Change

Magazine for High Impact Change

2017, Beyond Buzzwords

Beyond Buzzwords

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Managing Partner ICG

Dear Reader,

How do you feel about leading organizations and people in a world full of unpredictable changes? Honestly, are you more stressed – sometimes overwhelmed – or do you focus on all of the big opportunities? There is something new emerging in our organizational VUCA world, where digitalization, new social phenomena and political uncertainty rule. Everybody can feel it but only few can name it. One thing is clear, though: Old patterns of success don't work anymore and nearly everybody is looking for new recipes. No wonder 100,000 people visit Silicon Valley every year to learn from this innovative hot spot, and thousands of books, blog posts and articles are published about how to become more agile, responsive or resilient. Buzzwords are definitely booming. With all this in mind, as a leader, you should ask yourself three key questions:

1. What could agile mean for our organization in this environment of exponential change?
2. How can we transform our organization and leverage the potential of our employees to become more agile and responsive players?
3. As leaders, experts and consultants, how can we become role models for new ways of working?

In this issue of Change Magazine, we tried to provide you with a lot of information that will hopefully help you answer the questions above. We also visited Silicon Valley to gain some insights we want to share with you. On the following pages, you will find articles that explore many of the current concepts like self-organization, Design Thinking, the Lean Startup, disruption, exponential organizations and agile transformation. In our consultancy work, we incorporate all of these developments because they contain a great deal of valuable thoughts. However, we have to be humble: Knowing about some principles does not instantly create solutions for every challenge. For us this is a path – you might also call it a learning journey – to find new ways of working and new patterns to develop the organizations of the future. Our ambition is to co-create developments toward more agile, responsive and impactful organizations where people can unfold their full potential.
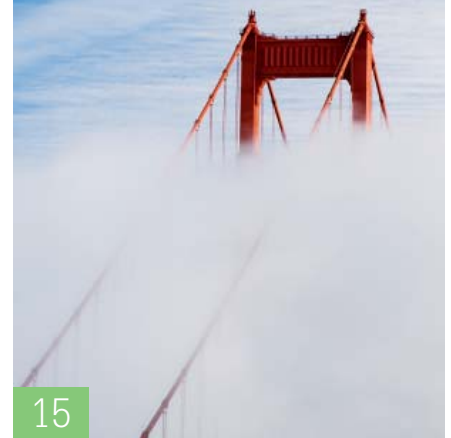
We are looking forward to your feedback and a fruitful dialogue.

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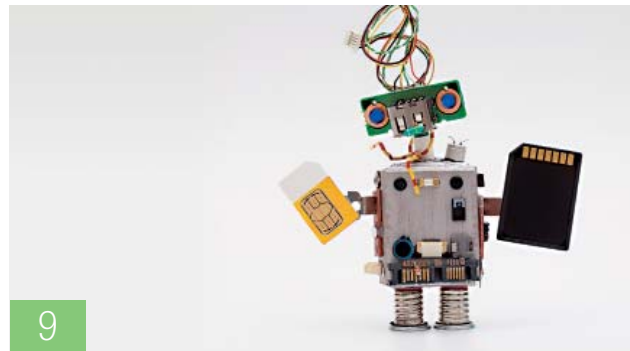
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WHAT'S DIFFERENT

Digital Transformations

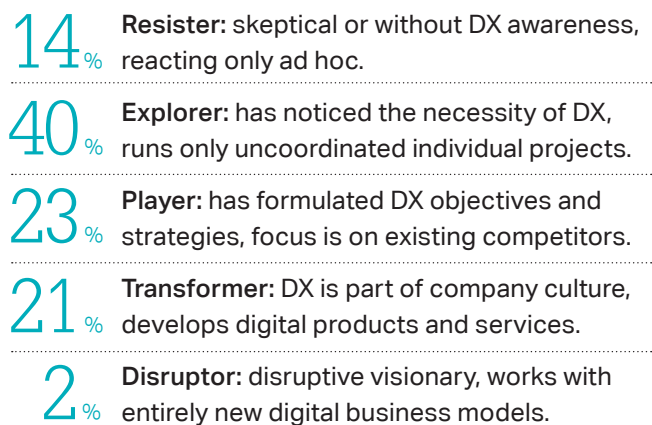A massive challenge for the established management

Our kids look up to different idols nowadays. They don't perform on actual stages or play on football fields – they are YouTube stars like Felix Kjellberg, better known as PewDiePie, with more than 40 million followers. You haven't heard of him yet? Then it might be that you are already failing to see other developments in digital transformation, as well.

by Klaus Birklbauer

As one of this magazine's readers, you are probably amongst those whose task it is to structure transformation in this VUCA world. The prerequisite to doing that is to understand the developments and connections. Generally, the level of involvement with digital transformation (from now on only abbreviated as DX) is shown in the latest study conducted by IDC (for Austria):

14% **Resister:** skeptical or without DX awareness, reacting only ad hoc.

40% **Explorer:** has noticed the necessity of DX, runs only uncoordinated individual projects.

23% **Player:** has formulated DX objectives and strategies, focus is on existing competitors.

21% **Transformer:** DX is part of company culture, develops digital products and services.

2% **Disruptor:** disruptive visionary, works with entirely new digital business models.

Old hat with clout

The term »digital« might be old hat, but it is especially striking now: Premium end devices are available for (almost) everybody, since it costs US$ 10 to manufacture an Indian tablet, for example. Well-performing Internet is omnipresent – for five billion people by 2020, making it 50 percent of the entire global population. Google Balloon supports the idea of complete coverage, beginning in Sri Lanka in 2016. Data grows exponentially, like the number of sensors in ten billion networked devices. And we users are big digital gossipmongers, as well – evaluable, networkable.

Hardware is so yesterday

Tomorrow is all about software: The ability to become the leading provider of a whole industry without owning one hotel or taxicab is a well-known fact. 100 million code lines in the embedded software of the Mercedes S Class show battles between developers of luxury cars – hardware as the competitive advantage is being replaced more and more by software. Sensors in wear parts in paper factories inform not only about cost-optimized replacement time. The entire process can be observed digitally. The next step is connected to it: the monetization of data. Digital data,
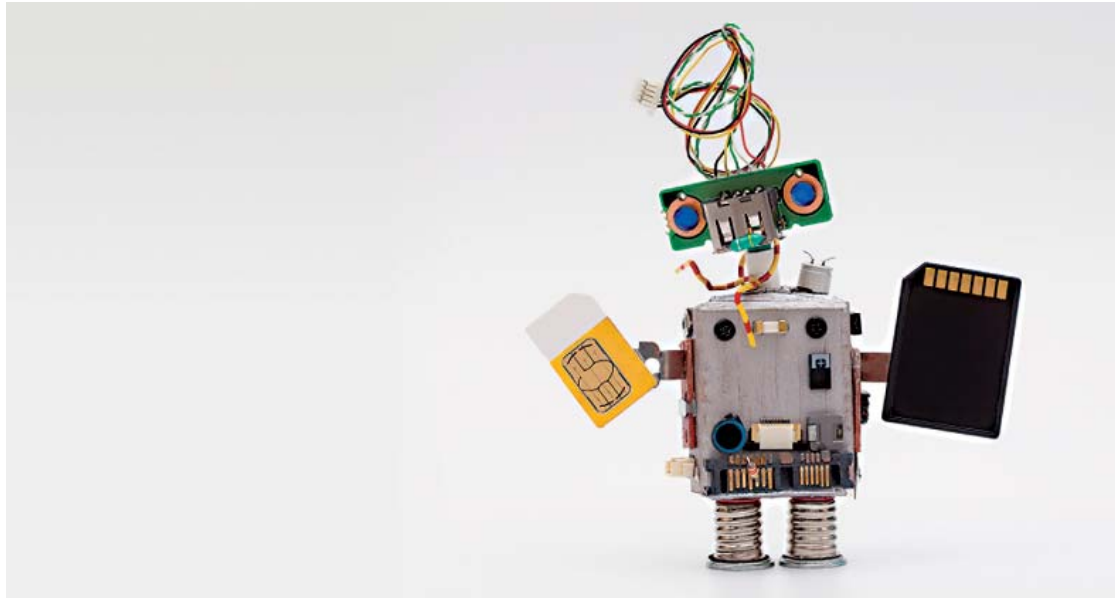
linked and processed, is often of much more value than the wear part, meaning the hardware itself.

DX in the commercial break

Eight out of ten TV commercials show new business models: www.aboutyou.at to search and shop for fashion; www.babbel.com for learning languages on-line; www.weg.de as a place for finding travel bargains; www.misterspex.com for purchasing spectacles, to name just a few. New business models are coming up – in the areas of business, travel, mobility, banking and insurance.

DX and the professional world

There are some exciting topics here: One is that in entirely new organizational forms, one's own em-ployees interact with collaborating robots. Another one is that the limits of companies are opening up and staff on demand enables new ways of working: www.clickworker.com provides a network of 20,000 micro-jobbers in Austria (800,000 worldwide). Most of them earn below € 5/h. At www.designcrowd.com, you have access to 500,000 graphic designers around the world, and www.upwork.com hosts 15 million freelan-cers. When we visited the headquarters of the latter in San Francisco, we learned about a lot of upcoming

new services for bigger companies as well as a labor union for freelancers in the U.S.

Lots of other DX buzzwords

Industry 4.0 – the cyber-physical link between the real and digital worlds, enables us to look at the physical world through digital eyes, identifying patterns in com-plex processes, organizing autonomously and making decisions. This also leads to a new understanding of the human-machine interface. The Internet of Things enables a whole new field: Internet of Services (IoS).

Big data and artificial intelligence (AI)
Both are fed by giant data lakes of users' sensor and digital moment data, compiled and enhanced using algorithms. To understand AI more profoundly, it helps to have a more structured view.

Artificial narrow intelligence (ANI)
Sometimes referred to as Weak AI, which specializes in one area like doing speech processing or beating the chess champion.

Artificial general intelligence (AGI)
Often called Strong AI or Human-Level AI, it is as smart as a human across the board – a machine that can per-form any intellectual tasks that a human being can. ►

»The electric light did not come from
the continuous improvement of candles.«

Oren Harari

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Today, computing power is at the level of a mouse; in 2020, it will be at the level of one human, and in 2040, at the level of all human beings, which is an effect of exponential growth.

Artificial superintelligence (ASI)
Oxford philosopher and leading AI thinker Nick Bostrom defines superintelligence as »an intellect that is much smarter than the best human brains in practically every field.« The consequence of ASI: Articles like this one are going to be obsolete.

Virtual and augmented reality
These two also provide a link between the real and digital worlds. Several use cases for travel, POS, assembly and repair works are already in place. And virtual reality is of course applied in games: The manu-facturer of virtual reality spectacles Oculus Rift has become a unicorn in less than two years (and was bought by Facebook).

Linear human brain and exponential growth

Most trend forecasts on the effects of DX fail when-ever exponential growth happens. In 2005, we had 0.5 billion IoT – sensors connected to the Internet – in 2015 we had nine billion and by 2020, experts foresee 50 billion things being connected, providing data and receiving messages. This will have big impacts on our economy. We're moving from a »scarcity« economy to an »abundance« economy, basically from ownership to access. This will require a massive transformation of many business models. We can already see these ef-fects in trade, banking, insurance and mobility. Many other fields will follow soon, like healthcare. This will need a new operating system as well as a new setup in organization and leadership.

A task for management

How should those transformations be dealt with? Best start with DX awareness and understand the current and upcoming reality, the logic and purpose of the company, as well as the transformative purpose. The drivers of transformation are both classic and new at the same time:

Strategy
In the past, a strategy was long-term and aimed at a clear strategic objective, but today's unpredictable de-velopments demand more, perhaps even contradictory strategies, that also need to be modified »on the fly.«

Agile organization
All agile organizational models have some core ele-ments:
— Focus on self-reliance and transfer of decisions close to customer interfaces.
— Roles and governance processes replace fixed job profiles.
— Dialogue and decision-making processes are very different from the old hierarchical forms.
— Management has to provide purpose and meaning. It also has to manage a comprehensive and effec-tive information flow and overall understanding.

