

Remodeling A Company For Uncertain Times

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Abstract- This paper suggests three fundamental areas of remodeling that can prepare companies to address today's uncertainties. Many companies operate with classical management philosophies, and organizational styles not suited to the dramatic changes that lie just ahead. We note that the right remodeling will boost the rate of progress a company can achieve toward sustained prime performance, while it also assumes more characteristics of a new-era enterprise.

Never doubt that a small group of thoughtful, committed people can change the world. Indeed, it is the only thing that ever has.

-- Margaret Mead

I. INTRODUCTION

In these times we feel uncertainty, and a bit more doubt than is normal. Change is afoot, that is clear to everyone in business, and technical audiences are especially aware that a major cause of this is the emergence of the global digital medium, the Internet. But we must have greater insight than this as we prepare for and adapt to the new conditions ahead.

We may think something is 'out of whack', or not working as expected, based upon our experience. We want to ask, "Is today's situation at all temporary, or is this simply the beginning of a new time, when the rules will be different, permanently." We need some better perspectives about causes, viewpoints that are more helpful when we consider remodeling business ventures, organizations, enterprises and our careers.

Let's begin by reiterating and relating some key drivers of today's flux to clarify why we must act, and then move on to identify what to remodel in the world we can control, and where to begin.

II. THE GLOBAL DIGITAL MEDIUM

Throughout history emerging technology has triggered transitions. Hand-tools, agriculture, phonetic alphabet, printing, industrialization, power generation, telecommunications are all great examples. How dramatic a change should we be expecting from the advent of a global digital medium, will it drive the next great shift in how everything works? Noted futurists [1] think so, and have written extensively about why the impact will be so deep. Earlier, Marshall McLuhan [2] warned us to notice how a different medium of communication, can change the way we think about everything, even while

we remain unaware of the impact. The printed word, and then television have wrought such changes in our awareness and the impact of TV is still rippling across the landscape of the third world, today. How can the global digital medium be having such a pervasive impact on everything?

A. The Paradigm of Universal Inclusive Systems

This digital medium is the first in human history to provide a universal platform (the web) for building automated systems that interoperate, that provide universal access, and that transcend traditional boundaries like borders or organizations. The killer applications in this new medium are focused outward toward collaboration, toward extra-enterprise scope, and toward real-time processes. At the same time, the medium transports large chunks of our data, encapsulates complexity we don't need to see, makes our location irrelevant, and costs very little to use. What we do with it, already, gives a clue to its ultimate impact.

B. Four Key Trends Signal the Future

Globalization: We use the global reach, electronic speed, and universal platform characteristics to extend ourselves into every corner of the world markets for labor, resources, consumers, and capital.

Virtualization: We organize, coordinate, and use remote resources and facilities independent of where they are located. We do this to access the best quality, price, availability, reliability, or skill that serves our business needs.

Individuation: We are beginning to interact with our clients, and constituents in very customized or personalized ways, suited to each situation and need. Even retailers noted for mass-market products are doing this more and more. For example, Amazon.com customizes its presentation rather extensively for each customer.

Decentralization: The rise of partnerships, virtual organizations, and location independent operations means that a strong bias in favor of more decentralized management is building steadily. The pressure will create a flow of new ways of working, and is already stressing today's rigid hierarchies.

By now, we should recognize that there is nothing temporary about any of these trends, and we should

certainly not expect that our own worlds of business will return to the modes of the past. But an extra word of caution is needed. All of this change seems to be distorting our perception of the environment, and in very profound ways. As Paul Schumann [3] comments in a recent paper, we sense that the world is becoming boundless and decentralized, we have more trouble putting cause and effect together, everything seems to be happening simultaneously, there is an indeterminacy creeping into our perception, all of which can magnify anxiety that may emerge and interfere with judgment. But, the distortions in perception are to be expected.

The futurists predict that this transitional period may last two decades while changes sweep across every aspect of how things work, including our business organizations. We should be thinking about remodeling for the long haul, in a series of multiple steps that will be challenging at best. Thus, today's preparations will be critical.

These important factors relating to digital media are not the only key drivers of today's uncertainty. What about the basics of how we are structuring and doing business?

