

13 Mega Forces to 2010

21CC Foresight

August 2003



Creating 21st Century Capability

• Foresight • Creativity • Strategy • Leadership

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The Intent of This Paper

It is the intent of this paper to provide clues, sign-posts, probabilities and possibilities surrounding the question: *'What are the key forces and factors of change in the future business environment?'*

13 Mega Forces to 2010 provides an overview of some of the possible key universal or 'big picture' forces and factors that organisations may need to consider when building a picture of their specific operating environment to 2010.

Obviously, not all organisations will experience all such forces or factors, and the impacts will not be the same. Hence the 13 mega forces are not a prescription for organisations, but should be used as a provocation to build a specific view of the emerging future for leaders, managers and organisations.

The content of this paper was edited from a presentation given by Larry Quick to the American Chamber of Commerce in Melbourne in May 2003.

Think 21 Century Capability Series – Reads and Rants

The Think 21CC series is a range of articles and papers that we refer to as 'reads and rants'. A read is an article or paper concerning a 21C capability. Typically these take no more than 30 minutes to digest. A rant is similar, but is more an opinion focused on creating debate and conversation.

To receive further articles in the Think 21CC series, obtain more information on the work of Larry Quick & Associates or the 21CC Forum, contact:

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The Author

Larry Quick is a civic and corporate strategist, and a member of New Commons – a USA based ‘think & do tank’.

Born and raised a devout ‘Aussie’, Larry’s experience spans Australia, Europe, Asia and the USA.

He has completed projects across a broad range of community, business, industry and government sectors for international and national corporations, government and not for profit agencies. These include General Motors Holden (Australia’s largest vehicle manufacturer), Telstra (Australia’s largest telecommunications provider), Simplot, Ciba Chemicals, all Australian state governments, and the federal government, RI State Government, RI Economic Policy Council, Coastal Resources Management Center, Cornish Associates, Congress for New Urbanism, EPSCoR (the National Science Foundation’s Experimental Program to Stimulate Competitive Research), and the RI Economic Development Corporation.

A key focus of Larry’s research and work is network thinking and strategy and its application to ‘whole systems’ innovation for business, social, economic, environmental cultural, built environment development. Through his research and experience in network-based strategy, Larry is the author of the Plexus Process. Plexus is designed to apply network thinking to strategy.

Larry also specializes in Regional Innovation Systems and the need for re-thinking conventional approaches to national and regional innovation through using a complex systems-based approach to R&D strategy and innovation proliferation. His Open Platform Innovation Systems (OPIS) model was developed to provide an alternative approach to conventional R&D and innovation proliferation.

He is also a sought after speaker. Recent speaking engagements include the Creative Clusters Conference in Brighton, UK; the Creative Cities Summit in Florida, USA; the Critical Cities Think Tank in Melbourne, Australia; and Creative Places & Spaces in Toronto, Canada. He is also on the global advisory board of the Global Creative Economy Convergence Summit to be held in Philadelphia in January 2006, and on the Executive Committee of the Congress for New Urbanism to be held in Providence RI in June 2006.

For more information on Larry’s work visit www.newcommons.com, or email lquick@newcommons.com

Why Organisations need to have Foresight

“In the 20th Century we doubled the life expectancy of human beings, but less than halved that of organisations!”

I thought it appropriate to start with this comment from Richard Pascale to illustrate the challenge for organisational sustainability.

Richard was responsible for a book entitled “Surfing at the Edge of Chaos” in which he gave us many insights into what it is to be 21st Century Capable. Interestingly, Richard was also a co-author with Tom Peters on Tom’s book “In Search of Excellence”. What is more interesting is that 10 years after “In Search of Excellence” was published, the vast majority of the organisations in the book didn’t exist!

So what does this indicate about sustainability, life expectancy & these companies?

Maybe ‘In Search of Excellence’ organisations didn’t really have the key to 21st century capability & competitiveness?

What might be the key, is the subject of our work.