Although many buzzwords/developments have been mentioned here already, you will find more of these trend-setting terms and what they are about when you flick through this issue of Change Magazine. And they all are transformations that will affect you – in one way or another. There is no sense in closing your eyes or avoiding engaging in these topics; change is coming. So, be curious and explore what digital transformation already offers – it truly is an eye-opening experience. ●

It's Complex

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A new paradigm for dealing with complexity
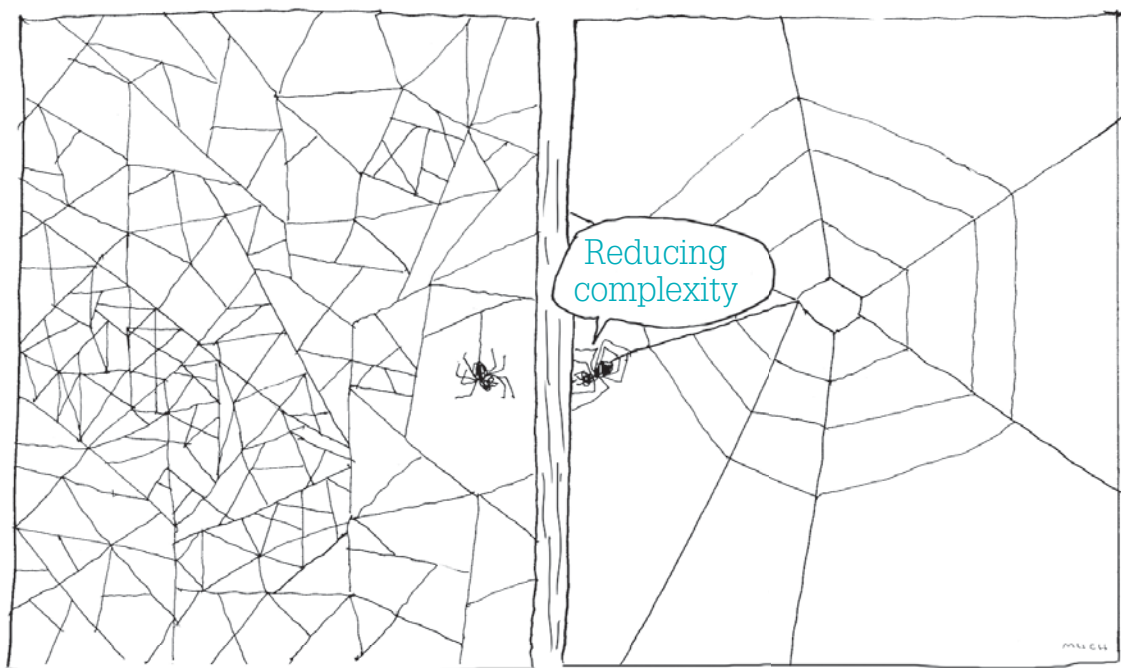
In the first period of the 21st century, we are facing a complex, chaotic and confusing environment for organizations. Market and non-market conditions are becoming increasingly unpredictable. A volatile and ever-changing economic landscape, a complex brew of rapidly advancing technologies and ecological challenges are creating uncharted territory for more and more organizations. **by István Kosztolányi and Kurt Mayer**
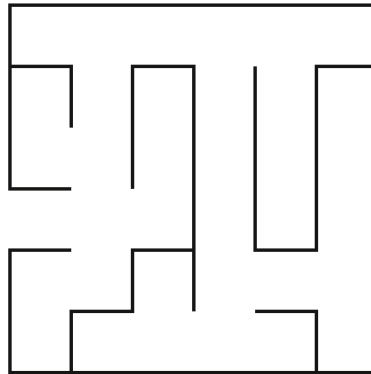
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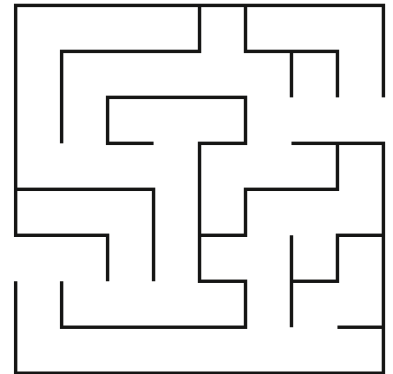Nowadays, organizational leaders operate in a vastly different terrain from those who led their companies to success in the earlier decades. In a VUCA environment, leaders and employees are finding out that their well-known approaches to leadership, solutions and decision-making fall short in the current climate. No wonder: Organizations in the industrial era focused on planning, information, human resource management, standardization and process management. Doing this well was the pathway to high performance and success. In contrast, the VUCA context offers increasingly complex playing fields and requires new approaches. Control can be based less on the familiar logic of planning, goal setting and processing. »Managing the Unexpected« relies more on skills of sensitivity, perceiving, addressing a problem in iterations, incremental steps and prototyping. This requires management that is a continuous cycle of approaching a problem step by step: to observe, to form hypotheses, to decide, to act, to observe.

Simple or complex?

The current business world is diverse and colorful. Increasing complexity is a phenomenon especially in the area of knowledge work and innovation. Nevertheless, other problems and issues in companies may still be embedded in a simpler context where a management approach based on cause and effect, and hence command and control, may be way more helpful.

But how can an easier problem context be differentiated from a more complex one? How can a decision-maker quickly understand the degree of complexity of the struggle he is involved in? And having appropri-ately recognized the problem situation, what is the proper response to the challenge?

About complicated systems and complexity

Understanding the difference between complex and complicated systems is important because each system should be managed with different leadership approaches. The metaphor that Sholom Glouberman and Brenda Zimmerman use in their fundamental article »Complicated and Complex Systems« is that every child is unique and must be understood and raised as an individual. Complicated systems are all predictable since these systems are mostly engineered; from a management perspective, we can understand them and (re-)create these systems. Complex systems require an understanding of unique local conditions, interdependencies as well as attributes of non-linearity to a certain degree, and a capacity to adapt as conditions change.

Complicated systems

According to Niels Pfläging, complicated systems operate in standardized ways: Imprecision is diminished. Non-objectivity and uncertainty are reduced as much as possible. Complicated systems operate in a linear way of cause and effect and are controllable by external forces. For example, an airplane like the Boeing 747 can be seen as a complicated high-precision machine. Engineers have well-proven knowledge of how this system works and know what the causes and effects are. If the airplane is built and this knowledge is applied carefully, it will fly; otherwise, it is in danger of crashing.
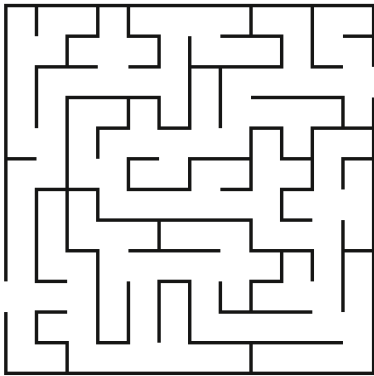
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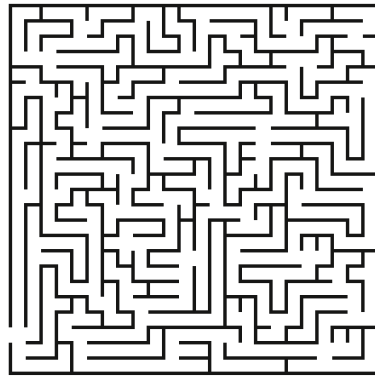
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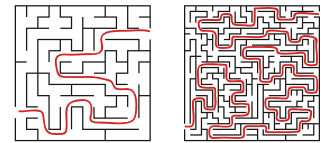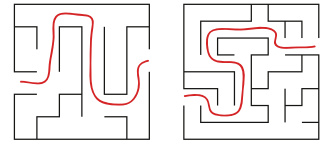
Complex systems

Complex systems have the presence or participation of living creatures. They are living systems that can change at any moment. From the outside, such systems can only be observed; they cannot be controlled by external forces. The behavior of a complex system is non-predictable. In such a system, the level of error, uncertainty and illusion is higher than in complicated systems. Perhaps the system may show elements that operate in standardized ways. However, the crucial impact derives from the uncertain interaction of the system members. To give an example: A company decides to introduce new products into new market segments. Pilot teams are set up with a full capacity of resources and high level of autonomy to work out the solution(s) for the market launch through active experimentation. This means that among many other aspects of the complexity, they need to understand the nature of the new products, how the marketing and sales channels work, how customers will react and how supply truck drivers will feel about transporting far more diverse cargo than before.

In complex systems, the pathways and solutions of the industrial age with its markets of mass production and mass consumption become obsolete.

Dealing with complexity

With increasing complexity of contexts and situations, management is more about exploring, approaching temporarily, project-oriented acting and networking. It doesn't usually make sense to just reduce complexity. It's more about developing skills to deal adequately with it, on both a personal and a company level.

Personal level

As Pfläging puts it, the only »thing« effectively dealing with complexity is a human being: skillful people with ideas and mastery. While problem solving in a simple or complicated system is about analysis and instruction, it is about communication in a complex system. Employees, leaders and organizations have to adopt a non-linear approach to solving problems and must think out of the box. They have to learn to perceive the degree of complexity of the situation they are in. There is also a need for leaders to understand the deeper dynamics of the individual, personal change in complex situations where the »old« behaviors are mostly not valid, and the »new« preferred behaviors are not fully comprehended.

»Employeeship« is also evolving along complexity and new behaviors and interpersonal patterns appear on an individual level in complex adaptive systems. As an example, in a shared service center with a multi-dimensional service portfolio, a new organizational structure had been set up to meet the needs of the customers. This ended up with individual contributors having no direct managers on the one hand, and on the other hand, having at least five to seven service line coordinators. Will Allen says in his blog post »Complicated or complex – knowing the difference is important« at www.learningforsustainability.net that for this new way of working, it is crucial on the individual and personal level to understand and be capable of
— sense-making – a collective interpretation of weekly changing focuses in ever-changing »teams.«
— relationship building – working with new and undefinable patterns of interaction in order to perform the expected tasks. ▶

»Named must your fear be
before banish it you can.«

Yoda

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— loose coupling with colleagues – work in support communities of practice and with far more degrees of (personal) freedom.
— learning – act, learn and plan at the same time without formal learning frameworks.
— noticing emergent directions – building on what works »currently, here and now.«

Company level

In a complex environment, companies as well as individuals are forced to constantly and quickly change themselves, to find new viable organizational solutions and personal coping strategies. To master these new demands, »agile,« Scrum and Design Thinking are more helpful than detailed planning. Shared Leadership largely replaces hierarchical leadership. This also holds true for public organizations, as noted government observer Donald Kettl has detailed many times recently: the government of the future needs to develop three things to deal with increased complexity: knowledge-driven organizations, the agility to deal with non-routine problems, and the capacity to implement non-hierarchical solutions. The sustainable success of organizations is becoming more dependent on the following capabilities:

— To think in terms of organizational alternatives, transform themselves and deal with change.
— To find tailor-made organizational forms that fit to their culture, the competencies of their employees and the logics of their business.
— The ability to develop agile organizational structures to deal with stakeholders and be well-informed about changes in economy and society.
— To create an organizational environment and culture where employees have the autonomy to exploit their potential as well as receive personal support.

Especially in knowledge-intensive sectors, recent concepts like »cellular forms,« »modular forms,« »self-organization,« »project-based networks« or »Holacracy« mirror the increasing emergence of new dynamic and flexible forms of organizations with a strategic focus on entrepreneurship and innovation. In this new organizational context, the innovation paradigm seems to be changing as well, and the dimensions of stakeholder networks, sharing, collaborating, enabling, and appropriately designing multidimensional spaces for innovation are becoming critical for success.

In all of these concepts, one common fact is valid: on the road to appropriate and successful decision-making, there is no getting around a more systemic mindset and dialogical forms of communication. Sure, the stress of day-to-day business doesn't leave much space for reflection and learning. Pressure and urgency strongly support a logic of reacting and processing. This is precisely the reason why there is a need for clearly dedicated and well-designed spaces in which joint analyses and groupings can take place: spaces for dialogue and learning, where established views are shaken and cognitive maps are redrawn. This creates sensitivity towards future challenges and necessary change.

Another important point for the management of complex systems is what Pfläging calls the »improvement paradox«: In complexity, working on parts separately doesn't improve the whole. It actually damages the whole, since in a complex system, it is not so much the parts that matter, but their interactions and their fit. ●

More Than a Journey

It's Saturday, September 24. San Francisco welcomes us with bright and sunny weather instead of the anticipated fog. We are curious and excited to dive deep into the Bay Area experience. Having heard, read and seen so much about Silicon Valley, we are more than eager to learn.

What makes Silicon Valley such a unique place that attracts thousands of visitors from all over the world every year? What are the »secret ingredients« of the Bay Area and can some of them be transferred to Europe or other parts of the world?

During our learning journey in San Francisco and Palo Alto, we had the opportunity to get in touch with all different kinds of organizations at the leading edge of technology, design, work-place innovation and social innovation. From inspiring young entrepreneurs that came to Silicon Valley with nothing but their idea, to venture capitalists, makerspaces and established companies with famous names like Google, SAP and Cisco, we experienced a week full of insights and learnings – but also a lot of questions we took with us as we returned.

From the many experiences we had during this trip, we want to share some highlights of our learnings; we believe that these »golden nuggets« that we came across contribute to a big part of what makes Silicon Valley such a special place. It might be worth thinking about ways to transfer these learnings into the current reality of organizations elsewhere in the world to create inspiring and supportive surroundings that foster innovation. ►

Paying forward – giving back

by Julia Jantschgi

It's shopping week in Stanford. Students run around and attend lectures all over the campus to find out which ones to choose for the upcoming term. We are sitting in the opening lecture of Bill Cockayne, founder of LeadX and Stanford professor of Foresight and Technological Innovation. His opening statement: »Tell me what you want to achieve and I'll tell you who to connect with.« Does this phrase sound familiar to you? For people living, studying or working in the Bay Area it does. Networks mean everything and it is common to share them with everyone, as well.

While universities in Europe focus on teaching knowledge, Stanford focuses on providing students with resources for success. And key resources for success are mentorship and a strong community. It starts at Stanford but doesn't stop there. Sitting in Philz Coffee House, you'll hear young entrepreneurs pitching their ideas to others. They pitch not only for money, but also for connections. Every pitch may result in a new link in their network that brings them closer to their dream of becoming a Silicon Valley unicorn.

Coming from a seemingly different world, we ask ourselves how this is possible. We are familiar with being careful with our ideas – what if somebody steals them or starts working against us? It's a grown culture of trust which makes the Bay Area so special for entrepreneurs. Ambassadors of that culture explain the phenomenon as a circle of entrepreneurship and trust. When you are young and at the beginning of your business, you'll get paid forward; people will help you achieve your dream. Later on, being successful like Bill Cockayne or Andrew Goldner, founder of GrowthX, a venture capital fund in San Francisco, you'll start giving back by mentoring young entrepreneurs. When asked why they do it, they answer simply: because we love helping people; we give back the help we received years ago. Asking ourselves what we can learn from them – start the momentum, start mentoring.

Do what you love – love what you do

by Manfred Höfler

»I am really passionate about what I do« might be one of the most used phrases we came across on our learning journey – and people really mean it. Following one's ambitions while also working hard to succeed is one of the secrets of people's motivation in Silicon Valley. Personal engagement to realize your dream does not follow a nine-to-five mentality: Employees at Twitter have no fixed working hours – they may work whenever they want to. Employees at Google can spend 20 percent of their time working on projects of their very own choosing – they can bring together a new team or join an existing one. The same idea applies to job promotion: You get promoted if you think and act big. Changing jobs or founding a startup in order to follow your ambitions is very common; usually, people do not stay at the same company for more than two or three years.

Compared to this, many European companies are quite traditional employers: They might be able to attract and also retain great people but quite often, they keep the talent in »golden cages« – loyalty to the organization is still usually tightly connected to a long-term commitment to the organization.

