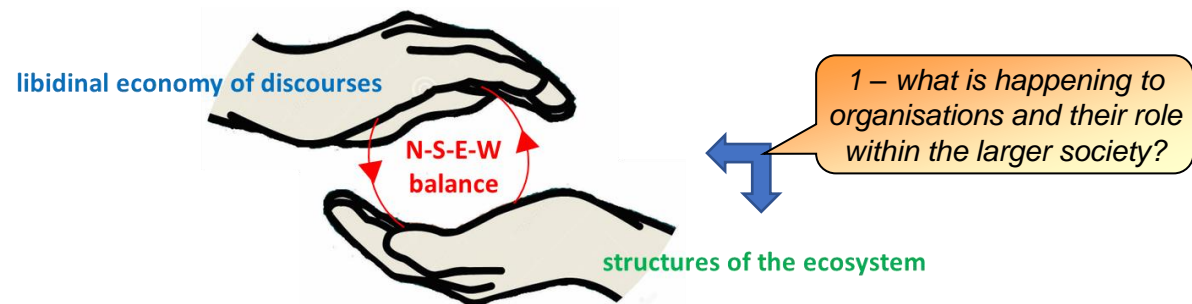


Pathways across the 3rd epoch domain

1 - what is happening to organisations and to their role within the larger society?

Philip Boxer BSc MBA PhD

November 5th 2019



An automated drone program that customers can leverage in multiple ways:

avoid financial write-offs due to a lack of accurate inventory data; scale real-time digitization of large industrial stockpiled materials; totally change assessment and management of inventory.

- FAA-approved operator of automated drones (American Robotics*)

- “At the end of the day, our industry’s product is data, not aircraft. With true automation comes the ability to collect a new category of data not previously possible, resulting in a new category of valuable analytics and insights.”

* <https://www.american-robotics.com/> “Data Every Day – Insights On-Demand”



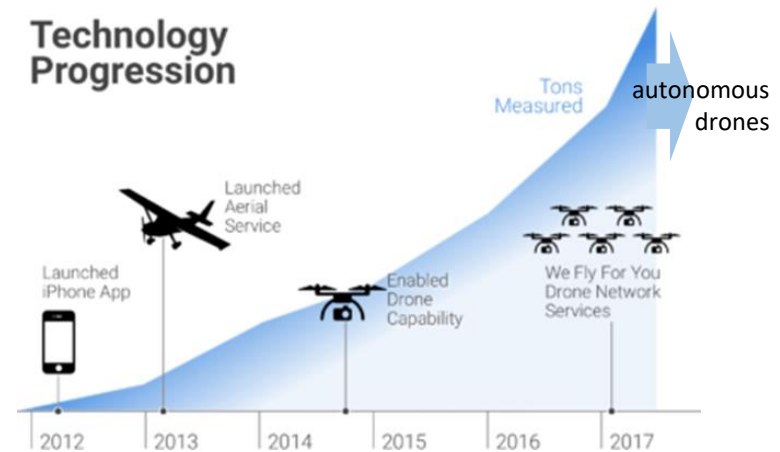
- CEO of Stockpile Reports**:

- “With more than 10,000 sand and gravel mines and more than 3,000 ready-mix and asphalt plants in the U.S. alone...”
- “The bulk materials industry suffers chronic financial write-offs due to a lack of accurate inventory data, and Stockpile Reports helps customers solve problems with inventory using on-demand measurements from image processing ... as experts in 3D reconstruction and digitization, we know what it means to dance on the edge of innovation.”
- “Autonomous drones completely change the business case ... we can increase the frequency without substantially increasing the costs ... you can take those inventory counts on a monthly, weekly or even daily basis. That takes you out of operations and into supply chain management...”

** <https://www.stockpilereports.com/> “Great Decisions Are Made From Great Data”

Capturing economies of alignment at demand tempo is a different way of doing business

- Stockpile Reports itself has the agility to develop the *requisite variety* of value propositions it needs to address different kinds of bulk material customers – quarries, road salting, ready-mix concrete, coal.
 - The drone-based value proposition is to provide close-to-real-time tracking of inventory of bulk materials.
 - Within each customer's context-of-use, the value proposition needs to have the *requisite agility* to adapt its dynamic behaviours to the multi-sided nature of the situation.
 - Stockpile Reports is operating in the information-based (4) and cohesion-based (5) sectors capturing value from generating economies of alignment using knowledge of customer's context-of-use.
- Its industrial customers are in extraction (1), production (2) and delivery sectors (3).
 - The industrial customers get leaner and more responsive supply-chains capturing value from generating economies of scale and scope.



Industry Sectors:

- | | |
|----------------------|--|
| 1. Extraction | } Based on supplier's supply-side model |
| 2. Production | |
| 3. Delivery-based | |
| 4. Information-based | } Based on knowledge applied through <i>attention</i> to client's context-of-use |
| 5. Cohesion-based | |

The attention economy, led by sectors 4 and 5, is increasingly driving the economy*

* e.g., see Hulten, Charles R., and Leonard I. Nakamura. 2018. "Accounting for Growth in the Age of the Internet: The Importance of Output-Saving Technical Change." In: <https://doi.org/10.21799/frbp.wp.2017.24>: Federal Reserve Bank of Philadelphia Research.

What is changing?

The relationship to demand is changing from being one-sided to being multi-sided.

Re-thinking customer journeys at the edges*

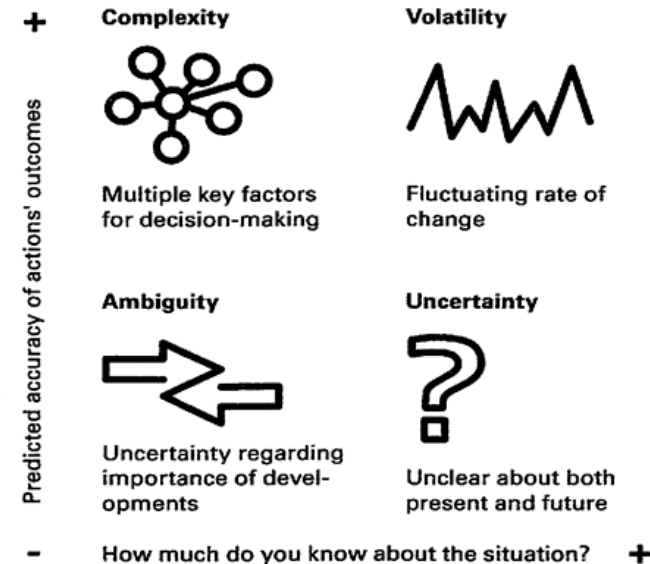
*Source: <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/rethinking-customer-journeys-with-the-next-generation-operating-model>

- The next-generation operating model
 - organizing efforts around the *end-to-end customer journeys* by identifying the critical journeys and where there is end-to-end value.
 - moving away from individual technologies and siloed operations capabilities to *aligning* them to these journeys in combination and in the right sequence.
 - combining a bunch of technologies and operational levers in a *tailored sequence and integrated way* to get stacked wins for companies in terms of customer experience, significant reduction in cost, and better positioning for growth.
- Building a next-generation operating model
 - Needs *active leadership* from the top because it is core, touching so many parts of the organization - IT, operations, marketing, supply chain, everything.
 - Need to really understand what are the *most important customer journeys* and what are *the most significant pain points* that will add value.
- Another example
 - Digital Capabilities for Automotive Innovators 2030: Software Drives**

**Source: Hientz, H., H.-J. Kugler, B. Maag and D. Strube (2017). Digital Capabilities for Automotive Innovators 2030: Software Drives. Kornwestheim, Kugler Maag Cie GmbH. 2.

A VUCA world order: *the example of car manufacture facing Volatility, Uncertainty, Complexity, Ambiguity**

- Customers will no longer purchase vehicles as a physical product; they will buy *mobility solutions*
- Connected vehicles will form part of a *system of systems* (SoS) within their environment.
- This will represent a *fundamental change* for vehicle development from a one-sided to a multi-sided relationship to demand.
 - Manufacturers will no longer be in a position to specify each and every function over the lifetime of a car.
 - The functions will have to be based on an open SoS, developed within an ecosystem of different producers within their separate sectors of industry.
 - This ecosystem for continuous service provision will change and expand more or less rapidly depending on how advanced or mature any given service is.
- The key will not be the technology so much as a company culture able to support the *requisite agility* needed for working within a *dynamic value network* to support the *multi-sided demands* of customers one-by-one.
 - responding to rapid market changes, becoming a learning organisation, offering an attractive workplace for knowledgeable workers, and working effectively in complex ecosystems to adopt a variety of roles as a value contributor.



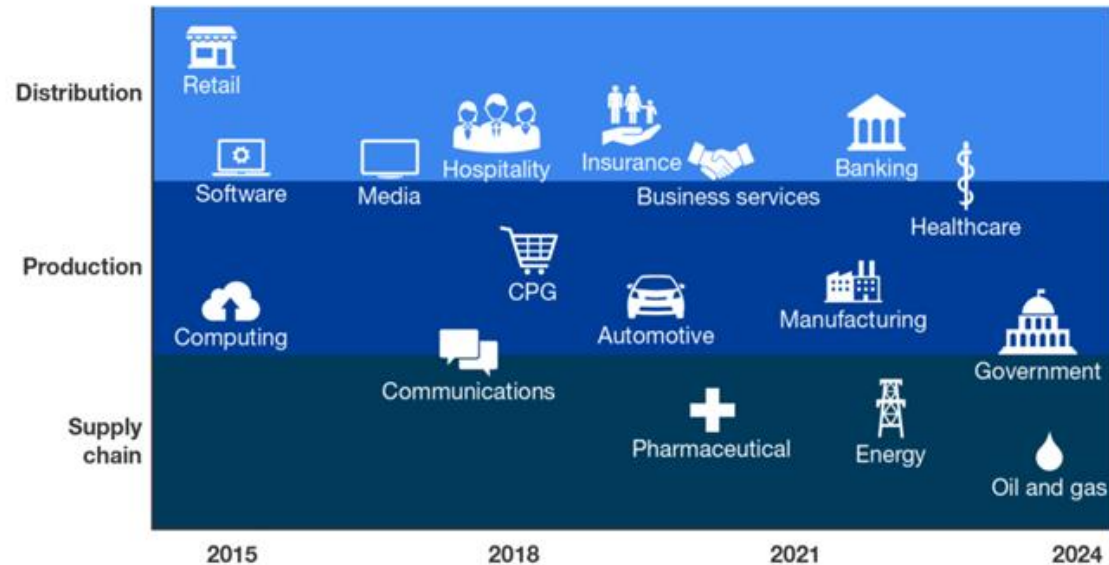
* See Stiehm, Judith Hicks (2010) The U.S. Army War College: Military Education in a Democracy. (p6) Temple University Press, Philadelphia.

The promise of *multi-sided* demand – it's all about the business ecosystem*

- Digital business models involve new ways of creating, delivering and capturing value.
 - Digital has already upended established industries such as *telecoms*; *transportation*; and *advertising and media* - digital disruption is coming to every industry.
 - This disruption is fundamentally driven by the rise of *platform business models* that create new ways of connecting with users, supply chains, new partners and markets.
- These business models engage with '*multi-sided*' (or '*nonlinear*') demands, enabled by the rise of 'platforms' enabling various players to connect in unique ways.
 - *One-sided* (or linear) businesses imply a single dominance of the consumer base. Engaging with *multi-sided* demands isn't just about a new route to market but about being a player in a bigger picture where networked collaborations aligned to the customer's journey is the name of the game.
- This means no big bangs:
 - Developing a business *ecosystem* beneficial to all to some degree and building and testing your way into the ecosystem regardless of whether you are the creator or just a participant.

* Source: <https://www.thoughtworks.com/insights/blog/promise-multi-sided-businesses-and-platform-paradox>

Platform Strategies And Economics will reshape parts of every industry*



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Source: Forrester Research, Inc. Unauthorized reproduction, citation, or distribution prohibited.

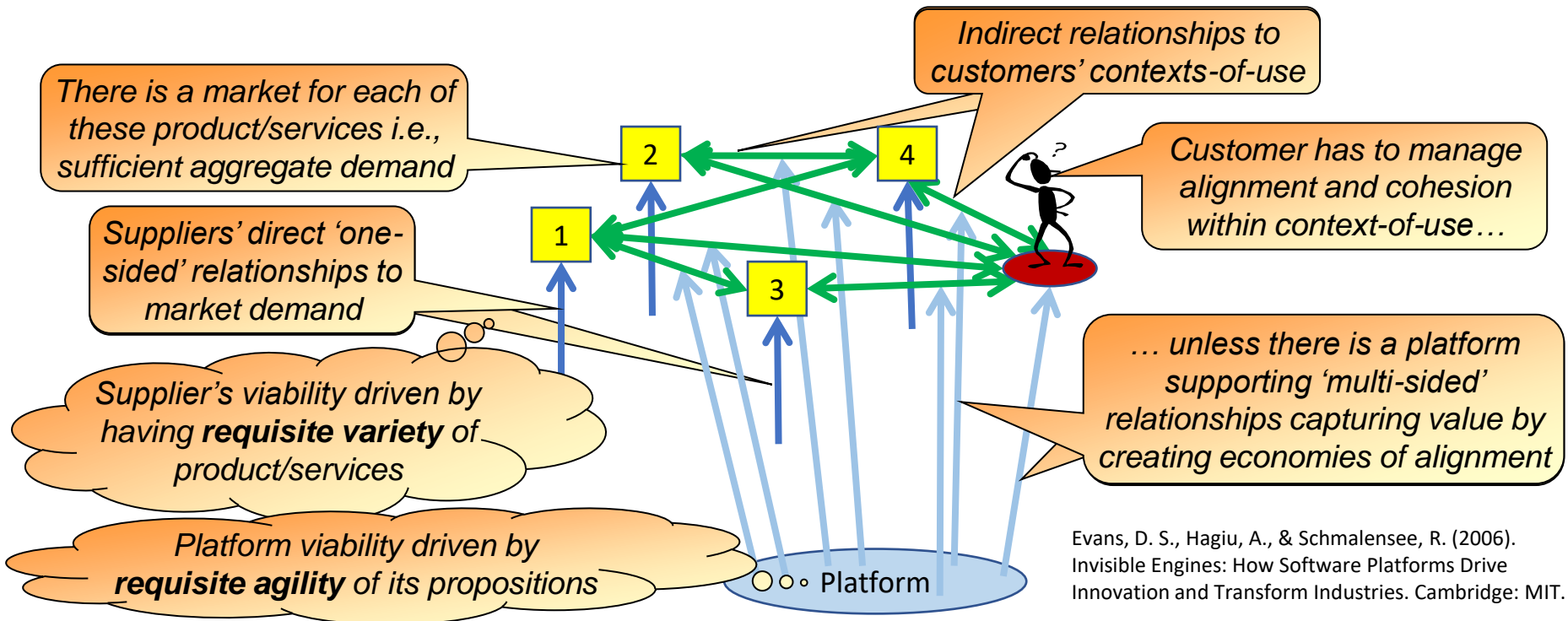
- In 'Platform Economies' you *integrate forward* to embed services into your customer's world.
 1. Serve your customers *one by one*, and learn to love their problems.
 2. Then learn suppliers' problems, and solve them, too.
 3. *Learn and rapidly adapt* to your customers' needs with a digital connection to customers and suppliers.