We believe that the first step in achieving and sustaining 21st century capability is in understanding that any organisation of people – business, agency or community - succeed due to **their ability to develop and value add their core capabilities in sync with the demands of their operating environment.**

The second step is in focusing on the development of four cornerstone capabilities that underpin sustainable organisations. These are:

Foresight	<i>The ability to continuously and strategically interpret the organisation’s immediate and emerging operating environment.</i>
Creativity	<i>The ability to use imagination, ideas and focus to develop and realise new & original ideas, things or people.</i>
Strategy	<i>The ability to dynamically identify, create, leverage, manage and manoeuvre the required core capability – in sync with shifts in the organisation’s or community’s operating environment – to occupy a strong position in desired markets.</i>
Leadership	<i>The ability to engage, align and gain commitment from people at all levels of the organisation or community, inspired by a ‘shared spirit’ to realise a cause.</i>

This may sound academic and relatively simple. But if it is, why are so many organisations finding these things so difficult to implement, or ignoring the adoption and practice of these four cornerstones?

Our work indicates that there are four primary reasons for this:

1. Organisations are unaware of these four cornerstones
2. They are ignoring them
3. They are approaching them in a superficial manner, and/or,
4. They don’t have the skills to effectively develop and implement them

The close of the 20th century and opening of the 21st represent one of the biggest paradigm shifts in history that is creating levels of change, discontinuity and complexity never

previously experienced by today's business leaders. Such a paradigm shift requires organisational thinking, planning and leadership to shift to a much higher order of sophistication from which to leverage the opportunity (and threat) from such complex problems. The adoption and practice of these four cornerstone capabilities provides a start to creating the 21st Century capable and competitive organisation.

In this paper, I would like to address what is a key starting point in achieving 21C capability – 21C Foresight.

21C Foresight

Introduction

Firstly, 21CC Organisations Do NOT operate in a Void!

They understand that they operate in a unique, dynamic environment, and have the **foresight** to 'braille the future' to:

- Look forward
- Identify forces and factors that may impact the organisation
- Envision possible shifts in their operating environment
- Identify shifts in value within their market/s
- Create a shared understanding of such a future
- Provide a business context from which they can collectively plan and make decisions

They achieve this through identifying forces & patterns at play.

- The Mega Forces – the global forces that impact everyone.
- The Macro Forces – the more local forces that impact specific industries or markets, and,
- The Micro Forces – those forces operating within the organisation.

These forces underpin the unique 'value network' in which the organisation operates. The value network is a complex system of interdependent organisations and entities that can be grouped under supply, demand, competition, support and ofcourse the organisation itself.

Through a variety of different debates and workshops with our clients we have identified 13 key mega forces that we believe 21C organisations must understand and monitor from their organisation's perspective in order to accurately interpret and contextualise the manner in which macro and micro forces are impacting their organisation. If organisations don't take this approach they may fall into the trap of a taking a superficial view of the present and emerging environment.

Having said this, I believe that it is also critical that organisations, when strategising, focus on more manageable and 'controllable' macro and micro forces directly impacting their organisation. In other words, 'think global, act local'.

The 13 mega-forces are:

1. *Zeroing* - paradigm shifts = new rules. Deny, paralyse, go forward or back?
2. *Internetworking* - linking of ALL 'ICEPT' systems - 'the Infinet' network
3. *Immediacy* - ICEPT @ the speed of light - "real-time worlds", & response
4. *Proliferation* - anything, any type, any time, anywhere - things, events
5. *Access to Source* - discovering & leveraging fundamental knowledge
6. *Rise in latent value* - acknowledgement & management of intangible value
7. *Globalisation* - common standards, low barriers, access, equity
8. *'EarthWorks'* - Redress the thousand cuts or.....?
9. *'Shrinking West: Rampant Rest'* - Small, old West; Huge, young 'aggressive' Other
10. *Chaos Compliance* - fluid & conscious strategies, systems & structures
11. *Purpose Power* - focus from want or need, to 'what I value most'
12. *'6BL' Meta Measures* - Planet, People, Economic (3BL) + Knowledge, Strategic, Spiritual
13. *Sustainable Innovation* - growth via higher order, strategic sophistication

13 Mega-forces to 2010

1. Zeroing

As Joel Barker states in his book 'Future Edge', "*when a paradigm shifts, we all go back to zero!*" What Barker was saying was that when conditions change inside an environment enough to create a new paradigm (new ways, rules, beliefs, industry standards), the old capabilities and competitive advantages are lost and it is a 'new ball game' where organisations start from zero advantage.

Zeroing is a force in which we are seeing continuous paradigm shifts of a small and large nature that are continually creating new industry standards for products, services, and markets – some local, but the vast majority globally driven.

