

# I M A G E

AN ACTION RESEARCH JOURNAL  
ON  
PERSONAL AND ORGANISATIONAL TRANSFORMATION

THE INSTITUTE OF CULTURAL AFFAIRS and LENS INTERNATIONAL

# IMAGE

## AN ACTION RESEARCH JOURNAL ON PERSONAL AND ORGANISATIONAL TRANSFORMATION

The **Action Research Journal** is written to communicate designs, formats and ideas of transformational processes which promote the human factor in private and public sectors. It is published by the Corporate Services Division of The Institute of Cultural Affairs: India for distribution through the Asia Network of ICA and affiliated organisations. These include ICA: India (Mumbai, Panvel and Pune), LENS Services Pvt. Ltd. (New Delhi), LENS International Malaysia Sdn. Bhd., ICA: Australia, ICA: Taiwan and LENS International Japan.

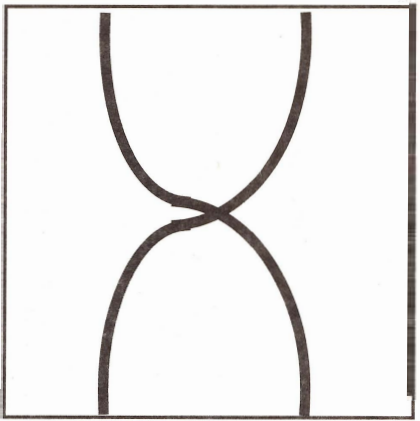
The **Action Research Journal** draws on a variety of sources including other ICA worldwide offices and affiliated professional consulting organisations to provide a spectrum of practical tools and constructs that facilitate individual and organisational transformation. We welcome comments and articles from our readers.

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"WHITE WATER AND WHITE SPACE"

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Someone once remarked that "The future sure ain't what it used to be!" This is certainly a truth that almost everyone can witness to. For many years now we have seen events that have significantly altered history, few of which were considered in any conventional scenario of the future. The fall of the Berlin wall and the resultant collapse of the communist block, the Tokyo gas attack and outbreaks of Ebola virus are but a few examples of events that have altered our world view forever.

But it isn't just large "CNN Breaking News" type of events that are reshaping our lives every day. One only has to read any newspaper today to see that not only don't we control the future, but that events happening anywhere in the world have a way of affecting more and more of us all.

We live in a time that defies easy categorization. Alvin Toffler gave the world the metaphor of the "third wave" to denote the emergence of the information age supplanting the industrial age. Certainly technology is more and more determining the shape of our lives and our lifestyles. Here in India, we see every day the invasion of high-tech materials, machines and products. Cellular phones and bullock carts exist side by side. Thirty TV channels give millions of Indians images of NBA basketball, soap operas, MTV and the natural world of the Discovery channel. It is certainly an amazing time for us all.

But it is more than information that is altering us daily. Global travel is available to more and more people. Vast numbers of Indians travel to the Middle East to work in businesses and homes. Immigration and refugees are altering our population patterns and introducing stress into the social fabric of almost every country. Long standing cultural values are being affected and backlash reactions are commonplace such as the recent objections to the increase of Asians in Australia. Local communities are stopping multinational plant locations as has happened to Dupont in Goa, a plant that had been planned for years.

All organisations today are faced with this relentless incursion of the future. This is especially true of the business community. A few years ago, when large, centralized planning cells fell from favor due to their inability to chart out sure paths for companies to follow, the emphasis shifted to local solutions and the increase of information flow on markets and competition to keep one step ahead of others. Unfortunately staying one step ahead when there is an unknown abyss ahead is not very comforting.

There are clouds on the horizon of the bright technological world that is painted. Those who are busy inventing and deploying the high-tech world to all of us are not aware of the consequences of their actions. One only has to look at the disastrous consequences on rice production when certain new strains were introduced in Asia a few years ago. They succumbed to new diseases that resisted conventional chemical treatment. Farmers became over dependent on chemical solutions, causing many other problems. Genetic engineering promises huge dividends, but who knows the unexpected consequences, and more importantly, who will pay?

Decisions made on local motivations are introducing factors that are not only not predictable, but are often creating problems larger than they solved. High-tech fishing has endangered what once was considered inexhaustible fish supplies. Prawn cultivation is positioning ground water and altering delicate ecological balances forever.

We live in a time when global ethical issues are confronting business on an unprecedented scale. How does a company judge its actions and decisions? What rule or criteria guides them in their relentless invention of our common future? Unfortunately, few corporations spend any time wrestling with these questions. Financial paybacks to the local system that introduces these future-shaping events are the principle guidelines. Growth and global impact are the incentives and besides, the emerging problems offer new opportunities for technological solutions.

Although this may sound a bit critical, it is true that many of the growth industries today are in areas of problems created by yesterday's lack of foresight. Around and around we go, ever onward to a tomorrow that few have chosen and yet all have to live in. It is a dilemma that needs more forums for discussion and mechanisms for local-global policy. It also needs a new ethical and moral enlightenment within our corporations.

### This Issue

This issue has been one of the most enjoyable and yet difficult ones to produce. There is a wealth of books and articles on the topic of the future and it is not possible to do justice to all of the fine writing that is being done. Every week there appears a new book on this topic and it is not possible to cover all of the implications in one issue. Perhaps we will revisit this topic again soon. I would appreciate the reader's feedback on this topic, especially any original thoughts and writing you may have done.

I have called this issue of the Image Journal "White Water and White Space". White water is a term that comes from the unpredictable turbulence of rapidly running river water. It is caused by hidden rocks and currents that make navigation such a challenge. It also denotes a bit of the adventure that is in store for those confronting a constantly shifting global market and "hidden" competition that can pop up at any time.

White space is a term that is used to describe the unknown areas of converging technologies. Today, the merging of computers, telecommunications and micro-electronics is producing huge new areas of opportunities for exploration and commercialisation. Companies are scrambling to link up with others who may have a technology that can produce a synergy. Giants, like IBM and AIT are being assaulted by smaller, rapidly moving companies all over the world. A new reality has emerged that has companies working together in one field and competing in another. It is a strange world.

The symbol for this issue comes from the cover of a book by Ian Morrison, *The Second Curve: Managing the Velocity of Change*. Nicholas Brealey, London, 1996 and is featured as the third article in this issue. It depicts two curves, one descending that represents the dying of one's current position and the emergence of a second curve which is that which may be the future for the organisation. The dilemma is not only discussing how and when to move to the second curve, but how does one know if the second curve is real. Working with these second curve means understanding paradox, living with conflicting goals and technologies and getting comfortable with new rules and new business methods. The author is the president of the Institute for the Future and has researched the emergence of second curves in business, individuals and society. The part of the book we are featuring is called *The Second Curve*.

The first article is from the book *Learning as a Way of Being*, by Peter Vail, Jossey-Bass, San Francisco, 1996. He introduces the book by referring to our present learning and living environment as one of *Permanent White Water*. He calls for continual learning as necessary when we are faced with contingencies, complex situations and interdependent systems. He points out in his book that traditional teaching-learning environments are not equipped to impart the skills needed for this new world. Although the book is focused mostly on the traditional college and post-graduate education scenario, it describes the situation all of us face in learning to live in organisations that have to constantly learn to survive.

Perhaps the best book I have read on organisations and their struggle to recreate themselves in the face of this technologically driven world is *Competing for the Future* by Gary Hamel and C.K. Prahalad, HBS Press, 1994. This book has become a "must read" for business people today. The book covers a large number of topics, but its thesis is that today's companies are spending their precious executive time focusing on making improvements on today's operations and are not equipped to think creatively about tomorrow's world.

The authors emphasize that tomorrow's companies will be those who organize their strategies around core competencies and work on today what will be required 10-20 years in the future. Today, senior managers are occupied with restructuring and reengineering. Although these are producing short term financial benefits, it is at the expense of much more important work of the future. We are reprinting two sections from the book. The first is called *Towards the Future* in which they lay out their vision for a new sense of strategy for business organisations. They outline the new fields of competitive strategies that move beyond such present terms as market share, business units and stand-alone approaches.

The second article is called *Strategic Intent*. In building strategy around core competencies, companies need to communicate them in terms that are profoundly motivating to all employees and stakeholders. They need to give a sense of direction, a feel of discovery and point to a destiny for the organisations. Only in this way will the strategy convey a sense of meaning for everyone and release the creative drive of employees. Too often this greater purpose is missing from the lives of those who at lower levels are urged to make improvements in the present operations.

Our next article is an essay by Charles Handy from *Beyond Creativity*, Random House, London, 1995, called *Clouds on the Horizon*. Handy challenges us to take a second look at some of the promises we are being given by those who are creating our new world. James Collins and Jerry Porras in their book *Build to Last*, Century Ltd, London, 1995, build a case for long lasting and successful companies, based on their extensive research into US corporations. Their thesis is that these companies all have a core ideology of values and purpose that guides their strategic and operational decisions. They also have a dynamic interaction between this core ideology and their *Drive for Progress*.

One of the best books I have read in many years is *Synderkrantz: The Jane-Johns of Leadership*, by Joseph Jaworski, Berrett-Koehler, San Francisco, 1996. It is an inspiring book about what it means to follow one's dreams. Peter Senge wrote the introduction which we are reprinting called *Shifts of Mind*.

Finally we are including a method for getting a group to determine what the critical change factors are in a chosen focus area. The *'Wave' Method* is shared with us by Mirja Hanson, an ICA colleague from Minneapolis.

Jack Gillies  
Editor

*The future is blowing wildly in our faces,  
Sometimes brightening the air  
And sometimes blinding us.*

William Irwin Thompson



# PERMANENT WHITE WATER - Peter B. Vail

The metaphor of permanent white water asserts that the model of a smooth-running macrosystem and component parts is intrinsically invalid. *The system is not a clock of mechanically organized parts.* The design specifications for how the macrosystem should run cannot take account of all the changes being introduced into it by people inside and outside. The actual operating macrosystem is a joint product of its rational design specifications and the emergent changes, intended and unintended, that occur during system operation. In particular, *the operating macrosystem is profoundly affected by the quality of human will and judgment that is concurrently present throughout the system.* The design specifications pertain to initial conditions; they cannot predict how the pervasive exercise of human will and judgment will modify the system. Just think of the kinds of changes in the air transport macrosystem that even the most casual traveler will have noted: new airports, new concourses, new air traffic control systems, new ticketing and baggage-handling arrangements, new security systems, new approaches to boarding planes, new approaches to feeding passengers and providing for their safety aloft, and of course, new planes themselves. There are innumerable changes in addition that are invisible to the traveler but acutely real for those who have to learn to operate the systems that contain them. The traveler, too, is constantly experimenting: for example, with different itineraries and schedules, different kinds of luggage, and different routes to and from the airport.

Some of these changes are official, meaning that they go through a careful design review process and are incorporated at least somewhat pliantly into the system (although designers and plans are no guarantee that changes will not create major disturbances). But just as many changes are informal - shortcuts, innovations, Band-Aids of one sort or another that individuals and groups apply to the system flow to solve local problems they experience. These spontaneous innovations create a lot of unanticipated permanent white water for others upstream or downstream in the system. Valuable innovations are the positive result of this age of individual empowerment that we live in, but the cost is likely to be continuing system disturbances owing to members' nonstop tinkering. However, because the tinkering can be seen as members' way to cope with the stresses and contradictions they experience in the system's operation, we have to permit as much local innovation as we can. For if members and users of the system do not do well in coping with stress and change, the macrosystem (dependent of their will and judgment) will degrade, even to the point of collapse.

Faced with these conditions, it is understandable that some systems designers should introduce more controls on innovation, more reports to fill out, and more committees to clear before a modification can be adopted. Their impulse to control works against innovation at the operational level, of course, and is experienced by those with their hands on the equipment as a proliferation of red tape; in effect, an increase in the permanent white water.