A trend towards a very different workplace reality is not only visible in Silicon Valley: 50 percent of U.S. workers will be freelancers in 2020. Upwork – a merger of Odesk and Elaine – is running an Uber-like business with its freelancer platform that generates turnover of US$ 1 billion. Minding these trends, the question comes up as to how people might be affected by these developments: Is it more stressful to work in Central Europe compared to Silicon Valley? Maybe an answer to this question can be found in the type of stress that is caused by different kinds of workplaces. While we often come across »bad« stress caused by micropolitics or a lack of appreciation, stress can also motivate us. The latter is a form of positive stress that we experienced in the Bay Area: People are deeply committed to serving a common purpose, whether they are working for their own startup, at a big company or for an NGO. ►

Failures – a precious source of learning

by Julia Fadler

In the German language a saying exists: When you fall down, you should get back on your feet and try again. In a Silicon Valley mindset, that saying proves to be more than true but would need slight alterations: When you fall down, look back mercilessly at what went wrong, learn from it and then get back on your feet and try again.

A remarkable example to illustrate the important role of learning from things that simply did not work out comes from Google: After a project turned out to be just the wrong course of action and was therefore ended – with an already remarkable sum of money spent – the project manager responsible was promoted. While that might sound odd, it makes perfect sense when looking at the consequences; because of that failing project and – even more importantly – because of the project manager's honest reaction to admit that failure, an organizational learning process had been triggered that was of great use to Google.

As David Weekly from Google put it, the commonly shared attitude towards action is to »ask for forgiveness, not for permission.« People at Google are being trusted – trusted that they will act responsibly to develop Google further with all resources they need to take action. People are also trusted that they will not take actions that are prone to be a failure upfront – they are trusted that, based on their competencies and their commitment to Google as a company, they will add to the company in the best way they can. Trusting in your employees also demands a lot of the people working at such a company: For the trust given, they are also expected to take responsibility. It is a process of giving and taking.

During our journey, we sensed an incredible drive and motivation in literally all people we met. It seems that – at least to some extent – this is possible because there is no such fear of failure, there is no trying to develop all kinds of backup plans just to be safe – there is only do.

Innovative spaces – constructive places

by Klaus Birklbauer

Didn't they have enough money to complete the office space? Coming to Silicon Valley, we were quite surprised by what offices look like in the Bay Area. What we found there is very different from many shiny, new office environments in Austria or Germany. A lot of the places we saw did not seem to be »finished.« And they are – as we learned – not meant to be »finished.«

As flexibility plays an important role in how people work together in the Valley – the way space is designed reflects this quest for flexibility; desks and chairs can be easily re-arranged and adjusted in height, and there are open spaces to gather for group work and more private rooms for small meetings. These spaces also allow informality: Big kitchens invite employees to cook and eat together. Events like »Beer-on-Thursday« are organized frequently. There is also space for spontaneous celebrations – they are simply announced by the sound of a big Chinese gong.

The office as a constructive playground – that was the overall impression we had in different workspaces of organizations: Walls everyone can write on are more the rule rather than the exception. A high percentage of the surfaces are whiteboards to write down ideas immediately; that way, the thoughts are not lost.

Apart from office spaces created to foster co-working, sharing and developing ideas, there are also specially tailored spaces to support the realization of ideas from individuals: Makerspaces. Building on the slogan »Talk less – do more!,« makerspaces allow rapid prototyping, experimenting with new technologies and applications. There are internal makerspaces of organizations like SAP Labs, and fully equipped workshops for everybody, like TechShop in San Francisco. Besides laser cutters, 3D printers and different materials to work with (wood, textiles, metal and plastics), TechShop also offers classes in specific topics or equipment as well as support staff – called Dream Consultants – to enable quick results. With free coffee, fresh popcorn and an open sharing atmosphere, work is actually fun there. ▶

Thinking big – a way to rapid growth

by Monika Meirer

All over San Francisco's co-working spaces and in Silicon Valley, you find them on the walls – quotes like »believe you can and you are halfway there,« »set your goals high and don't stop until you get there,« »do something amazing.« It is all about aiming high. At Stanford University, first-year students were asked to talk about their vision, and the example given by the lecturer was nothing less than Elon Musk's goal to travel to Mars. We Europeans might shy away from this clear statement to strive for success; we might even react cynically. But why? There is a lot we can learn.

A mentor-coach from the German Accelerator program in Silicon Valley told us that the topic he talks about most with young German entrepreneurs is attitude and cultural differences between Europe and the Valley. He encourages them to enter the market at an earlier stage instead of over-engineering products and services – to plan less and to risk and do more. There is not so much »what if;« you ask the questions when you get there and cross the bridge. Daring is a key ingredient to aiming big.

On an organizational level, thinking big in the era of digitalization means beeing able to adapt to rapid and disruptive changes and yet grow. Large, matrixed organizations may find this difficult. »Exponential Organizations« (ExOs) do not grow linearly but exponentially; they have higher impact than their peers and are faster and cheaper – but how? The key is that ExOs access resources they do not own, like Google, who does not own the webpages it scans. Information is their greatest asset, a source with the potential to double regularly. ExOs also use techniques that leverage accelerating technologies; e.g. they apply only short-term plans, provide their leaders with change skills, rent instead of own, and establish partnerships with Accelerators. When they talk about their »Massive Transformative Purpose« it sounds like: »Organize the world's information« (Google) or »Positively impact one billion people« (Singularity University), clearly thinking big. ●

The New China

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Impressions from a fast-changing, modern business world

This morning I got up early to go on a long bike tour around Dian Shan Lake, halfway between Shanghai and Suzhou, in search of nature and tranquility. I escape the busy and bustling life in Shanghai, a city with an official 25 million residents – some say it is at least 40 million – squeezed into an area of some 80 km in diameter. Around the lake I find the first traces of nature and traditional Chinese country life.

by Laurenz Awater and Gerald Renger, INNOVA Management Institute

As I cycle along, I see old Chinese villages and big stretches of farmland. I pass people who are washing both their food and their clothes in the natural waterways of this wetland-like area. I see many scooters and even more cars. Cars are everywhere but hardly any bicycles. Bicycles are now rusty and are for the elderly generation to use. Or, if you do see younger people riding them, they are fancy, well-known name-brand bikes. This ancient paradise rests among a number of big construction sites, bringing the modern city life style to the more remote country. Many compounds with newly-built modern villas in Tuscan, American or Scandinavian style have already been finished here – many of them still uninhabited. As I drop into a local village restaurant for dinner, two couples invite me to dine and chat with them. They tell me that they love the lake, so they bought a villa here. Prices are rising fast due to speculative investments, so you had better buy quickly. At night the promenade by the lake is packed with people dancing, walking and enjoying this natural treasure. Many come in their expensive, luxury cars of German or Italian origin. Today's bike tour certainly shows me how fast China has changed in the last 20 years. It is so different. ▶

Facts and figures

As of the end of March 2016, China had an estimated 735 million square meters of unsold property.
(source: NBS)

In 2016 BMW and MINI sold 516,355 cars in China.
(source: finanzen.net)

200 million e-bikes are in use in China.
(source: bloomberg.com)

55.61 percent of the total population of China lived in cities in 2015. In 2005 it was 42.52 percent.
(source: statista.com)

China innovates

Only a few years ago the stereotype of Chinese copying but not innovating mostly went unchallenged. This has changed. In 2016 Huawei was ranked within the top 50 most innovative companies in the world by the journal »Fastcompany« for the third time – replacing archrival Cisco. And in the year before, Tencent, Huawei and Lenovo made it to the edition of Boston Consulting Group's 50 most innovative firms.

According to Thomson Reuters, China is the global leader in pharmaceutical innovation. The country is successful, Thomson Reuters believes, because it has fostered a healthy mix of partnerships, pharmaceutical industry innovation and scientific research. In 2015, five of the top ten global organizations for filing pharma patents were located in China.

The role of the state

What sets Chinese innovation apart from innovation in the West is the driving role of the state in China. Industries favored for development by state planners have easy access to cheap capital as well as land and they receive lavish export subsidies or other support.

In the past China's state-sponsored innovation programs did not create much progress and high-flying objectives were repeatedly missed. These days, however, things look different. While there are plenty of ailing firms, among them many large state-owned enterprises, a new generation of highly innovative, market-driven and agile companies from the Internet and electronics industries like Tencent, Baidu and Xiaomi has emerged and these companies are developing rapidly into globally competitive corporations. The innovation capability has also risen due to heavy state investments in education and research. According to a recent survey conducted by the scientific journal »Nature«, Chinese universities are amongst the world's top universities in natural and life sciences. International co-operations with and acquisitions of foreign companies now play a crucial role in the innovation drive. Recent acquisitions of the German manufacturers enterprises Kuka, Aixtron and Manz aim at strengthening China's innovation capability in areas such as robotics, semiconductors and automation.

Aiming for gold and silver

China's ascent is best highlighted by its advances in supercomputing, which are supposed to have a large impact on the country's scientific and technological progress. Today, China's Sunway TaihuLight supercomputer tops the ranking of the world's fastest machines, making it the first-ever Chinese homegrown computer to grab the number one spot. The TaihuLight is roughly three times as fast as the second ranked Tianhe-2, also made in China.

Chinese giants in the making

Chinese industry as a whole is still a far cry from the advanced levels of the leading industrial nations. Some of the larger enterprises, however, the likes of Sany, Haier, ZTE and Midea, are catching up, rapidly increasing their international competitiveness or have already established themselves as global players with ambitions to world market leadership, as Huawei has. Chinese state planners wish to see more industrial giants emerge and develop into global players, like the South Korean Chaebol's Hyundai, Samsung and others.

China at the crossroads

Overcapacities of hardly conceivable dimensions in industries like steel and cement or construction machinery, mounting levels of corporate debts, a strong currency and, most importantly, relatively high labor costs have undermined the international competitiveness of many industries in China, where productivity is still much lower than in more mature industrialized economies. Only huge productivity gains can ensure long-term growth and competitiveness of manufacturing in China, a recent McKinsey report says. This calls for fundamental changes in the ways of production.

Industry 4.0 in China

Automation, digitalization, electric mobility, alternative energies and life sciences are at the forefront of a state-sponsored innovation drive which is expected to push China into the ranks of the world's most innovative and developed nations by around 2045. One key strategy for achieving this is »Made in China 2025,« the Chinese equivalent to the German »Industry 4.0« concept of digitalization in industry.

The future of the factory has already arrived at Sany's Changsha plant located in Central China, where the country's largest manufacturer of machinery and equipment produces pavers and cement mixers. One of Sany's many factories is completely digitalized; all machines are interconnected and continuously collect data which is essential for optimizing the production process, setting an example of the intelligent factory of the future that organizes and optimizes itself automatically.

Industry experts like Jost Wuebbeke of the Mercator Institute for China Studies see the country entering a new age in terms of industrial production, with most manufacturing enterprises still transitioning from Industry 2.0 to Industry 3.0, from traditional mass to computer-aided manufacturing. Presently, only 60 percent of companies apply industry software like Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES). Even the current level of automation is still low. While companies in China apply only 36 robots per 10,000 employees on average, it is 300 to 400 units per 10,000 employees in South Korea, Germany, the United States and Japan. The plan is to change this quickly. As early as in 2020, China wants to become one of the ten nations with the highest density of robots in industrial manufacturing and rapidly expand local production.

While the speed of change can be more than impressive in China, it is neither possible nor advisable to leapfrog from Industry 2.0 to Industry 4.0 – a reason why the highly ambitious state program known as »Made in China in 2025« also has its critics.

Where is the money?

Alibaba grew by providing great services at no cost. It also vanquished eBay in China by not charging the buyer or the seller to conduct business in its Taobao marketplace. Free services are hard to compete with. Today, Alibaba is profitable but makes relatively little revenue, considering the volume of goods and services sold across its various marketplaces.

The story repeats itself with Didi Chuxing and Uber. Uber's failure to compete with Didi Chuxing was partly caused by management mistakes, but mostly due to aggressive and non-sustainable marketing policies. Highly expensive customer loyalty programs incurred massive losses for Uber and its rivals, including Didi Chuxing. As Uber's shareholders were no longer ready to tolerate those losses in the Chinese marketplace, they opted for a merger with Didi Chuxing instead.

In their race for scale and speed, Chinese digital companies tend to sacrifice revenues, profits, and operational rigor. Cheap money, massive organic growth and friendly government policies can hide a multitude of operational sins, especially a lack of profitability, and create business models which are not sustainable without generous government intervention. ▶

If you can't beat them, join them

Uber's merger with Didi Chuxing could set a trend. Some observers believe that more and more multinational corporations will seek the co-operation of their Chinese rivals to team up with them in the Chinese marketplace as well as in research and development. With decreasing profits in a slowing economy, even fiercer competition and disruptive technological change ahead, the call for more alliances and collaboration, especially for sharing R&D costs, makes sense. In a country known for failed joint ventures and poor protection of intellectual property rights, however, such a strategy is for sure not without risk.

Much is at stake, even the future of whole industries. Consumer interest is still far from being strong but electric mobility could first take off in China – the government not only provides subsidies, but also cares for charging stations in large metropolitan areas. If electric mobility becomes a Chinese success story – and the Chinese government is betting on it – the co-operation between BYD and Daimler-Benz might play a crucial part in it.

The outlook: a divided country?

China's development over the past twenty years tells the story of wealth creation without any historical precedent. While certain regions still stayed poor or went through deep crises, on the whole this historical transformation has seen left-behinds, but relatively few losers and many, many winners. This might change with the immense loss of jobs in manufacturing due to the closure of bankrupt state-owned companies and the progress towards greater automation and digitalization.

With job producing industries like construction, labor-intensive export and other manufacturing industries running out of steam and the state-owned enterprises getting forced to trim their labor hoarding, the future of labor in China looks very grim and the terrifying specter of a deeply divided country with many social conflicts is arising.