Such shifts can be viewed by organisations as continuous and discontinuous changes, dependent upon their level of awareness of the change. When such a state of change occurs leaders either respond in one of four ways. They either deny the existence of the change, they are paralysed by the change, they go back to what worked in the past and 'do it harder', or they embrace the change and move themselves and their organisation to align with the new paradigm.

The latter action is normally the more challenging as the new paradigm is seen as much more complex, chaotic and confusing than the well-trodden path of the past. However, there is little choice other than to move forward. The secret is generally in the timing of the move, the management of existing capability and 'business as usual', and the innovation undertaken and introduced in aligning to the new paradigm.

Such new paradigms are driven by the following mega-forces.

2. Internetworking

Economies, markets and organisations can be viewed as systems within systems, and subsystems.

Given that today the vast majority of economies, markets, organisations and individuals survive and thrive due to the effectiveness and efficiency of systems driven business processes, it is a wise idea to view organisations in this manner.

Increasingly organisations and individuals are becoming absolutely reliant on the interconnectedness of themselves to integrated systems or networks driven by technologies like the Internet and wireless. Operating and working with and within this form of integrated connection is known as *internetworking*.

Whether it be commonplace communications like email or SMS; a simple B2C transaction like an ATM withdrawal, an EFTPOS purchase, or online banking; or the more complex B2B transactions of eCommerce or highly integrated supply/demand network management – all represent internetworked transactions.

The transactions that flow through integrated networks through internetworking tend to focus on five main types – *information, communication, education, production and trading transactions*. Or 'ICEPT' for short.

We are on the cusp where ALL ICEPT systems will be linked to for what we call the 'Infinet' network. All things joined to each other in one global system.

3. Immediacy

Pre-agrarian and agrarian ages were seasonally focused and did not rely on time in the micro manner that characterised the industrial age. The industrial age created time as a key measure for response, quality and value that underpinned the development of the likes of mass production and mass media. This focus on shortening of response times saw the growth of supermarkets, telephones, air travel and the renowned 'Mac time' where any longer than thirty to sixty seconds at the counter is bad service (even if it sometimes is at the cost of product quality).

The Internet Era took this further through 'warping' time by applying the velocity of internetworking technology via the 'Infinet' to provide 'ICEPT @the speed of light'!

The environment for organisations and individuals of today will be characterised by faster change, and thus seemingly more chaotic environments within which to operate. Such faster change is brought about by faster change cycles that are creating 'exponential change' and a 'quickenning' effect. This is illustrated in the following table:

Years to Penetrate 25 % of the Market

Product/Service	Year Invented	Years to Penetrate
Household electricity	1873	45
Telephone	1875	35
Radio	1906	22
Television	1925	26
PC	1975	15
Cell phone	1983	13
Internet (www)	1993	7

Milken Institute 2001 Global Conference www.milken-inst.org

During this process of invention, penetration and feedback, our ability to learn quickly and devise new technologies to do things 'better' in itself gets significantly better at each completion of a cycle. This creates a spiralling effect that sees us moving from the broader outer circle, into a tight and ever closing inner circle where things are being done more efficiently and faster - for even the most complex of tasks. In the 40's it took the Australian test team three to four weeks to get to England to play a test series. Today it takes around eighteen hours. The game commentary was only via radio, and had a ten to fifteen minute lag. Today it is instantaneous and is reported on multiple information and communication systems (TV, Internet, mobile phone) – to anywhere, 24x7 – at the speed of light.

This is creating an expectation of real-time ICEPT, and has shifted market response and expectation from the industrial view of 'speed to market', to 'immediate to market' – the continuous connection to market demand and immediate response to such!

4. Proliferation

Proliferation represents an *'anything, any type, any time, anywhere'* environment for any product, service, any facet of ICEPT, or even any facet of value. If it can't be supplied locally, we will source it globally – *internetworked, and immediate to market demand.*

This represents exponential growth in the volume and variety of available products, services, information, communication, education, production and trade; the exporting of local cultures to be applied in a global sense; and critically, immense change in how we (customers, suppliers and the community at large) value things.

Combine this with the diminished security of geographic, economic, technological, channel and communication barriers; the low barriers to interaction provided by the WWW; and the opening of markets; and we begin to understand a basis for taking Proliferation, and consequent Zeroing, very seriously!