* Source: <https://go.forrester.com/blogs/platform-economy-myth-2-there-are-only-2-or-3-platform-business-models/>

Multi-sided demand and Requisite Agility:

capturing the value of indirect relationships to customer's context-of-use

- Multi-sided demand for a platform becomes viable when:
 - There is value in direct 'one-sided' supplier relationships with each market, but
 - There is greater value in supporting the indirect 'multi-sided' relationships with customers' contexts-of-use

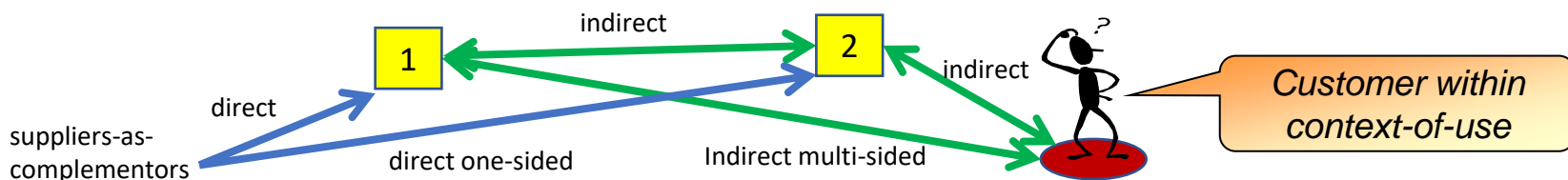


Evans, D. S., Hagiu, A., & Schmalensee, R. (2006). Invisible Engines: How Software Platforms Drive Innovation and Transform Industries. Cambridge: MIT.

Paying attention to the customer's context-of-use

Examples of Multi-sided demand

Suppliers need <i>requisite variety</i>		Value propositions need <i>requisite agility</i>	
Platform	Suppliers-as-complementors*	Customers within contexts-of-use*	Individual's Multi-sided demand
Credit Cards	Vendors	Card-holders	Transaction convenience
Smart Phones	Applications	Users	Personal organization
Sports Clubs	Teams, Services	Spectators	Family Social Event
Hospitals	Doctors, Services	Patients	Treatment for condition
Airports	Services, Airlines	Travelers	Personal travel
Live streaming	Content providers	Audiences	Personal viewing
C4ISTAR Network	Capabilities	Threat situations	Agile situational response
Microsoft	Developers	End-users	Personal computing

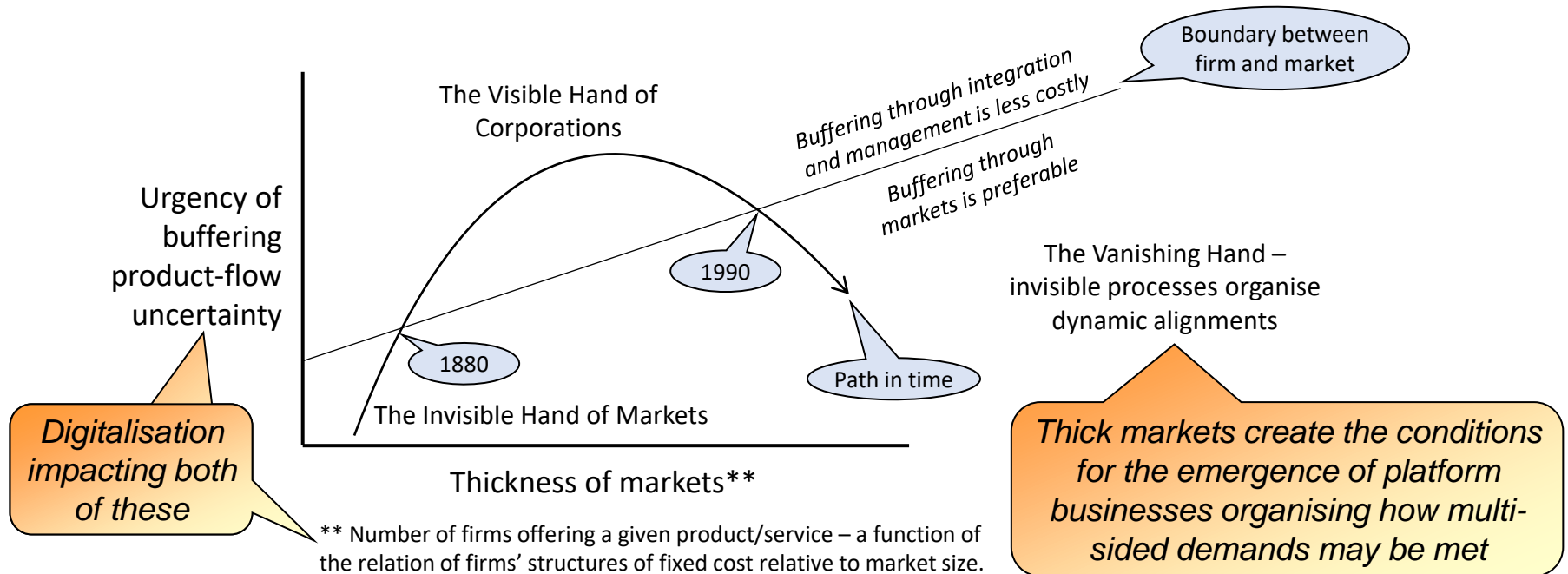


* Note that both Customers and Complementors are managerially and operationally independent

Source: Evans, D. S., Hagiu, A., & Schmalensee, R. (2006). *Invisible Engines: How Software Platforms Drive Innovation and Transform Industries*. Cambridge: MIT.

The new kinds of monopoly are based on the vanishing hand of corporations

- Vanishing hand organising multi-sided demands
 - multi-unit enterprises are an increasingly small part of a landscape that features a wide variety of market and network forms.
 - The potential for dynamic alignment depends on there being 'thick markets'*



From: Langlois, R. N. (2003). "The Vanishing Hand: the changing dynamics of industrial capitalism." Industrial and Corporate Change 12(2): 351-385.

* For more on economies of alignment as distinct from economies of scale and scope, see <http://www.asymmetricdesign.com/2006/10/creating-economies-of-alignment/>

What is changing?

Supply chains are increasingly driven from the 4th and 5th knowledge-based sectors providing alignment and cohesion

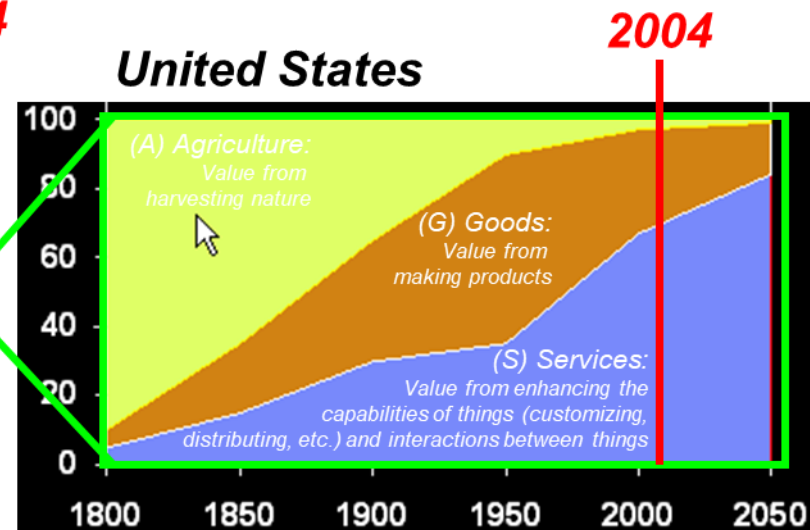
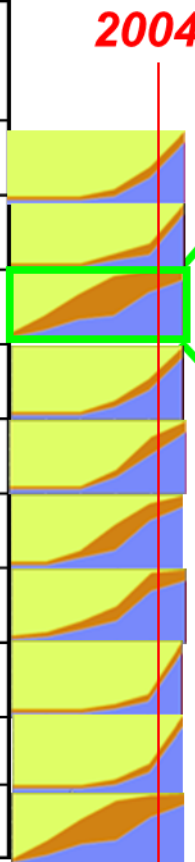
The world is becoming a 'service' system.

Top Ten Nations by Labor Force Size

(about 50% of world labor in just 10 nations)

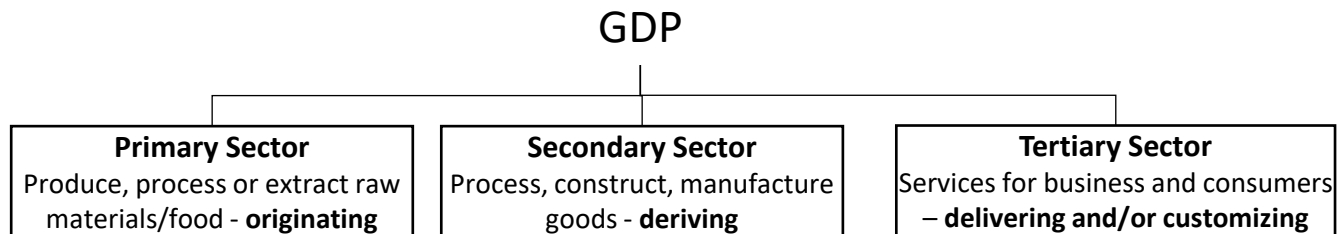
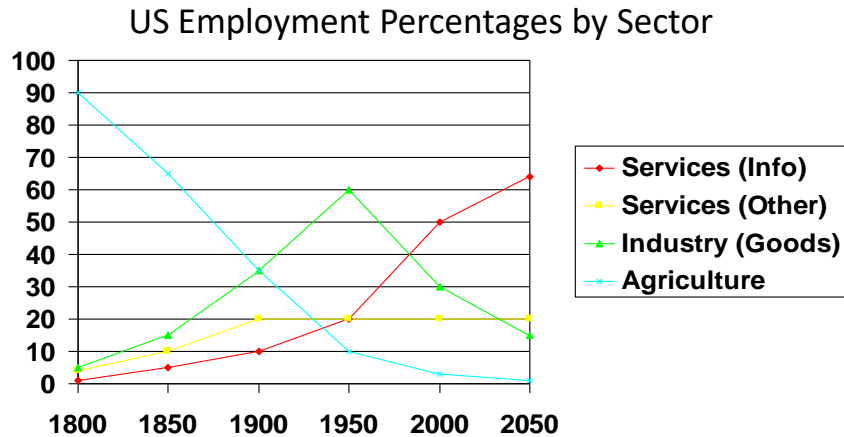
A = Agriculture, **G** = Goods, **S** = Services

Nation	% ww Labor	% A	% G	% S	25 yr % delta S
China	21.0	50	15	35	191
India	17.0	60	17	23	28
U.S.	4.8	3	27	70	21
Indonesia	3.9	45	16	39	35
Brazil	3.0	23	24	53	20
Russia	2.5	12	23	65	38
Japan	2.4	5	25	70	40
Nigeria	2.2	70	10	20	30
Banglad.	2.2	63	11	26	30
Germany	1.4	3	33	64	44



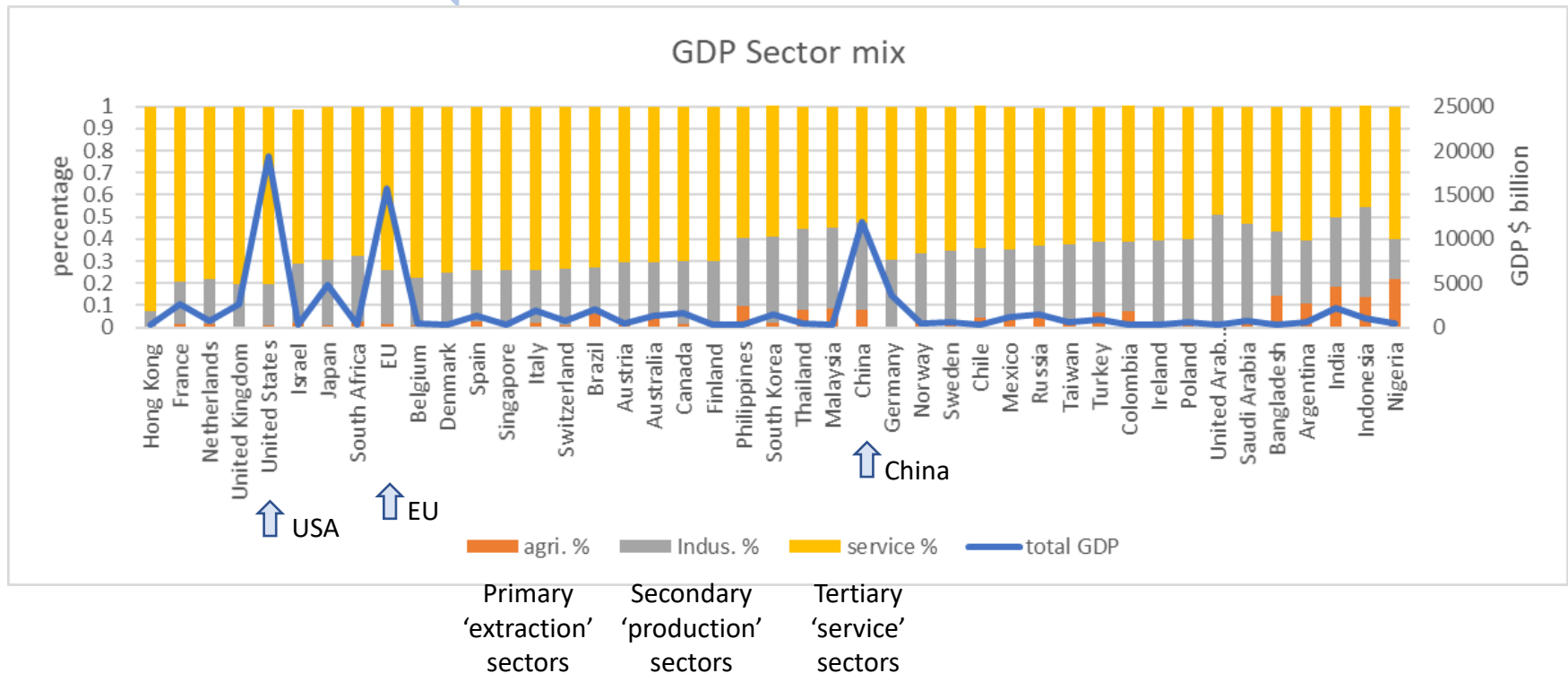
The largest labor force migration in human history is underway, driven by urbanization, global communications, low cost labor, business growth and technology innovation.

The shift into 'services'...



... but what does the shift in the economy towards 'services' mean for us?