Consequently, there is also a lot of stagnation on the political level. Regional governments intervene to protect state firms and the local labor market, which leaves private enterprises less space to grow and flourish. ●

As a multinational team of partners and associates INNOVA helps companies achieve their full potential in leadership, change, innovation, strategy development and project management. The China-based consulting and training company is a global partner of ICG.

http://www.innova-institute.com.cn/innova/

Laurenz Awater founded INNOVA in 2003. He is a management and leadership expert with more than 20 years of China experience. He supports multinational clients in China and Asia with organizational performance enhancement, leadership and corporate culture alignment, change initiatives and innovation capacity building.

Gerald Renger co-founded deloop management consulting Stuttgart in 1999 as well as deloop Asia Ltd. in 2015. The certified leadership coach lives in Shanghai and works between different worlds – leadership and change in the business world and music, songwriting and performing in the world of arts. Gerald has been a partner of INNOVA since 2016.

Points of Orientation

Challenges and needs for action in public administration

Although it already demands tremendous effort to maintain the existing status in public administration as the budgets keep getting tighter, the pressure is on to find – sooner rather than later – intelligent solutions for new challenges that many administrative organizations are going to eventually face.

by Günter Kradischnig and Norbert Quinz

As early as 2013 and 2014, ICG supported a comprehensive administration development process carried out by the Austrian federal state of Vorarlberg. Current challenges and needs for action in different areas were identified in collaboration with political, administrative and scientific experts as well as representatives of stakeholder. The results of this venture are not only applicable for Vorarlberg and Austria, but also for many other Western and Central European countries. In strategic development programs and ultimately government programs, these results need to be considered and relevant measures and projects have to be formulated. Here, the expert commission identified the following challenges and needs for action:

Sociodemographic shift

The effects of sociodemographic shifts (e.g. an ageing population) are exacerbated because of an increasing sense of entitlement, mobility, and a subsiding trust in the future.

Needs for action:
— Promoting the work-family balance, for example by expanding childcare facilities and kindergartens to satisfy demand. ▶

— Meeting requirements for successful migration/integration.
— Procuring and ensuring affordable accommodation.
— Better coordination of consultancy and care provided by social services.

Narrower political leeway

Scarce budgetary means and political plurality handicap the policy making. A sense of entitlement amongst members of the public is increasing, whereas individual initiative is rarely highly developed in many areas. The acceptance of strict rules and their enforcement is decreasing.

Needs for action:
— Improving the quality of the services and adapting them to meet demand. Stronger coordination of services provided by alliances, states, districts and municipalities.
— Promoting innovation and quick, qualitative decision-making and processing as well as reducing bureaucratic obstacles.
— Creating more transparency of objectives, costs and results of management as a prerequisite for effective management and orienting political areas towards medium and long-term objectives.
— Fostering voluntary social involvement and personal responsibility.

Compromised health, increasing costs

Changed eating habits and a lack of exercise are leading to so-called lifestyle diseases. Furthermore, medical advancements and therefore higher life expectancy are the main reasons for increases in costs in the healthcare industry.

Needs for action:
— Optimization of healthcare with structural measures that also increase efficiency.
— Decisive promotion of healthcare and preventive measures.
— Increasing the attraction of the healthcare system as an employer.
— Obtaining the legal framework conditions for medical-ethical issues.

Ecological changes

Sustainable use and conservation of resources have become of tremendous importance with the increasing dwindling of natural resources.

Needs for action:
— Long-term conservation of nature.
— Strengthening of ecological awareness in people.
— Ensuring high quality of life that also keeps the economic, social and ecological aspects in mind.

Increasing significance of education

Promotion of individual talents and life-long learning. Learning mobility is gaining importance. In spite of a growing number of graduate degrees, well-trained experts seem scarce. On the other hand, drop-outs are missing out on social opportunities.

Needs for action:
— Removal of redundancy and fragmentation of competency between associations, states and districts in the field of education.
— Expansion of school autonomy and enabling a freer school selection.
— Increasing need-orientation in training and further education.
— Further development of adult education, promoting permeability of the education system and offers for integrating people who are educationally alienated.

Changes in the economy

Over-regulation is increasingly causing immense friction and reducing the dynamics in economic development; however, competition and cost pressure are growing.

Needs for action:
— Using empathic and unambiguous language in legal and administrative texts.
— Thorough appraisal of legal consequences of future legal directives with respect to the desired effects as well as unwanted costs and ramifications.
— Retaining expert competences in administration and creating networking possibilities with the corporate sector.

Major challenges public administration is facing

Climate change, scarcity of resources, supply problems

Growth of technology, communication technology, convergence of infrastructure networks

Performance and capacity to act of the political and administrative system

Ongoing globalization, intensified competition regarding business locations

Demographic shift, migration, a complex and vulnerable society, solidarity

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— Preserving or re-establishing the balance between national regulation and entrepreneurial freedom. Taking deregulation measures and speeding up administrative processes.
— Promoting expansion of (young) childcare centers in order to enable quicker re-entry into the work process.

Digitalization and new technologies

Information and communication technologies are often already an inherent part of public administration and can no longer be ignored by those refusing digital solutions. They influence communication with citizens and are determining administrative processes more and more.

Needs for action:
— Optimization of business processes with digital information and communication techniques and, therefore, further opening of politics and administration towards the citizens and economy.
— Regular updates to IT infrastructure as well as making necessary financial and personal resources available. Further updating and implementation of databases and service portals along with ensuring data safety.

No action is not an option

Many administrative organizations are facing these challenges and relevant development programs are being implemented. Although considerable progress has already been made in many cases – administration is now better aligned to the needs of the people eligible for benefits – no one has managed to find all the necessary solutions yet. They all know that being idle is not possible, so one must continue to develop instead. The key to success is the same for both the private and public sectors: always be aware of opportunities to develop and create a flexible organization with employees who are willing to learn, develop and change. ●

»The first step toward change is awareness. The second step is acceptance.«

Nathaniel Branden

WHAT'S NEW

The (more) Agile Organization

How to manage organizations
better in a complex world

Organizations need to be more
agile to adapt to ongoing and
unpredictable changes. We need to
get rid of some traditional funda-
mentals of management, because
they no longer work. Becoming an
agile organization is about intro-
ducing new key-principles in just
the right places.

by Dietmar Bodingbauer

The world has become flatter, faster and more com-
plex. The speed of technological progress is growing
exponentially and small incidents have a major, unex-
pected and unprecedented impact. Things are in con-
stant change. Plans and strategies lose their power,
as they are surpassed and made obsolete by reality.

The old tools are no longer sharp enough

How is management reacting to this new business
environment? We are using the same instruments we
acquired in the 20th century: We improve planning and
controlling – but what if the plans become obsolete?
We further boost efficiency and streamline structures
– but how, then, are businesses to generate flexible
reactions? We foster competitiveness between units
– but how do we make these competitors trust each
other and co-operate? Lastly, we use the new informa-
tion technologies to involve management more closely
in operational work, thereby centralizing decision-
making power. However, following the demands of the
changed circumstances, the question, here, is again:
How are we to make good and fast decisions without
really knowing the situation »out there«?

Obviously, we will have to change some of our basic
paradigms. ▶

»Setting oneself on a predetermined course
in unknown waters is the perfect way to
sail straight into an iceberg.«

Henry Mintzberg

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According to a McKinsey survey from 2015, 50 percent of companies go through significant structural changes every two to three years, but the companies themselves consider less than 25 percent of these redesigns successful. Often, the changes either fail completely or the new concepts are already obsolete when they are finally implemented.

How do we become (more) agile?

While there is no ultimate recipe for the agile organization, managers should consider the following fundamentals:

1. Radical transparency and openness

In organizations, only those on the »frontline« commonly have the necessary know-how to make operational decisions. However, what they lack is the understanding of the broader context, which is typically reserved for management. Agile organizations resolve this situation by installing radical transparency: the understanding of the broad context is for everybody. Consequently, people on the »frontline« (in Sales, Service, Production) can make good and fast decisions.

2. Lateral connectivity and trust

Agile organizations foster co-operation between units by building linkages between them. This includes people rotating between units, working in flexible and cross-functional teams, placing teams closely together, building »liaison« functions, etc., therefore making it easy for people to co-operate, decide and act quickly. Lengthy decision processes via the hierarchical ladder are avoided.

3. A culture of »trying out«

Long and expensive development and release processes are obstacles for agile organizations. Instead, they follow an approach of trying out ideas quickly (»prototyping«), with short feedback and adaptation loops. By fostering a culture of »learning from« instead of »avoiding mistakes«, agile organizations speed up innovation – methods like Design Thinking show how to do so.

4. Focus on purpose and opportunities

How do we ensure that the organization is moving in the right direction? Instead of adhering to comprehensive and detailed job descriptions, members of agile organizations are collectively guided by an inspiring purpose and vision, as well as some fundamental principles and a common understanding of the business opportunities they want to pursue.

5. A new role for management

In more agile organizations management has a different role. It focuses on organizing communication, access to information, lateral networking and a common purpose. The new motto is: »eyes on – hands off« – to have an eye on what is going on without being involved in all the operational details.

Becoming more agile is a change-process

Agile organizations are based on autonomy and self-responsibility of their members. But it will not work to simply »let go of« the authority and power from the management without creating the necessary frame and conditions in the organization as well as a broad understanding and the necessary skills of the people.

Becoming more agile is a step-by-step change process of implementing the elements described above. The new culture must be reflected in this change process: a clear idea from the management and understanding of their new role, openness, broad involvement of the staff and a logic of trying out new ways of working, short-term evaluation and continuous improvement.

In a complex world – as most organizations are encountering it today – surprising things happen, it is hard to predict what is going to happen, small causes can create huge effects and what worked once might not work again. But our classic management-tools are designed for a world which is complicated, yet predictable. Unpredictability requires more agile organizations.

IN PRACTICE
W. L. Gore & Associates, Inc.

Founded in 1958, Gore has grown into a highly innovative, global company with more than 10,000 employees (»associates«) in 30 countries and a turnover of US$ 3 billion. Based on the versatile material PTFE and their extraordinary innovativeness, Gore has developed three main business-areas: medical implants, fabric laminates (known as GORE-TEX®) and several further specific applications for all kinds of industries. Gore's basic organizational structure is flat – anyone can discuss any issue with anyone, including the CEO. They call it a »lattice-organization« – a horizontal network of peers. Instead of »bosses,« they have leaders and sponsors, without a fixed or assigned authority. Leadership is based on a gravitational logic: Those who have the skill, capability and followership function as leaders. Sponsors track the development of up to five people.

There are no fixed job descriptions, but people commit themselves to tasks/functions, mostly one main task at a time and sometimes a secondary commitment to another one. These commitments are flexible and vary according to necessity and personal ambition.

Co-operation is organized via teams of seven to eight people and teams co-operate among each other in clusters (e.g. regional). In order to keep the complexity of units low, there is a limit of 150 to 250 people per location. If a location grows beyond this number, it will be split. Personal engagement and development are based on strong commitments and objectives established by consensus.

Gore's organization is based on high autonomy and self-responsibility. Personal autonomy is regulated by only four strong principles (source: https://www.gore.com/about/our-beliefs-and-principles):
— **Freedom:** We encourage each other to grow in knowledge, skill, scope of responsibility and range of activities. We believe that associates will exceed expectations when given the freedom to do so.
— **Fairness:** Everyone at Gore sincerely tries to be fair with each other, our suppliers, our customers and anyone else with whom we do business.
— **Commitment:** We are not assigned tasks; rather, we each make our own commitments and keep them.
— **Waterline:** Everyone at Gore consults with other knowledgeable associates before taking actions that might be »below the waterline,« causing serious damage to the enterprise.

The organization is pretty performance-oriented, but performance metrics are set by the teams themselves once they start their task. Monitoring happens – among other measures – by team-members ranking each other according to contribution, and a similar process takes place between the teams. ●

The Great Loss

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Why you should release what you used to trust in

When software developers got tired of projects running late, at the same time failing budgets and customer expectations, they didn't ask their bosses what to do. Instead, they created a bottom-up revolution that set the course for a different way of working that has since focused on self-organization. So, dealing with complexity and speed requires a new set of leadership skills – and letting go of familiar ones.

by Frank Kühn and Jan Sølvberg

The pull principle

Most of us do not like to be told how to do our job; we would rather find our individual way of doing things, drawing on our own motivation and expertise, reaching our goals and experiencing success. People who work in an agile environment are used to »pulling« the next item that needs handling from a backlog, i.e. a list of functionalities or tasks prioritized by their customers. While the customers are the owners of this wish list, the experts are the owners of their self-organization: They decide how to tackle the tasks and how long it will take to get them done.

The pull principle has naturally derived through the methods developed around »agile,« like Scrum and XP. It gives autonomy in the ways of working but isn't about anarchy at all: There are specific roles and rules and it requires discipline and procedures, like daily meetings (stand-ups) that enable rapid interventions. In this new regime, line managers may feel they have to give up their function and part of their management style. Serving people and processes becomes more important than pushing and controlling the staff. The underlying idea is that delivery can happen fairly soon, thus meeting the customers' urgent needs. There is no »big bang« delivery after months or years, failing the customer's expectations following massive investments. By evolving a product or service, pull-by-pull, in close co-operation with the client, the chance of hitting the target has increased significantly.
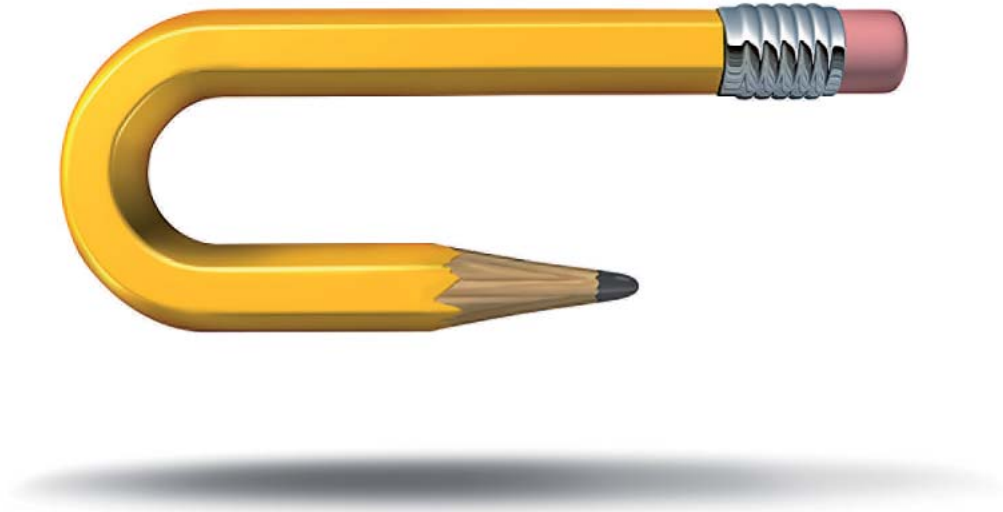
Why agile?