5. Access to Source

Imagine if we were able to access all we wanted from the source of what we wanted! Whether it be any form of ICEPT – information, communication, education, production and trade. All from the originator or source!

Dwell on this possibility for a while.

Today we don't have sufficient time to go into the detail or the ramifications of such a possibility. But to create a taste for such a possibility lets look at just two facets of 'access to source' – information, and trade.

The discovery and leveraging of fundamental knowledge has set the human race apart from its counter parts. Information builds knowledge that humans then apply to innovate and develop technology, economies and societies. Over the past ten years we have 'cracked' the source code for the human genome, and other source information relating to universal principle. Physics is another subject area where we have tapped into source. In such a short time from access to source we now use as a given DNA analysis as a basis for identification and criminal investigation. Human cloning is now an actuality. The biotechnology industry is exploding with a range of 'mind boggling' products and services about to enter the market that will completely displace 2003 thinking and behaviour. And that is the tip of the iceberg!

Access to source information also represents a major challenge for organisations that rely on customers or suppliers having spartan or imperfect information concerning their products and services. Via the web, today customers can gain information on any product, service or organisation that provides them with unprecedented control during a purchase.

From a trade perspective, since the first peasants created village markets to trade, humans have also shared a fascination with the creation of channels to market. We have built very complex systems of intermediaries to grow, source, produce and deliver our products and services. Some of which we have come to rely on for decades, if not centuries. Retail, wholesale, export and import industries all represent intermediary systems that have been created to serve a 20C operating environment that is or will be under constant attack through the likes of Internetworking, Immediacy, Proliferation and Access to Source. Though the term 'disintermediation' or 'new-mediation' may have been ill used by the Dotcom brigade, it is still alive and well as individuals and organisations find value in accessing source to meet what they value in trading.

Access to source represents yet another critical driver of Zeroing.

6. Rise of Latent Value

As noted in the Brookings Task Force on Intangibles entitled "Unseen Wealth" (Brookings Institute, Washington, USA): *"Regardless of the validity of claims of a "New Economy" and its capacity for continued growth, one change in the way the economy operates seems almost indisputable: economic growth is no longer driven primarily by investments in physical assets, but instead by investments in intellectual, organisational, and reputational assets. The factors that have become most important to business success and economic growth in developed economies in the twenty-first century are "intangible," or "non-physical," By their very nature, intangibles are harder to measure, harder to qualify, and often more difficult to manage, evaluate, and account for than tangible assets. For most part, they do not appear on the balance sheets of corporations, nor are they recorded in the national accounts as part of national wealth."*

Brookings went on to cite examples in the USA of intangible value at work:

"As of the end of September 2000 Microsoft Corp. had only \$1.9 billion in property and equipment (hard assets). But its market capitalisation was about \$328 billion."

"Merck and Co, and Pfizer have prospered not because they have built new factories for manufacturing and packaging pills, but because they have become technological leaders, spending substantial money on research and development to develop new pharmaceuticals."

"Walmart did not become the largest retailing company in the USA just because it built more and bigger stores, but because it developed a unique and highly efficient client inventory control and distribution system, and then used its purchasing power to compel its suppliers to make efficiency-enhancing changes in their operations".

"The wealth of Silicon Valley is not, for the most part, bricks and mortar wealth. Rather, it is based on the digitisation of ideas."

"Even old economy manufacturing companies have come to understand that brand and image may be as, or more, important to their ability to make profits as is the number of new machines they buy for their factories".

We see other examples like the rise of the Virgin brand to become a global entity in itself that is very capable of extending its power over products, services and industries of its choice. In Virgin's case its perceived brand value (latent capability) competes viably with the tangible value (blatant capability) of the flight, mobile phone, soft drink or the CD it sells.

Organisations in the USA have made a conscious and relatively swift effort to align competitive capability to the unprecedented rise in intangible or 'latent' value. Organisations in other countries like the UK, Ireland and India have also commenced the process of aligning their core capabilities to leverage latent value.