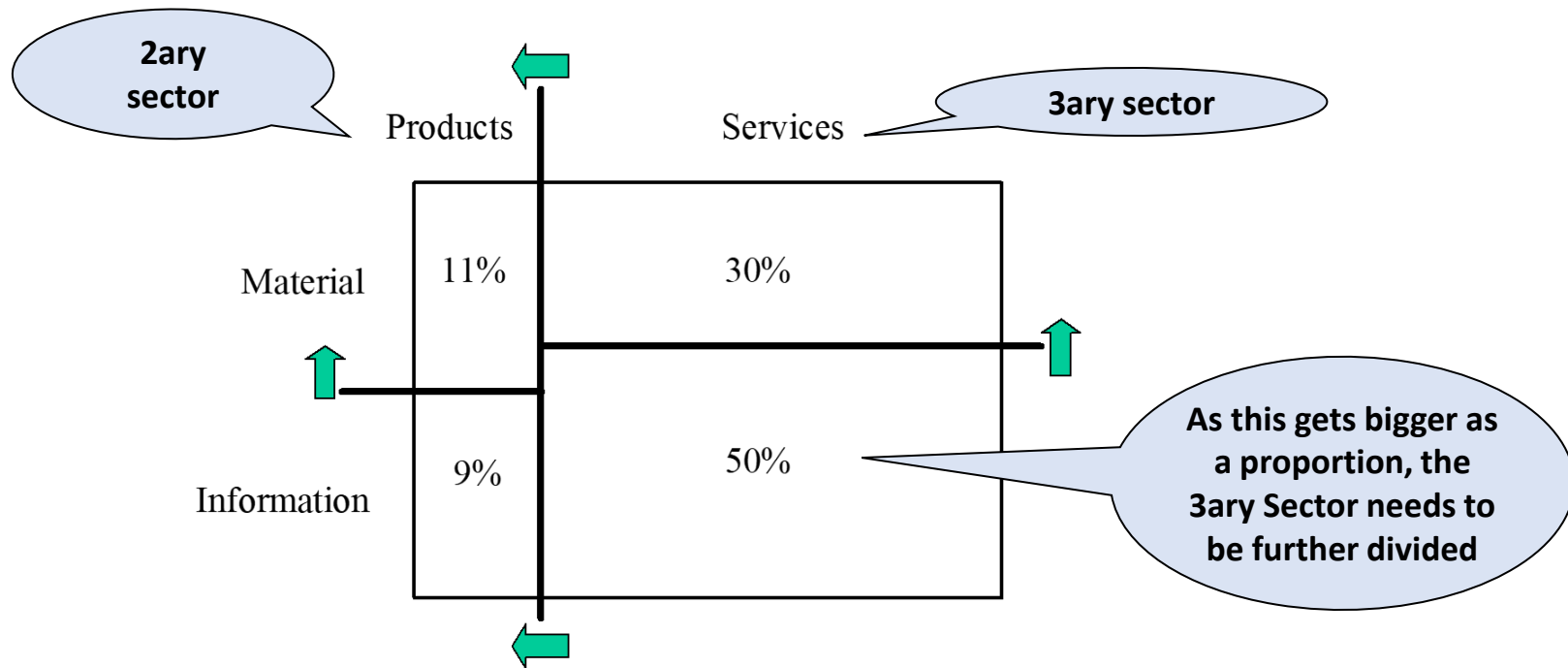
All moving in the direction of increasing 'services'



Estimations based on Porat, M. (1977) *Info Economy: Definitions and Measurement*,
Augmented with recent data and projections from <http://www.bls.gov/>

... and what is meant by 'services'?

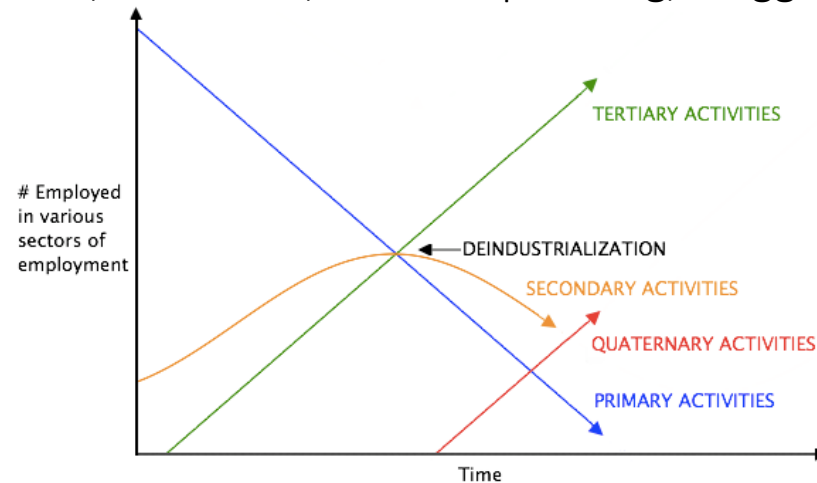
US GDP Today and in the Future



*From Uday Karmarkar: "Service industrialization in the global economy"
Also author of HBR article: "Will you survive the services revolution?"*

Quaternary Sector*

information technologies, media, research and development; and knowledge-based services like consultation, education, financial planning, blogging, and designing.



Colin Clark's sector model of an economy undergoing technological change. In later stages, the quaternary sector of the economy grows – shown in red.
[https://en.wikipedia.org/wiki/Colin_Clark_\(economist\)](https://en.wikipedia.org/wiki/Colin_Clark_(economist))

Service added to the way a product is able to be used by the customer

Sector of economy	Broad description of production activity	Examples			
Primary	Agriculture, Mining	Wheat	Graphite	Silicon	
Secondary	Manufacturing, Construction	Bread	Pencil	iPad	
Tertiary	Services (e.g. Transport, Retail, Sandwiches, Distribution, Security, Food, Accommodation)		Restaurants	Computer repair	
Quaternary	Knowledge production (e.g. Schooling, R&D, Media content)	Recipes	Schooling, Blueprints	Software coding, Blogging	

Paying attention to the nature of the client's particular situation *qua* context-of-use

* https://en.wikipedia.org/wiki/Quaternary_sector_of_the_economy

Quinary Sector*

* See https://en.wiktionary.org/wiki/quinary_sector

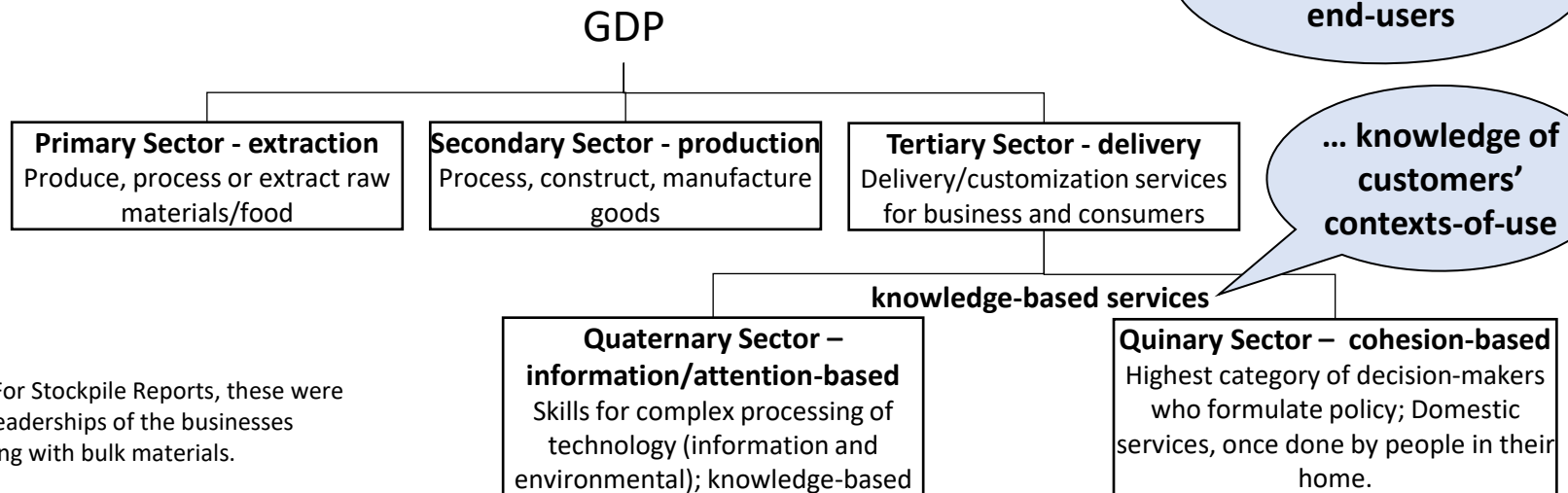
** See <https://www.thoughtco.com/sectors-of-the-economy-1435795>

At (vertical) tops of hierarchies

- Quinary sector represents *the highest category of decision makers* who formulate policy guidelines in Industry, Govt Departments, Science and Technology which have a profound impact on the economy.
- Some Australian studies include how household decision-makers bring activities together *once done by people in their home*, which are not normally included in economic activities and national income.**
- The linking concept in each case is decision-makers determining the forms of *cohesion* needed within their contexts-of-use***

At (horizontal) 'edges' relating to end-users

... knowledge of customers' contexts-of-use



*** For Stockpile Reports, these were the leaderships of the businesses dealing with bulk materials.

Looking within the 'services' sector: *what does a knowledge-based economy mean for us?*

• Industry Sectors:

1. Extraction
e.g. coal, farming
2. Production
e.g. cars, processed food
-
3. Delivery-based
e.g. supermarkets, home delivery, fast food
4. Information-based
e.g. tax advice, schooling, dog-walking
5. Cohesion-based
e.g. insurance recovery services, software design, hospice care, running a business, running a household

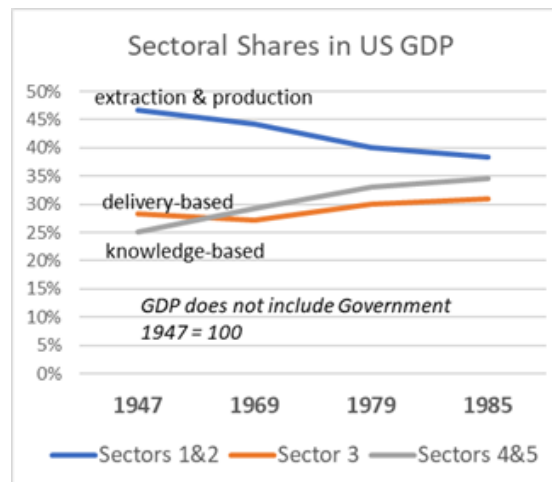
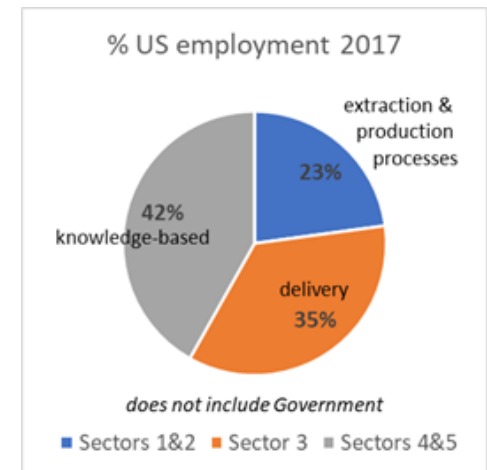
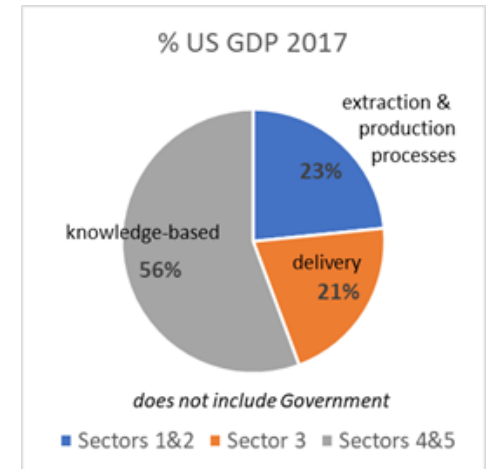
Tertiary
'service'
sectors



Based on supplier's
supply-side model

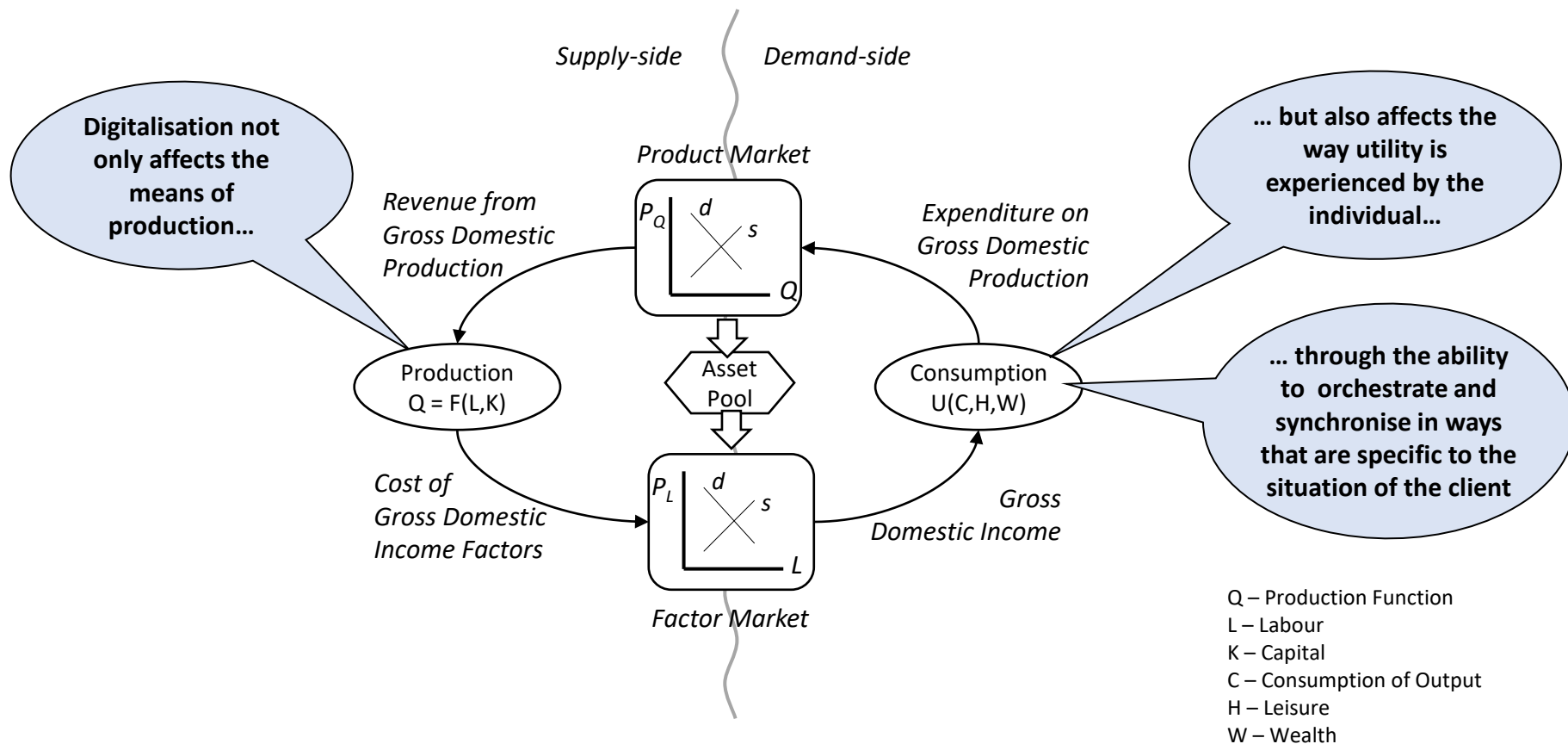
Based on knowledge
based on paying
attention to clients'
contexts-of-use