III. BUSINESS 101

Most of today's business is still conducted using the assumptions of managerial capitalism [4]. We think that we will leverage capital to mass-produce a valuable product that people really want, and which is in short supply. We expect to operate in a closed company environment where we try to be as self-sufficient as possible, keeping our secrets about how we operate, and prospering because of the terrific value of our intellectual property that is instilled in the product. We seek to advantage our investors, primarily, often at the expense of everyone and everything else including our customers, who we may abstract as simply wallets, gullets, or eyeballs, [5].

Unfortunately, many parts of that model are simply not working out for today's businesses. There are multiple sources of almost everything, and few things are scarce or highly valued by consumers. We cannot keep ourselves in closed communities very easily in the face of globalization and extended value chains.

The whole situation is a bit like that of the fortified city-states of history, in fixed emplacements, isolated, inwardly focused, and becoming increasingly irrelevant in the flux of change, and the onslaught of the more agile, more mobile outsiders. Businesses that don't prepare, and then remodel are at risk of becoming irrelevant.

There are so many ways to do things and so many products that, very often, little value is perceived to be vested in the product itself. Rather more value lies in accessing the consumer's psyche . . . in order to create more demand where there is little.

If consumers don't find our standardized products and services very interesting, we should ask more questions. Are we using new technology to provide consumers with something they care about, or are we simply cost reducing our own little business functions? How many of us enjoy the maze of touch-tone options we are offered, instead of the real access to services we need to use, when we call a customer support number?

What Customers Really Want

Rest assured that there are some things that consumers really do want. In developed countries what people want, and what are very scarce indeed are these items:

- Time for their lives, to fit everything in
- Support for their lives, to get things done
- Reduced complexity, to get rid of obstacles

In less developed areas of the world, after the needs for food and shelter are adequately met, which is not a given condition, a top priority in consumer wants is a way to connect with the rest of the world. This may mean using a cellular phone, a television set, or a wind-up portable shortwave radio (if batteries are difficult to obtain.) The idea of scarcity is short lived in today's markets, and the move to abundance can happen in very short order once external connections are established.

Here is the point that we are really making about Business 101. Many people find themselves in businesses where yesterday's hot product or service is becoming a commodity, and future business prosperity seems questionable. We must get serious about what to do because conditions will not return to 'normal'.

Too many of us in today's organizations are still focused on the wrong kinds of things, going about business in traditional ways, with the outmoded ideas about what is important.

We are far too preoccupied with operations and short term results, and focus far too little energy on what basic assumptions are still valid, what our customer values most today, and how our game must be changed for our own survival.

We need our own programs to remodel much of the old style approach, and promptly, but not haphazardly or in haste. Some timely and appropriate remodeling is absolutely essential for future success.

While we continue to act as though the traditional four-dimensional measurements of cash, production, sales, and resources tell a complete story, do they really? Not in uncertain times like today. We need a different perspective to better understand how to remodel.

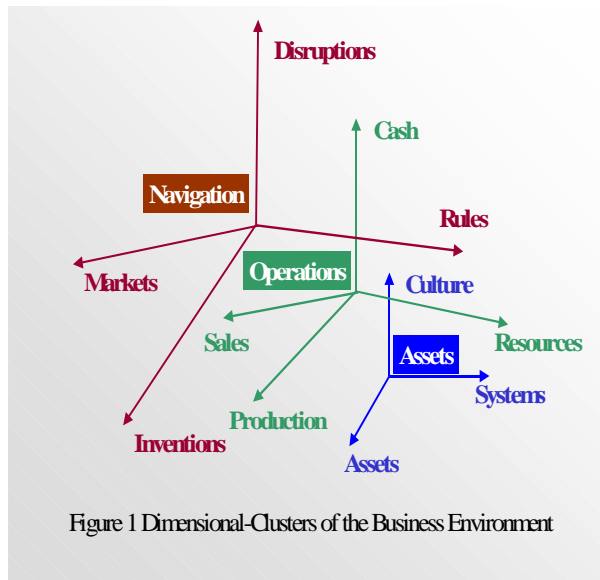
IV. DIMENSIONS OF BUSINESS

The traditional fixations on a four-dimensional business model work when the environment is well-behaved, linear projections are working, and the market is quiet except for a few competitors much like us. Unfortunately this does not describe our environment today, in most cases. When times are uncertain, and there is substantial change, we need to be much clearer about the most critical dimensions. We need to better understand what aspects of the multi-dimensional business world are the ones that predispose our future success or failure. The following dimensional-cluster model provides a way to think about this that can focus our priorities for remodeling.