In Australia there are some good examples of a conscious effort. Gerry Harvey's virtual brand and business process based department store group 'Harvey Norman' is a good example of some of the best conscious effort to build and manage latent capability in a virtual form. However, despite the provocation of Australian governments selling the opportunities of the Knowledge Economy, relative to other Western Economies like the USA and the UK, Australia lags behind in conscious effort to embrace intangibles. Though there may be lag in conscious effort, Australia's intangible based industries are growing. Such growth is witnessed by the rise in service-based organisations in Australia (intangible industries) to today where they represent 73% of Australian organisations, and approximately 72% of GDP. This is exciting in this industries efforts to grow, and also scary

in the lack of management of their measurement, value and viability.

Whilst such unconscious effort and growth is aligned to international growth, and is a good sign, the fact that a large portion of organisations are not consciously measuring, managing, developing and leveraging latent capability is a challenge that must be met if Australian organisations are to be competitive in the 21st century.

We are making business decisions without a complete and complex enough context!

This imperative is made more urgent when considering the global adoption of the Knowledge Economy (heavily intangibly based), the future reliance on emerging industries like Biotechnology (heavily intangibly based), and the focus of competitor organisations and nations in adopting reforms to address the problem.

7. Globalisation

Market and Economic globalisation has been happening since before the industrial revolution, it will not go away, and will play itself out until (like all systems) it has connected all players in the global environment.

Hence, globalisation will continue to be a dominant force in the world.

Key to globalisation is standardisation and integration (global standards/processes, integration of systems (the Infinet) integration of markets, integration of cultures).

On the positive side this means easier access to all countries (through global industry standards) to common global information, communication, education, production and trading channels, process and platforms. Such a network creates open and active market systems which, given the appropriate growth stimulus and management, should grow and expand to the betterment of all countries involved.

On the negative side this means a 'backlash' to a perception of a 'bad deal', and loss of identity and control at a local level – particularly rurally focused regions/countries that do not have the advantage of a strong economic base to grow from. Where relatively small and unsophisticated markets/economies are drawn into globally sophisticated markets/economies there is a considerable lag before smaller and unsophisticated player capabilities catch up to global standards (if they ever do). This means an uneven playing field exists where local standards may drop or be out of context to global reality or aspirations. When this perception is evident and enduring, social unrest usually follows. In these conditions, globalisation is seen as the cause, and hence anti-globalisation is the response. Where anti-globalisation is dominant, access to global channels, processes and platforms is severely restricted and thus the problem is further exacerbated. Smaller markets find it difficult to keep up with the rate of growth and change – especially if social unrest is disturbing their economy.

Through online technology and global media networks, information, communication and education channels (ICEPT) are now globally connected. Global awareness is growing exponentially, and will continue to do so – irrespective of national constraint (eg. Government restrictions on Internet access). People know what is happening in all parts of the world, and are aware of the huge gap in standards (of living, information, interaction etc). This environment has only developed in the past five or so years, and is only now beginning to mature to a point where individual awareness and aspirations breach traditional national boundaries.

The dominance of the larger markets and economies (eg. USA, Europe) is seen as a threat to local aspirations (eg. The Middle East, Asia, and regional and rural communities in western countries). Hence, anti-globalisation will continue to grow in response to the perceived disenfranchisement of smaller, unsophisticated markets/economies, and the dominance of the Western world.

To protect social and economic values, smaller and unsophisticated communities (eg. Third World, remote communities) will pushback in any way they know how.

Greater education, understanding and unity will be needed to dramatically change the perceptions, strategies and practices of all parties involved – the larger and dominant players, and the smaller, relatively unsophisticated players.

Having said this, education will not be enough. Without a concerted move toward global 'market/wealth/lifestyle equalisation', without loss of local control and identity, it will be difficult to satisfy the demands of the anti-globalisation movement.

Until this occurs, the problem will continue, and more likely continue to get worse.

8. 'EarthWorks'

It is no secret anywhere on this planet that over the past three or four hundred years the consumption and organisational practices have created environmental issues that represent the 'death of a thousand cuts' for Planet Earth. Awareness of this over the past twenty years has forced major change to our practices. The next twenty years will see a more intense focus on 'redress the thousand cuts or.....?', and a more forceful continuation of the creation of new environmentally friendly practices.

9. 'Shrinking West, Rampant Rest'

The early part of the 21st century will see the exponential change of market and economic profiles of Western nations, and the rest of the world's nations. Such a shift is characterised by the ageing of Western Populations, as opposed to the growing youth of the populations of key non-Western populations (eg. Asia, Middle East), and the growth in the economies of the non-Western nations. This juxtaposition will see the market population and power of the West shrink relative to that of other nations.