Thus, at any moment, the system is drawing out of both its operators and its nominal designers/ controllers behavior that increases the complexity and fragility of the system, and just as importantly, frays people's nerves and punishes their efforts to make the system run smoothly.

Another strategy system designers and controllers use to defend against degradation is to remove the human component by automating the system. This, however, can never be more than a local and sharply circumscribed solution. There will always be a larger sociotechnical macrosystem containing the automated component, and in this larger system, human will and judgment will continue to be decisive. We cannot escape the consequences of human suffering and ineptitude in the permanent white water of our systems.

This is not a book that is primarily about the theory of these turbulent macrosystems per se or about how systems designers can design them to run more smoothly. Rather, I direct our focus toward the *fact* of these systems to those who live in them, work in them, and use them and toward the kinds of demands they place on mind, body, and spirit. An underlying assumption of this approach is that the theory of these systems, interesting and powerful as it is, does not replace on-the-spot wisdom, creativity, and steadiness when things are going wrong at a particular moment, and white water is splashing in all directions. (Some readers may be reminded of chaos theory at this point. Chaos theory and permanent white water concern the same phenomena, but the descriptions and explanations in chaos theory are about the white water itself, not about the feelings and reactions of those who are experiencing it directly. Chaos theory may eventually produce guides to action for social systems, but it has not yet done so in detail.)

This is not the place for an extended digression on the possibility that a scientific understanding of social systems cannot successfully replace human common sense and a form of human consciousness that when it acts in such systems transcends science. Rather, I will simply observe that so far, systems science has not rescued leaders and managers from needing the ability to "Band-Aid," "muddle through," "team as we go along," "fly by the seat of our pants," and "keep our fingers crossed." So, as a practical matter, I take survival in permanent white water to be, for the foreseeable future, less a matter of applied science and more a matter of some other kinds of consciousness and skill. One way of viewing this is as a reflection on that consciousness and skill.

## The Characteristics of Permanent White Water

There are five intertwining characteristics of what I have been calling permanent white water that taken together capture the feel of permanent white water conditions.

1. **Permanent white water conditions are full of surprises.** This is perhaps the most obvious characteristic of permanent white water conditions - the continual occurrence of problems that are not expected, problems that are not "supposed" to happen. The original Saturn

car, a brand new automobile that was the object of possibly more thought and investment of resources and state-of-the-art management thinking than any other project in the history of the automotive industry, was not supposed to be the immediate object of a recall. Not that recalls are unimaginable or that we are paralyzed when the need for one occurs; no. Recalls just are not supposed to happen when that much care has been devoted to a car's design and production. This does not mean that a recall

is not possible somewhere on some systems designer's chart of all feasible outcomes. Rather, it means that all those involved in the design, manufacture, distribution, and ultimate use of the car are not expecting a recall to be necessary. It is not in their plans, and when it occurs, their actions in response are sometimes guided by a hack-up plan, but just a often, their response is a matter of ad hoc invention. The examples of such surprises are endless, whether in manufacturing and distribution, in the unexpected behavior of economic factors, in the surprising things customers or employees can do, or in such acts of God as the 1991 volcanic eruption in the Philippines. Surprises need not be negative or disastrous either in order to be extremely taxing to those involved; witness the stresses placed on such companies as Apple Computer, Nike, and Coloco by the explosive growth in sales of the original personal computers, athletic shoes during the jogging boom, and Cabbage Patch dolls.

2. **Complex systems tend to produce novel problems.** This second characteristic of permanent white water condition usually occurs along with the first one of surprise. Novel problems are those that are not only not anticipated but also not even imagined by those concerned with the system. Every executive can tell these stories; some are horrifying. Like the ones about the nature and consequences of the AIDS epidemic, but just as many are amusing, like the one about the word "naval" spelled with an "e" on the 1990 graduation diplomas at the U.S. Naval Academy or (as was reported to me by an executive in the highly competitive long-distance telephone industry) the one about the miles of fiber optic cable laid in the West rendered useless after gophers unexpectedly developed a taste for cable insulation. We might hypothesize that the large macrosystems of modern society, with their innumerable delicate interdependencies and closely calibrated operating specifications, are actually *novelty generators*, that it is in their nature to throw up problems no one has seen before or even imagined. The feeling of novelty is captured in comments we have all heard dozens of times from executives in modern organizations: "It's a whole new ball game." "It's business as unusual as..." "If there is any rule book at all, we're writing it as we go."

3. **Permanent white water conditions feature events that are "messy" and ill-structured.** These events do not present themselves in neat packages that can easily be delegated or farmed out to a consultant. An unexpected lawsuit, for example, has ramifications in all directions, affecting a wide range of loosely related policies and practices in an organization. Dealing with the meaning and consequences of such an event, then, involves people

in a wide range of operations, operations that have their own imperatives and contingencies and that may be simultaneously feeling the effects of other white water events. "Everything's connected to everything else," is an intellectually luxurious insight when made outside such systems but a minefield for those who are trying to resolve something in particular within a system. One reason "systems thinking" is such a difficult mentality to acquire is that we often do not *want* everything to be connected to everything else. We want relatively simple cause-effect chains so that we can "take action" that will "get results."

4. **White water events are often extremely costly.** They may be expensive in terms of dollars or in terms of some other scarce resource in the system. An Exxon Valdez oil spill costs hundreds of millions of dollars out of pocket and the same amount in man-hours devoted to the problem, and that is before any reparation are paid to injured parties. The cost of misreading of what the public wants is soft drink to taste like (as happened to Coca-Cola) or the cost of responding responsibly to a product poisoning crisis (as happened to Johnson & Johnson with Tylenol) can run into the tens and hundreds of millions of dollars. Worse than the sheer magnitude of costs is the difficulty of planning and budgeting to cope with the problem and correct the damage. Surprising, novel, and messy problems unfold and feed on themselves in their ramifications, rather than displaying their implications all at once. The federal bailout of U.S. savings and loan institutions offers an excellent example of the near impossibility of understanding all at once the magnitude of a highly complex situation. One can only keep revising cost estimates upward and time lines farther out into the future as the dimensions of the mess unfold. Cost can be measured in absolute terms (as in some of the examples cited), but cost can also be relative. Even when the absolute magnitude of cost is not that great, permanent white water events are costly in the sense that the time taken to deal with them must be diverted from other pressing issues and is acutely felt as a diversion of time and resources. In general, we may say that these events are extremely *obtrusive*. In their messiness, costliness, and ramifications, they simply cannot be ignored.

5. **Permanent white water conditions raise the problem of recurrence.** They make us ask whether a particular white water event could have been anticipated, whether anything like it will occur again, whether a new system should be designed to forestall this type of event in the future. These events increase the red tape, in other words, as investigations are conducted and conditions that led to the event are reconstructed. Bureaucratic complexities are introduced as various policies and functions are created to prevent the problem from recurring. While such protections may be undoubtedly valuable in some circumstances, it is important to understand that no number of anticipatory mechanisms can forestall the next surprising, novel wave in the permanent white water. There is no way the system can be protected against all eventualities without paralyzing it. Events of the sort we have been considering will keep happening indefinitely.

while particular events may not recur, unpreventable recurrence of similar events is a fact of life in the complex and interdependent systems of the modern world.

### Our Reactions to Permanent White Water

Permanent white water consists of events that are surprising, novel, messy, costly, and unpreventable. While some people may be moved to debate whether this means the world is in fact becoming more turbulent than it was during, say, World War II or the Great Depression - or the fourteenth century for that matter - the question is probably indeterminate. But that is not the point. It is the subjective feel of these events as much as their objective existence that we are concerned with. Therefore, the real point is whether experienced executives and others in organizations perceive that what they are trying to do is becoming more complex, problematic, and contingent as time goes on. With this there seems to be widespread agreement permanent white water conditions are regularly taking us all out of our comfort zones and asking things of us that we never imagined would be required. Permanent white water means permanent life outside one's comfort zone. The results of Porter and McKibben's timely survey of educational needs of managers are just one example of people's current perceptions. Porter and McKibben report: "Time and again in our interviews we were struck by the almost tangible awe with which middle-age (let alone older-age) and even youngish managers in their late thirties were viewing the rapidly with which their work environments - both outside and within the organization - were changing." Moreover, I and my colleague Eric Dent are in the process of developing an instrument to measure the extent to which practicing managers are experiencing a pickup in the pace, complexity, unpredictability, and confusion of work life over the previous five years or so. Preliminary results with three hundred practicing managers show an average score (over 21 items) of 42, suggesting that indeed people are feeling the white water intensifying. Only about 5 percent of respondents give themselves the maximum score, but so far no one has given himself or herself a negative score, that is, a score indicating that the person's work world was becoming more tranquil.

That we are indeed experiencing high levels of confusion and turbulence can be found right in our everyday organizational language. I have given some examples already. In addition, my students at George Washington University and I found we could quickly generate a large number of familiar phrases about turbulence and confusion that are heard all the time in organizations. People describe other people as "rocking the boat," "going ballistic," "getting hit by friendly fire," "bouncing off the walls," "wandering around in a house of mirrors," "being the blind leading the blind," and "dodging bullets." They talk about "being on a roller coaster," "a see-saw," or "merry-go-round," about "being in the theater of the absurd," about "rearranging the deck chairs on the Titanic," "They wonder, 'Who's son first?'" and "Are the

patients running the asylum?" They feel "the situation unraveling," "things coming apart at the seams," "the train leaving the tracks," "a meltdown happening." They see tasks as "Catch-22's" or "Looney Tunes times." They think of events as "spinning out of control" or, at the other extreme, "being dead in the water." They compare their activities to "something in a puzzle palace" or "something out of *Alice in Wonderland*" or "a Keystone Kops movie" and they whittle the theme from *The Twilight Zone*.

These familiar metaphors, and many others the reader will think of, have some themes in common - summed up by the metaphorical observation of a military friend of mine that in the midst of confusion and turbulence many people's behavior can be described as "all thrust and no vector." These metaphors are reactions to a felt lack of continuity and of direction, the absence of a sense of progress and of cumulative achievement, a lack of coherence and of meaning, and a lack of control. Clearly, permanent white water is not just the facts and events surrounding members of organizations. Permanent white water is the meaning we as system members attach to our experiences. We experience both surprising, novel, messy, costly, recurring, and unpreventable events and feelings of lack of direction, absence of coherence and loss of meaning.

Our growing feelings of loss of meaning derives from several sources. White water events often contain a clash of logics and priorities as asserted by various stakeholder groups such as customers, suppliers, owners, competitors, and employees. One wants quantity; another quality. One wants cost control; another bold new investment. One wants to cease and desist; another to redouble effort. In what coherent and convincing terms are we to think about an organizational reengineering (a positive, hopeful signal) that entails a layoff of 25 percent of the hourly and middle-management workforce (a powerful negative signal), both events supposedly a creative response to a Japanese competitor that is itself increasingly manifesting the strains and confusion of permanent white water?

Meaninglessness also derives from the broken promises and disappointments of science and technology. Systems that were supposed to produce more control produce whole new kinds of problems that did not exist before the systems were installed. Cost overruns are chronic; malfunction of delicate technical interfaces is endemic. Is life really easier now that we have, say, a multimedia fax machine - a totally mythical piece of technology that is nonetheless probably only months away from hitting the market? William Barrett called it "the illusion of technique" - this belief in the power of science and technology to take away problems without adding any contingency, danger, or moral confusion to our lives.