A. Business Framed In Dimensional-Clusters

Think of your business as a ship traveling through uncharted waters, with three clusters of multiple axes upon which the business framework rests, Figure 1:

- The asset axes represent who we are and provide for our stability at the core,
- The operational axes facilitate steady translation and support linear systematic adjustments to trim our vessel, and
- The navigation axes engage the larger uncharted and often non-linear regions where we may encounter singular events and disruptions that can change everything.



Assets, Core Values, and Conservation (3D)

The assets of a business including its core value components must be maintained in order that it sustain the identity and behavior that makes it a unique entity. There are three dimensions that represent what must be conserved in order that operations are possible:

- Systems – the way we get things done
- Culture – the way we know who we are
- Assets – several kinds give us capability
 - Property
 - Capital
 - Skills
 - Franchise (secret sauce)

The issue concerning the assets dimensions is that we most protect and conserve these, so that everything else is possible. When it is necessary to change them for good reasons, we know that we are at the core of our being, and must make changes with great care.

Operations, Processes, and Stability (4D)

The operations group of dimensions allows us to apply our assets in our own very unique way (the franchise), and through our systems (the processes) to transform something into cash or an equivalent valuable. This part of business is the subject of far too much focus. Why? Because it can be systematized, automated, measured, and made very predictable. When it is, we simply don't need to spend great amounts of time and intellect on operating day to day, and we will have plenty of energy available to do the more challenging things. Of course, building a new business means that we must put into place the situation just described, before we can focus on navigating different terrain. Building is much more challenging than operating, when operations are being done well. The classical operating dimensions are:

- Cash
- Sales
- Production
- Resources

The issue in operations is steady, predictable results. Managing operations is an exercise in near steady state, linear, incremental controls which are easily modeled and automated. In remodeling we absolutely must insure that our operations reach this state. We will provide more justification for this assertion, shortly.

Navigation, Singularities, and Change (4D)

The navigation group of dimensions is where we should expect to find most of the excitement of changing times. This is where the unexpected usually arises. This is where entrepreneurs are at home, creating things that don't flow directly from yesterday's linear extrapolations. The drivers of singular events in this space include:

- Markets – and the turns they take
- Inventions – and the unexpected impacts
- Rules – that we make up for others
- Disruptions – the totally unpredictable

Leaders must pay much more attention to those things that require our creativity and imagination to solve, and they must realize that spending too much

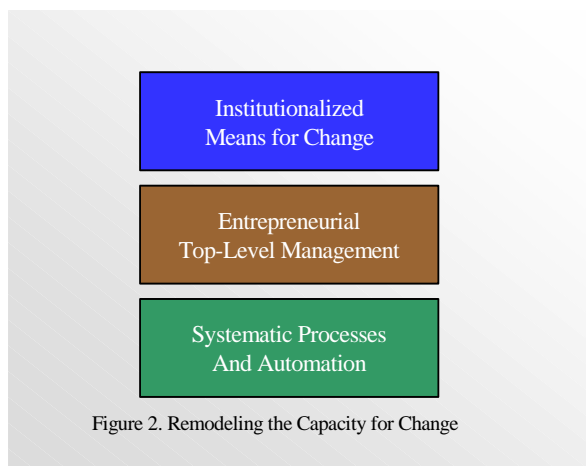
time on operations means that they aren't doing it right.

The issue in navigation dimensions is creative, agile, often preemptive actions that assure our continued vitality and success. This requires very unique skills among our leaders, as we will discuss.

Today, the magnitude of change, the deep often disruptive impacts, the paradigm shifts, and the strain on our perceptions suggest that we are fully immersed in navigating non-linear spaces where simple extrapolations prove inaccurate. As we prioritize remodeling programs, we must enable the best navigation ability that we are capable of. Let's turn to questions about what we can start to remodel now, and how to shift our focus to the critical things.