So why should you even consider »going agile« if it means giving up conventional leadership style? There are at least two aspects. Firstly, it is »quicker to market – speed over perfection.« You start with delivering a minimum viable product (MVP), enabling you to explore how it works with the user. This is customer centricity and risk reduction at its best. Secondly, there are strong voices suggesting that the complexity and speed of our time are increasing, referred to as VUCA (volatility, uncertainty, complexity and ambiguity). These factors make it increasingly difficult to organize everything centrally. More self-organization is needed, which requires more transparency and information. This synchronizes with Generations Y & Z asking for purpose and success, inspiration and trying out, learning and feedback, instead of command and control.

Connecting me and the world

All this corresponds with many people's feeling of a mismatch between what they expect about well-being and good working, what they experience in the world (tragedies and conflicts) and what opportunities they are offered in companies to demonstrate their passion and competences.

We could try to better match all those aspects, involving our OD and HR departments, creating comprehensive organization guidelines and development pro-

grams. Or we could ask the people: »What do you think you can contribute to our organization? What task and role would you like to take on?« And then we could provide information and contacts so they can get a good picture and make the decisions themselves, offering them support if they want.

What changes?

As a leader, what do I have to let go of in order to start being agile?
— **Change of attitude:** Lose the push attitude and illusion of power: »If I tell them to do it, it will happen.« Use the pull principle instead, trusting in self-organized expert teams.
— **Loss of liberties:** Agility does not mean anarchy, but asks for process discipline and transparency across the organization. As a leader, you have to walk the talk in order to make it happen.
— **Personal influence:** You will have to trust in your teams that cope with VUCA that they will serve the customers with viable solutions instead of serving you with performance figures that alienate them from their work.

Ultimately, as a leader, you will be responsible for processes and practices that unfold the enthusiasm and talents of people and opportunities for joint success – and that is a very good reason to rethink your existing leadership skills. ●

Holacracy

Heaven or hell?
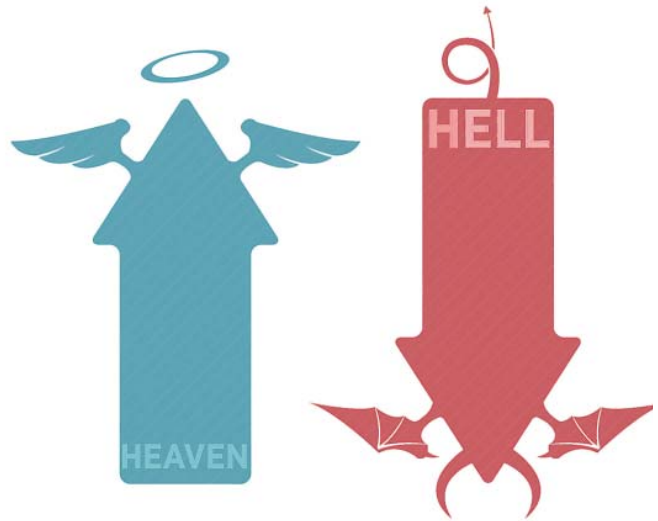
A company without a boss? A team without a leader? A way of working independently, just like you consider it to be most suitable? Have you heard those questions before? If so, you probably work in one of the few organizations that have already turned down traditional management approaches and adopted a new form of leadership.

by Julia Fadler and Franz Schwarenthorer

Recommended Reading

Who is using Holacracy?
http://structureprocess.com/holacracy-cases/

Holacracy: The Revolutionary Management System that Abolishes Hierarchy by Brian J. Robertson
Portfolio Penguin, 2015

In the past years, a lot of ideas and concepts have been emerging that foster self-organization in companies. All these different concepts share the idea of human nature as being eager to grow, gain more expertise and do meaningful work. Based on that assumption, the freedom to act independently in one's job as well as taking over responsibilities for one's own work lead to more motivation and engagement among employees. Individuals in such a work environment serve the organization as a whole because the employees enjoy their work and want to move further. One specific approach embracing the ideas of self-organization and striving to work for an organization's purpose is Holacracy.

A new operating system for organizations

Holacracy is a system of organizational governance developed by Brian Robertson. The basic idea is that power moves from leaders to processes in an organization as a whole. All actions in a holacratic organization should serve a specific purpose.

In Holacracy, a hierarchical pyramid structure is replaced by a structure of circles and sub-circles, e.g. circle Marketing and sub-circle Digital Marketing, that are linked to each other by functions. In each circle, there are special roles that connect and co-ordinate the work of the sub-circles. A circle consists of different roles, e.g. Social Media Manager, that are clearly defined by their purpose (the why), domains (the what) and corresponding accountabilities. Each person wor-

king in a holacratic organization can take over multiple roles and therefore belongs to more than one circle. In comparison to job descriptions in traditional organizations, roles are changed dynamically in accordance with needs from within the organization or as a reaction to changes from outside.

Holacracy also defines clear decision-making processes and meeting structures to guarantee a coordinated course of action within the circles and the organization as a whole. Weekly tactical meetings are held on the circle-level and serve the purpose of checking the circle key performance indicators, exchanging the status of work and addressing tensions arising in the day-to-day operative work. Governance meetings are held on a monthly basis to further develop how work is done in the organization (Which roles do we need? What are ongoing activities that we need to watch?). The overall goal is »to go with the flow« in an organization – if someone makes a suggestion on how to proceed further, the idea can only be neglected by the others if serious doubts arise.

A heavenly way of working or an overload of structure?

A lot has been said and written about organizations that have adopted Holacracy. Some share very positive experiences and find relief in clear meeting structures that actually lead to fruitful outcomes. Others are doubtful about the added value of the »new operating system« and criticize Holacracy for being extremely technical and over-structured. Individual experiences with Holacracy also seem to differ a lot within an organization, as the example of the online shoe and clothing shop Zappos, the largest organization having adopted Holacracy so far, shows. When the company completely changed their internal structures and processes to Holacracy, most employees decided to stay. 29 percent of the staff, however went for the buyout option offered by Zappos and left the organization. The wide range of views on Holacracy are shown with the following two quotes: One employee at Zappos stated that »… my worst day at Zappos is still better than my best day anywhere else. I can't imagine going back to traditional hierarchy anymore.« A former employee of the organization called Holacracy »… a social experiment that created chaos and uncertainty.« How can this gap be explained?

Do you have the right mind-set and skills?

Holacracy and other approaches fostering self-management demand a certain mind-set and special skills, which might be new or unfamiliar to a lot of people who have been working in traditionally managed organizations for most of their work life. One of the core skills that have to be developed to profit from self-organization is the ability to work in self-organized teams. This might sound trivial but it is actually a huge challenge.

Working in self-organized teams needs clear rules. On an individual level, self-organization requires the ability to give and receive feedback – even (or above all) if it is critical. Furthermore, it needs an overall attitude of openly sharing with others. For various reasons, we are often used to keeping information to ourselves or do not want to express doubts and fears. In the system of Holacracy, that is not possible: Very clear meeting structures are used to share all the information necessary to guarantee a steady workflow. If decisions have to be made, everyone is responsible for the outcome and can make suggestions or express worries. Bearing all that in mind, Holacracy provides a lot of opportunities for organizations to become places of creative exchange and co-operation, but it also runs the risk of expecting too much from people who are not used or not willing to work without clear instructions by management.

What can organizations learn from Holacracy?

Summing up, Holacracy provides some very interesting knowledge. The idea of giving power to the process and providing the necessary set-up for people so they can decide independently in their field of responsibility is definitely a promising path for all kinds of organizations. Thinking about this possibility might trigger an intense process of reflection on what is actually expected from employees: Do we really want our employees to act and decide independently? Holacracy might be criticized for good reasons and the decision in favor of or against adopting this new operating system has to be made by organizations individually. In any case, the approach shows one possible way for organizations to continuously develop their own structures and processes in order to keep up with the pace nowadays. ●

Disruption

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Are you ready to destroy your existing business?

Disruption has become one of the most (mis-)used buzzwords when it comes to innovation. Almost every newly announced product or service needs to claim to disrupt the existing industry in order to draw attention. This unfortunate development beclouds the serious core of the related theory and the consequences for incumbent industry leaders.

by Stefan Posch

People tend to get bored by the term disruption and thus miss the implications of – if applied correctly – this powerful mechanism. We believe today's industry leaders have to face this phenomenon seriously, experiment with self-disruption and by doing so put their own business situation to the test.

Disruption – David's weapon against Goliath

We all know the story of David – a young boy who killed Goliath, the three-meter tall soldier in the Philistine army. David did so by using his slingshot against the overconfident Goliath – in his bronze armor, equipped with a heavy shield and sharp lance – who had no chance. The theory of disruption explains how this could happen. It was developed by Clayton Christensen, one of the world's most acknowledged experts on innovation, and published in his book »The Innovator's Dilemma« already in 1997.

In a nutshell, it explains why and under which conditions giant companies can be beaten by new entrants with disruptive innovations and why it is so extremely difficult for the incumbents not to fail.

Disruptive innovations indicate situations where new organizations – very often startups – can use simple, convenient, low-cost innovations to create growth and triumph over powerful incumbents. Basically, they kill them by coming from the »bottom of the market« (e.g. mainframe computer manufacturers were killed by minicomputers, which where then killed by ▶

PCs, which are now getting disrupted by tablets and mobile phones). Established organizations almost always win against attackers when it comes to sustaining innovations (improvements to existing products regarding features deemed to be important for the customers) but almost always lose to attackers armed with disruptive innovation.

Disruption needs the right ingredients

According to Clay Christensen's theory, a newcomer needs to build his disruptive innovation on a new technology different from that of the incumbent. Take the classical examples of steam-boats that disrupted the sailing boat business, the digital camera that disrupted analog cameras, or WhatsApp that disrupted the SMS. All disruptive innovations are built on a technological core that can still improve tremendously. One of the most important movements today – which is still not at its peak – is digitalization. The theory of disruption explains why there are so many new entrances with new digital value propositions blowing away existing giant companies at the moment. Famous companies such as Amazon, Uber and Airbnb may be mentioned as very prominent examples here. Besides digitalization, other technologies are advancing very fast these days, e.g. 3D printing technologies or low-cost DNA sequencing. They are opening up plenty of opportunities for potential disruptors. The faster a new technology develops, the faster somebody can grow his business based on this technology. With the advanced technology, value proposition also increases and hence more and more customers can be reached and pulled away from well-established companies.

Don't shoot for the stars too fast!

The key to disruption is, however, to introduce the new value proposition either to customers at the »bottom of the market« or in new markets that are not in the scope of established players. This is a very important and often overlooked part of this phenomenon. Successful disruptors do not attack industries' leaders in the segments of their most attractive customers, but in segments that they are willing to not defend or are even happy to give up because of lousy profits. In this case, the story of Tesla is interesting. Although it is very often cited as a perfect example of disruption, the

strategy of Elon Musk (CEO of Tesla) is certainly not. Undoubtedly, the awareness of the potential of electric cars has increased tremendously due to Tesla's approach. However, Elon Musk has attacked the established industry not at the bottom of the market, but right in the center of their attention – the premium segment. As a consequence, we see them fighting back hard. Being attacked in the most precious segment did not allow them to ignore the newcomer. They are willing to spend enormous resources to win this battle. According to the theory of disruption, they have a good chance of survival while Tesla might be annihilated in this uphill battle.

Are you ready to destroy your own business?

We currently see many powerful technologies developing rapidly. This is why we believe today's industry leaders have to face this phenomenon. However, you cannot always »hope« to be attacked by a newcomer in your premium segment, as this would make it relatively easy to fight back. It is much harder to do so when the newcomer starts his attack at the »bottom of the market,« like many financially restricted startups do. In that case, you might easily ignore such a development or be willing to give up that low profit segment and focus on improving the service for your premium customers. By doing so, you allow the newcomer to grow and gain market share until it is too late to fight back. It is therefore important to start experimenting in time with the idea of self-disrupting your own business. Take some time off and do some war-gaming that focuses on the following questions: What would happen if a startup formed that consists of two or three of your best and most open-minded people together with two or three people who are experts in a potentially disrupting new technology? How would such a team attack your existing business? Which customer segment would they deliver to first? How would they change the value proposition for these customers? What would their business model look like?

If you see potential for such a scenario – even if its initial market share looks ridiculous – do not trick yourself by pushing it away as a possible threat in the future. Use it to create a sense of urgency. Unfreeze resources and build a core team that investigates such a scenario. This war-gaming on self-disruption is often the first step in an interesting journey of renewal. ●

The Lean Startup

A new way of product development

The Lean Startup – or Lean Innovation – is an approach that focuses on running startups and launching new products or services effectively. The typical approach for »developing new things« is to write a business plan, present it to investors, introduce a product, and start selling. But this does not work for everyone, especially for startups. Simply put: it is too complicated and costly, and the process takes too long for them.

by Milan Gazdík

The traditional approach to product development reflects the strategy, vision and business plans of a company. The team of product and project managers follows the plan and relevant project ideas are discussed and approved by steering committees. The scope is determined by budget and systems. Any constraint can affect product functionalities, which are subsequently reduced or modified. Every change results in another loop and approval flows start again. Additionally, interaction with the external environment is very limited. All of these factors cause a long »time to market« approach with hardly any flexibility and the initial scope is changed significantly. The development of a new product or a system change typically takes months or years.

The Lean Startup approach tries to consider these factors and eliminate them. Hence, the key idea of the Lean approach recommends that only valuable activities must be incorporated and that the customer is a major approver.