Our own growth, education, increasing sophistication, and knowledge of other cultures, and value systems may also be contributing to our feelings of uncertainty and confusion. Relativism may be a more practical and defensible philosophy than absolutism, but at the personal level, the transition from one to the other can nevertheless

(continued on page 17)

## TOWARD THE FUTURE - Gary Hamel & C.K. Prahalad

We are standing on the verge, and for some it will be the precipice, of a revolution as profound as that which gave birth to modern industry. It will be the environmental revolution, the genetic revolution, the materials revolution, the digital revolution, and, most of all, the information revolution. Entirely new industries, now in their gestation phase, will soon be born. Such prenatal industries include microbotics - miniature robots built from atomic particles that could, among other things, unclog sclerotic arteries; machine translation - telephone switches and other devices that will provide real-time translation between people conversing in different languages; digital highways into the home that will offer instant access to the world's store of knowledge and entertainment; urban underground automated distribution systems that will reduce traffic congestion; "virtual" meeting rooms that will save people the wear and tear of air travel; biomimetic materials that will duplicate the wondrous properties of materials found in the living world; satellite-based personal communicators that will allow one to "phone home" from anywhere in the planet; machines capable of emotion, inference, and learning that will interact with human beings in entirely new ways; and bioremediation - custom-designed organisms that will help clean up the earth's environment.

Existing industries - education, health care, transportation, banking, publishing, telecommunications, pharmaceutical, retailing, and others - will be profoundly transformed. Cars with onboard navigation and collision avoidance systems, electronic-books and personally tailored multimedia educational curricula, surgeons performed in isolated locales by a remote controlled robot, and disease prevention via gene replacement therapy are just some of the opportunities that are emerging to reshape existing products, services, and industries.

Many of these mega-opportunities represent billions of dollars in potential future revenues. One company has estimated the potential market for information services in the home, via interactive TV, to be worth at least \$120 billion per year in 1992 dollars - home video (\$11 billion), home catalog shopping (\$51 billion), video games (\$4 billion), broadcast advertising (\$27 billion), other information services (\$9 billion), and more. Many of these mega-opportunities have the potential to fundamentally transform the way we live and work, in much the same way we live and work, in much the same way that the telephone, car, and airplane transformed twentieth-century lifestyles.

Each of these opportunities is also inherently global. No single nation or region is likely to control all the technologies and skills required to turn these opportunities into reality. Markets will emerge at different speeds around the world, and any firm hoping to establish a leadership role will have to collaborate with and learn from leading-edge customers, technology providers, and suppliers, wherever they're located. Global distribution reach will be necessary to capture the rewards of leadership and fully amortize associated investments.

The future is now. The short term and the long term

don't about one another with a clear line of demarcation five years from now. The short term and long term are tightly intertwined. Although many of tomorrow's mega-opportunities are still in their infancy, companies around the world are, at this moment, competing for the privilege of parenting them. Alliances are being formed, competitors are being assembled, and experiments are being conducted in nascent markets - all in hopes of capturing a share of the world's future opportunities. In this race to the future there are drivers, passengers, and road kill. (*Road kill*, an American turn of phrase, is what becomes of little creatures who cross the highway in the path of an oncoming vehicle.) Passengers will get to the future, but their fate will not be in their own hands. Their profits from the future will be modest at best. Those who drive industry revolution - companies that have a clear, premeditated view of where they want to take their industry and are capable of orchestrating resources inside and outside the company to get there first - will be handsomely rewarded.

Thus, the question of which companies and countries create the future is far from academic. The stakes are high. The wealth of a firm, and of each nation in which it operates, largely depends on its role in creating tomorrow's markets and its ability to capture a disproportionate share of associated revenues and profits.

Perhaps you have visited the Henry Ford Museum at Greenfield Village in Dearborn, Michigan. Although the home of Ford Motor Co.'s world headquarters, Dearborn's additional claim to fame is Greenfield Village and the museum where you can see the industrial history of the United States. The exhibits are a testimony to pioneers who created new industries and revolutionized old ones: Deere, Eastman, Firestone, Bell, Edison, Watson, the Wright brothers, and, of course, Ford. It was the foresight of these pioneers that created the industries that created the unprecedented prosperity that created the American lifestyle. Any visitor strolling through the museum who has enjoyed the material comforts of a middle-class American lifestyle can't help but recognize the enormous debt he or she owes to these industrial pioneers. Similarly, any German citizen owes much to the pioneers who built that country's innovative, globe-spanning chemical companies, world-class machine tool industry, and automakers that set the benchmarks for excellence for nearly a century. The success of Japanese firms in redefining standards of innovation and performance in the electronics and automobile industries propelled Japan from an industrial also-ran into a world economic superpower and paid for all those Walkie-talkies and Louis Vuitton handbags.

Failure to anticipate and participate in the opportunities of the future impoverishes both firms and nations. Witness Europe's concern over its abysmal performance in related high-wage jobs in new information technology-created businesses, or Japan's worry over the inability of its financial institutions to capture the high ground of innovation and new business creation, or America's anxiety that Japanese companies may steal a march in the commercialization of superconductivity. Even protectionist-minded politicians realize that a nation that can do little



more than protect the industries of the past will lose its economic standing to countries that help create the industries of the future.

The future is not an extrapolation of the past. New industrial structures will supersede old industrial structures. Opportunities that at first blush seem evolutionary will prove to be revolutionary. Today's new niche markets will turn out to be tomorrow's mass markets. Today's leading edge science will become tomorrow's household appliance. At one time IBM described the personal computer as an "entry system" - the expectation was that anyone buying a PC would move up to more powerful computers, and that PCs could happily coexist with mainframes. Ten years later, desktop workstations and local client-server computers were displacing mainframes from more and more applications. Although today's wireless telephones - both cellular and cordless - may seem no more than an adjunct to traditional tethered telephones, in ten years all wired phones will likely seem anachronistic. Twenty years ago few observers expected mutual funds to significantly erode the "share of savings" captured by banks and savings and loans. But savers became investors and by 1992, mutual funds in the United States represented 96% of the money that private investors put into the stock market. Mutual funds accounted for 11.4% of total financial assets in the United States, up from only 2.0% in 1975, whereas the share taken by commercial banks and savings and loans fell from 56.2% in 1975 to 37.3% in 1992. Again, there is no way to create the future, no way to profit from the future, if one cannot imagine it.

To compete successfully for the future, senior managers must first understand just how competition for the future is different from competition for the present. The differences are profound. They challenge the traditional perspectives on strategy and competition. We will see that competing for the future requires not only a redefinition of strategy, but also a redefinition of top management's role in creating strategy.

### Competition for Today vs Competition for Tomorrow

Pick-up a strategy textbook or marketing handbook and the focus will almost certainly be on competition within extant markets. The tools of segmentation analysis, industry structure analysis, and value chain analysis are eminently useful in the context of a clearly defined market, but what help are they when the market doesn't yet exist? Within an existing market most of the rules of competition have already been established: what price-performance trade-offs customers are willing to make, which channels have proved most efficient, the ways in which products or services can be differentiated, and what is the optimal degree of vertical integration. Yet in emerging opportunity arenas like genetically engineered drugs, multimedia publishing, and interactive television, the rules are waiting to be written. (In existing industries, the rules are waiting to be written.) This vastly complicates the business of making strategic choices. So how is the context for strategy-making different when the focus is on tomorrow

rather than today, and when there is little or no clarity about industry structure and customer preferences?

### Market Share versus Opportunity Share

Strategy researchers and practitioners have focused much attention on the problem of getting and keeping market share. For most companies, market share is the primary criterion for measuring the strength of a business's strategic position. But what is the meaning of market share in markets that barely exist? How can one maximize market share in an industry where the product or service concept is still underdefined, where customer segments have yet to solidify, and customer preferences are still poorly understood?

Competition for the future is competition for opportunity share rather than market share. It is competition to maximize the share of future opportunities a company could potentially access within a broad opportunity arena, be that home information systems, genetically engineered drugs, financial services, advanced materials, or something else.

The question that must be answered by every company is, given our current skills, or competencies as we like to call them, what share of future opportunities are we likely to capture? This question leads to others: Which new competencies would we have to build, and how would our definition of our "served market" have to change, for us to capture a larger share of future opportunities? Whether for a country or a company, the issue is much the same: how to attract and strengthen the skills that form the competencies (e.g. opto-electronics, biometrics, genetics, systems integration, financial engineering) that provide a gateway to future opportunities.

To gain a disproportionate share of future profits it is necessary to possess a disproportionate share of the requisite competencies. Because such competencies represent the patient and persistent accumulation of intellectual capital rather than a God-given endowment, governments can legitimately play a role in strengthening such competencies (through educational policy, tax incentives, recruitment of inward investment, government sanctioned private-sector joint ventures, etc.) Singapore, for example, has employed just such means to enhance the range and quality of nationally resident competencies. But to know which competencies to build, policy-makers and corporate strategists must be present about the broad shape of tomorrow's opportunities. Top management must be just as obsessed with maximizing opportunity shares as with maximizing market share. As we will see, this means a commitment to build competence leadership in new areas, long before the precise form and structure of future markets comes completely into view.

### Business Units versus Corporate Competencies

Competition for the future is not product versus product or business versus business, but company versus company - what we term "interfirm competition." This is

true for several reasons. First, because future opportunities are unlikely to fit neatly within existing SBU boundaries, competing for the future must be a corporate responsibility, and not just the responsibility of individual business unit heads. (This responsibility may be exercised by a group of corporate officers or, preferably, a cohort of SBU heads working horizontally across the organization.) Second, the competencies needed to access the new opportunity arena may well be spread across a number of business units, and it is up to the corporation to bring these competencies together at the appropriate point within the organization. Third, the investment and timeframe required to build the new competencies necessary to access tomorrow's markets may well tax the resources and patience of a single business unit.

It is important that top managers view the firm as a portfolio of competencies, for they must ask, Given our particular portfolio of competencies, what opportunities are we uniquely positioned to exploit? The answer points to opportunity arenas that other firms, with different competence endowments, may find difficult to access. For example, it would be hard to imagine any other firm than Eastman Kodak creating a product like Photo-CD, which required an in-depth understanding of both chemical film and electronic imaging competencies. Canon may understand electronic imaging and Fuji may understand film, but only Kodak had a deep understanding of both.

So the question for top managers is, "How do we orchestrate all the resources of the firm to create the future?" This was the question George Fisher faced when he led Motorola to become Kodak's new chief executive. At IBM, Lou Gerstner put together a top team to look for transcendent opportunities. Given IBM's still impressive set of competencies, the question was, "What can we do that other companies might find difficult to do?" Companies like Matsushita and Hewlett-Packard, long champions of bottom-up innovation and business unit autonomy, have recently been searching for opportunities that blend the skills of multiple business units. Even Sony, which has traditionally granted near total autonomy to individual product development teams, has realized that more and more of its products must function as part of complex systems. It has therefore moved to restructure its audio, video, and computer groups for better coordination of new product development.

Creating the future often requires that a company build new core competencies, competencies that typically transcend a single business unit - both in terms of the investment required and the range of potential applications. Within Sharp, for example, it is not up to each business unit to decide how much to invest in perfecting flat screen displays. Sharp competes as a corporation against Toshiba, Casio, and Sony to build world leadership in this area.

The sheer size, scope, and complexity of future opportunities may also require a corporate rather than an individual unit perspective. Mega-opportunities don't yield easily to "skunk works" or undirected entrepreneurship. A lone employee with a bit of free time and access to

a small slush fund may create Post-it Notes but is unlikely to bring the interpreting telephone from conception to reality or make much progress on creating a new computing architecture. Consistent, focused competence-building requires something more than "thriving on chaos."

### Stand-Alone versus Integrated Systems

Most textbooks on the management of innovation and new product development assume that the company controls most of the resources needed for the commercialization of that innovation. Such an assumption is increasingly likely to be wrong. Many of the most exciting new opportunities require the integration of complex systems rather than innovation around a stand-alone product. Not only does no single business unit have all the necessary capabilities, neither does a single company or country. Few companies can create the future single-handedly; most need a helping hand. Motorola, IBM, and Apple banded together to create a new semiconductor-based computer architecture. Hoping to take advantage of the potential convergence between the videogame industry and the telecommunication industry, AT & T has formed partnerships with, or taken small equity stakes in, a number of computer game makers. Even Boeing has often found it necessary to reach out to foreign partners for the development of its next-generation aircraft.