In doing so, 'the rest' will form an 'aggressive coalition' that will exert its power economically where it has grown to that level of sophistication (eg. India and software development, China manufacturing), or through other means where they do not have economic clout (eg. terrorism, anti-globalisation).

Whether the choice of power of youthful nations in taking over the reins of the ageing nations is in an economic or other form, Western nations can expect highly competitive and/or chaotic markets as this equalisation of power transforms economies and cultures.

From an ageing Australia perspective, the 'baby boomer' issue is a very important force for organisations to take into account over the next twenty years.

'Baby boomers' are the very large group of people born between 1946 and 1964 in Australia, New Zealand, Canada and the USA. These represent the western countries that were not devastated by World War 2, and where the returning troops decided that the world was safe enough to have a large family. That perception continued for some 18 years from 1946 so the population for that period was double the norm.

Baby boomers are currently aged between 39 and 57, and are about to commence retirement.

A key factor with the ageing population in Australia is the question of succession and impermanence of corporate knowledge when the Baby Boomers retire. This provides two problems, reduction in the knowledge pool as we experience a sharp loss in the amount and choice of people to employ, and the eventual loss of a major economic driver (Baby Boomer's) whose purchasing power will not be replaced by Generation X.

An alternative view may mean that people will be working longer as their superannuation won't provide enough income – especially with an exponential increase in longevity.

The ageing and retiring population will also mean a smaller base of worker's tax dollars. Hence the Government will not be able to cope with the increased pension and health needs of such an ageing population, and the community in general. This will mean a reduced ability for Government to be relied on to fund social care and causes, and industry subsidies.

Some also predict a gradual decline in Australia's economic health as it endeavours to reorient its economy to new industries, and pay for deferred costs (retirement and an ageing population, environmental degradation (salinity) etc.). Added to these costs will be a reduction in taxation revenue for Government brought about by a decline in the worker base.

10. Chaos Compliance

'Chaos compliance', and interesting term that has a *ying yang* flavour about it.

And like the followers of ying and yang thinking, organisations need to embrace the paradox of maintaining compliant organisations, in seemingly chaotic environments.

The prior eight mega forces form in themselves a chaotic environment in which organisations operate. Let alone the macro and micro forces that will directly impact individual organisations and the managers leading them.

Such environments will require fluid strategies, systems and structures that allow the organisation to flow with their unique environment. Like the shoaling of fish who not only know their environment, they move as a part of it, organisations will need to adopt control policies and organisational structures that are strategically driven and importantly, provide them with immediacy to market.

11. Purpose Power

The consumer age of the 60's to the 90's focused on the skilful identification and manipulation of people's wants and needs. Market research made a 'science' of identifying consumer wants and needs, advertising an 'art' in delivering messages to shape thinking and behaviour to develop customers, and salesmanship a 'skill' to close the sale.

Technology has taken this further in attempting to electronically automate the entire process through the 'one on one' marketing potential of eCommerce. And with all of such science, art, skill and technology there has been for the most part a separation from the quality of the relationship between customer and provider.

The quality service movement went to great pains to drive better service into the equation. Unfortunately the actual interpretation into most organisations has been a 'veneer of value' where the script is more important than the substance of the service, and *'thank you for*

shopping at (our store)' spiel more of an agenda than a real connection to what customer's really value.

Like organisations, people are impacted by their environment. The sum total of all we have talked to now is affecting people, and in particular their values, and the value choices they make. Just look at the 'consumer' response to September 11, and the Bali bombing.

At the same time those consumers with the spending power have become a lot smarter than those of the 20th century. They are more organised, informed, 'market savvy' and conscious of the value judgements they are making during a purchase. This will only grow in the future where we will see fewer buying decisions made from the 'gloss' of advertising and the manipulation of wants and needs, and more from 'what I value most, for my unique purpose'.

In meeting this shift, organisations will need to form a deeper connection to customers built on strong value propositions and more importantly deliver purposeful services.

12. '6BL' Meta Measures

Most organisations are aware at some level that the measures used to determine value and wealth creation in the 20th Century are not sophisticated enough for the 21st Century.