Cohesion is around the
ongoing/dynamic/evolving
situations of clients within
their contexts-of-use



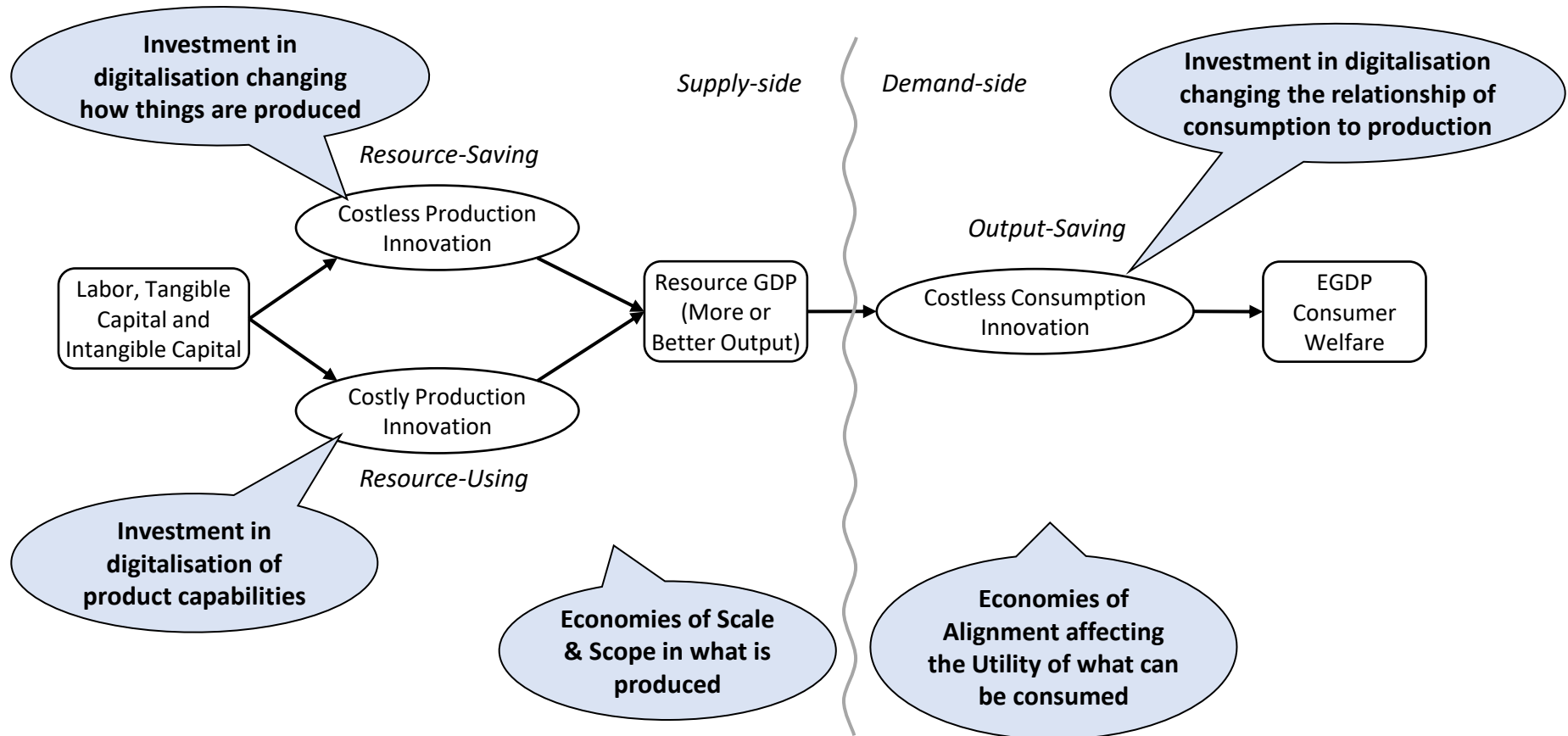
Existing measures of GDP are limited

... because by not taking account of the impact of digitalization on the demand-side, they understate both GDP and productivity



Source for diagram: HULTEN, C. R. & NAKAMURA, L. I. 2018. Accounting for Growth in the Age of the Internet: The Importance of Output-Saving Technical Change. <https://doi.org/10.21799/frbp.wp.2017.24>: Federal Reserve Bank of Philadelphia Research.

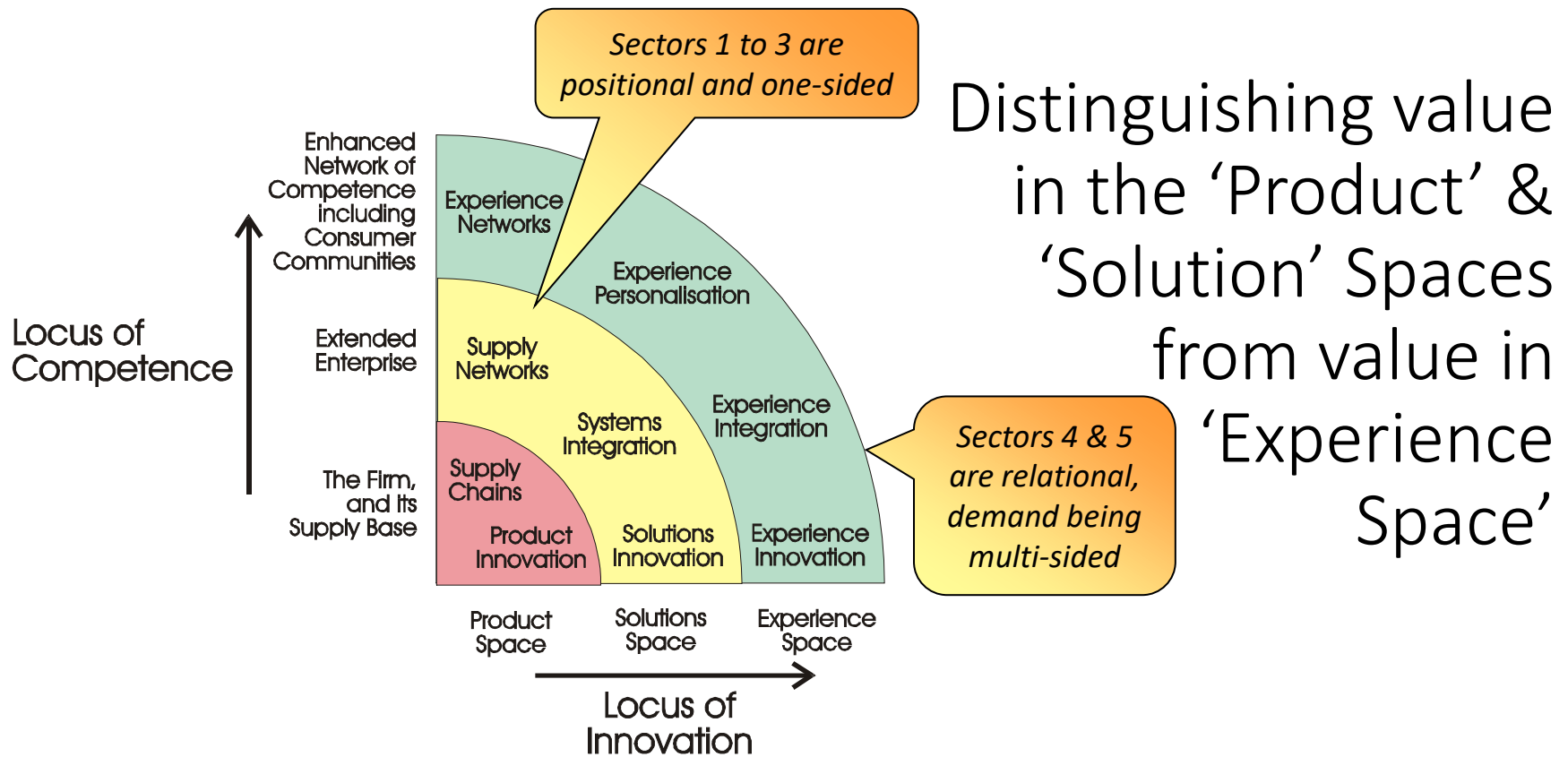
The knowledge-based economy requires that GDP be extended to include taking *utility* into account



Source for Diagram: HULTEN, C. R. & NAKAMURA, L. I. 2019. EXPANDED GDP FOR WELFARE MEASUREMENT IN THE 21ST CENTURY. <http://www.nber.org/papers/w26578>: NATIONAL BUREAU OF ECONOMIC RESEARCH.

The 4th and 5th sectors require us to think differently about how value is captured

Multi-sided demands involve paying attention to and understanding clients' contexts-of-use



	Innovation in Product & Solution Spaces	Innovation in Experience Space
Focus of Innovation	<ul style="list-style-type: none"> • Products and processes 	<ul style="list-style-type: none"> • Experience environments
Basis of Value	<ul style="list-style-type: none"> • Products and services 	<ul style="list-style-type: none"> • Co-creation experiences
View of Value Creation	<ul style="list-style-type: none"> • Supplier creates value • Supply-chain-centric fulfilment of products and services • Supply push and demand pull for firm's offerings 	<ul style="list-style-type: none"> • Value is co-created • Experience environments for individuals to co-construct experiences on contextual demand • Individual-centric co-creation of value
View of Technology	<ul style="list-style-type: none"> • Facilitator of features and functions • Technology and systems integration 	<ul style="list-style-type: none"> • Facilitator of experiences • Experience of integration
Focus of Supply Chains	<ul style="list-style-type: none"> • Supports fulfilment of products and services 	<ul style="list-style-type: none"> • Experience network supports co-construction of personalised experiences

Source: *The New Frontier of Experience Innovation*, Prahalad and Ramaswamy, MIT Summer 2003

Knowledge-based organizations need to behave differently.

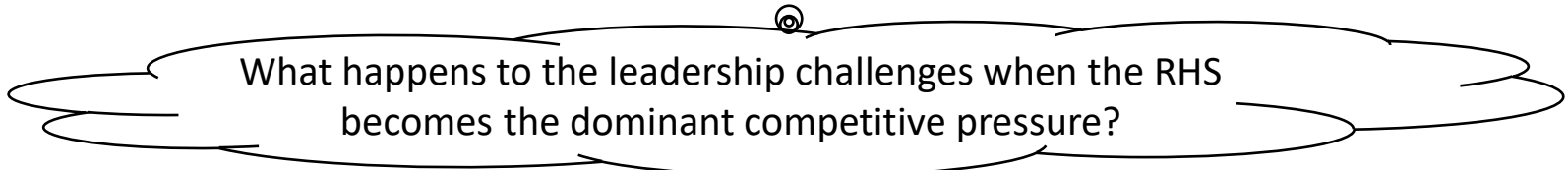
The shift challenges our existing models of value

Based on supplier's model of supply of product and/or service product

- 'operative' organizations with a *one-sided relation* to demand.
- the primary task of an organization is defined as the task that the organization "must perform if it is to survive".
- 'markets' are convenient constructs based on aggregations of demand that reflect suppliers' interests while ignoring demand-side complexity.

Based on ability to attend to the client's context-of-use and enable behaviors to cohere within it

- 'regulative' or 'referent' organizations relating to *demands as multi-sided*.
- concerned directly with the psychosocial ends of their member-clients.
- Edge-driven by the clients' situations one-by-one.
- open-systems models do not deal at all with the processes in these environments that are the determining conditions of exchanges.



What happens to the leadership challenges when the RHS becomes the dominant competitive pressure?

This creates a problem space in which a *double challenge* has to be held dynamically
value can no longer be defined wholly in supply-side terms

Demand Complexity

Physical
(product-
driven)

Situational
(solution-
driven)

Effects-based
(customer-
experience-
driven)

Do as much as possible for the client without jeopardising the sustainability of the enterprise

Multiple Enterprises
(containing multiple
task systems)

Single Enterprise
(containing multiple
task systems)

Single Task
System

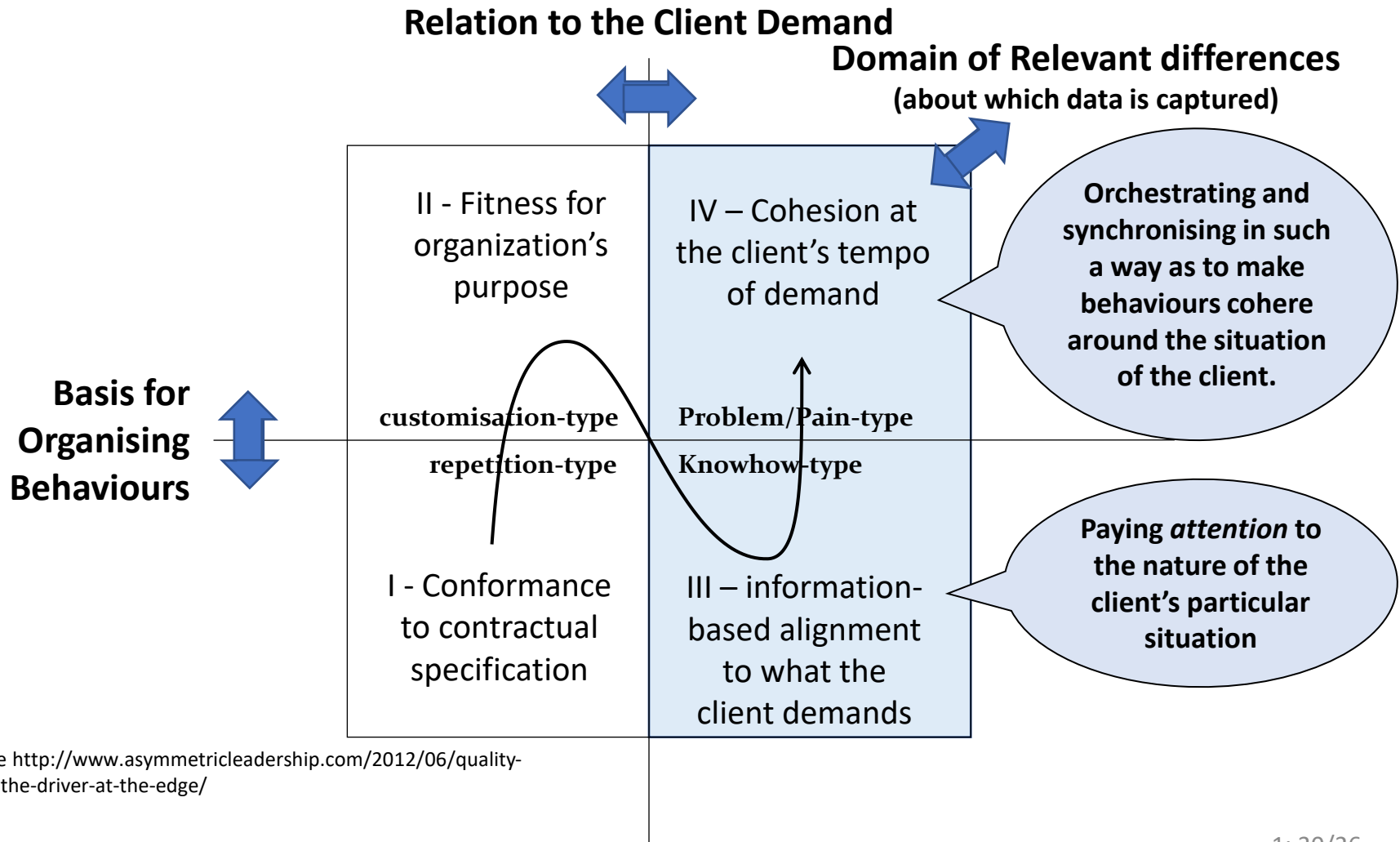
Supply Complexity

Do as much as possible for the stakeholders without jeopardising the relation to the client