»Lean« reduces the risk of failure

The roots of the methodology are in Lean (developed by Toyota), where speed and customer value have always been dominant principles. This product development methodology initially used by startups is less risky and favors experiments over strategic planning, ▶

customer feedback over management decisions, and agile design over traditional project development and testing approaches. In product development (Lean Startups), the following three key Lean principles are used:

Principle 1: Reduce the time to plan and implement

Startups use a typical »business model canvas« diagram to summarize how a company creates value for customers. In detail, the areas are:

— Activities: fill in the most important activities needed for executing your proposition.
— Partner network: define who helps optimize operations and helps reduce risks.
— Value propositions: collect products and services that meet the customers' needs.
— Customer segments: identify which customers will be targeted with the proposition.
— Channels: define how you will reach your customers.
— Customer relationships: specify the type of relationship you want to create with each customer segment.
— Revenue streams: define the way a company makes income from each customer segment.
— Cost structure: describe the most important financial consequences within different business models.
— Resources: list the main inputs that are used to create the value proposition, service its customer segment and deliver the product.

Principle 2: Utilize the »voice of the customer«

Ask your potential customers and suppliers for feedback on all aspects of the business model, including product features, pricing and distribution channels. The emphasis is on speed when you seek opinions, but they still need to be gathered and evaluated properly. Based on these »voices,« all hypotheses or assumptions might require revision and if needed, you have to start the cycle all over again by testing redesigned ideas. In order to get constructive customer feedback, it is best to mix quantitative, closed-ended questions (what?) and qualitative, open-ended ones (why?). There are several tools for working with customers' »voices.« They are used for either testing the idea itself (testing the proposition) or the acceptance of the solution.

Tool example – comprehensive test: test the understanding of the proposition within a group of up to twenty people. Start by writing down the value proposition in up to three sentences, show this to each participant for a few moments and then hide it again. Ask the participants to describe the value proposition in their own words. If around 80 percent of the explanations are comparable to the real one, it is a positive result. If not, the product needs modification.

Tool example – smoke test (startup edition): the value proposition is presented to the customer. Feedback from customers is based on the exchange of some form of payment. Customers may pay real money or with commitments to give something intangible but personal. Good examples are personal data and email addresses. The willingness to pay for a product is measured and evaluated.

Principle 3: Develop faster, pilot it and learn from that

For the implementation, use agile development techniques, which eliminate wasted time and resources. Typically, startups create Minimum Viable Products that are tested by customers. If the feedback reveals that the idea is wrong, startups either revise them or convert them into new hypotheses. Once a model is proven, they implement the solution (employing agile techniques). Each stage of development is iterative: A startup will probably fail several times before finding the right approach. Learning from failures, or even celebrating them, supports the mindset to soon become successful.

Tool example – concierge tests: they allow a few customers to test a pilot product for a certain time. Ask questions at the end of the testing period, such as »Does the solution solve a real customer problem?« or »What is the minimum feature set required to implement a solution?« You will learn what your customers expect and if they are the right target group.

1–2–3: Build, measure, learn

The process of product development can be simplified and described in three phases. To summarize them: In the »Build« phase, the ideas are turned into proposition of the products or services (hypothesis). The »Measure« phase tests the hypothesis and potential cus- ▶

A supportive infrastructure to be successful


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CONTINUOUS IMPROVEMENT
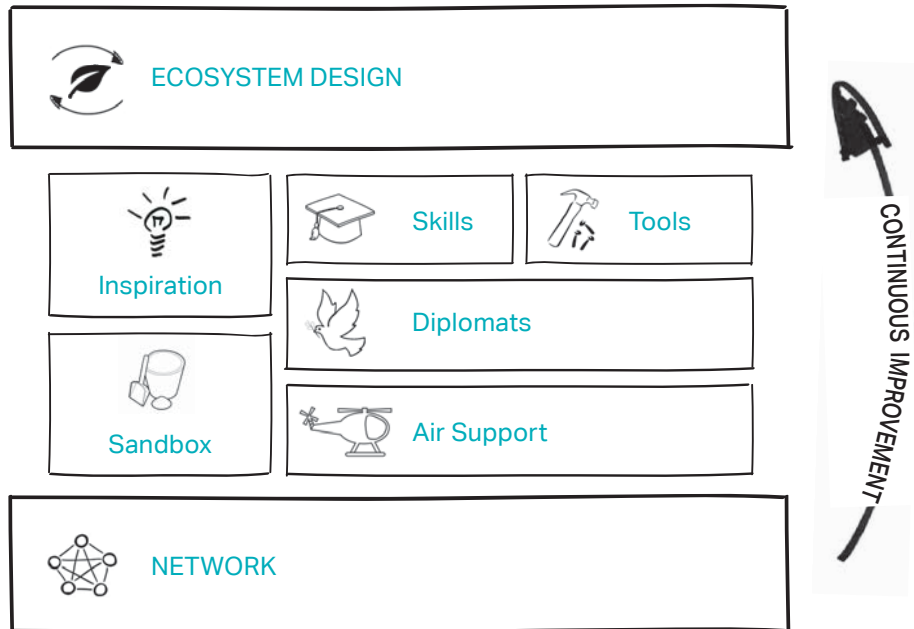
Source: Nick.Norena@TriKro.com

tomers and users are asked for feedback (customer's voice). In the »Learn« phase, we decide whether to pivot or adhere to the solution. For pilot development, agile techniques are preferred because they are fast and flexible during implementation.

Innovation ecosystem

The approach itself it is not enough to be really successful; a supportive infrastructure is essential. There are at least seven key success factors that need to be implemented and aligned (see the illustration above).

1. Inspiration: everyone who wants to develop something new needs to find the right opportunity and still be inspired.
2. Playground or sandbox: you need a space for creativity in order to create new products and innovate.
3. Skills: to develop new products or processes, one needs to be able to ask customers or investors the right questions. Startups learn such skills in coaching sessions or via networking with experts.
4. Tools: to lower the costs of developments. Use, for example, the facilities of an open-access workshop, like Techshop.
5. Diplomats: those who bring people together and support startups by mentoring or contributing ideas.
6. Investors or air support: people/companies who can support developments with investment capital.
7. Network: a community that inspires and can be learned from.

This ecosystem needs to be continuously improved.

Inspiration for established companies

The Lean Startup development approach Build – Measure – Learn has inspired large organizations, as well, and more and more established enterprises are following this Lean approach by incorporating customers and their experience (UX) into the development of Minimal Viable Products. Pilot solutions are implemented by means of an agile approach, where several iterations, together with customers, are needed to develop right, profitable products. ●

A Transforming Role

The future of middle management

Some might say the role of middle management has never been an easy one. The aggrieved party is often wedged between superiors' expectations, tight targets, the execution of unpleasant decisions »from above,« as well as subordinates' questions – concerns and maybe even resistance. They experience conflicts of goals and high pressure while trying to balance the demands of the daily work and tasks concerning change.   by Eva Grieshuber and Monika Meirer

»Everyone's now responsible for taking their experiences in their job to drive the company forward.«

Alexis Gonzales-Black, Zappos

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Change management is increasingly becoming a natural and constant element of middle management's role. And indeed, their role in transformation processes is uncontested. In our change consultancy work, we often observe that if middle management is on board, they are highly effective bearers, facilitators and multipliers for change. In short: they are the key because in the best case they are close to both the business and the people, have different insights and hold a lot of information.

So what do they do? They bring relevant elements of a change story to life through authentic communication when interpreting the change story for their own unit or team, and also with their actions, such as making fast decisions, giving immediate feedback or directly aligning with process partners from other »silos.« In enterprises where change awareness and competencies are well developed, we have also observed that leaders in middle management effectively take the role of change managers. They do not just organize the process and communicate actively; they are also driving forces for clear decisions and the successful implementation of them. If they do not get clear answers (which is quite often the case), they actively take responsibility or re-frame their area of responsibility by developing solutions to handle situations of high uncertainty. More and more, they do this in a non-hierarchical way, as a process of consultation and dialogue with their colleagues … at least in an ideal world.

Organizations in change

At the same time, organizations change, partly radically. Reacting to perceived or anticipated pressure, organizations set up initiatives to become more agile,

more flexible, some also heading to flat hierarchy and a high degree of self-management. As this »new paradigm,« of agile, (partly) self-managed organizations, arises and spreads with increasing speed, organizations have to face a radical transformation of the concept of leadership and management.

Management suddenly finds itself in a process of change: In a self-managed organization, the »old« elements of power like academic and honorary titles as well as commanding authorities do not work anymore. Instead, it is all about shared responsibility. Teams make strategic or operative decisions. In team recruiting, for example, teams are responsible for each step of the process – from defining the job profile, taking care of search activities and the selection process, and finally deciding within the team who to hire as their new colleague. In case of weak performance, the team has to take initiative and give feedback – not delegate this uncomfortable task to the boss. Yet self-organization is supported by clearly defined structures like KPIs, a process for performance discussions and result tracking.

Self-organization certainly does not work if only some elements of self-managed organizations are implemented – and this in an inconsistent way. The result would be that everybody seems to be allowed to do and decide everything – without alignment, without any rules. This would mean chaos[1], and, even worse, middle management would – if still existing – be held accountable for business results.

A different kind of leadership

Leadership is still essential in self-management, but it is organized in a different way – it is dynamic, not per-

manent. Leaders are formally or informally elected based on their concrete contribution to the organization and its mission. They are the ones who take care of alignment, keep the colleagues on »the same page,« as Homa Bahrami[2] calls it, and are responsible for an ongoing process of creating a shared reality and having a shared purpose. In a real self-managed organization, leaders are facilitators and mediators; they create and ensure room and space for initiative, and even generate impulses for further development of the business and the organization. They exercise influence by taking their roles seriously and not through rank, seniority, position or title-based authority.

So, as the role of leadership changes, especially middle management (as well as the HR department) find themselves disempowered and they ask: What is our role in this new era? Or even: Will middle management exist at all in the future? If you think self-managed organizations through to the end, they do not have it anymore.

Is this what we are heading for? Will middle management still have a »raison d'être« in large or internationally active companies? If it should keep on existing, the role of the respective managers will probably demand even more process facilitation, dealing with ambiguity and translating between teams with different set-ups in one organization.

No either/or

In our digital era, however, there are not just ones and zeros. There is and will be a wide range of organizations from pure self-organization and different forms of participation and engagement to still hierarchical forms. Some will have different forms at the same time – as it suits their business, market and team cultures best. As agility is even more vital for organizations, we see middle management as a central bearer and multiplier for change – including the transformation of its own role. ●

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[1] Hermann Arnold calls this »Überforderung«, meaning overextension of the organization and individuals. See Hermann Arnold: Wir sind Chef, 2016

[2] Homa Bahrami: Super-Flexibility for Knowledge Enterprises, 2010

INTERVIEW

Doug Kirkpatrick, US Partner of NuFocus Strategic Group and former CFO of Morning Star, on the future role of middle management.

What is the future of middle management – will it be obsolete?

Doug Kirkpatrick: In the long run, the idea of middle management will seem as quaint as travel by horse and carriage. The purpose of middle management is to move information up and down a chain of command in understandable chunks. Not only are machines accomplishing this more effectively and efficiently than humans, but the very notion of chains of command are melting before our eyes in an era where information runs everywhere at the speed of light.

What is the key in a transformation process toward organizational self-management? What is the role of the middle management in this process?

Doug Kirkpatrick: The key element in the transformation process toward organizational self-management is the culture of the organization. Culture represents the shared, tacit understandings of how things work. If the culture is willing to experiment with change, the possibility of transformation is real. If the culture resists change, it will be almost impossible to achieve with the people who embody that culture. If middle managers are willing to steward change at the potential cost of their own power and authority, then real change is possible.

WHAT'S WORKING

Rapid Results

Reducing risk in a VUCA world

Nowadays, organizations are beeing challenged to break free of the constraints of what they »know for sure« – rules, disciplines, assumptions and repeatable processes. Even if these certainties are valid for a moment in time, the world changes so quickly that they are soon overturned or overtaken by a new reality. Even worse: these disciplines become a burden that inhibits performance in a VUCA environment. **by Patrice Murphy and Markus Spiegel, Schaffer Consulting**

Consider the experience of ocean yacht racing. Years ago, after a blisteringly fast transatlantic crossing, the crew stepped off the boat looking fresh as daisies, claiming: »We were not at sea long enough to get really tired.« A veteran sailor observed the paradoxical benefits to boat and crew: »The faster you go, the less time it takes and the less time there is for fatigue of the boat and crew,« as Robin Knox-Johnston explains in an article in the February 2002 issue of the magazine »Yachting World.«

Just as sailors know that speed can actually minimize some major risks, executives and entrepreneurs now recognize the importance of a light load, tight focus, minimal investment and smart, fast experimentation. This was shown in an analysis of the beneficial impact of speed on four types of risk, first published by Catherine Paul-Chowdhury and Patrice Murphy in an article in the July/August 2005 issue of »Executive Decision« magazine. Organizing for speed is within reach even in long-established organizations, using the Rapid Results Approach to create 100-day execution cycles in complex and ambiguous environments.

This forced pace helps to minimize four types of risk that often derail change efforts:

Fatigue
Just as the yacht crew had not been at sea long enough to get tired, participants in a shorter, faster organizational change effort have lower personal risk of fatigue, remaining fresh, motivated and creative. Instead of being frustrated by long-winded change initiatives with limited impact, participants in 100-day sprints are asked to devote increased attention and energy for a short period and see the results of that effort immediately. Teams that quickly cycle through formation, action, reflection and close-out are also permitted to rest sooner, re-energizing and recruiting new members before moving on to the next phase.

Stress on organizational processes and structures
Like wear and tear on a boat at sea, process risk results when changes to processes or systems compromise an organization's ability to maintain the quality and timeliness of its operations. Rapid change demands focus, ensuring that the organization does not try to change everything at once. Effects can be ob-

served and managed, without overwhelming the system's inherent stability.