This awareness can be seen in the triple bottom line (3BL) movement who are driving a *Planet, People and Economic* agenda. Whilst this approach does go some way to addressing the real value of 21st Century capability and accounts for forces like EarthWorks and Purpose Power, it does not strategically account for key elements like the Rise of Latent Value (intangibles), and Access to Source.

If organisations are to sustain themselves and be a compelling part in the sustainability of nations and the planet itself there needs to be a conscious decision to create a more sophisticated set of measures for organisational performance and wealth.

The move to 6BL is a more comprehensive 'meta measurement' of the key capitals that account for the sustainability of organisations. These are:

- Environmental capital – its right to utilise planetary resources
- People capital – an organisation's people (customers, suppliers and employees),
- Knowledge capital – its blatant and latent knowledge assets,
- Values – its underpinning beliefs and purpose driven principles
- Strategic capability – its capabilities (eg. capabilities that are industry standard, and value adding differentiators), and,
- Economic capital – its financial access, inputs and outcomes.

These five bottom lines form part of an equation that represents a basis for thinking for a new measure of wealth creation:

$$\text{Wealth Creation} = (\text{Planet} + \text{People} + \text{Values} + \text{Knowledge} + \text{Strategic Capability} = \text{Economic Capital})^2$$

The bias toward leading and managing organisations in an economic value context has been a practice of most organisations for many years. Overall it has been quite successful on the surface. However, such a view has proved to be superficial and too simplistic to sustain competitive advantage in the future – especially if Australian organisations are to compete in global markets!

When we look at those organisations that have extended the management context to include other capitals, their success has been astounding.

For example, Microsoft. Whilst some of Microsoft's practices leave a lot to be desired, they offer examples that need to be noted. From day one Microsoft has been an expert at skilfully managing knowledge capital and strategic capability far above its closest competitors. Its leverage of IP and creation of dependencies within its market are second to none. Also, most likely unwittingly, its practices mostly tend toward being very environmentally friendly. Given the nature of their knowledge bias, this is understandable and would apply to most pure knowledge industries. Its people management practices have to a large extent created new ways of managing people capital. Whilst not always possibly socially acceptable to some, the Microsoft knowledge worker is a completely different person to that in most other organisations. This new breed of worker has permeated the whole of Silicon Valley and set new standards for the workplace.

Like Microsoft, all organisations need to re-evaluate exactly what profit and prosperity really mean, and look to extend their capital appreciation to include other key capitals. If they don't, they may not maximise their ability to make money, and critically sustain themselves and the planet!

13. Sustainable Innovation

Intrinsically human beings are creative and innovative. The growth over the past 300 years in ideas, the arts, business and technology is testament to that.

However, at an organisational level the focus of such creativity and innovation has not focused enough on the sustainability of organisations.

Our opening comment at the start of this presentation is testament to that.

The move to compete through a well considered approach to innovation will see growth come via a higher order of strategic sophistication. The innovation, leverage and management of capability will become a key responsibility of organisational leaders.

This ALL adds up to a more COMPLEX world!!

The 'Six V's of Complexity'

The net result of the previous 13 forces add up to a more **COMPLEX** world represented by what we call the '**Six V's of Complexity**':

- **Volume** – more of everything
- **Velocity** –faster
- **Variation** – more choice
- **Virtuality** – a bias to the intangible
- **Voice** – more 'noisier' markets
- **Volatility** – dynamic discontinuity & disruption

If you use these six V's when looking at your operating environment you will discover they underpin a vast majority of the shifts your organisation may be experiencing at a macro and micro level.

Ask yourself these types of questions:

- Do you have to cope with more competitor products (ie. same and substitutes)?
- Is your market demanding velocity (eg. faster response times)?
- Do customers have more variation when selecting products & services (ie. more choices)?
- Do you measure and value the intangible component (eg. knowledge, brands, IP)?
- Are you finding that it is the virtual capabilities (eg. brand, people, knowledge, alliances) that are forming the core of your capabilities?
- Can your customers hear your promotional message, or is other noise drowning it out?
- Are things changing dramatically in a way that disrupts well laid plans?

Whether these are the right questions that define key macro and micro forces in your organisation's operating environment or not, you will find the six V's at work impacting your organisation in some form or other.