The need to bring together and harmonize widely disparate technologies, to manage a draw-out standard-setting process, to conclude alliances with the suppliers of complementary products, to co-opt potential rivals, and to access the widest possible array of distribution channels, means that competition is as much a battle between competing and often overlapping coalitions as it is a battle between individual firms. Competition for the future is both intercorporate and intercoalition. As we will see, an understanding of how to put such a coalition together and keep it pointed toward a common future is central to the task of competing for the future.

**Organizational commitment and perseverance are driven by the desire to make a difference in people's lives - the bigger the difference, the deeper the commitment.**

A company's first curve is its traditional business base representing the majority of its current revenues - in Pitney Bowes's case, supporting the paper-based mail stream. You might be doing fine on that curve, maybe even very well, and maybe even for a long time. But sooner or later things begin to change - you sense that your first curve isn't going to do it forever - and you know you have to respond. You might invest more heavily in R & D; Pitney Bowes did, investing \$325 million in developing Paragon and other technologies from 1990 to 1992. A good move: the investment has paid off handsomely. But it was still an investment in the first curve, in that the company had always done well, and these days it simply won't be enough.

That's the second-curve dilemma. To continue to grow and thrive, Pitney Bowes has to start thinking about getting on that second curve. Almost every successful first-curve business was a second-curve business in its day. Pitney Bowes revolutionized the collection of postal revenues with the invention of the postage meter in the 1970s. IBM has been on the second curve twice, first as a tabulating machine company, then as a second-curve office equipment player that came to first-curve dominance in the 1960s and 1970s. Eventually, every business has to face the second curve because its caused by external changes over which a company has no control, and what this means is that the first-curve investment is no longer enough, and the company must face very real - and very complicated - strategic dilemmas. Do you make the jump now and risk losing your best customers - and your solid first curve? If you jump too soon you may be walking away from all the profit and (worse yet) putting yourself in head-to-head competition with yourself or your best customers. If you stay on the old curve too long, you may never get a chance to play on the second curve. But when do you jump, and how? Can you play both curves? Are these second curve guys for real?

A potentially daunting scenario, but one, nevertheless, that every business, in every industry, will face. There are things you can do - strategies to follow, ways to handle the coming changes. But before looking at those, it's helpful to understand how we got where we are. Often the *tail of change* is as important as the *whirl*. The key challenge of the second curve is to recognize the components of change.

## Sources of the Second Curve: What's Driving Change?

So where does the second curve come from? In studies of companies undergoing this kind of market transformation, you can see three forces driving the second curve: new technologies, new consumers, and new geographical market frontiers - forces that are changing our world, singly and in combination, faster than ever.

**The new technology is faster, better, and cheaper.** Understanding the effects of new technologies - especially information technologies - is critical for managing on two curves. You could argue that without the vast and rapid proliferation of information technologies in the last twenty

years, there would be no second curve. It is, in fact, the ability of new technologies to fundamentally transform a given industry that creates the discontinuities that define most second curves. For example, powerful new electronic tools make highly tailored customer service possible for companies such as Federal Express, AT & T, and United Airlines.

It takes thirty years for technologies to become overnight successes. Forecasting the next big technology application is a lot like picking who will make it to the Olympics in 2016 by sorting through baby pictures. But despite the difficulties inherent in a long time curve, you can learn a few things about the diffusion of technology and try to spot the moments when something really big starts happening.

## The New Consumer Wants Anything, Anytime, Anyplace

Smarter, richer, choosier, more demanding, today's consumers have high expectations in quality, service, design - and they want low cost. Their expectations are transforming the marketplace dramatically, creating a second curve for the companies that serve them. The new consumer is powerful enough force to change the types of products and services coming to market, and to transform the way products and services are sold. And there are more of them every year.

The volatility of contemporary consumers - their willingness to change - is at the heart of the second curve. There wouldn't even be such a pronounced second curve if customers hadn't shown such a willingness to jump from one type of product and service to any other without warning. You can't begin to understand how or when to move from one curve to another without understanding the new consumer.

They're better educated. They're more affluent - the larger number of households with large annual incomes means there are more consumers who have some discretion over purchases, which in turn means they can be more demanding and more volatile in their purchases. They're used to sophisticated information. And they're more skeptical - much harder sell, if you will. Consumers, more than ever, are willing to shift loyalties and experiment with the new and different.

The demand of these new consumers - and vendors' responses to those demands - have had huge effects.

Companies have gone through a distribution revolution to win over and retain the loyalty of the new consumer. Time to market is down while choice is up; take a look at the choices you have at the supermarket for a single item now as compared to ten years ago, whether it's snack foods, prepared meals, or the ever-expanding array in the freezer aisle. The number of ways of reaching the customer is radically different; think of everything from factory outlets and warehouse stores to direct mail catalogs and TV shopping. And the value of a brand name has changed dramatically. In the past, brand names denoted value by promising a standard of quality. Now that standard of

quality is conferred by the retailer himself, who can carry a wide variety of brands (some of his own making), all of which have an image of quality but some of which can be discounted because they don't need to be advertised individually.

So the dilemma of selling to the new consumer goes something like this: Do you try to do the best you can with what you have, or do you scrap the whole system for something newer and better?

## The New Market Frontier Come From The Growth in Emerging Markets

The emerging markets of Asia, Eastern Europe, and Latin America are singly and in combination creating second curves for companies the world over. They will be key markets - and key competitors. For example, China: it will be a larger economy than the United States sometime early in the next century - the only question is when, not if. All the emerging markets have extremely high growth potential for consumer products, capital goods, infrastructure, high technology, and services.

But knowing there's a big new second curve in the long run doesn't guarantee the right response at the right time. Sorting out the sequence and the relative level of commitment to make to each of the emerging markets and subregions of the countries involved is a hugely complex task. Clearly Asia and Latin America will grow, but at different rates in different areas.

Which is not to say that American primacy in world markets will fade anytime soon. The United States will continue to be a large and growing economy and the most influential on the planet, in large part because of its cultural exports. American popular culture has become a key component of the U.S. economic base: Coke, Marlboro, Madonna, Levi Strauss, American movies, and *Married... with Children* returns are everywhere. Sixty percent of *Jazzie Parks*' revenues were earned outside the United States. And another U.S. export - the Internet - is a window on the future of the global market, an electronically mediate bazaar that allows ideas and cash to zap around the world, enabling virtual deals to be done on a global basis.

Part of the shift to the second curve is redefining what a market is. For many years, the "market" - to American companies - meant the United States. Gradually, between 1970 and 1990, came the realization that the true market for American firms at least crossed the North Atlantic and included the countries of Western Europe. Now we're suddenly confronted with a new concept of "market" - one that includes many of the emerging countries of the world.

## Where We Are Now

The bottom-line reality of the second curve is, of course, change. This includes transformation on many levels: society, the marketplace, even the individual. And most certainly on a business level. Corporations are experiencing transformation within - on an internal

organization level - as well as without - throughout each industry as a whole.

In the rapidly changing global marketplace, many businesses are finding that their traditional organizations are more of an obstacle than an advantage in leveraging opportunities. Traditionally, organizations have been structured on models governed by mechanistic, linear metaphors, such as the military-style organizations of the early twentieth century. Reengineering is the ultimate mechanistic metaphor. These models worked well in regions that were global, dynamic, and connected in a complex ecology of economic relationships, the old models are no longer effective - a classic second-curve problem. To compete in this world, companies must develop new organizational models. The metaphors for these models are more organic than mechanistic, more a set of dynamic processes than a static org chart. For example, traditional hierarchical organizations - the army and some large corporations - are moving to a "fishnet organization" - a network of constantly changing, ad hoc hierarchies linked and managed by information technology, an organization that gives them greater flexibility to meet the demands of the merging, fast-paced global market. As we move into the twenty-first century, these new forms of organization will increasingly present two-curve dilemmas for companies and their employees.

The world's major industries are being hugely affected by the second curve. New technology, new consumers, and new geography are creating change that isn't the limited, albeit dramatic, sort a company might experience because of a strategic error or a market shift. This is massive and fundamental change - a redefinition of terms - for an entire industry or market, resulting from the confluence of powerful driving forces. In particular, retail and distribution, health care, and financial services are dramatically affected by the second curve.

**Retail and distribution.** The second-curve dilemma faced by retail and distribution is the elimination of the middleman. As a result of the new consumer, the electronic infrastructure, more intense competition, and new distribution channels, retailers are scrambling. And they are coming up with some interesting responses, from Wal-Mart's virtual integration (embedding the retailer's systems electronically in the vendor's inventory and supply system) to Spiegel's all-out direct-marketing, where mail-order and catalog sales are taken to the limit.

**Health care.** In health care, talk of two curves abounds. The traditional fee-for-service world is being replaced by managed care; the inpatient environment is changing over to the ambulatory environment, and pharmaceutical R&D firms are moving from traditional mechanisms for finding drugs (screening obscure, naturally occurring compounds for therapeutic effects) to a biotechnology-based mechanism whereby large molecules are designed to have a specific therapeutic effect. But even with all these changes, the real health care second curve, where all Americans can be covered in a cost-effective way, has not yet been clearly articulated.



*Financial services.* You see the confluence of new brands, new channels, new consumers, and new technologies (everything from the Internet to the smart card) transforming the global financial services industries, particularly the retail segment. Traditional financial services companies are trying to avoid disintermediation - that is, watching their deposits go elsewhere - by the second curve, which will devastate the unsuspecting of Wall Street, Hartford, London, Hong Kong, and Zurich.

## Embracing Change: The Key to Success in the Second Curve World

As usual, Yogi Berra put it well: "Prediction is very hard, especially when it's about the future." It is, of course, not only difficult but simply impossible to predict the future, if by predicting you mean reaching out into the future to pluck fully realized events like so much ripe fruit.

What is to say that we can't think systematically about the future, that we can't make sense of the trends, developing issues, and emerging technologies, and in so doing become more informed about what is likely to happen. When we are constantly looking ahead and reviewing the longer-term driving forces that create change in the business environment, the world becomes less random. Patterns emerge, new threats are foreseen and avoided, new opportunities are identified and exploited. By taking the best available thinking and information, you can create forecasts that help businesses and individuals make informed long-term strategic decisions.

So what kind of forecasts can you make about the second curve? Given that you can't predict the pace of change for either of the two curves, and given that you're dealing with a multitude of false starts on the second curve, can you develop a strategy?

A resounding *yes*: there's a lot we don't know, but there's also a lot that we do. The second curve is about facing the challenge of change. You're doing well, running fast - but take a good look over your shoulder and see who's gaining on you. You'll be surprised.

Global beverage giants like Coke and Pepsi got hit hard by the private-label colas.

Health insurance giants like Traveler's and Metro-pollan got side-swiped by managed care organizations like Oxford Health Plans, United HealthCare, and U.S. Healthcare, who outperformed them with a different paradigm.

Japanese semiconductor manufacturers who themselves had been the second curve in the early 1980s were overwhelmed by new second-curve semiconductor technology from Intel, Advanced Micro Devices, and the brains of Silicon Valley in the late 1980s and 1990s. By focusing on advanced microprocessors, the U.S. semiconductor industry engineered a second-curve comeback. But this isn't an easy change. You don't become second-curve overnight. You might not be up to it - as a company or an individual. That's why managing on two curves is the exciting and enjoyable challenge of the emerging

global business scene, where technology, political change that opens new geographic markets, and sophisticated new consumers are creating new curves by the thousands.

Managing on two curves is extremely difficult and few pull it off, and if it sounds as if there's a lot of uncertainty, learn to live with it. In the final analysis, managing on two curves is a juggling act. You can get comfortable with it if you develop an awareness of change and the tools to deal with it. That's the skill: to use change to provide the creative tension that keeps you and your company moving forward.

