their limits and what impact external triggers, including expensive energy, grossly indebted governments, ubiquitous mobile devices and rapidly shifting climate/environments, might have on the organisation.

### **2. CREATE NEW PATTERNS OF THINKING**

Explore both explicit and tacit assumptions that underpin the organisation's patterns of thinking and test them for validity. Unbundling old assumptions and evolving new ones is a critical piece in the reconception process.

### **3. FRAME NEW BUSINESS MODELS**

Based on this understanding of limits and new ways of thinking, explore and design the frameworks and business models that will deliver future value. Recent history shows that radically different business models are emerging in every sector of our private and public economies and they are rapidly reframing the basis of future advantage - this in almost every case is based on a **networked cooperative and distributed model**.

#### 4. *UNDERSTAND THE NEW SYSTEM*

Try to go above (transcend) these new assumptions and frameworks to understand what the nature of the new system is that these assumptions and models are suggesting. This is hard to do for organisations that have historically focused mostly on the parts but it is essential for transformational change. If in the course of this part of the conversation people are feeling that most of what they now know won't help, then the conversation is probably in the right place.

#### 5. *COMPOSE AND DESIGN*

In order to design the transition pathway a coherent 'story' or narrative of what the transformed entity looks like must be developed for narratives (and song) are how we humans make sense of our past and our future. This narrative should include the fundamentals of strategic design; a sense of direction, how value will be created and delivered, what capacities are needed, how the organisation would be ideally networked and finally how it will use resources to deliver superior value. Superior value in this instance is defined at a minimum as half the resources and double the value. All of this of course will require a new culture or ethos.

#### 6. *INTEGRATE AT SPEED*

With a view of what the organisation needs to be, the key then is to design a multiple variable pathway that will allow rapid migration to the new state.

#### 7. *THINK ACUPUNCTURE*

In many instances the process of transformation can be dramatically accelerated if a key inflection point can be found. In addition, the change projects that will deliver transformation must be carefully designed and managed in an integrated way. Its not sufficient to be on the right track, you can still get run over if you are not moving fast enough! Adverse unintended consequences can be minimised through ensuring that these projects have clarity about what they intend to do (content), how they intend to do it (processes), appropriate structures, sufficient resources and a culture or ethos that is aligned to the new narrative.

Finally transformation is about legacy. It tests our individual and organisation humility, it allows us to escape that soul destroying end games that seem to inflict so many entities at the moment and it has the possibility of creating the kind of value and prosperity (a new normal) that sits a little more kindly and gently in this second decade of the 21st century.

*This essay was authored by Mike McAllum of the Global Foresight Network for a client whose current value proposition and business model no longer had any market currency. It can be viewed on his blog at [www.globalforesight.net](http://www.globalforesight.net).*

# Why Transactional Thinking is not an Option

For most of us the idea that change is something we have the option to manage is one we readily accept. We think that its timing and impact is determined by us. However, as the news most days and our history remind us, this is not always the case. While most of us readily accept that flood, drought or war are beyond our control, we often fail to take into account that **major socio technological shifts frame our futures in ways that are perhaps far more profound than we acknowledge.** These social revolutions now impact on us with increasing frequency. They reframe what constitutes success and power. **They change the nature of shape and form, economy and the institutions that seem important to us.** What this essay contends is that right now **we are in the midst of a social revolution.** It is as profound as the one that occurred 100 years ago and that as we try to plan and move forward, we would do well to remember our history and thus take advantage of the opportunities that this disjuncture brings.

The great social revolutions turn on three key interlinked ideas and effects. These are that the nature of **how we live (form and space)**, the **energies we have access to** and the **way we communicate** frame our society. Understanding the opportunities of the shifts now upon us, was first endorsed by the EU parliament as the basis for the future design of Europe in 2007. They are being used by many cities and provinces as the basis for their future and the key ideas (put forward in Jeremy Rifkin's book the 3<sup>rd</sup> Industrial revolution) was required reading for every delegate at the recent Chinese 18<sup>th</sup> party Congress.

## The Agricultural Revolution

Some 20,000 years ago some of our ancestors moved from their small-fortified villages and caves into very small cities. Most were just a few thousand in size. This shift was prompted by the domestication of animals or sometimes humans to produce energy. In turn this energy was used to manage the process of cultivation (Indus Valley irrigation being but one example) and to turn the first domestic crops into storable and usable food. So successful and valuable were these processes that the need to record what was being done became vital. Thus the first examples of writing came into being.

## The 1<sup>st</sup> Industrial Revolution

200 years ago major **discoveries in how energy might be harnessed** reframed most societies and initiated the 'age of progress' as we understand it. The energy source was of course '**steam.**' With its use in **machinery** (the origins of what we now call 'capital'), new factory-based cities sprang up. Clock time rather than natural time defined our activities. At the same time a new **cheap communications technology called printing** became widespread. This was a convergence between cheap linotype and the printing press. One of the consequences of this printing revolution was that it made it easier for many to learn to read and write and on this, education as we now know it was born.

## The 2<sup>nd</sup> Industrial revolution

What we often forget is that 100 years ago another revolution took place. The **discovery of cheap oil** and the **production of electricity** created energies far more powerful than steam. The arrival of **combustion engines** allowed the development of suburban form and the **replacement of all previous transport modes**. Our sense of space and time was both expanded (geographically) and shortened (we could go wherever quicker). At the same time a new set of communication possibilities emerged. Now we could talk in almost real time using the telephone and we could capture, create and portray many things through moving pictures. It helped define and shape (based on the Henry Ford model) organisations, as we understand them. **This second revolution ushered out the age of Kings and kick started the rise of corporations**, many of whom have revenues greater than the GDP of nation states. Wal-Mart, for instance, if it was a country would rank #25 in the world in terms of GDP. **All of our current success models are framed through the lens of this revolution.**

## The Networked or 3<sup>rd</sup> Industrial Revolution

While the effects of early digital were profound they were not socially revolutionary. They simply allowed us to do what we had always done more efficiently (perhaps!). The advent of the **Internet and the development of social networking platforms are now reframing what we think of as an organisation, how we communicate and where value might be created**. At the same time and partly in response to oil that is no longer cheap coupled with expensive electricity, all technologies that allow every building to become its own power plant and communities to store the electricity they require are now competitive with, and some argue cheaper than, conventional energy. **These shifts in communications and energy will in turn be the very essence of what constitutes society and economic activity**. Just as we moved from factory-based cities to suburbs, now our suburbs and CBD's will be reframed as **'interconnected villages.'** The only question now is how fast will it happen and will our community take advantage of the shift or will it be consigned like the rust belt cities of the past to the junk heaps of the planet?