The focus has to be
demand-side on the
ecosystem *per se*

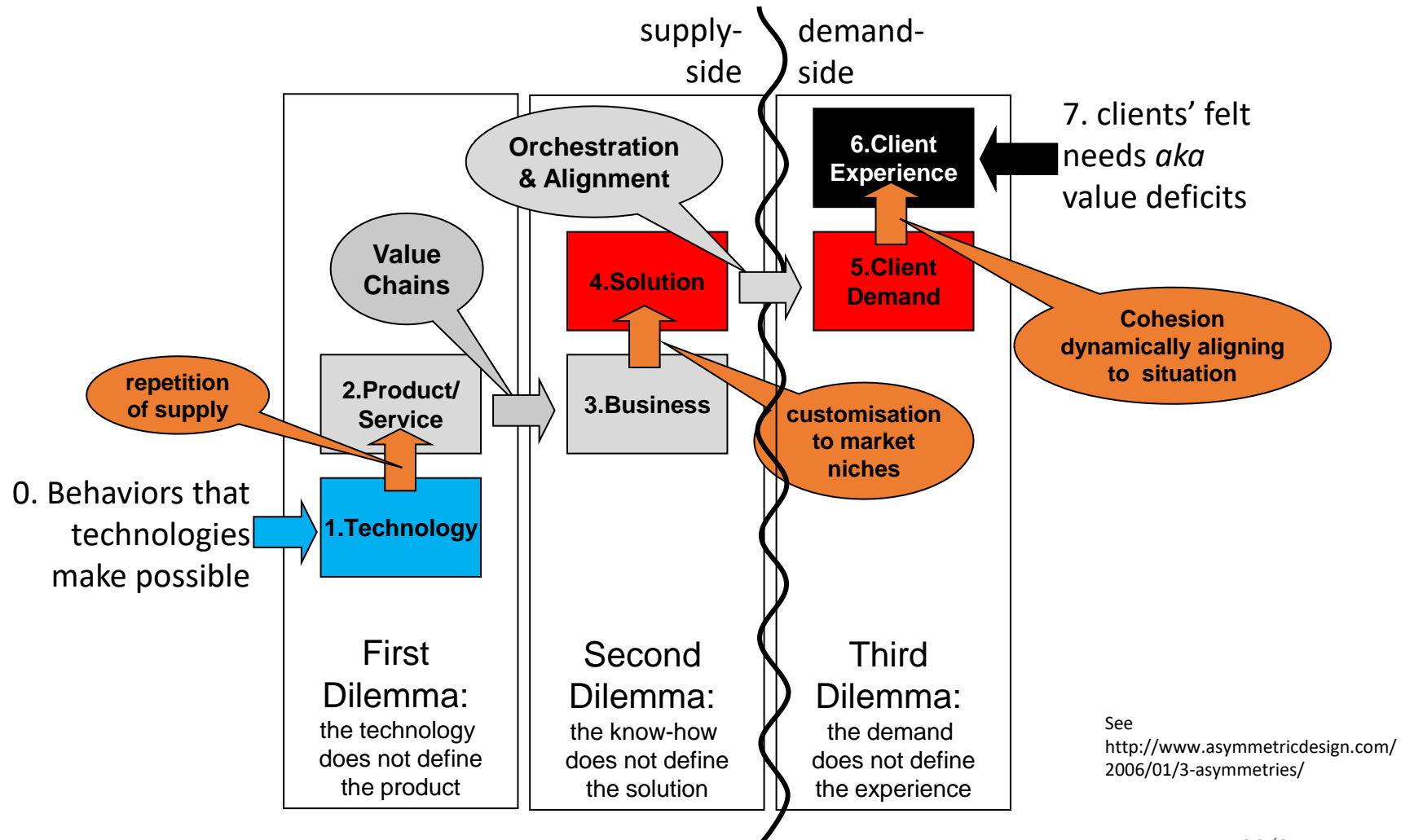
Demand-side
monopolies
emerge e.g.
Alphabet,
Facebook, Twitter,
Amazon etc

The knowledge-based approach to quality requires a demand-side approach to capturing value



See <http://www.asymmetricleadership.com/2012/06/quality-as-the-driver-at-the-edge/>

A demand-side approach to capturing value involves addressing *three* dilemmas...



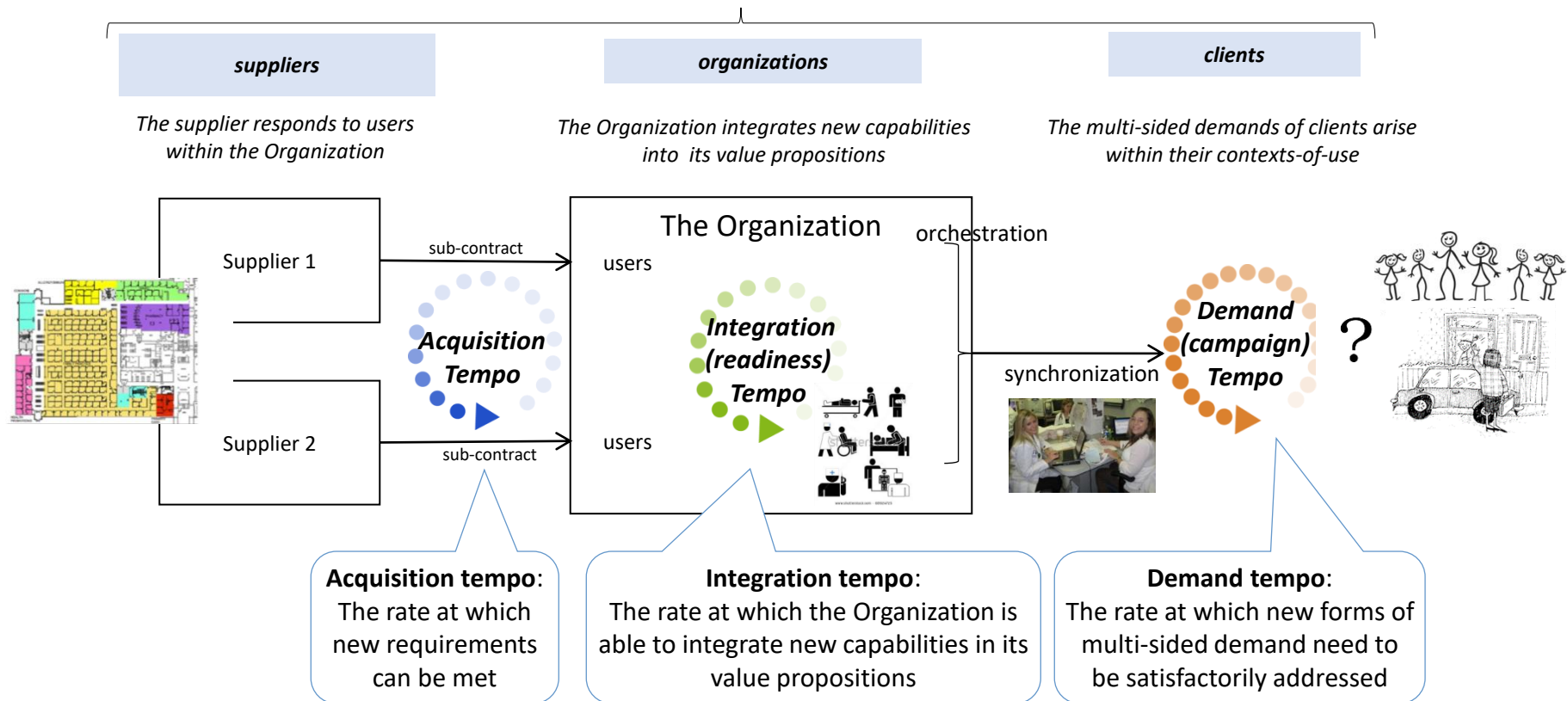
So how does this change the bases of competitive advantage?

The third dilemma, creating economies of alignment, involve taking power to the edges of the organisation

Understanding the clients' contexts-of-use becomes *necessary** when demand tempos begin to exceed integration tempos

* As distinct to by choice, for example when a doctor chooses to go beyond the call of duty for a patient.

healthcare ecosystem



See <http://www.asymmetricleadership.com/2012/10/tempo-entanglement-and-east-west-dominance/> and Boxer, P. J. (2012). The Architecture of Agility: Modeling the relation to Indirect Value within Ecosystems. Saarbrücken, Germany, Lambert Academic Publishing.

Competitive Advantage when demand tempo exceeds integration tempo

- The traditional approach to competitive advantage (following Porter) is based on *owning* something i.e. on establishing property rights.
- The new kinds of disruptive competitive strategy (viz Christenson et al*) reframe and extend this thinking in terms of creating *asymmetric* advantage.
- The reframe is that asymmetric advantage is based on *knowing* something that competitors or customers don't know that creates value for clients.
- The extension is that there are then three kinds of asymmetric advantage, the first two of which can be expressed in terms of property rights:
 1. uses-of-technology know-how,
 2. customisation-of-business-process know-how, and
 3. embedding-in-customer-context-of-use know-how.
- The third kind of asymmetric advantage depends on knowing something that competitors don't know about the client's demand situation.
- This depends on the client relationship because of the nature of *demand asymmetry*.

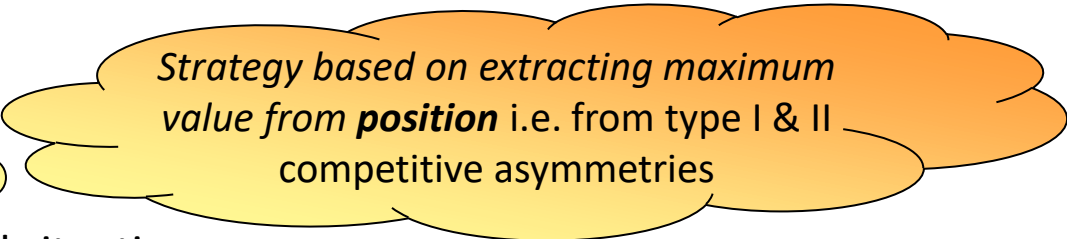
* Christensen, C.M., Johnson, M.W. and Rigby, D.K. (2002) 'Foundations for Growth: how to identify and build disruptive new businesses', MIT Sloan Management Review, Spring

The third dilemma and Demand Asymmetries

- Symmetric Demand

- Those aspects of a demand situation

- that can be abstracted and generalised across different contexts-of-use (i.e. can be known independently of any particular client situation), and
 - that are treated as symmetric with competing supply-side capabilities enabling a one-sided relation to demand

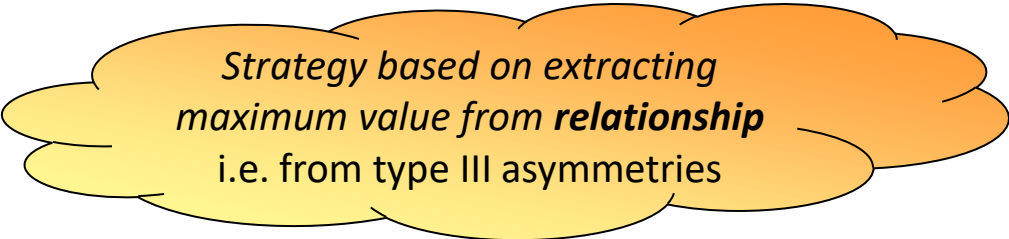


*Strategy based on extracting maximum value from **position** i.e. from type I & II competitive asymmetries*

- Asymmetric Demand

- Those aspects of a demand situation


- that are particular to the context-of-use (i.e. cannot be abstracted and generalised across client situations), and
 - that are expected to be asymmetric with any given supply-side capability since demand is always assumed to be multi-sided



*Strategy based on extracting maximum value from **relationship** i.e. from type III asymmetries*

The 21st Century challenge

Technology now makes it possible to demand that products and solutions be customized, personalized, unique and distinctive to ourselves within our context. Bobbitt, P. 2002. The Shield of Achilles: War, Peace and the Course of History (Allen Lane: London).



The dominant source of threat shifts from competitors to client relationships

- Asymmetric demand
 - that demand which is specific to the client's particular circumstances and context-of-use. This may include tacit or latent demand that the client is not yet able to articulate.
- Value Deficit
 - the gap between the experience provided by the supplier in response to the client's demand and what remains unsatisfied, regardless of whether or not it has been articulated as a demand.
- Power to the edge*
 - enabling people who directly experience a client's demand to be able to organise forms of collaboration appropriate to the particular nature of the demand. The assumption is that the organisation faces many such forms of demand, and that power-to-the-edge therefore involves distributed collaboration in order to be able to respond to those demands one-by-one.