Resources
Just as more weight slows down a boat, a big up-front investment in technology, training and consultants is typical of many large change initiatives. Faster implementation can reduce both the size of the up-front investment, and the risk that it will not yield the desired results. Speed demands that activities without a clear link to results be dropped, and some of the time- and resource-intensive work (e.g. training, major IT investment) be slimmed down or delayed to when their relevance and value is more certain.

Vulnerability to changing conditions
The longer a boat is at sea, the more likely its original course is no longer appropriate due to changes in weather. The chance that a change effort is rendered obsolete by changes in the competitive, economic or technological context is the environmental risk associated with organizational change. Implementing rapid change reduces this risk by ensuring that the change is completed and its benefits realized while the original conditions still apply. This also allows more nimble course correction if conditions do actually change while the organization is in transition.

Rapid Results in a VUCA environment

Much as a relay is won through fast sprints that hand off seamlessly, you can turn any change effort into a series of rapid-result initiatives of 100 days or less. Here's how:

Identify the key challenges you need to solve
First, leaders clearly articulate the priority to be addressed: the problem to be solved, opportunity to be leveraged, or business result to be accomplished. This does not mean tasking a team to implement a preconceived solution. Instead, it is about scoping an »executable challenge,« whereby the team can get its

arms around the issues, innovate, experiment and deliver progress against the priority in their own way.

Assemble a small cross-functional team

The next step is to assemble a small team that covers all functions necessary to go after the challenge in a holistic way. Cross-functionality gives them a broader problem-solving spectrum. Keeping the team small, ideally three to six people, allows them to keep up good communications, align and move fast.

Unify the team behind a 100-day stretch goal

The executable challenge aligns the team with the organizational priority. Within that, the team must set its own goal to orient and focus its commitment. Instead of leadership imposing a solution, the team sets its own goal – a measurable result that they own, are excited by, and collectively commit to achieve. Later, their stretch goal will also function as »selection criteria« when choosing between alternative ideas and actions amid time and resource constraints. The team is enabled by one simple rule: choose the option that best moves them towards the goal – no more, no less.

Insist that the team experiment and learn fast

Old thinking and old ways equals old results. By making the goal an audacious stretch, the team is forced to innovate with new ideas and new ways of working. However, not all new ideas will work and not all assumptions will be correct. In a 100-day sprint, the team must quickly test assumptions and conduct fast, low-cost experiments to validate tactical changes. This critical capability was neglected for decades by organizations pre-occupied with development and execution of detailed multi-year plans. In a VUCA world, rapid experimentation, iteration and learning are essential not only for innovation and fast results, but to fuel the adaptive processes by which the organization can evolve into the future.

Originally developed by Schaffer Consulting, the Rapid Results Approach uses focus, temporary team structure and a self-determined stretch results goal to enable speed, agility, experimentation, learning and results – in 100 days or less. Teams take on complex and ambiguous challenges – moving fast with minimal resources and build momentum and confidence for »adaptive change« designed for today's VUCA world. ●

SCHAFFER CONSULTING

For decades, Schaffer Consulting, a U.S. based management consulting firm, has worked side by side with the world's leading companies and non-profit organizations to accelerate strategy execution via innovation, simplification, and integration. Schaffer Consulting is a global partner of ICG.

www.schafferresults.com

Patrice Murphy develops high-engagement approaches that help her clients unlock innovation and breakthrough performance. She brings clarity, courage and humor to her work in finance, pharmaceuticals, technology and government.

Markus Spiegel is passionate about Schaffer Consulting's »Results Orientation« and helps clients transform their businesses with tangible and sustainable results. His professional experience includes working in the automotive and financial service industry.

Recommended Reading
More about »executable challenge«:
Stop Solving Your Business Problems,
Keith E. Michaelson, Markus Spiegel,
Leader to Leader (Spring 2010)

Change the Change

Six building blocks for
high impact transformation

In almost every large corporation, today's messages from top management are the same: »We need to be faster, more agile, less bureaucratic, and strengthen our innovativeness.« In order to achieve this, a dramatic change in mind-set and behavior is needed; some might call it a cultural transformation.

by Manfred Höfler

Traditional change programs don't function anymore in the VUCA environment we are all living and working in. Intricate programs with traditional project management, detailed roadmaps and complex team structures supported by big consultancy teams create many actions and often a lot of resistance. Soft style approaches where change consultants try to intervene mainly in psychodynamics or foster personal developments in trainings, workshops and coaching often don't create enough impact on business. In both approaches the results are poor and people are overwhelmed by complexity. Promises made when these kinds of change initiatives are initiated are by far not fulfilled. In contrast, most people are fed up when hearing the term »change management.« However, »change« in today's context – I would rather call it transformation – is crucial for all the big corporations to stay in the game and keep up with new agile competitors in the digital area. This all happens in a world where attributes like responsiveness, resilience and agility are the key words for success. To deal with these challenges, we want to show you a proactive, proven concept for more agile transformation processes based on a few guiding principles (see illustration). But be aware: There is no recipe for success; it's all about supporting interventions that have the highest impact.

1. Form a coalition of intrinsically motivated pioneers from different hierarchy levels for the transformation – together with them, specify the »transformational why« and the value for the business.
2. Foster a sense of urgency in the whole organization based on emotions and facts that are strongly influenced by the company's outside world.
3. Align powerful influencers and pioneers for the »new« to draw a common picture of the future and define shared tipping points for a transformation process.
4. In a short time, achieve rapid results with new ways of working by groups that consist of intrinsically motivated volunteers.
5. Use successes to convince the whole organization and create more agile transformation activities. Focus on changes of structures and systems that also remove barriers.
6. Mobilize the whole organization by authentic dialogue-based communication. Stage professional large group events, implement virtual platforms or use informal channels for it. ►

Six building blocks for high impact transformation
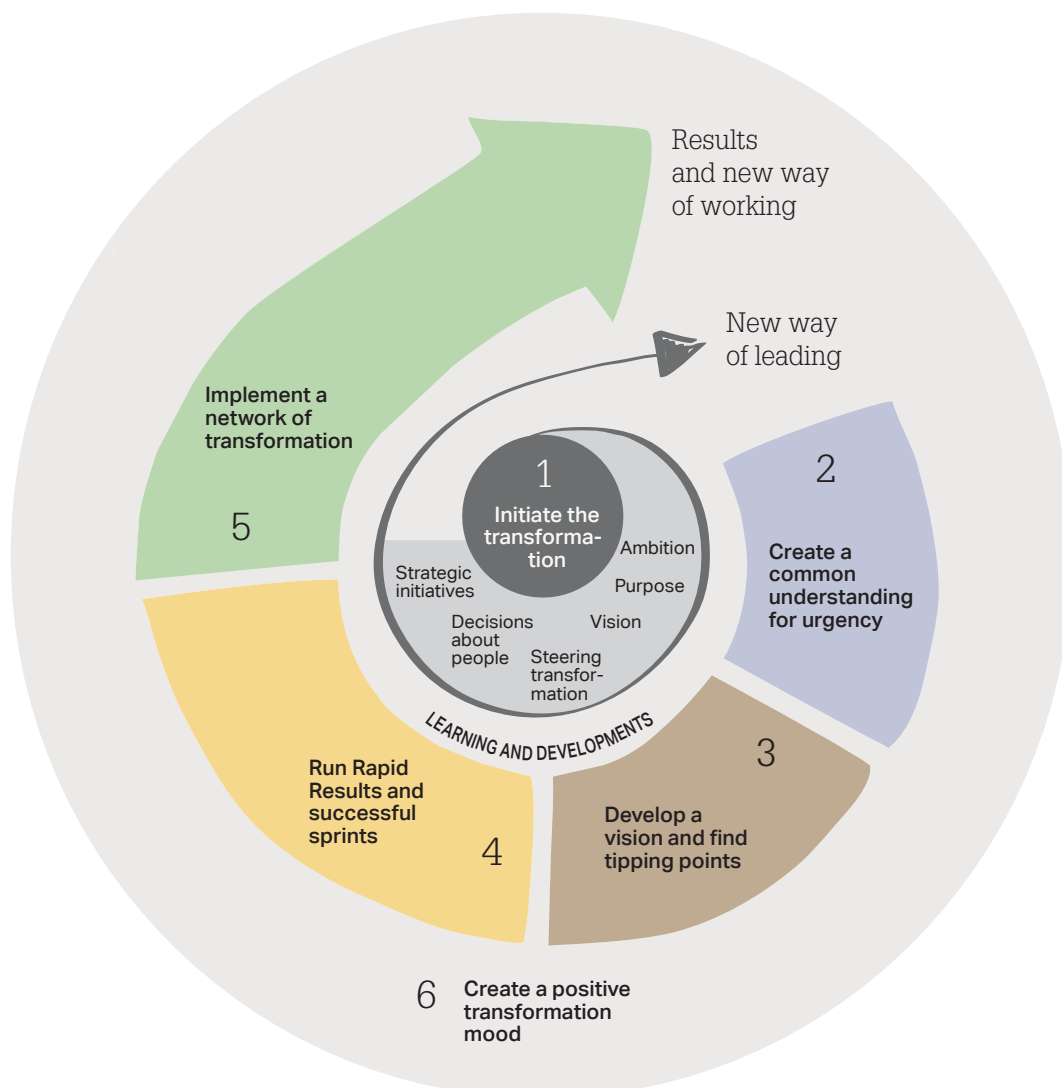
1 Initiate the transformation

To initiate transformation, always start with one to three pioneers who are convinced that »something« should happen. They should be part of the management team of the organization and are the most important transformation leaders during the whole process. Together with an internal or external professional for transformation, they should gather first ideas for how to handle the challenge. In this first step, they need to clarify the purpose, define the »transformational why« and the ambition they want to achieve. A short stakeholder assessment can give them a clear picture regarding influences and interests of relevant key people – a transformation consultant could help them align awareness, ambitions and expectations. A transformation team (TT) consisting of people from different units and hierarchy levels is invited to be the transformation partner of the top management. Kick-off workshops with TT and the top management team are essential to determine the design of the transformation process and gain a common understanding of the purpose, ambition, current context and challenges. Afterwards, this new adventure can be started. Further on in the process, transformation leaders have to be active in steering, coaching and supporting respective activities.

Outcomes

➡ Change story V1
  – Purpose of and reason for the change
  – Business opportunity / vision
  – Process design
  – Stakeholder influence mapping

➡ Pioneers of commitment set-up
  – Pioneers in top management
  – Transformation team
  – Transformation consultants

➡ Steering principles and process for the transformation

Period of time: 2–4 weeks

2 Create a common understanding for urgency

A compact 360° »organizational assessment« helps gain a common understanding about the current state and what kind of changes are needed. Try to include these five angles:

1. **Customer perspective:** Organize a half-day customer conference with 10 to 20 important external or internal customers. Ask them about satisfaction, expectations and future needs. The customers should talk to each other and the top management listens.
2. **Employee focus groups:** Employees from all units should elaborate their view of the situation in a half-day workshop. Afterwards, invite representatives to present their findings to top management.
3. **Observations:** Send TT and management team members on personal learning journeys to competitors, companies in other industries and relevant hot spots. Have them write a journal about it.
4. **Supervisory board or upper management level:** Ask them about their expectations, views and challenges.
5. **Management team and TT:** Together with them, make an assessment about the current situation. Broach hot issues and process the feedback given. Create a common, emotionally significant »sense of urgency« for the transformation.

Outcomes

➡ Feedback
  – Customers feedback
  – Learning journey
  – Employee feedback

➡ Common understanding
  – Why we have to change
  – Hot issues of status quo
  – Key points for transformation

➡ Emotional unfreezing
  – Leaders are emotionally touched
  – Team spirit – we have the same challenges

Period of time: 4–6 weeks

3 Develop a vision and find tipping points

A compelling vision can be created in a one-day top management workshop. This process starts with individuals drawing and describing visionary pictures, followed by a group dialogue about how life in an attractive future should look. This exploration is necessary to build common ground for the future. The findings should be put into a future story, which is the foundation for the commitment of top management. Based on this attractive picture and in relation to hot issues of the current state, they define priorities for developments. These tasks are done in dialogic teamwork. To bring leaders into a creative working mode, a suitable working space is crucial and it needs at least a full day of management attention without any disturbances. At this stage, first agile implementations (speed boats) are ready to be started. Line managers take responsibility for fast actions and top management defines topics for Rapid Results initiatives. At the same time, TT is in charge of self-organized, cross-unit activities. This only has an impact if the top management decides on how they themselves will change their way of working to become role models for the transformation.

Outcomes

➤ Picture of the future
  – Common understanding of an attractive future
  – Commitment of key people

➤ Development priorities
  – List of agreed developments
  – Main actions for each field

➤ Rapid successes/sprints
  – Topics for initiatives
  – Topics for workshops
  – Topics for fast successes
  – New working principles

Period of time: 2–4 weeks

4 Run Rapid Results and successful sprints

This phase needs actions, proven outcomes and real business-related results. Cross-functional Rapid Results initiatives help achieve winning spirit. Volunteers take over »project leads,« build small teams and promise top management they will achieve challenging results within 100 days by new ways of working. These Rapid Results teams work in a self-organized manner alongside their regular jobs. The top management creates space for learning as well as reflection and helps reduce useless barriers for these teams. The TT is a partial member of these initiatives or supports further activities/sprints. After 100 days, results are assessed and lessons learned are shared with the top management. From the experience gained, future transformational measures can be derived. Parallel to these sprints, line managers work on fast successes in their own unit to prove contribution to the common ambitions. For specific challenges, three to five day-long »sprint workshops« can help generate new solutions, as well. The role of the TT is to assist the coordination of activities in this phase. Office concepts for new ways of working, new communication processes and further community building for volunteers are important enablers at this point.