*The Second Curve has effects that are far-reaching and far-felt, affecting us as individuals, changing the marketplace, reorganizing corporations, and even transforming major industries. There are fundamental transformations underway as we move from the first to the second curve, tensions that are summarized in the table below. Understanding how different the curves are is an important first step in being able to deal with them.*

*Recognizing that the second curve has very different characteristics from the first is the best way to begin to manage on two curves.*

### FROM FIRST CURVE TO SECOND CURVE

#### FIRST CURVE

Capital  
Producer  
Atlantic  
Japan  
International Trade  
Computers  
Money

#### SECOND CURVE

Knowledge  
Consumer  
Pacific  
China  
Electronic Commerce  
Internet  
People

#### Market

#### Organization

Mechanistic  
Engineering  
Corporations  
Horizontal/Vertical  
Integration  
Business Processes

Organic  
Ecology  
Individuals/Networks  
Virtual Integration  
Culture

#### The Individual

Hard Work  
Security  
Current Career  
Faith  
Loyalty

Hyper-effectiveness  
Uncertainty  
Future Career  
Hope  
Courage

Adam Smith, the high priest of market economies and of modern capitalism, may well be the most quoted and least read of all authors. Who, for instance, knows that he wrote this:

*A profitable speculation is presented as a public good because growth will stimulate demand, and everybody diffuses comfort and improvement. No patriot or man of feeling could therefore oppose it. (But) the nature of this growth, in opposition, for example, to older ideas such as cultivation, is that it is at once untraced and infinitely self-generating in the endless demand for all the useless things in the world.*

Adam Smith, you should be alive today, to take a walk through the shopping malls or the tourist streets of our cities. You would see windows stacked high with triva, with all the detritus of a throwaway society, where growth depends on persuading more and more people to buy more and more things that they may want but can hardly need. Yet, without that induced demand, there wouldn't be the growth which would spread Adam Smith's comfort and improvement to those who really need it. We need our economies to glitz and sleazze to provide work for a sort for many of our people.

Work of a sort is, indeed, all that much of it can ever be. The best management in the world can't make meaningful work out of stacking shelves or packing boxes, or out of selling T-shirts, mugs or plastic toys, or even plastic food. This is toil and drudgery, not the decent work we demand as the right of all. It is toil done for money, the money which alone provides access to the rich economy we have promised ourselves.

It is a strange irony, just one of many which itch away at our modern state. To give our people the necessities of modern life we have to spend more of our money and more of their time on the non-necessities, on the useless things, the junk of life. Worse - to produce these things we consume the world's resources, pollute its environment, muck up its countryside and dirty its towns and cities. This was not the brave new world that capitalism promised with its freedom of choice in the markets of the world.

We thought, once, that we could have it all, that money could buy us choice in everything, and technology would deliver it. If we wanted no children, then technology would allow us the joys of mating without the consequences, and if later we changed our minds, technology could put that right, too. Death could be postponed, if not indefinitely, at least for a decade or so, and society would make sure that the old did not clutter up the lives of their children by making the state responsible for their wellbeing. The state, in fact, would take care of everything we did not want to do for ourselves. The Basic German Law, for example, lists 17 basic individual rights but not one individual duty except to pay taxes, sometimes. Unlimited economic growth, in short, would provide the wherewithal for all our wants, and technology would somehow deal with any unwanted consequences.

It was always an unlikely dream. There are always unintended consequences to rational policies. The understandable attempt, in China, to ration children to

one per family is producing a generation of child emperors, only sons, spoiled rotten, the daughters too often abandoned. The American freedom to live where you choose, and to choose whom you live with, in that vast country, results in ghettos of the rich, ghettos of the old and, inevitably, ghettos of the underclass. Community as an ideal turns into a selfish exclusivity, reminiscent of the city-states of medieval Europe - great for those inside, but tough for the outsiders, which is why the insiders built high walls around themselves.

And when we finally confront some of the costs of our extravagances in the First World, and ask the Third World of developing countries to do things differently lest we destroy our firmament, they, not unnaturally, want some of those extravagances for themselves before they make the sacrifices which we ask for. We are caught in a trap of our own devising, unwilling to accept that freedom of choice can't easily be rationed. How nice it would be, I sometimes think, when crushed in a tourist mob in Florence or Seville, if only a fortunate few (including myself, naturally) had the means and the choice to travel. Freedom of choice for all can easily create misery for most.

Organizations have not been immune to the lure of false promises. Good jobs for all, well-paid jobs, was one of those promises. As a result, more and more people, particularly women, wanted those jobs. But organizations also needed to be efficient, and that meant doing the same, or, if possible, more, with fewer people. In the last 25 years Europe's economy grew by 70%, but only 10% new jobs were created, not nearly enough for all those that wanted them. The faster we grow, it begins to seem, the fewer people we need to work our organizations.

Our people are now our assets, proclaim those same organizations, offering the promise of a caring, nurturing community at work: a Japanese tradition translated to Western ways. But assets, it turned out, were things to be milked as well as nurtured, and those lucky enough to have one of those proper jobs inside the organization found themselves working ever harder and longer, squeezing the traditional 100,000 hours of a working life into 30 years instead of 50. That works out at 67 hours a week, leaving little time for families, or for anything else, come to that. Organizations are rightly seen as the instruments of wealth creation, whether the wealth be money, health, education or service of one type or another, but we now see more clearly that, in their turn, the individuals inside the organization have become its instruments, subordinated to the goals of the organization, used and/or discarded as needed. This was not intended.

Nor was it intended that the brilliant invention of limited liability would end up with companies owned by people who had never been near them, let alone met with their people or devised their products and their strategies. Companies as pieces of property, to be bought and sold by speculators, makes money the measure of all things and shortens the time-horizons of all those involved.

Many other things were not intended. It was not intended that women should be squeezed out of the new, efficient organizations. A more liberal age wanted it quite



otherwise, but those 67-hour weeks meant that too often it had to be a choice between job or children. We must hope that many women will, in future, choose children, or find some better way to combine the two, because the birthrate in most affluent societies is now less than 1.5 children per woman. Too many children may be China's problem, but too few children is little better - a society of greying elders with ever fewer people to support them, and no way, this time, that technology can change things inside of 50 years. We shall all be worse off than our fathers and mothers were, a state which many Americans already are shocked to find themselves in today.

## There Is Better News

It is now clear that economic growth for all forever is not on the cards. Even if it were, it would be no guarantee of happiness. In the last 20 years the British economy grew by 40%, the German by 50% and the Japanese by 60%, but it is by no means obvious that the Germans and the Japanese are any happier. In fact, surveys show the reverse, with the Japanese envious of the lifestyles of almost everyone. Perhaps we will soon cease to pursue the chimera of everlasting economic growth and harken to Adam Smith's reminder of 'cultivation' as a primary goal.

If we do, it will be more from the force of circumstance than from choice, but events shape values as much as values shape events, and the events which are coming up will confront us all with new choices. In the past, most of us were seemingly content to sell all our working time to the organization, to do with it what they would, within reason. Our choices were mainly to do with how we spent the money they gave us and the time which they left us. Not unnaturally, money dominated our values, and the things that money might be able to buy. The more money the more choice. It was, inevitably, for most people, a materialistic world.

It was also an institutional world. Most people got their sustenance and their structure from organizations of one sort or another. Those organizations resonated with power, authority and control. We may not always have liked what they said or what they required of us, but it was clear where authority resided. That is about to change. Our world is about to see a change as significant as the technological event which, in many ways, launched Europe into a new age 600 years ago when the printing press was invented and developed. For the first time, then, people were able to read the Bible in their own language in their own home in their own time. No longer did they have to go to church to hear the word of God, in Latin, interpreted by a licensed minister of the Church. They could now make up their own minds about right and wrong, God and the devil. As a result, the authority of the Church crumbled, and with it the authority of most institutions. Individual freedom led to creativity, which blossomed into the Renaissance; but this freedom also produced schisms and anarchy, conflict and repression as people everywhere sought to flex their muscles and to take charge of their own destiny. Others, naturally, yearned for

the days of order and discipline and, where they could, tried to restore them.

The television set and the telephone, with the computer at the end of it, the wired and unwired world which we now contemplate, are the modern equivalents of the printing press. When Motorola achieved its dream of a personal telephone for everyone, with a personal number for each of us at birth, then a telephone will truly belong to a person not a place. Insignificant as that sounds, it means that the office will become as necessary as the churches became. Television already allows each of us to make up our own minds about the affairs of the world, eroding the mystique of presidents, prime ministers, queens and corporate charmen. CD-Roms and the Internet make the knowledge of the world available to all, depriving teachers everywhere of their competitive advantage over their students, authority eroded there as well.

As in the Renaissance, it will be a exciting time, a time of great opportunities for those who can see and seize them, but of great threat and fear for many. It will be more difficult to hold organizations and societies together. The softer words of leadership and vision and common purpose will replace the tougher words of control and authority because the tough words won't bite any more. Organizations will have to become communities rather than properties, with members not employees, because few will be content to be owned by others. Societies will break down into smaller units but will also regroup into even larger ones than now for particular purposes. Federalism, an old doctrine, will become fashionable once again, in spite of its inherent contradictions.

Interestingly, many of the products of this new wired age will be less destructive of our environment. CD-Roms consume no trees. The new economic growth areas of health, education, personal services and leisure activity need far fewer raw materials and are more to do with psychological and physical enrichment than with things.

These new growth areas also come in smaller, more people-friendly organizations than the manufacturing giants of the past. Things will be increasingly made by things' anyway, and not by human automations. As society ages, more people will have enough of things, mostly, and will be in the shimmering-down stage of life. They may, in fact, be more interested in Adam Smith's 'cultivation' than in 'useless things', and if cultivation is marketable we shall have economic growth as well.

Werny discover that when we can, increasingly, choose how to spend our time, it may not always make sense to sell it as expensively as we can or as much of it as we can. There are other things which we can do with time, even if it is only to sit and talk with friends. Many will use their time to increase their skills and enlarge their range of talents because intelligence is now the pathway to wealth and power. Time and talent will become the commodities in most demand, and they will be the property of each individual, not of the corporation, changing the balance of power quite radically. Education will, once again, become a prized and precious thing, at all ages and of all types.

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Core ideology is an essential component of a visionary company. But core ideology alone, as important as it is, does not - indeed cannot - make a visionary company. A company can have the world's most deeply cherished and meaningful core ideology, but if it just sits still or refuses to change, the world will pass it by. As Sam Walton pointed out: "You can't just keep doing what works one time, because everything around you is always changing. To succeed, you have to stay out in front of that change."

We believe that companies get into trouble by confusing core ideology with specific, noncore practices. By confusing core ideology with noncore practices, companies can cling too long to noncore items - things that should be changed in order for the company to adapt and move forward. This brings us to a crucial point: A visionary company carefully preserves and protects its core ideology, yet all the specific manifestations of its core ideology must be open for change and evolution. For example:

- Hewlett-Packard's "Respect and concern for individual employees" is a permanent, unchanging part of its core ideology; serving fruit and doughnuts to all employees at ten A.M. each day is a noncore practice that can change.
- Wal-Mart's "Exceed customer expectations" is a permanent, unchanging part of its core ideology; customer greeters at the front door is a noncore practice that can change.
- Boeing's "Being on the leading edge of aviation; being pioneers" is a permanent, unchanging part of its core ideology; commitment to building jumbo jets is part of a noncore strategy that can change.
- 3M's "Respect for individual initiative" is a permanent, unchanging part of its core ideology; the 15 percent rule (where technical employees can spend 15 percent of their time on projects of their choosing) is noncore practice that can change.