COMPLEXITY & Competition

As stated previously Complexity is not a bad thing for competition. In fact complexity provides both opportunity and threat dependent upon the manner in which it is managed. One thing is certain and that is that overall customer, supplier and organisational problems are and will continue to be more complex. Thus managing complexity is a key to competing in the 21st Century.

Today COMPLEXITY is showing up in macro and micro environmental forces like:

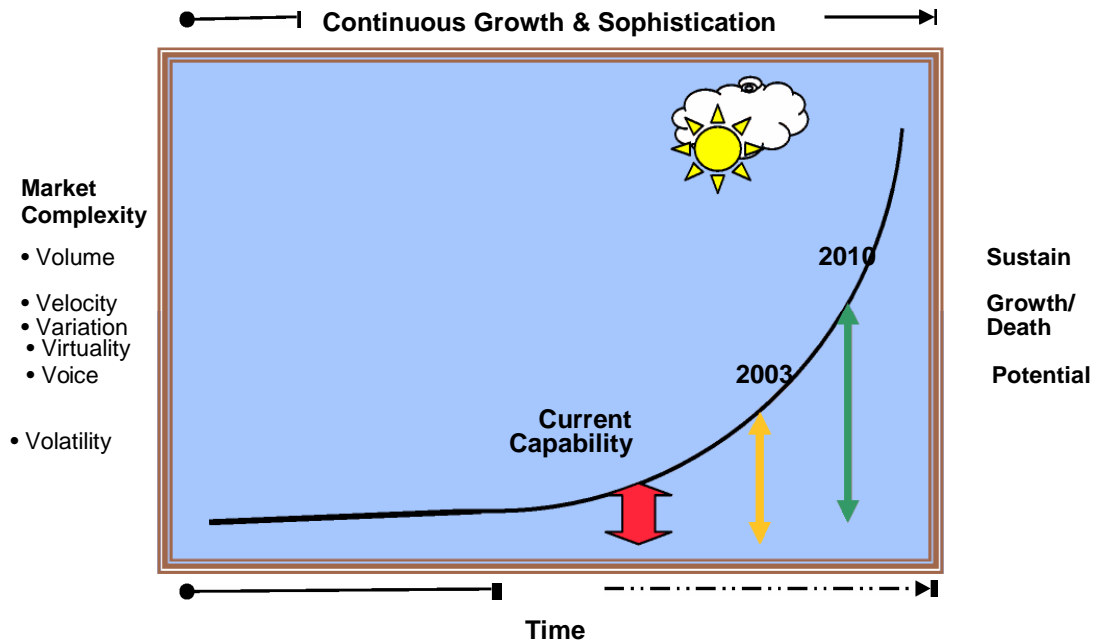
- More complex customer problems for suppliers to solve,
- More complex product and service development,
- More complex promotional activity to gain customer attention,
- More complex response and response processes,
- More complex pricing and trading terms,
- More complex approach to innovation,
- More complex development and management of core capability,
- More complex approach to understanding future needs of customers, suppliers and the organisation, and a,
- More complex approach to organisational management and leadership.

How organisations address this growing level of complexity is the key to 21st Century Capability and Competitiveness, and requires them to grow to a new order of sophistication.

In doing so will require the innovation of new and unique individual competency and organisational capability that is able to make what is complex appear simple, without it actually being simple. In doing so we must beware of the adage 'KISS' (*keep it simple stupid*). Okay for it to appear to be KISS, as long as the underlying solution (product, service, process, capability) is addressing the above complex issues.

As the diagram below indicates, this challenge is made difficult as in 2003 a vast amount of organisational capability is significantly in lag relative to the current complexity of the market.

21C: The Window of Opportunity or Threat?



As the diagram illustrates, today's organisational capability is primarily based on the industry standards of 1995. There is great opportunity for organisations in growing to a new level of sophistication to gain sustainable growth through a 'journey of a thousand steps'. On the other hand, if they don't, they run the risk of 'the death of a thousand cuts' through their capabilities exponentially losing touch with the demands of their operating environment.

What makes this challenge doubly difficult and more urgent is that with immediacy, proliferation creating exponential change, the degree of market complexity is also growing exponentially to a point where large majority of organisations will be 'disoriented to market (core capabilities out of sync with the demands of the operating environment) by 2010.

Such an operating environment provides a huge level of opportunity or threat, dependent upon the capability of organisations and their willingness to rise to a new and sufficient order of sophistication.