..needs requisite agility at the edges

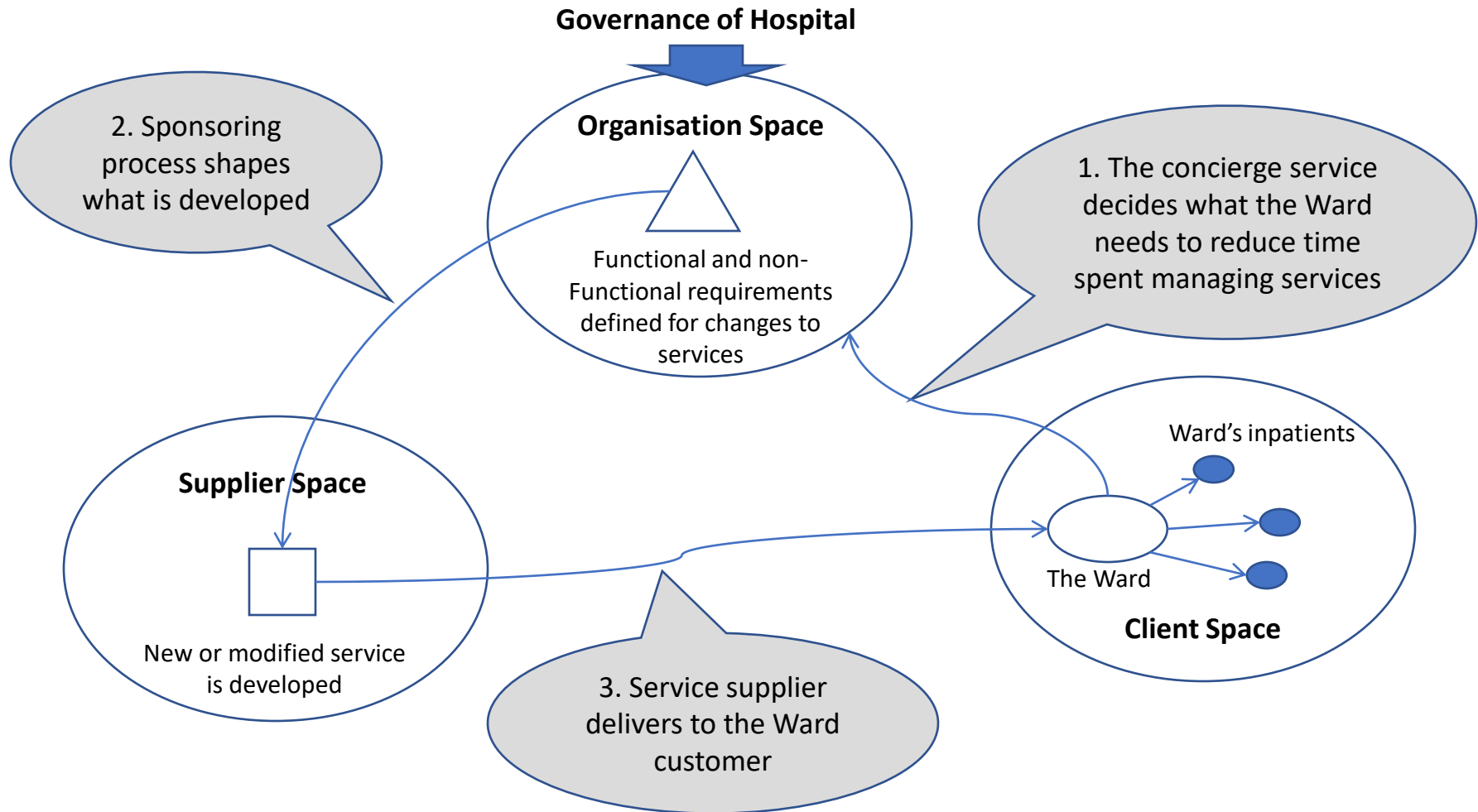
* *Power to the Edge: Command and Control in the Information Age. Alberts & Hayes 2003*

Competitive Advantage expressed in terms of knowledge-based asymmetries

- A particular form of competitive advantage flows from each of these three kinds of asymmetry:
 1. Superior know-how about uses-of-technology generates **economies of scale**:
 - we can produce things more economically than our competitors
 2. Superior know-how about customisation-of-business-processes generates **economies of scope**:
 - we can deliver our products and services in ways that fit your particular requirements
 3. Superior know-how about embedding-in-customer-context-of-use generates **economies of alignment**:
 - we can orchestrate and synchronise products and services in ways that cohere dynamically through the life of your evolving needs.
- This requires a fundamentally different approach...
- These forms of competitive advantage are not mutually exclusive
 - The issue is to know which form of advantage is dominant

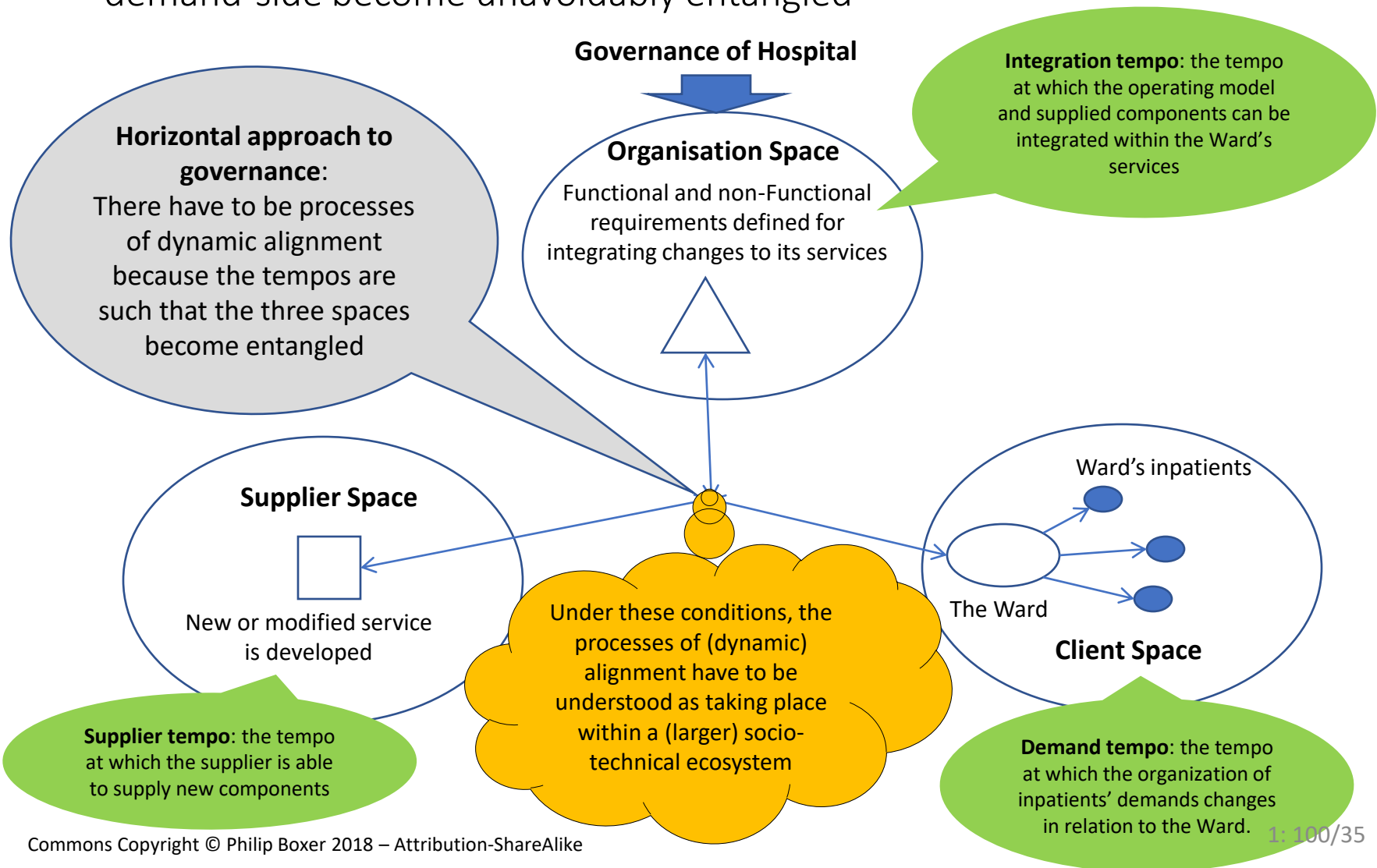
'Design-time' and 'Run-time'₁

When demand tempo is slow enough, the supply-side and the demand-side can be dis-entangled:

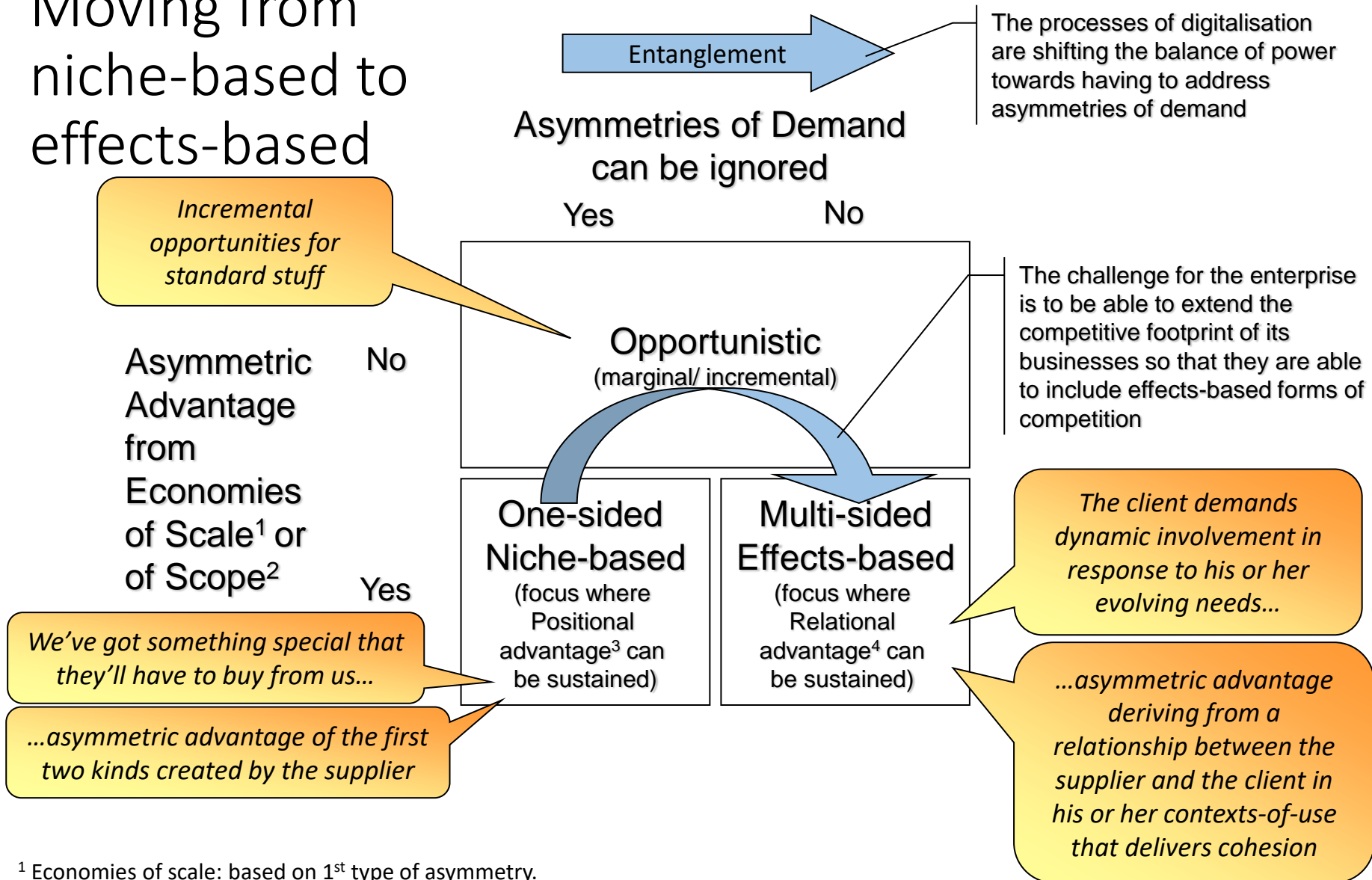


'Design-time' and 'Run-time'₂

Once demand tempo exceeds integration tempo, the supply-side and demand-side become unavoidably entangled



Moving from niche-based to effects-based



¹ Economies of scale: based on 1st type of asymmetry.

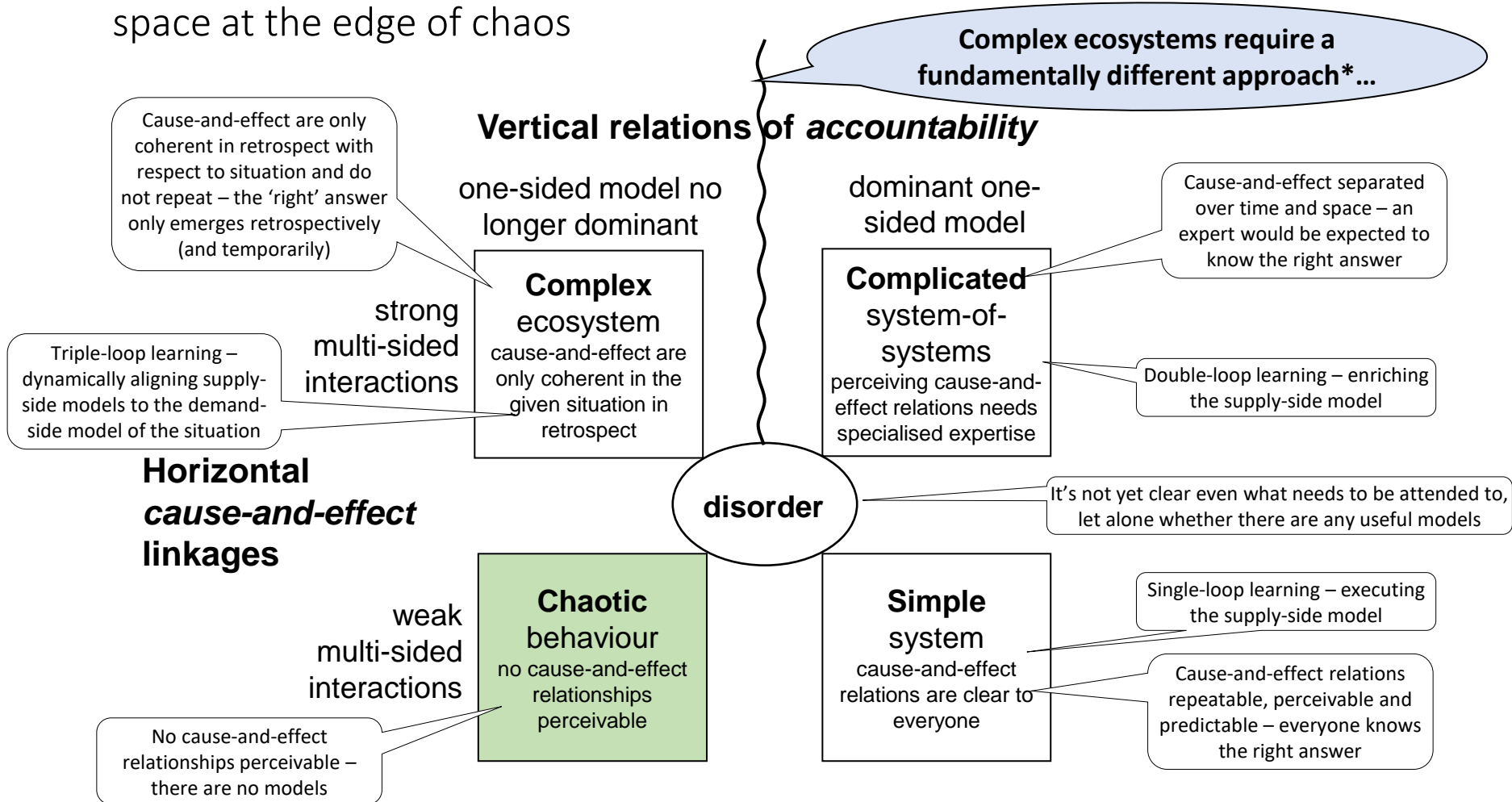
² Economies of scope: based on the 2nd type of asymmetry.