V. REMODELING FOR UNCERTAIN TIMES

It can be difficult to zoom in on the best near-term actions that start positioning a business for new paradigms. Let's take the approach of seeking progress in three general areas that lead toward the future. From these three areas will come many more specific strategies that are right for individual company's needs, things that we cannot address here. From our discussion so far we know that the following three categories will be critically important for successful remodeling, Figure 2.



Systematic Processes and Automation (Doing Operations Right!)

Remodeling should start with a foundation of end-to-end process automation for the operations that produce today's added value. Most companies have a collection of isolated application towers, a patchwork of manual steps, and often a collection of legacy components that are very difficult to maintain. Not only is it unmanageable, but also strongly inhibits change. That cannot be tolerated in these times. Today's affordable business process management (BPM) technologies allow for end-to-end process implementation that is independent of application towers, but which can tap them for data when needed, [8].

More importantly, new BPM based processes can be designed, simulated, launched and maintained with relative ease when we figure out more of what is

necessary for the future. The approach provides agility in our systems, a critically important characteristic for the uncertain future.

But, here is the real clincher regarding BPM. BPM can be used to implement process automation not only for the routine operational processes (about 20% of the value created in a business), but also for the management systems and creative processes that make up the most valuable parts of what we do (the other 80% of it.) Thus, we can step up the effectiveness of our systems by a very large factor (5X) in principle, by fully engaging the use of systematic processes built on a BPM framework.

The more we make operations a very effective and routine part of business life, the more likely it is that we will find time to work on the hard part, the changes to keep us competitive through agile navigation.

Meanwhile, process orientation stimulates a third broad-based advantage that we can start to use. It can lead to a more panoramic understanding among staff personnel of how work is being done end-to-end, and how results can be improved most effectively. Thus, process orientation creates the context necessary for making practical, productive changes in the future. We will return to this important point shortly.

At this point, we must recognize that systematic, automated, end-to-end business process management is a cornerstone of the future of our business, independent of it's size.

Entrepreneurial Top-Level Leadership

If the new era is about different paradigms, and the business requires extensive change and remodeling for a long time to come, then top-level leadership can be of only one kind . . . the entrepreneurial kind.

Forget the old business school line about leadership being a relay race, requiring a hand-off to different kinds of leaders as a company moves through it's life cycle. No such model will work in these dynamic times where the ability to navigate uncharted waters, and implement creative solutions rapidly is what it takes. This is not about custodial management, statesmanship, administration, or any other leadership style suited to static, linear, incremental approaches.

The new era is about shifts in how everything works, shifts in what customers will pay for, changes in our perception of reality, and responses to singular and non-linear events. These kinds of circumstances demand creative leadership applied and sustained for a long term.

But, what is to be done about the need to balance the skills of entrepreneurs, administrators, and producers to manage across the full range of real business issues. No one leader possesses all these kinds of skills and the willingness to apply them well. This problem will seldom be solved by a single individual CEO appointment.

A likely answer is that companies will find a top-level leadership model that works by blending skills of two or three people working together long term, rather than by handing off the baton as in a relay race. Thus, balanced leadership with the strong qualities of entrepreneurship required for today can be attained without the likely failures attendant in passing the baton.

We anticipate the end of simple pyramidal management hierarchy, in favor of a collaborative, aggregate skill-set approach. This model mirrors what companies will be doing as they work in virtual organizations and in federated groups to position high value where the customer will pay for it. It means that leaders who have strong collaborative and communication skills will be best positioned to rise to this challenge and contribute to very high-powered leadership composites.

The resulting very high-powered, balanced, and creative leadership resource is essential to success in the third major area of remodeling, the area of enabling effective change as a mainstream organizational capability.