It is absolutely essential not to confuse core ideology with culture, strategy, tactics, operations, policies, or other noncore practices. Over time, cultural norms must change; strategy must change; product lines must change; goals must change; competencies must change; administrative policies must change; organizational structure must change; reward systems must change. Ultimately, the only thing a company should not change over time is its core ideology - that is, if it wants to be a visionary company.

## Preserve the Core/Stimulate Progress

The underlying dynamic of "Preserve the core and stimulate progress" is the essence of a visionary company. Core ideology in a visionary company works hand in hand with a relentless drive for progress that impels change and forward movement in all that is not part of the core ideology. The drive for progress arises from a deep human urge - to explore, to create, to discover, to achieve, to change, to improve. The drive for progress is not a sterile, intellectual recognition that "progress is healthy in a changing world" or that "healthier organizations should

change and improve" or that "we should have goals"; rather, it's a deep, inner, compulsive - almost primal - drive.

It is the type of drive that led Sam Walton to spend time during the last precious few days of his life discussing sales figures for the week with a local store manager who dropped by his hospital room - a drive shared by J. Willard Marriott, who lived by the motto "Keep on being constructive, and doing constructive things, until it's time to die... make every day count, to the very end."

It is the drive that motivated Citicorp to set the goal to become the most pervasive financial institution in the world when it was still small enough that such an audacious goal would seem ludicrous, if not foolhardy. It is the type of drive that led Walt Disney to bet his reputation on Disneyland with no market data to indicate demand for such a wild dream. It is the type of drive that impelled Ford to stake its future on the audacious goal "to democratize the automobile" and thereby leave an indelible imprint on the world.

It is the type of drive that spurred Motorola to live by the motto "Be in motion for motion's sake!" and propelled the company from battery eliminators and car radios to televisions, microprocessors, cellular communications, satellites circling the earth, and pursuit of the daunting "six sigma" quality standard (only 3.4 defects per million). Robert Galvin used the term "renewal" to describe Motorola's inner drive for progress:

*"Renewal is the driving thrust of this company. Literally the day after my father founded the company to produce B Battery Eliminators in 1928, he had to commence the search for a replacement product because the Eliminator was predictably obsolete in 1930. He never stopped reinventing. Nor have we... Only those incultured with an elusive idea of renewal, which obliges a proliferation of new, creative ideas... and an unstinting dedication to committing to the risk and promise of those unsharable ideas, will thrive."*

It is the drive for progress that pushed 3M to continually experiment and solve problems that other companies had not yet even recognized as problems, resulting in such pervasive innovations as water-proof sandpaper, Scotch tape, and Post-it notes. It compelled Procter & Gamble to adopt profit-sharing and stock ownership programs in the 1880s, long before such steps became fashionable, and urged Sony to prove it possible to commercialize transistor-based products in the early 1950s, when no other companies had done so. It is the drive that led Boeing to undertake some of the boldest gambles in business history, including the decision to build the B-747 in spite of highly uncertain market demand.

Indeed, the drive for progress is never satisfied with the status quo, even when the status quo is working well. Like a persistent and ineluctable itch, the drive for progress in a highly visionary company can never be satisfied under any conditions, even if the company succeeds enormously. We can always do better, we can always go further, we can always find new possibilities. As Henry Ford said, "You have got to keep doing and going."

## An Internal Drive

Like core ideology, the drive for progress is an *internal* force. The drive for progress doesn't wait for the external world to say "It's time to change" or "It's time to improve" or "It's time to invent something new." No, like the drive inside a great artist or prolific inventor, it is simply *there*, pushing outward and onward. You don't create Disney-land, build the 747, pursue six-sigma quality, invent 3M Post-it notes, institute employee stock ownership in the 1880s, or meet with a store manager on your deathbed because the outside environment demands it. These things arise out of an *inner* urge for progress. In a visionary company, the drive to go further, to do better, to create new possibilities *needs no external justification*.

Through the drive for progress, a highly visionary company displays a powerful mix of self-confidence combined with self-criticism. Self-confidence allows a visionary company to set audacious goals and make bold and daring moves, sometimes flying in the face of industry conventional wisdom or strategic prudence; it simply never occurs to a highly visionary company that it can't beat the odds, achieve great things, and become something truly extraordinary. Self-criticism, on the other hand, pushes for *self*-induced change and improvement *before* the outside world imposes the need for change and improvement; a visionary company thereby becomes its own harshest critic. As such, the drive for progress pushes from within for continual change and forward movement in everything that is not part of the core ideology.

The interplay between core and progress is one of the most important findings from our work. In the spirit of the "Genius of the AND," a visionary company does not seek mere balance between core and progress; it seeks to be *both* highly ideological and progressive at the same time, all the time. Indeed, core ideology and the drive for

progress exist together in a visionary company like *gini* and *Wing* of Chinese dualistic philosophy; each element enables, complements, and reinforces the other:

- The core ideology enables progress by providing a base of continuity around which a visionary company can evolve, experiment, and change. By being clear about what is core (and therefore relatively fixed), a company can more easily seek variation and movement in all that is not core.
- The drive for progress enables the core ideology, for without continual change and forward movement, the company - the carrier of the core - will fall behind in an ever-changing world and cease to be strong, or perhaps even to exist.

Although the core ideology and drive for progress usually trace their roots to specific individuals, a highly visionary company *institutionalizes* them - weaving them into the very fabric of the organization. These elements do not exist solely as a prevailing ethos or "culture." A highly visionary company does not simply have some vague set of intentions or passionate zeal around core and progress. To be sure, a highly visionary company does have these, but it also has concrete, tangible mechanisms to *preserve the core ideology and to stimulate progress*.

Walt Disney didn't leave its core ideology up to chance; it created Disney University and required every single employee to attend "Disney Traditions" seminars. Hewlett-Packard didn't just talk about the HP Way; it instituted a religious promote-from-within policy and translated its philosophy into the categories used for

### PRESERVE THE CORE AND STIMULATE PROGRESS

#### Core Ideology

Provides continuity and stability.

Plants a relatively *fixed* stake in the ground.

*Limits* possibilities and directions for the company (to those consistent with the content of the ideology).

Has clear content ("This is our core ideology and we will not breach it")

Installing a core ideology is, by its very nature, a *conservative* act.

#### Drive for Progress

Urges continual *change* (new directions, new methods new strategies and so on).

Impels constant *movement* (toward goals, improvement, an envisioned form and so on).

*Expands* the number and variety of possibilities that the company can consider.

Can be content-free ("Any progress is good as long as it is consistent with our core").

Expressing the drive for progress can lead to dramatic, radical and *revolutionary* change.

philosophize about fanatical customer service; it created a cult of service reinforced by tangible rewards and penalties - "Nerdies" who serve the customer well become well-paid heroes, and those who treat customers poorly get split right out of the company.

Motorola didn't just preach quality; it committed to a daunting six-sigma quality goal and pursued the Baldrige Quality Award. General Electric didn't just pontificate about the importance of continuous technological innovation in the early 1900s; it created one of the world's first industrial R&D laboratories. Boeing didn't just dream about being on the leading edge of aviation; it made bold, irreversible commitments to audacious projects like the Boeing 747, in which failure could have literally killed the company. Procter & Gamble didn't just think self-imposed progress was a good idea; it installed a structure that pitted P&G product lines in fierce competition with each other, thus using institutionalized internal competition as a powerful mechanism to stimulate progress. 3M didn't just pay lip service to encouragement of individual initiative and innovation; it decentralized, gave researchers 15 percent of their time to pursue any project

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be agonizing. Who is right in the various debates that are sweeping through social and organizational life? When we didn't know of these debates or understand the arguments on various sides, perhaps it was easier - albeit more naive - to think we understood the meaning of our work and our lives. Now we know the various points of view with our heads, but at the level of feeling, are we more serene? "Hang Ideas," said Joseph Conrad (*Lord Jim*) in a memorable cry of anguish. "They are tanks, vagabonds, knocking at the back door of your mind, each taking a little of your substance, each carrying away some crumb of that belief in a few simple notions you must cling to if you want to live decently and would like to die easily."

Finally, the horrors of the twentieth century have unquestionably contributed to our loss of a sense of meaning. The horrors are not only in the wars, famines, and holocausts occurring on the macro scale but in the atrocities of daily life on our streets and playgrounds and in our offices. Drive-by murder is a horrifying fact in itself, but it is also a metaphor for the casual violence that is being done to our lives and sense of meaning, not only by guns but by layoff slips, voice mail from the tenant officer, and cancellation notices from our health insurance companies.

The objective events that are contributing to our loss of a sense of meaning, direction, and control are not going to abate. If anything, they will proliferate and intensify. What, however, of the subjective side? What of our capacity to restore and sustain a sense of meaning in these new chaotic environments? Can we indeed learn to "thrive on chaos," as Tom Peters suggests?

of their liking, created an internal venture capital fund, and instituted a rule that 25 percent of each division's annual sales should come from products introduced in the previous five years.

Tangible. Concrete. Specific. Solid. Look inside a visionary company and you'll see a ticking, bonging, humming, buzzing, whirring, clicking, clattering clock. You'll see tangible manifestations of its core ideology and drive for progress everywhere.

We've found that organizations often have great intentions and inspiring visions for themselves, but they don't take the crucial step of translating their intentions into concrete items. Even worse, they often tolerate organization characteristics, strategies, and tactics that are misaligned with their admirable intentions, which creates confusion and cynicism. The gears and mechanisms of the ticking clock do not grind against each other but rather work in concert - in alignment with each other - to preserve the core and stimulate progress. The builders of visionary companies seek alignment in strategies, in tactics, in organization systems, in structure, in incentive systems, in building layout, in job design - in *everything*.

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The danger, of course, is that this "cultivation" becomes a reality only for the privileged few in the privileged world of the rich countries. We shall have to take on board the truth that you don't make the poor rich by making the rich richer and hoping that the riches will trickle down, because they don't. Paradoxically, it works the other way round - you make the rich richer by making the poor rich, because then they have more money to spend. To start the cycle, however, you first have to invest in the poor, enlarging their capabilities, enhancing their skills, underwriting their initiatives. This works for the world at large as well as for individual societies, and even for organizations, but it always calls for short-term sacrifice by the rich in the beginning.

Sacrifices, however, are only made, voluntarily, for goals and ideals we believe in, and when we have confidence in those who may lead us there. Leadership, therefore, becomes more important than ever in this new world, and philosophy, or the search for the meaning of things, becomes the driving force of economics. Individually, we shall each of us be more responsible for our own destiny, with no organizations there to run our lives for us, and that will force us to be clear about our own priorities in life. Circumstances will, therefore, make philosophers of us all.



# SHIFTS OF MIND - Peter Senge

One afternoon I asked Joe Jaworski, "What are the guiding principles, or the organizing principles, with which this book, *Synchronicity*, is concerned?" Almost without hesitation, he responded by describing certain necessary shifts of mind and the consequences of these shifts. He acknowledged that this was all very new to him and that these ideas should be treated as preliminary insights, initial glimpses into a vast new territory.

First, Joe said, we need to be open to *fundamental shifts of mind*. We have very deep mental models of how the world works, deeper than we can know. To think that the world can ever change without changes in our mental models is folly. When I asked Joe more specifically what these changes might be about, he said that it's *about a shift from seeing a world made up of things to seeing a world that is open and primarily made up of relationships*, where whatever is manifest, whatever we see, touch, feel, taste, and hear, whatever seems most real to us, is actually nonsubstantial. A deeper level of reality exists beyond anything we can articulate.

Once we understand this, we begin to see that the future is not fixed, that *we live in a world of possibilities*. And yet almost all of us carry around a deep sense of resignation. We're resigned to believing we can't have any influence in the world; at least not on a scale that matters. So we focus on the small scale, where we think we can have an influence. We do our best with our kids, or we work on our relationships, or we focus on building a career. But deep down, we're resigned to being absolutely powerless in the larger world. Yet if we have a world of people who all feel powerless, we have a future that's predetermined. So we live in hopelessness and helplessness, a state of great despair. And this despair is actually a product of how we think, a kind of self-fulfilling prophecy.