³ Positional: do as much as you can for the business without jeopardising the relationship with the customer.

⁴ Relational: do as much as you can for the client without jeopardising the sustainability of the business.

Taking power to the edge

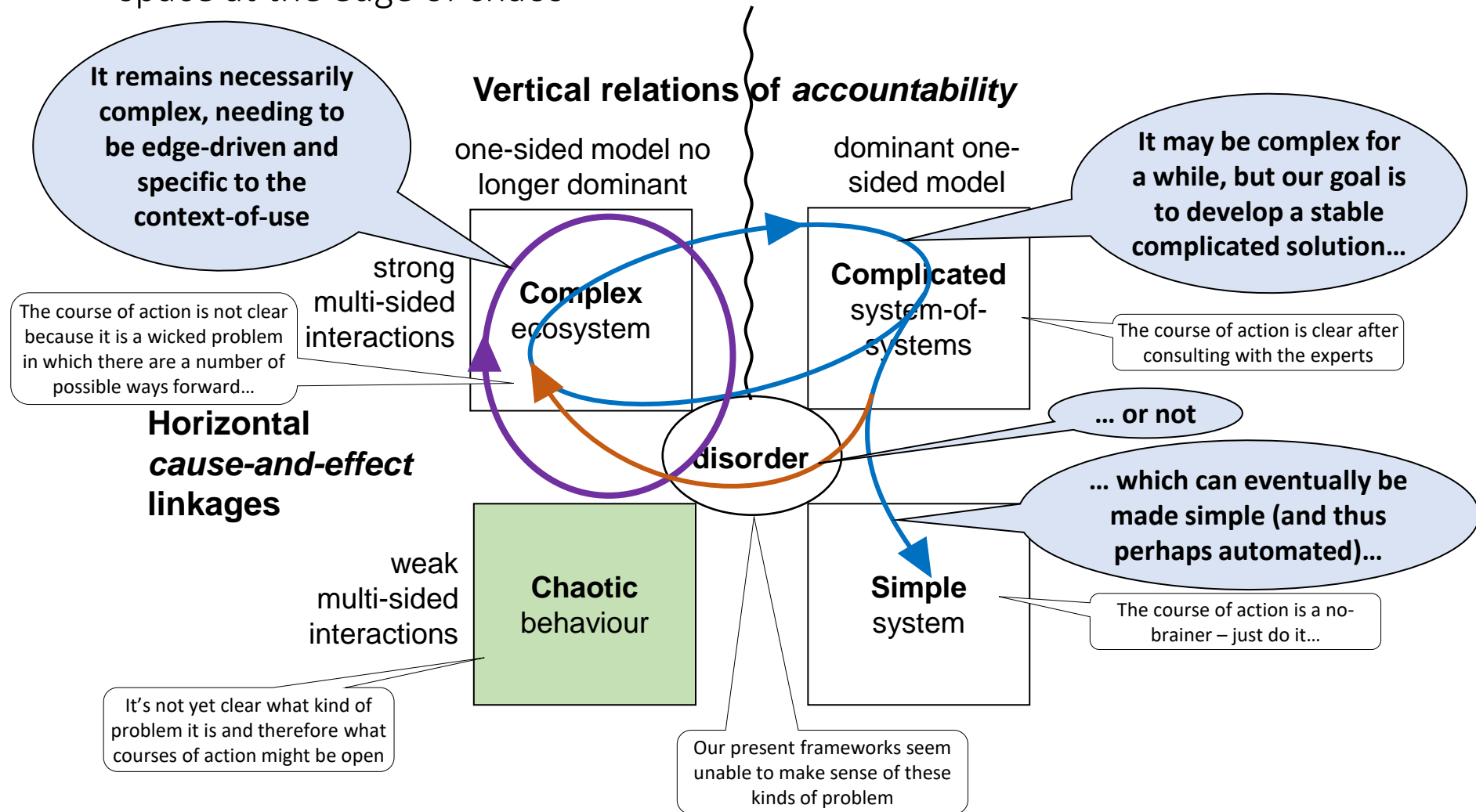
Strengthening horizontal linkages pushes organizations into the 'complex' space at the edge of chaos



* Insisting on a one-sided model within a complex ecosystem leads to maladaptation. See Baburoglu, Oguz N. 1988. 'The Vortical Environment: The Fifth in the Emery-Trist Levels of Organizational Environments', Human Relation

Taking power to the edge

Strengthening horizontal linkages pushes organizations into the 'complex' space at the edge of chaos



What consequences follow from not dealing with accelerating demand tempos?

Who gets to suffer from the effects of maladaptation?

Given the effects of digitalisation...

- The effects of digitalization are engendering new kinds of challenge in how an organization works as the tempo of demand accelerates:
 - Don't just ask what your organization can do for its employees, or even what an employee can do for the organization.
 - Ask instead what the employee *and* the organization can do for the organization's clients...
- *Organizations have to be able to support multiple primary tasks as the nature and tempo of clients' demands for value diverge and accelerate.*

... defending against these effects creates toxicity in the lives of citizen-cleints...

- The corporate entities that have benefited from you-can-do-what-you-choose ideologies offering *one-sided* 'market choices' are in long-term decline
 - With diminishing gains from globalized outsourcing, and
 - technology-fueled de-layering of management.
- "Business increasingly has been viewed as a major cause of social, environmental, and economic problems. Companies are widely perceived to be *prospering at the expense of the broader community.*" (Porter 2011)
 - ... by their ability to externalize costs
- The resultant *long-term stagnation* in average incomes in the West has fed growing political outrage and resentment of growing inequities
 - even while digitalization has steadily increased the potential power of suppliers to create greater alignment to the needs of citizen-clients.
- This long-term stagnation reflects the *one-sidedness* of ***defensive organizational 'cultures'***
 - It is accompanied by intensifying *political polarization, institutionalized racism, discriminatory behaviors* towards women and minorities.

Porter, M. E. and M. R. Kramer (2011). "Creating Shared Value: How to reinvent capitalism - and unleash a wave of innovation and growth." Harvard Business Review(January-February): 2-17.

... which is eventually toxic for the enterprise

“It used to be that the auto industry, and the car itself, were part of a self-contained ecosystem. If there were breakthroughs, they were developed within the industry ... that’s all been turned on its head; we now have disruption coming from every angle, from the potential ways we fuel our vehicles to the ownership mode. We have a whole generation that just wants access to vehicles as opposed to ownership ... the reality is that we will not own, or develop, most of the connectivity technologies involved. So we have to be a thoughtful integrator of other people’s technologies and understand where we add value.” *

- The dilemma faced by Ford is between
 - *‘developing our own technologies’* (i.e. going it alone); and
 - *‘integrating other people’s technologies’* (i.e. collaborating),except that Bill Ford is arguing that the former approach will no longer work.
- A version of this dilemma experienced by a Ford manager would be between
 - *‘if I develop our own technology I know I’ll have a job, but it won’t be so good for the enterprise’*; and
 - *‘if I use that technology I’ll be working myself out of a job’*.
- The manager considers other people’s technologies to be toxic to his job, but the point made in the interview is that such thinking is toxic to the survival of Ford.

* Kaas, H.-W. and T. Fleming (2014). "Bill Ford charts a course for the future." McKinsey Quarterly October.

The defences against letting go of a one-sided approach give rise to maladaptation

- Polarisation

- *in-group/out-group dynamics.*
- The tendency at the group level is autonomy, exemplified in each group's striving to become *more distinct and independent from others.*
- The tendency at the individual level is a need to belong to a larger whole, satisfied through the *strong affiliation with an in-group.*

... blame the 'other'

- Monothematic dogmatism

- depth is captured once and for all. It is a superficial satisfaction of the need for *overriding values* to guide behavior in turbulent environments.
- Hence, *dogma becomes the normative base* for distinguishing right from wrong, good from bad, goals from noxiants.

... turn a blind eye towards the 'other'

- Stalemate

- the *suffocation or frustration* of progress, movement, growth, or development for the whole system.
- It involves an *inability* to articulate, design, and, in particular, pursue sometimes even the most mechanical ends of the whole system.
- There seems to be an *obsessive concern with means at almost complete expense to ends*, so much so that stalemated social systems come as close to being purposeless as can be expected from a social system

... focusing on outcomes for the 'other' is irrelevant

See Baburoglu, O. N. (1988). "The Vortical Environment: The Fifth in the Emery-Trist Levels of Organizational Environments." *Human Relations* 41(3): 181-210.

Maladaptation doesn't have to be bad

It depends on the way the organisation is being *used*...

Q1: What kinds of support-to-certainties do roles offer?

• Three questions:

Q2: How do individuals take up their valency for roles?

What drives me is the sense that I am missing something important

Having to mind the gaps

What drives me is knowing that I have *my* way of making sense

What drives me is the sense I am making of what is going on

<i>Perceptual certainties:</i> based on an emotional tie to an other (‘I want to be you’)	<i>Thought certainties:</i> with a way of being in life (‘I want to learn how to be like you’)	<i>Affective certainties:</i> with a way of being in relation to a situation (‘I’m with you on this’)
What you want is what I want I’ll follow you	What do I need to add? Just tell me	What really <u>matters</u> here? disrupt/innovate
I am <u>good</u> at what I do	I <u>can</u> only be me	I will do it <u>my</u> way monothematic dogmatism
I know who I am	I <u>know</u> what is right	It feels true so it <u>is</u> true polarizing social (media) bubbles

Sovereign one-sidedness: process determines outcome

Having to deal with the particular situation

Institutional maladaptation becomes toxic for the world that citizens share when society *needs* organisations to be working in the top-right space.

Individual maladaptation can become toxic for the organisation anywhere in this space.

Q3: What kinds of demand are being placed on the organisation?

Supply Complexity

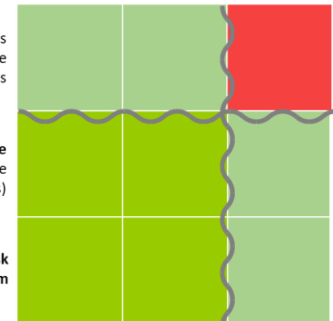
Demand Complexity

Physical (product-driven) Situational (solution-driven) Effects-based (customer-experience-driven)

Multiple Enterprises (containing multiple task systems)

Single Enterprise (containing multiple task systems)

Single Task System



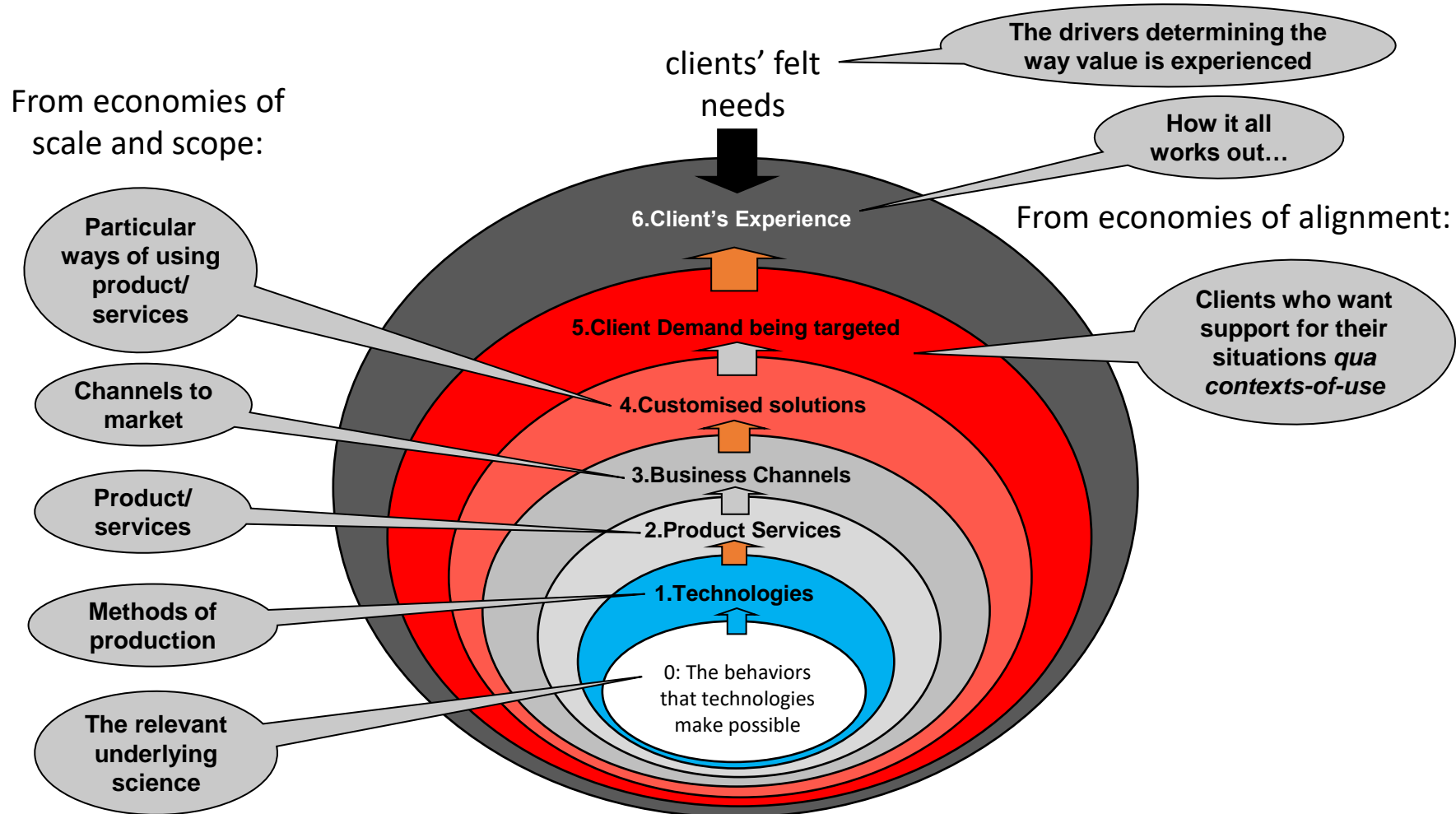
* For more on these three kinds of certainty, see Boxer, P. J. (2011). The Twitter Revolution: how the internet has changed us. Psychoanalytic Reflections on a Changing World. H. Brunning. London, Karnac.; and Boxer, P. J. (2013). "Managing the Risks of Social Disruption: What Can We Learn from the Impact of Social Networking Software?" Socioanalysis 15: 32-44.

** For more on these different ways of taking up being driven, see Miller, J.-A. (2000). "Paradigms of Jouissance." Lacanian Ink 17: 8-47.