Institutionalizing the Means for Change

We have covered two important areas for remodeling, both prerequisites to enabling change as a mainstream process in a company. But, there is more to this very challenging category, because change comes with its own set of unique issues and needs, as follows:

- a) First, resisting change or dreaming about the old days, denying that change is a necessary source of vitality. (The need is to expect change and help it along.)
- b) Second, implementing a way to change anything in an efficient, orderly way without causing instability. Backing it up with the full authority, power, and influence of the organization. (The need is for dedicated sponsorship.)
- c) Third, empowering the whole organization to drive change because, most often, only those who are closest to the action can see how to improve results. (The contextual learning of process-oriented systems is needed.)
- d) Fourth, developing people in all positions who can tolerate change, and support it because they believe in a future win-win for everyone. (The need is for a vision to adopt.)

For change to be an effective process in the mainstream of the organization's life, it must exhibit some distinctive characteristics. Let's touch briefly on these:

1. There must be a shared vision of win-win in the future that comes from the top-level of the business in very clear imagery.
2. There must be mutual trust and respect among all the players who bring authority, power, and influence to the table where change is defined [7].
3. There must be openness to propagation of ideas for change, so that everyone who has learned about the context of operations, assets, or navigation can contribute their expertise to making improvements that will work.
4. There must be collaborative venues to support the maturation of ideas into sound programs for driving change, steering implementation and producing predictable results, [6].

These characteristics must be demonstrated, starting with the top-level composite leadership, who must operate in this way like it is second nature. Only when they do this can their organizations provide an environment that not only nurtures ideas but also puts them into play solving problems. Reference [6] suggests the internal marketplace-for-ideas as one form of solution for creativity. Certainly, facilitating change as a core process requires focus and determination to initiate, and then to maintain within a remodeled environment. But, this is the cost and the key to these times.

The ability to execute change efficiently is one of the basics for survival in uncertain times. Most companies simply do not deal effectively with change, and they are destined to find much distress in the future if they do not add to their capabilities for effective change, and soon.

In this section we have introduced the set of three areas of remodeling that are fundamental to building business organizations for the new-era. Each of the three areas contributes crossover value to the other two, as they form a strong nucleus for adapting to the future.

VI. SOME GUIDING QUESTIONS

Try to answer these questions when thinking about where and how to start remodeling your company and its approach to challenges of the new era.

1. Are we ready for outward focused value creation with a wide range of partners, or do we try to be secretive and self-sufficient as we instill our value into a scarce and precious product?
2. Can we creatively navigate today's challenges and remodel for a new era, given the skills of our top-level leadership team?
3. Is today's business operation organized around systematic, highly automated end-to-end processes, or do we have too many silos of isolated applications and data making our situation perilous?
4. Is the process and automation we are using easy to tune, or replace as our

competitive situation and our market opportunities may suggest?

5. Do we elicit creative change from our full organization of people, so that those most 'in the know' can provide us with their best insights and ideas?

Keep in mind that as remodeling progresses, the characteristics of a company, its management, its processes, and its style will be changing along the following lines:

- More distributed/ less centralized
- More peer-to-peer/ less hierarchical
- More open/ less isolated
- More dynamic/ less rooted
- More inclusive/ less exclusive

While our remodeling carries us toward these paradigms, it should not imply that the core values and culture are compromised. However, if these assets are in conflict with future business success, as they may be, then reforming assets may become part of the remodeling agenda as well.

VII. ENTERPRISES OF EVERY SIZE

Remodeling creates a business that has systematic, automated, end-to-end processes, enlightened navigators, a capacity for preemptive change, and proper respect for its own identity and franchise.

As remodeling continues, and new characteristics become more prominent, we may want to ask whether our creation is looking more and more like a new-era enterprise, and less like a typical business of today.

If an enterprise is a scoped, systematic, industrious undertaking that manages ventures, risks, and complexity as it pursues beneficial outcomes for its constituents, then we may be creating a good example. Notice that size and growth rate do not enter into the definition at all.

In the coming age of business, it may be common to find ventures of every size working with a full set of enterprise capabilities, some internal and some accessed through a federation of partners that are virtual parts of the venture.

The elements of remodeling for uncertain times are equally potent contributors to the sustained prime performance of an organization. That is the dual benefit of the remodeling that many companies will start to undertake, now.

In the near future, your toughest competitor will be a prime performing, new-era enterprise, much like your own company, if you choose to act now, to make it so.

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