For the most part, this despair is undiscussable, especially among successful people. We don't want to talk about it, because we want to maintain a facade of having our lives together. So we create all kinds of diversions. Our culture itself offers abundant diversions. It tells us that all we need to worry about is how we look. Work out, get the body in shape, dress well. Life is about appearances. Diversions also exist in the story we tell about the world - that the world is dominated by politics and self-interest, for example. All these diversions are simply ways of covering up the deeper sense of despair arising from our feeling that we can do nothing about the future.

But when we go through this shift of mind, we begin to realize that the sense of despair we've been feeling arises out of a fundamentally naive view of the world. In fact, absolutely everything around us is in continual motion. There's nothing in nature that stays put. When I look at the leaves on the tree, I am really seeing a flowing life. Those leaves won't be on that tree in a couple of months. At this very moment, they're changing. Before long, they'll be part of the soil. Before long, they'll be part of another tree. There's absolutely nothing in nature that stays put.

One of the great mysteries of our current state of

consciousness is how we can live in a world where absolutely nothing is fixed, and yet perceive a world of "fixedness." But once we start to see reality more as it is, we realize that nothing is permanent, so how could the future be fixed? How could we live in anything but a world of continual possibility? This realization allows us to feel more alive. People like David Bohm and the management expert W. Edwards Deming had just such vitality. Where did they get it? Perhaps they had less of their consciousness tied up in maintaining the illusion of fixity, so they had a little more life left in them. Because of how we think, we're strangling the life out of ourselves. When we start to see the world more as it is, we stop strangling ourselves.

That afternoon when we talked, Joe said, "When this *fundamental shift of mind* occurs, our sense of identity shifts, too, and we begin to accept and/or as legitimate human beings." I've only just now reached a point in my life where I can begin to appreciate what it would actually mean to accept one another as legitimate human beings. Part of that ironclad grip on ourselves which maintains the illusion of fixity involves seeing our own selves and each other as fixed. I don't see you. I see the stored-up images, interpretations, feelings, doubts, distrusts, likes and dislikes that you evoke in me. When we actually begin to accept one another as legitimate human beings, it's truly amazing.

Perhaps this is what love means. Virtually all the world's religions have, in one way or another, recognized the power of love, this quality of seeing one another as legitimate human beings.

Then, Joe said, "When we start to accept this *fundamental shift of mind*, we begin to see ourselves as part of the unfolding. We also see that it's actually impossible for our lives not to have meaning." The only way I can experience my life as meaningless is to work as hard as I possibly can to tell myself it has no meaning. At a deeper level of reality, my life can't help but have meaning, because everything is continually unfolding, and I am connected into that unfolding in ways that I can't even imagine. It takes no effort of will, no particular skill, no learning, no knowledge. It is actually my birthright. It's what it means to be alive. Robert Frost said that home is that place you shouldn't have to earn. We don't have to earn this type of meaningfulness in our lives. It's already present.

Joe said, "Operating in this different state of mind and being, we come to a very different sense of what it means to be committed." In our traditional image of commitment, things get done by hard work. We have to sacrifice. If everything starts to fall apart, we try harder, or we tell ourselves that we're not good enough, or that we don't care enough to be that committed. So we vacillate between two states of being, one a form of self-manipulation, wherein we get things done by telling ourselves that if we don't work harder, it won't get done, and the other a state of guilt, wherein we say we're not good enough. Neither of these states of being has anything to do with the deeper nature of commitment.

When we operate in the state of mind in which we

realize we are part of the unfolding, we can't not be committed. It's actually impossible not to be committed. Nothing ever happens by accident. Every single thing is part of what needs to happen right now. We only make the mistakes that we have to make to learn what we're here to learn right now. This is a commitment of being, not a commitment of doing. We discover that our being is inherently in a state of commitment as part of the unfolding process. The only way to be uncommitted is to lose that realization, to once again fall into the illusion that we aren't participating in life. This discovery leads to a paradoxical *integrity of surrender*, surrendering into commitment to actualize my commitment by listening, out of which my "doing" arises. Sometimes the greatest acts of commitment involve doing nothing but sitting and waiting until I just know what to do next.

In most of our organizations today, managers who adopt this attitude would be considered nonmanagers because they are not doing anything to fix problems. We're hooked on the notion that commitment and activity are inseparable. So we create a continual stream of activity, making sure that everybody sees us doing lots of things so they'll believe we're actually committed. If we stay busy enough, maybe we'll even convince ourselves that our lives have some meaning, because everything is hopeless, and we're helpless, and we couldn't possibly affect anything anyhow.

One of the interesting indicators of this paradoxical connection between our sense of helplessness and our ceaseless activity is how much difficulty we have actually saying, "You know, I can't do anything about that." We often find that people in organizations have to create a belief that they can make change happen in order to justify their meaningless activity. So they're caught in an enormous sea of contradictions. At one level, they believe they can't influence anything. At another level, they create a story that says, "We can make it happen," and they busy themselves doing things that they know won't have any impact. It's like rats on a treadmill; they get tired after a while. Recently a very successful manager told me that she had suddenly realized that all her life she had just been treading water. We live in a contradictory state of frenzied commitment, of treading water, knowing that we're actually not going any place. But we're terrified that if we stop, we'll drown. Our lives will be meaningless.

When this new type of commitment starts to operate, there is a flow around us. Things just seem to happen. We begin to see that with very small movements, at just the right time and place, all sorts of consequent actions are brought into being. We develop what artists refer to as an "economy of means," where, rather than getting things done through effort and brute force, we start to operate very subtly. A flow of meaning begins to operate around us, as if we were part of a larger conversation. This is the ancient meaning of dialogue: (*dia* • *logos*) "Flow of meaning." We start to notice that things suddenly are just attracting to us in ways that are very puzzling. A structure of underlying causes, a set of forces, begins to operate, as if we were surrounded by a magnetic field with magnets being aligned

spontaneously in this field. But this alignment is not spontaneous at all - it's just that the magnets are responding to a more subtle level of causality.

When we started the MIT Center for Organizational Learning a few years ago, a most remarkable thing began to happen. People just started showing up. In one period of about two or three months, three incredible women showed up. I had met them eleven years before at a particular meeting, and I had begun to think about them again because the work they were doing connected in important ways to new developments at the Center. But I didn't know how to reach any of them, or even where they lived. Within two months, each of them had called and said that she had learned about what we were doing and wanted to see how she could help.

The causes for such incidents are very hard for us to understand, but it appears that when we start to operate in this new state of mind, grounded in this different commitment, something starts to operate around us. You could call it "attraction" - the attractiveness of people in a state of surrender.

Lastly, when we are in a state of commitment and surrender, we begin to experience what is sometimes called "synchronicity." In other words, synchronicity is a result. It's important to understand the underlying causes of synchronicity, because if we don't, we might actually try to bring about synchronicity in the same way we try to control the rest of our lives. People tend to elevate synchronicity into a sort of magical, mystical experience. In fact, it's very down to earth. Water flows downhill because of gravity. Of course, gravity itself is a pretty mysterious phenomenon. It seems to be a type of field, as if all physical objects in the universe have some attraction for one another. But even though no one knows exactly how gravity works, we can observe the result: water flows downhill. We don't argue about the result because it is observable. That's much the way synchronicity seems to operate in this field of deep commitment.

In the same sense, this attractiveness, the field that starts to develop around people who have experienced these shifts of mind, creates a phenomenon that Joe calls predictable miracles. "Miracle" is a funny word because it connotes the unusual or mysterious. But in fact, what is "miraculous" might be just what is beyond our current understanding and way of living. If we were not making such an immense effort to separate ourselves from life, we might actually live life day to day, minute to minute, as a series of predictable miracles.

**When we start to accept this fundamental shift of mind, we begin to see ourselves as part of the unfolding. We also see that it's actually impossible for our lives not to have meaning.**

The dream that energizes a company is often something more sophisticated, and more positive, than a simple war cry. The dream of British Airways, enunciated shortly after its privatization in early 1987, was to become "The World's Favourite Airline." Given BA's reputation for lackluster service (a bit of British understatement), that customers could have been forgiven for regarding BA's aspiration with incredulity. Yet by 1992, *Business Traveler* was rating BA as the best transatlantic airline, and number two worldwide only to Singapore Airlines. If not "the" world's favorite, BA had become one of those very few airlines that people would actually go out of their way to fly.

*Strategic intent* is our term for such an animating dream. Strategic intent is strategic architecture's capstone. A strategic architecture may point the way to the future, but it's an ambitious and compelling strategic intent that provides the emotional and intellectual energy for the journey. Strategic architecture is the brain; strategic intent is the heart. Strategic intent implies a significant stretch for the organization. Current capabilities and resources are manifestly insufficient to the task. Whereas the traditional view of strategy focuses on the "fit" between existing resources and emerging opportunities, strategic intent creates, by design, a substantial "misfit" between resources and aspirations.

As the distilled essence of a firm's strategic architecture, strategic intent also implies a particular point of view about the long-term market or competitive position that a firm hopes to build over the coming decade or so. Hence, it conveys a *sense of direction*. A strategic intent is differentiated; it implies a competitively unique point of view about the future. It holds out to employees the promise of exploring new competitive territory. Hence, it conveys a *sense of discovery*. Strategic intent has an emotional edge to it. It is a goal that employees perceive as inherently worthwhile. Hence, it implies a *sense of destiny*. Direction, discovery, and destiny. These are the attributes of strategic intent.

## A Sense of Direction

Ask a third- or fourth-level employee in your company, "Where are we trying to get to as a company?" Our experience has been that few employees will be able to articulate anything more than vague ideals ("be market-leader") or short-term operational goals ("improve profitability," "lower costs," or "achieve faster cycle time"). In most companies employees don't share a sense of purpose above and beyond that of short-term unit performance. Lacking a compelling sense of direction, few employees feel a compelling sense of responsibility for competitiveness. Most people won't go that extra mile unless they know where they are heading.

We've all heard, in one form or another, the familiar middle management lament: "We could be so much more successful if head office would just cut out and let us get on with the job." But the lament has a chorus: "We could be so much more successful if only we had a clearer sense of direction." We just don't seem to have a clear idea of where we're trying to get to."

How can we make sense of these seemingly conflicting demands? What are mid-level managers really saying about top management? We believe it's pretty simple: Most companies are overmanaged and underled. It is fair to say that in most corporate headquarters, far more effort goes into the exercise of control than into the provision of direction. What unit managers and their reports are rebelling against is the dead hand of corporate bureaucracy and the frustration of trying to make choices in the absence of an overarching sense of purpose.

A senior executive at Nissan remarked in 1992 that "GM is a powerful company, but they aren't clearly directing that power. If some (employees) turn left, and some turn right, a company cannot move forward." Not that Nissan doesn't have its own problems, but the point being made was that although GM was powerful in terms of resources, its lack of a unifying sense of purpose meant that individual efforts were unlikely to be cumulative. Lack of direction almost ensures that units will work at cross-purposes, that priorities will be set capriciously, and that consistency will too often be sacrificed on the altar of expediency. No wonder unit managers are frustrated.

Bureaucracy and its control over capital spending, financial rewards, planning, procedural guidelines, and organizational design is supposed to prevent people from turning left and turning right. It is supposed to be a system of checks and balances that prevents individuals from pursuing idiosyncratic and competing objectives. But without a point of view about corporate direction, bureaucracy is likely to be little more than an enforcer of corporate orthodoxies. Individual and unit freedom are circumscribed by measures of financial viability that are agnostic with respect to ends, and by the enforcement of operating traditions that are blind to the possibility of profound industry change. In reality, the bureaucracy works not so much to keep people from turning left or right, but to ensure that anyone who tries to do so has to walk through molasses to get anywhere.