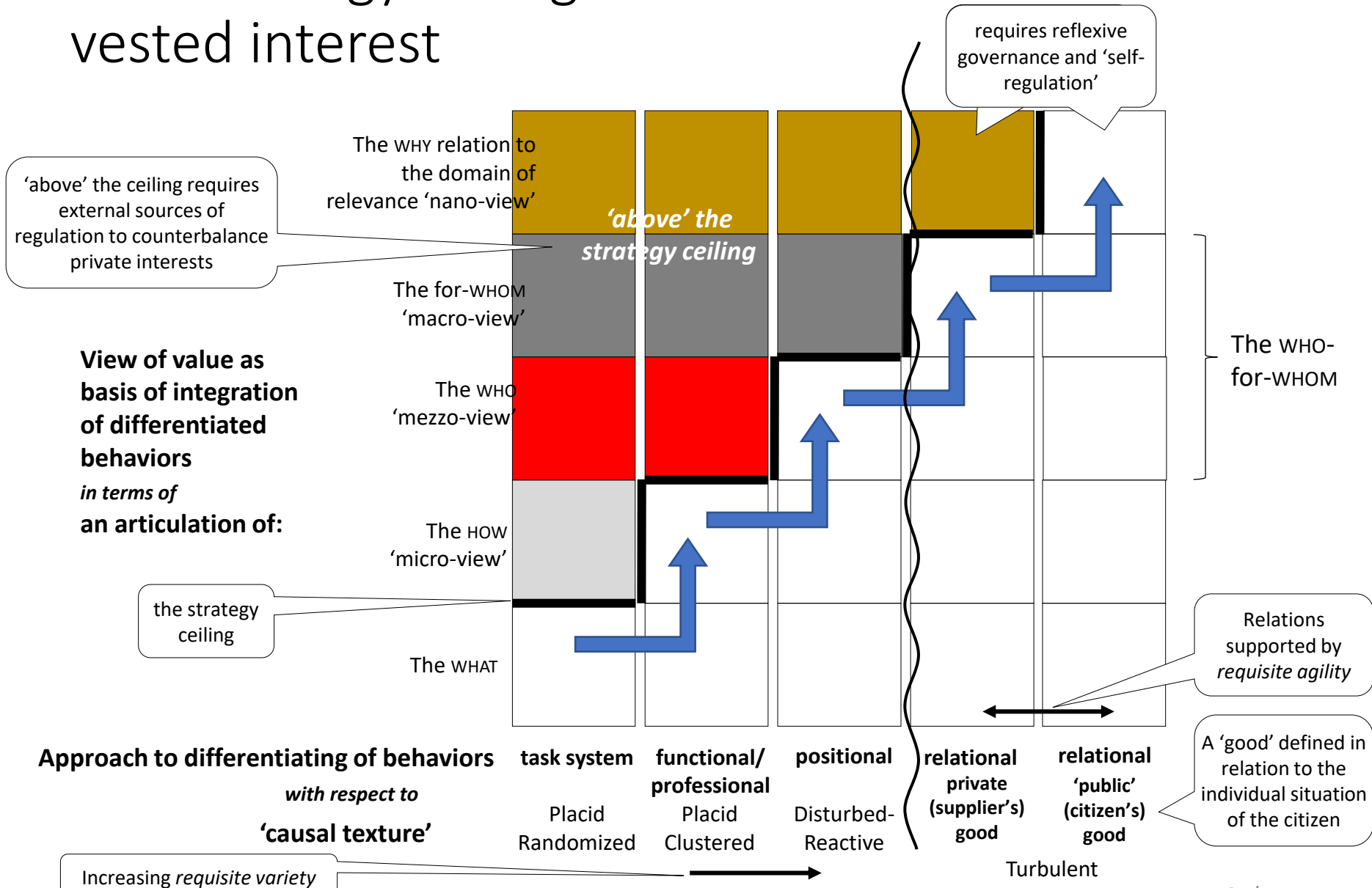
Challenging maladaptation

Where is the strategy ceiling currently and why move it?

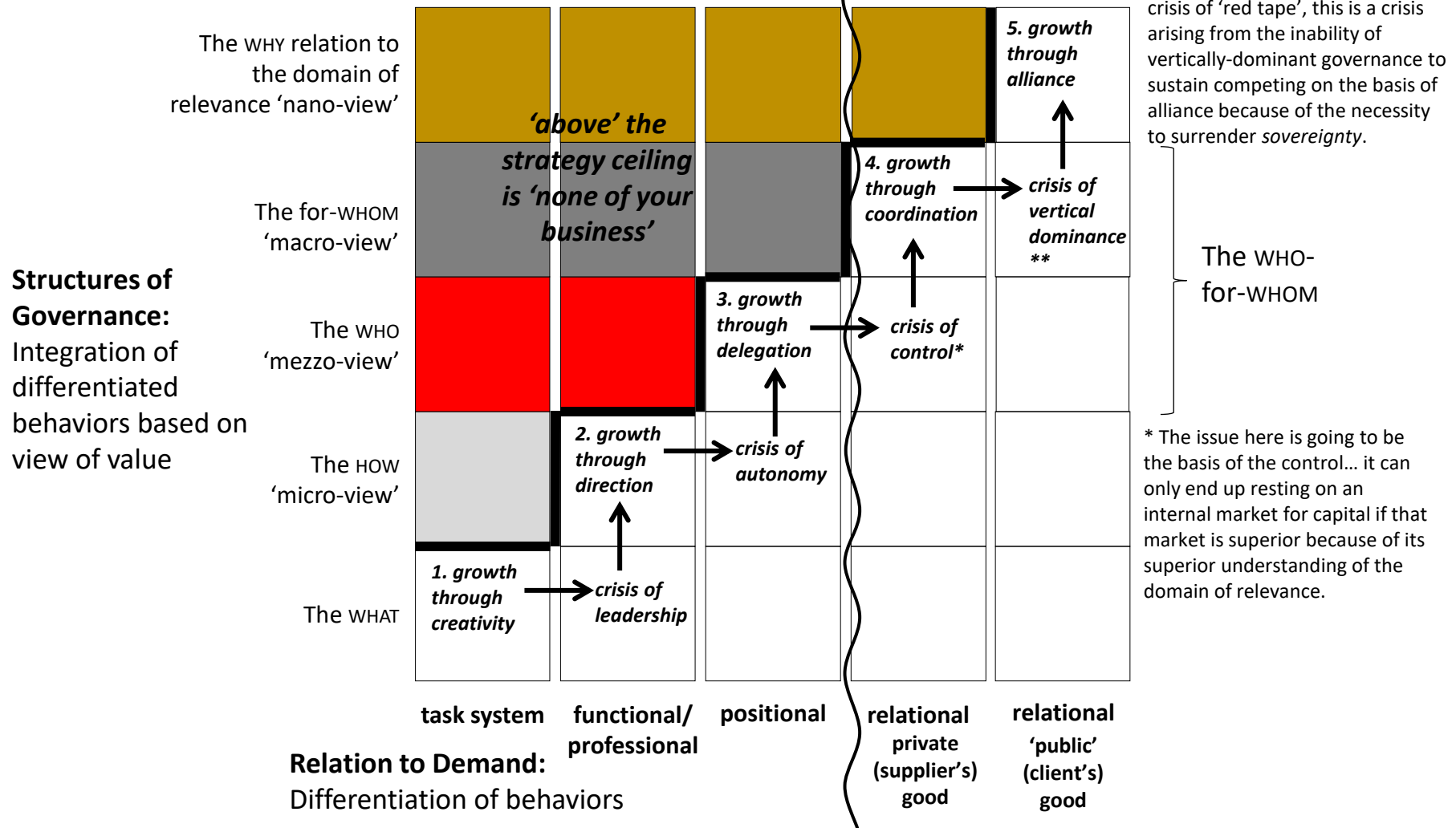
Addressing all three asymmetries means understanding how each layer captures value



Each strategy ceiling serves different kinds of vested interest



Lifting the ceiling depends on facing crises of governance that challenge existing certainties



Greiner, L. E. (1972). "Evolution and Revolution as Organizations Grow." Harvard Business Review 50(4): 37-46.

Climbing the Value Stairs*

1st, 2nd and 3rd orders of alignment

3rd order alignment: optimization of effort across organization as a whole within larger ecosystem through (e.g.) design choices; coordination & information exchange.

Only needs-based is driven by demand-side individual customer/client differences

Processes of Integration
(determining levels at which there is alignment)

2nd order alignment: when activities/functions are mutually reinforcing

1st order alignment: Simple consistency between each activity/function and the overall strategy

Commercial Architectures

Implementation Architectures

Technical Architectures

Based on:

variety of
product/
service

providing
channels
of access

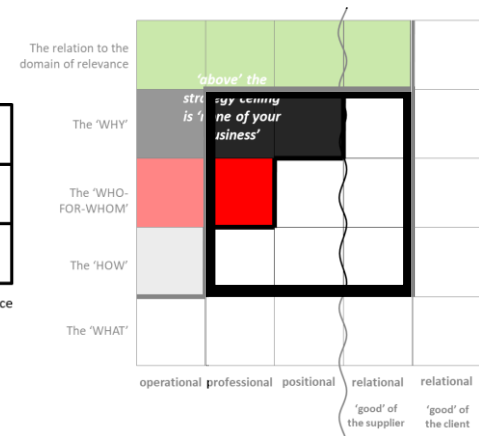
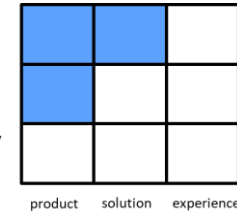
customer/
client
needs

Competitive Response
(by which competitive advantage is created)

Support Economy
(optimization of effort)

Market Economy
(mutual reinforcement)

Command Economy
(functional consistency)



* Assuming underlying task system excellence at the WHAT level. See Porter, M.E., *What is strategy?*, in *On Competition*. 1998, Harvard Business School Press: Boston. p. 39-73.

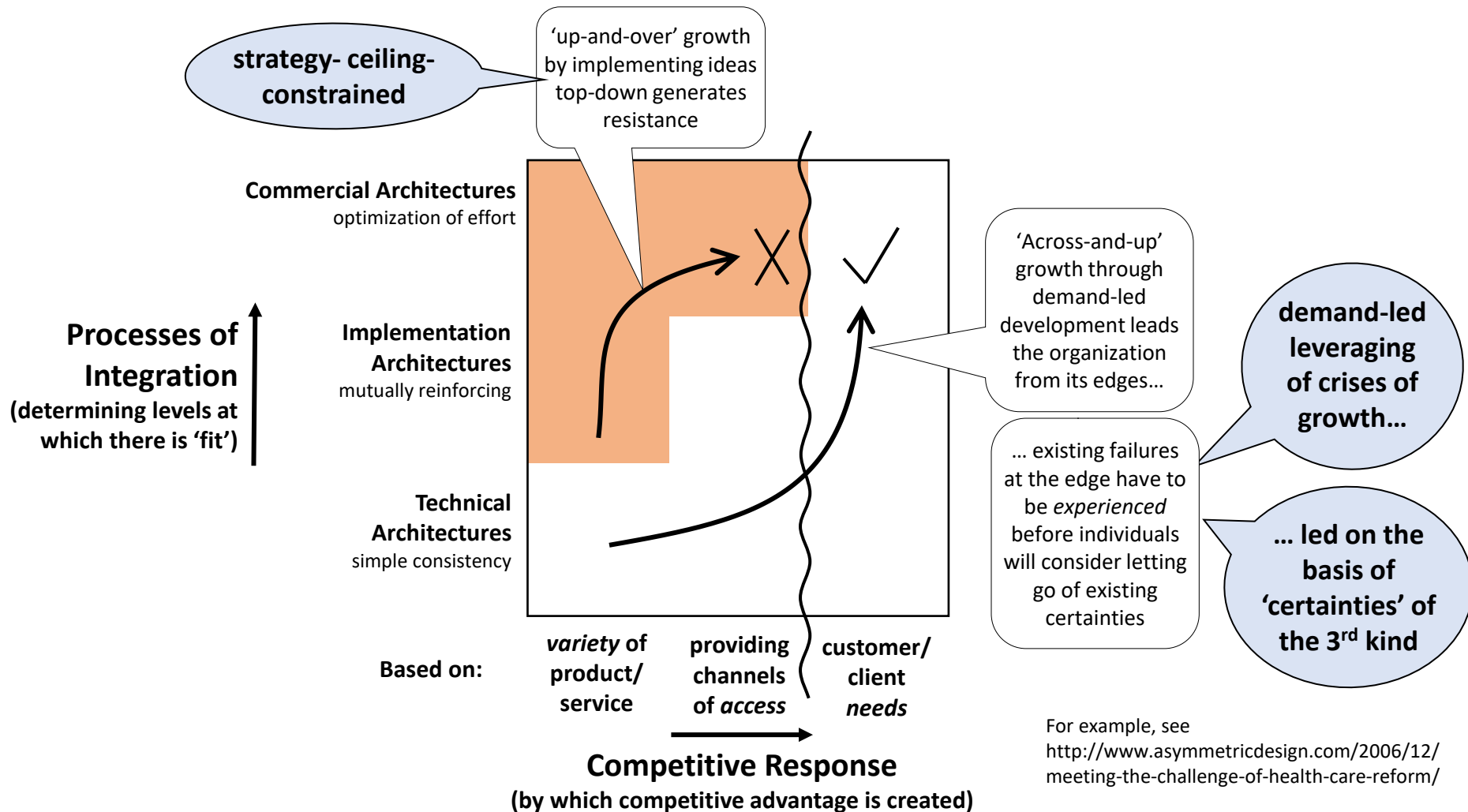
Adapted from SoS Practice Governance & Acquisition Team. (July 2009). *Organizational Implications of Systems of Systems*. Pittsburgh: SEI.

'Support Enterprise' from Zuboff, S., & Maxmin, J. (2002). *The Support Economy: Why Corporations are Failing Individuals and the Next Episode of Capitalism*. New York: Viking.

Functional Consistency, Mutual Reinforcement and Optimization of Effort from : "What is strategy?" by Michael Porter. Harvard Business Review Nov-Dec 1996. in Porter, M.E. (1998) *On Competition*, Harvard Business School Press pp 39-73

Product, Solution and Experience-based from: Prahalad, C. K. & Ramaswamy, Venkatram. "The New Frontier of Experience Innovation." *MITSloan Management Review* 44, 4 (Summer 2003): 12-18.

A different approach is needed: 'across-and-up' instead of 'up-and-over'



Institutional maladaptation means *not* working with the 3rd asymmetry

.. But to do so means

- *changing how the organisation is competing (pathways 2 & 3);*
- *changing the basis of individuals' certainties (pathway 4); and*
- *Changing how leadership enables changing certainties (pathways 5 & 6).*

end

Industry Sectors:

- | | | |
|-------------------------------------|---|---|
| 1. Extraction | } | Based on supplier's
supply-side model |
| 2. Production | | |
| 3. Delivery | | |
| 4. Information-based (alignment) | } | Based on knowledge
applied through <i>attention</i>
to <i>client's context-of-use</i> |
| 5. Cohesion-based (synchronisation) | | |