Bureaucracy blocks initiative and creativity at every turn. Bureaucracy constrains the range of available tactics, but generally leaves open the question of ultimate goals. Hence, in many companies it is the means that are constrained rather than the ends. With no particular point of view about long-term corporate direction, the definition of "core" business changes every few years, acquisitions and divestments are made with no logic other than short-term financial expediency, and market and product development efforts are often hamstrung by a lack of consistency. At the same time, orthodoxies about which channels to use, the definition of the product concept, and where in the value chain to take profits constrain tactical freedom. Often the combination of directional ambiguity and tactical orthodoxy poses a substantial threat to future prosperity: "We don't know where we're going, but we're not going to stray from familiar paths."

Top management has not been deaf to the pleas of mid-level managers and first-line employees for more freedom. Decentralization is in vogue. "Devolve, devolve" is chanted like a mantra in corporate board-

rooms. Bureaucracy bashing, delegation, and empowerment are strutting the catwalks of managerial fashion. It is right they should attract admirers. *Delegation and empowerment* are not just buzzwords; they are desperately needed antidotes to the elitism that robs so many companies of so much brain power. Thus, corporate staff groups, the guardians of conformance, have had their numbers slashed. Corporate vice presidents have been told they're "coaches" and should leave the "playing" to unit managers. Authority has been pushed down, capital spending limits have been raised, the number of reviews cut, and the rituals of planning and capital allocation simplified. Unit managers have been told to behave as if it's their business.

Although the principle of ceeding responsibility for strategic decision making to those closest to customers and competitors is good medicine, like any other management wonder drug an overdose may prove toxic. Dismantling bureaucracy without putting in its place a clear and compelling sense of direction is a recipe for chaos. Empowerment without direction is anarchy.

Individual freedom and delegation often yield unexpected successes, but something more is needed if the goal is to position a company for leadership in complex systemic opportunities like interactive home entertainment systems (Time Warner's dream), the development of supersonic aircraft (where Boeing is attempting to take the lead in an international consortium of airplane manufacturers), or the development of an electrically powered automobile (where Ford and GM are collaborating). These opportunities have 10- to 20-year time frames and require the integration of complex skills from both within and without the firm. Isolated and undirected entrepreneurial teams are unlikely to make much of a dent in them.

Brownian movement generates little forward progress. Better, we believe, is creativity in the service of a clearly prescribed strategic intent. Creativity should be unbridled, but not uncorralled. Strategic intent is more specific about ends than it is about means. Strategic intent ensures consistency in direction. Because every valve and hiltcock cannot be anticipated, strategic intent must be broad enough to leave considerable room for experimentation in how to reach the destination. Strategic intent broadly constrains the "where," but not the "how."

## Sense of Discovery

There beats in every person the heart of an explorer. The joy of discovery may be found in the pages of a new cookbook, in a brochure of exotic vacations, in an architect's plans for a custom-built home, in the trek to a remote trout stream, in the first run down a virgin-powdered ski slope, or in the birth of a child. We are all seduced, to one degree or another, by the opportunity to explore the unfamiliar. Thus, it's not surprising that when a company's mission is largely undifferentiated from that of its competitors, employees may be less than inspired. Recently one of us made a presentation to the top 15

officers of a large multinational company. We showed them their company's mission statement. No one demurred; yes, that looked like their mission statement. Only what was there on the screen was actually the mission statement of their major competitor!

What value is a mission statement, we asked, if it is totally undifferentiated? What chance does it offer to stake out a unique and defensible position in an already overcrowded market? In fact, if we took the mission statements of 100 large industrial companies, mixed them up tonight while everyone was asleep, and reassigned them at random, would anyone wake up tomorrow morning and cry, "My gosh, where has our mission statement gone?"

Why should employees care about a garden variety mission statement? A strategic intent should offer employees the enticing spectacle of a new destination (as in Bell Atlantic's quest to bring a whole new range of information service to its subscribers) or at least new routes to well-known destinations (as in Toyota's foray into the luxury car business).

## A Sense of Destiny

Strategic intent must be a goal that commands the respect and allegiance of every employee. The destination must not only be different, it must also be worthwhile. The intent of the Apollo program was as competitively focused as Komatsu's drive against Caterpillar, but it had a deep emotional appeal as well. In articulating the goal of reaching the moon before the end of the 1960s, John F. Kennedy reminded Americans of their destiny to explore new frontiers. Given Japan's long linguistic and geographical isolation, the emotional impetus behind that country's efforts to develop a translating telephone capable of bridging language gaps has been no less forceful. By the end of 1992 Japanese companies, in partnership with the government, had invested more than \$130 million over seven years in this endeavor.

Perhaps one of the most ambitious, and emotionally compelling strategic intents ever articulated was Christ's command to his tiny and impoverished band of followers to "Go into all the world and preach the gospel." While few corporate intents are likely to invoke such lofty ideals, we believe that any strategic intent must contain paths and passion. Too many mission statements fail entirely to impart any *sense of mission*. For this reason we prefer goals that are focused on making a real difference in the lives of customers. Apple's quest to develop truly user-friendly computers is one example. Undoubtedly, many of those who worked so feverishly first to bring the Lisa and then the Macintosh to market will look back on those endeavors as the most rewarding years of their professional lives.

In this sense, strategic intent is as much about the creation of meaning for employees as it is about the establishment of direction. We often ask managers, if we fast forward 10 or 15 years, what collective accomplishment would you like to point to as evidence that the last 15



years of your working life were the most exciting, rewarding, and purposeful of your entire career? In other words, what is the legacy you want to leave behind? We believe that every employee has the right to feel that he or she is contributing to the building of legacy - something of value that is bigger and more lasting than anything that one could accomplish on one's own. Many companies are beginning to realize that all their employees have brains. How many companies, we wonder, understand that their employees have hearts as well? When queried as to his job, a journeyman stonemason at work on St. Paul's in London replied, "I build cathedrals." How many corporate stonemasons today feel they are building cathedrals, we wonder?

A few years ago one of us was advising the senior management team of a U.S. electronics manufacturer and visited its manufacturing facility "deep in the heart of Texas." Coinciding with a shift change, the visit provided an opportunity to chat with employees about their jobs and their company. We asked a group of about 30 employees who they thought were their major competitors. Surprisingly, very few could name their major global competitor in their particular product line. The question, in what respects are you more or less competitive than this rival, drew a complete blank. These reactions provided an excuse to share with these first-line employees the same competitive data (market share, growth, cost, innovation, productivity, and so forth) that had recently been the subject of discussion with senior management. The consequences of failing to remain competitive were also discussed, in terms of the disadvantage their customers would face if they were forced to buy the same components from more vertically integrated Japanese supplier/competitors. At the end of our discussion an outsized and gruff-looking employee remarked, in a very quiet voice, that:

*I have worked here for eight years. The pressure for yield improvement, quality improvement, cost improvement never goes away. But I never had any sense of being part of a worldwide team, fighting a worldwide war. And I never really understood the consequences of winning or losing.*

This was sad to hear. This group of employees had been continually exhorted to do better, try harder, run faster, and kick more goals, yet there was no scoreboard that meant something to them. People just don't get interested in the game if there's no scoreboard. And the scoreboard of top management - shareholder returns - is likely to exert very little emotional pull on an employee several levels removed from the person defending himself or herself in front of shareholders.

Most human resource managers can tell you if employees are satisfied. In many companies, some form of a happiness index is used to measure employee satisfaction with pay and conditions. But strategic intent aims to create employee excitement, not just employee satisfaction. The more excited a worker is, the less are remuneration and hygiene the sole barometers of contentment. In high-drama, high-purpose organizations like Data

General in the early years, described in *The Soul of a New Machine*, excitement often runs roughshod over satisfaction. Bosses who impose impossible deadlines, 80-hour workweeks, and minimalist creature comforts may be willingly accommodated in the quest for greatness.

The responsibility of an employee to work diligently for the success of the firm, the cornerstone of a contract of employment, has a counterpart. It is senior management's responsibility to imbue that work with a higher purpose than a paycheck. The appeal to emotion as well as intellect must be based on more than the prospect of personal financial gain. It is impossible to create a financial reward system so finely tuned that the single-minded pursuit of success. In the absence of an overarching strategic intent, the establishment of profit-center accountability for every unit and performance-linked compensation for every employee may have significant and unexpected toxic side effects: internecine competition that fails to recognize the rewards of cooperation; fruitless debates about revenue sharing, transfer pricing, and allocation of overheads; and too much of a preference for the quick and the expedient. An emotionally compelling and broadly shared intent is a counterweight to these tendencies.

A goal simply to be the biggest or to reach a certain size is also unlikely to capture the imagination of employees. Becoming a \$22 billion company or, as it was in the case of IBM, a \$100 billion company is not a strategic intent for it implies no particular direction. The pursuit of growth for growth's sake is likely to end in, for example, unrelated acquisitions that don't pan out, costly share gains in inherently unattractive markets, or overspending on R&D in a business that is in permanent decline. While the quest for growth is intrinsic to almost any strategic intent, the real emotional *umph* comes when a company can articulate *what* it is growing toward. Creating new competitive space, taking on the best and winning, or delivering totally unexpected benefits to customers all have a deeper appeal than simply hitting some numerical milestone. It is, perhaps, a tautology, but only extraordinary goals provoke extraordinary efforts.

**Strategic intent must be a goal that commands the respect and allegiance of every employee. The destination must not only be different, it must also be worthwhile.**

## THE "WAVE" METHOD - Mirja Hanson

This is a method that is interactive and can enable a group to sort out lots of environmental factors that are affecting their situation or organization in a short time. This can be used as a preliminary exercise to a more detailed planning process or as a way to focus on key arenas of change that need attention. It is most helpful to have a variety of perspectives "around the table" so that a comprehensive view of the environment can be assessed.

This method is based on the observation that change often appears to have a wave-like character. Forces of change or early experiments are often overlooked by most people who are operating with a set of unquestioned assumptions due to their acceptance of conventional wisdom. In the United States, for example, many consumer trends are first seen in California. The open environment of this state often has led the nation in establishing new patterns of behavior such as the role of consumer concern with the environment. Also, due to its diverse population, there are many cultural influences that later become "mainstream" for the rest of the country.

In business, "edges" or boundary ideas are many times located in small companies long before the large multinational firms take them as standard practices. Tom Peters often finds his radical recommendations being practiced in small companies throughout the world. Perhaps more important are finding those ideas and trends in one part of society that will affect other, disrelated, parts of society. For example, the growth of two-income families has raised the need for companies to examine policies of parental leave for maternity for both parents or the establishment of day care facilities on-site. Another example is the trends in health care have shifted company health benefits towards prevention rather than just cost coverage.

### The Method

1. Start the session with a context of how change occurs in a wave-like pattern. Give several examples of your own from a variety of fields. (Alvin Toffler's *Future Shock* and *The Third Wave* can provide some good images and stories.)
2. Draw a board image of an extended wave and divide it into four parts. On the left are **Boundary Ideas**, followed by **Emerging Trends**, then at the top of the wave are **Established Norms** and finally on the right are **Dying Practices**.
3. Have the group brainstorm dimensions of the wave as they presently see it, listing their suggestions under the appropriate part of the wave. Two important facilitation tips: It is often helpful to list specific ideas, events or examples rather than having the group try and list trends immediately. Often trends can only be seen from the relationship between events. Secondly, try and list ideas and examples from areas that are not directly related to the focus area. "What is going on in other parts of society that could affect our future in this (the focus topic) area?" Make lines and arrows to connect different ideas and to show relationships.
4. Have participants indicate those that are most relevant to the future discussion and work of the group and note them with a star. Ask which are most powerful, need further exploration or capture their imagination.
5. Transfer these noted items to a flipchart and have a brief discussion on what the implications are for our organization. Be sure you are covering both threats and opportunities.