Outcomes

➤ Business relevant success stories

➤ Fast success in all units

➤ Feedback about cultural barriers based on practical changes

➤ Community of volunteers who are really committed and energized

➤ Leaders who trust the change based on success

Period of time: 3–4 months

5 Implement a network of transformation

The picture of the future is the lighthouse for further developments. Fast, successful results are the energizers that early followers can contribute. As opposed to traditional change roadmaps, the top management and TT don't steer, but rather orchestrate the transformation. Small projects, big restructuring activities or system developments – all of these are change actions that depend on people who are truly committed to the transformation goals. In this phase, the right structural interventions, a change of systems, customized training, coaching and HR-activities – whatever is needed – are crucial to support individuals in performing and fulfilling their tasks. Sometimes further sprints or Rapid Results initiatives make sense. Quite often, the behavior of change leaders is vital to sow the seeds for transformation in the whole organization; however, the biggest boost for all activities is business successes, which is why collecting success stories, measuring developments and progress are essential. Important enabling activities are coaching of key people, reflection of learnings and honest feedback about successes and failures.

Outcomes

- Business success
- Cultural changes – new beliefs based on successful behavior
- Development of capabilities of many people
- Positive attitude towards change
- Transformation knowledge increased basis for future demands
- An organization-wide learning mindset

Period of time: 6–12 months

6 Create a positive transformation mood

To nourish the transformation and achieve a critical mass, a professional mobilization process is needed – and communication is key here. Unlike traditional change communication programs, it's all about dialogue in a contemporary transformation process. Customized mobilization activities and settings for communication are needed in each of the building blocks one to five. They range from large group events with mainly face-to-face conversations (working with 100 to 1000 people for one or two days and based on dialogic communication) to a series of smaller one-day workshops in all relevant units. These communication activities need a professional design and can be facilitated by the leaders themselves. Nowadays, you also have to run internal social networks competently with relevant content and involvement of the leaders. Use informal networks, routine meetings and learning programs, etc. to tell stories about the transformation and create a positive vibe for the »mission.« To make sure that you are on track with all of these mobilization activities, ask people if they really feel involved and trust in the authenticity of success stories.

Outcomes

- Positive mood for transformation
- Low resistance
- Getting all brains and hearts involved
- Reinforcement for the process
- Feedback about impact and misunderstanding
- »We-feeling«

Period of time: during the whole transformation process

Looking beyond the Surface

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Initiating »real« dialogue in organizations

In our rapidly changing world, organizations are faced with the need for quick adaptation to different kinds of development by ensuring appropriate decisions and fast learning. Although this sounds reasonable, many organizations seem to not be prepared yet for this kind of pace and valid communication.

by Julia Fadler and Franz Schwarenthorer

Recommended Reading

On Dialogue, Culture and Organizational Learning, Edgar Schein, Organizational Dynamics, vol. 22, 1993

Manual for Jim Rough's Dynamic Facilitation Method, Rosa Zubizarreta, www.co-intelligence.org/DFManual.html, 2006

Digital Opera: www.innotiimidigitalservices.com/download-app/

Managers of organizations are often caught in their meeting routines when answering emails instead of listening, not being really mentally present, withholding information and saving face. In addition, time pressure often creates a real dilemma for problem-solving groups (Edgar Schein): »Voicing the truth might lead to a quicker solution but undermine the relationship-building process. In a discussion or debate, various parties may see a factual disagreement as a personal attack, which leads to unsatisfying outcomes.« We met Ed Schein in September 2016 and exchanged our thoughts on the »organization of the future.« We agreed on the idea that open and real dialogue (about individual beliefs, perspectives, knowledge, ideas and so forth) is one of the critical success factors for the future. But what makes a good dialogue?

Real dialogue

According to Ed Schein, »All problem-solving groups should begin in a dialogue format to facilitate the building of sufficient common ground and mutual trust, and to make it possible to tell what is really on one's mind.« On an individual level, this requires questioning one's own underlying assumptions as much as actively listening to the other person. Some strategies can be used easily to avoid misunderstandings and get to the essence of a topic of interest: Simply asking clarifying ▶

questions or rephrasing are very helpful to get on the same track of conversation right up front. Likewise, talking about oneself rather than about the other person – i.e. »I would have needed more information to understand« instead of »You didn't give me enough information« – are useful communication strategies to create a fruitful dialogue.

On an organizational level, it is very important that the top management embraces the idea of real dialogue. Only if top leaders acknowledge the establishment of a culture of open communication as important and urgent can activities to get there be successful. Implementing open dialogue is a learning process for leaders. They act as a role model for others; hence, their part in creating a culture of dialogue is especially important. Last but not least, time and space for dialogue has to be created. How can we support open dialogue?

Designs to create dialogue

As we develop designs to support open dialogue in our daily consulting practice, we would like to describe three examples of effective formats:

1. Dynamic facilitation
This distinctive and powerful approach to group facilitation was developed by Jim Rough in order to help groups arrive together at creative, practical and elegant solutions to challenging issues. Basically, the idea is that each participant gets as much time as he/she needs to talk about the topic while all the others are listening. There is no direct conversation between the participants, but all of them talk to the facilitator, who takes notes on four pinboards:

— **Challenges:** The discussion starts with one challenge or question. Additional ones are added by the individuals talking.
— **Solutions:** All ideas of the participants to solve the challenges or answer the questions.
— **Objections:** Doubts with regards to suggested solutions.
— **Perspectives:** All of the information that does not fit into the other categories, e.g. background information, feelings.

The facilitator takes on a very active and consistent role in supporting the emotional safety, unique perspective and creative contribution of each participant. As all the others have to listen while their colleagues are talking, we see understanding that is much more real. After a first round, additional slots for further thoughts are offered. Interestingly enough – although there is no direct conversation between the participants, a solution »emerges« at some stage. And this is not the result of a discussion, but by truly listening and sharing thoughts and feelings, which is pure real dialogue.

2. Large group events
If they are set up in a dialogic way, large group events can be very powerful interventions in organizational development. On average, we work with groups between 100 and 500 participants. Depending on the stage of the development process, these events can be used for a) gaining information and ideas of the employees, b) getting feedback about concepts (sounding boards) or c) communicating the results and the start of implementation. Only if participants are given sufficient opportunity to really share their

thoughts, ideas or doubts, will they perceive the event as meaningful and as a good basis for further activities. How can we achieve that? People are arranged in small groups of six to eight people around small tables. Presentations should be kept to an absolute minimum, as the focus should be on intensive dialogue in those small groups. Questions, remarks or ideas of the small groups are collected – either verbally or written down. Just to give an example: If we take option b) (feedback to concepts), we present a concept and then invite the small groups to discuss questions like: How do we understand what we heard? What questions do we have? What has to be considered for the implementation stage? Management will reply to some of the comments or ideas immediately and take the rest along for further action – management has to take all feedback seriously and inform later on about what has been done with the input.

3. Digital OPERA
As working in virtual teams is getting more and more important, we would like to describe an online tool as well, which should help initiate an efficient group solution process remotely: Digital OPERA. The method follows five steps which can be accomplished via different devices, e.g. tablets or laptops. At first, each team member formulates his or her own suggestions on a certain topic/question. Then, an online facilitator arranges participants in pairs. The duos discuss their ideas and agree on the most important suggestions. After that step, the suggestions are made visible to all participants. In the explanation phase, clarifying questions can be posed and are answered by the according pair. Afterwards, a ranking is done – every duo chooses the most important suggestions, which are listed later

on according to the number of votes; the ones not chosen by any pair are excluded from the further process. Finally, the remaining suggestions are arranged – the participants commonly organize them into topics. Based on this, further actions can be developed.

All of the formats described provide a clear structure (physical/virtual space, time frame) for dialogue and all of the participants are given the opportunity to share their thoughts with each other. These aspects are important when initiating dialogue in organizations. Although enabling real dialogue in organizations can be hard work, it is worth the effort because a collective organizational learning process can be triggered – and your organization will be ready to meet further challenges. ●

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»If problem solving and conflict resolution in groups is increasingly important in our complex world, then the skill of dialogue becomes one of the most fundamental of human skills.«
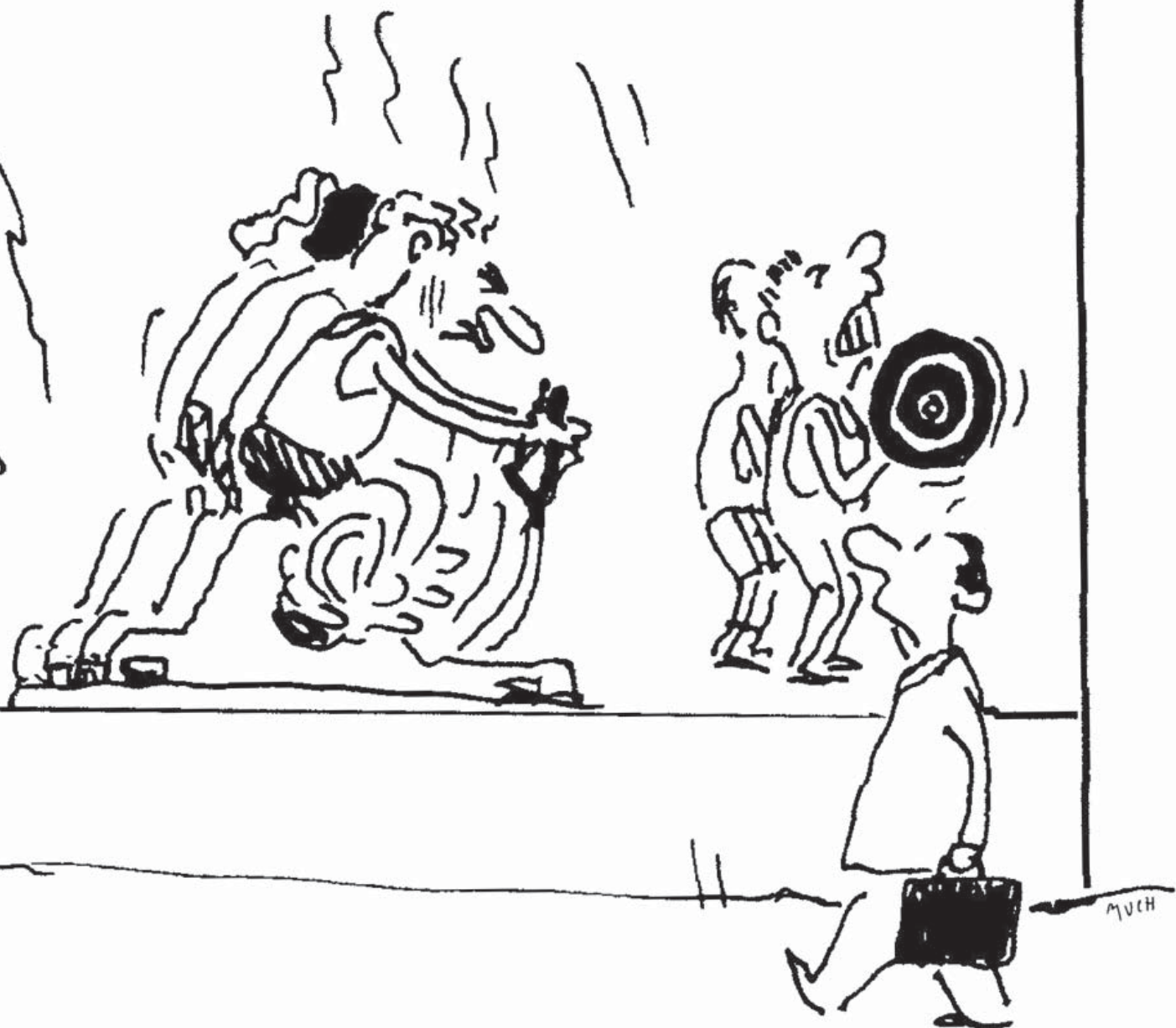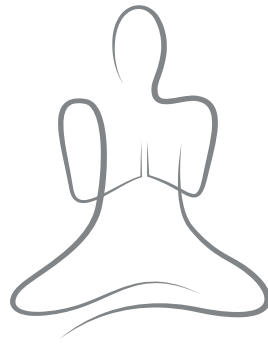
Edgar Schein

Agility and resilience are physical training

not only a matter of

Mindfulness

Exercising conscious presence
for a better life

Mindfulness is a healthy combination of ancient Eastern meditation and Western cognitive sciences which has become a mainstream tool in leadership development and practice. It helps you forge a path to conscious presence and improves leadership and personal life immensely, as we have already experienced in our trainings.

by Hans Bodingbauer and Imre Sivó

Mindfulness may initially be associated with spirituality, religion, meditation, Buddhism, etc. As traditional managers we may thus be inclined to disregard it: What place do these concepts have in business? However, how has mindfulness become such a strong trend nowadays?

Modern mindfulness was developed by Jon Kabat Zinn. In 1979 he developed a trademarked process called MBSR (Mindfulness Based Stress Reduction) and introduced it into the healthcare industry to help people cope with chronic diseases, stress, anxiety and pain. Nowadays, mindfulness techniques are applied in all areas of modern life, including the workplace, management, leadership, as well as coaching and consultancy.

It starts with a monkey mind

Neuroscience has shed some light on how mindfulness affects the brain. All mindfulness trainings use forms of meditation as a means of developing mindfulness. Meditation is known to be a method of instilling a state of rest to the otherwise very active mind. Contrary to expectations, the brain, when it is in this restful state, is most active. Several systems become active simultaneously, producing the kind of thoughts and, sometimes massive, inner chatter (Zen Buddhists call this monkey mind), which everyone who has ever tried meditating has probably experienced. Neuroscientists call this the »default state.«

Try this exercise right now: Stop reading, close your eyes and just do nothing for one minute. What did you experience? You probably had many thoughts running through your mind. This is what our brain does when we are not focusing on anything specific.

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»Mindfulness is the aware, balanced acceptance of the present experience.«

Silvia Boorstein

In the default state, four types of mental activities are usually happening at the same time:

1. **Commentating,** which means we are criticizing or judging what we are currently doing, feeling, or sensing.
2. **Time travel**, which means we are thinking about and/or judging the past or thinking about and planning for or worrying about the future.
3. **Self-referencing-processing**, which refers to the process of putting all of this in relation to who we are.
4. **Social cognition**, meaning that we are thinking about other people, putting them into categories and thinking about how we relate to them.

All of these brain activities occur without any effort and without anyone having asked us to perform them. ▶

The effects of mindfulness
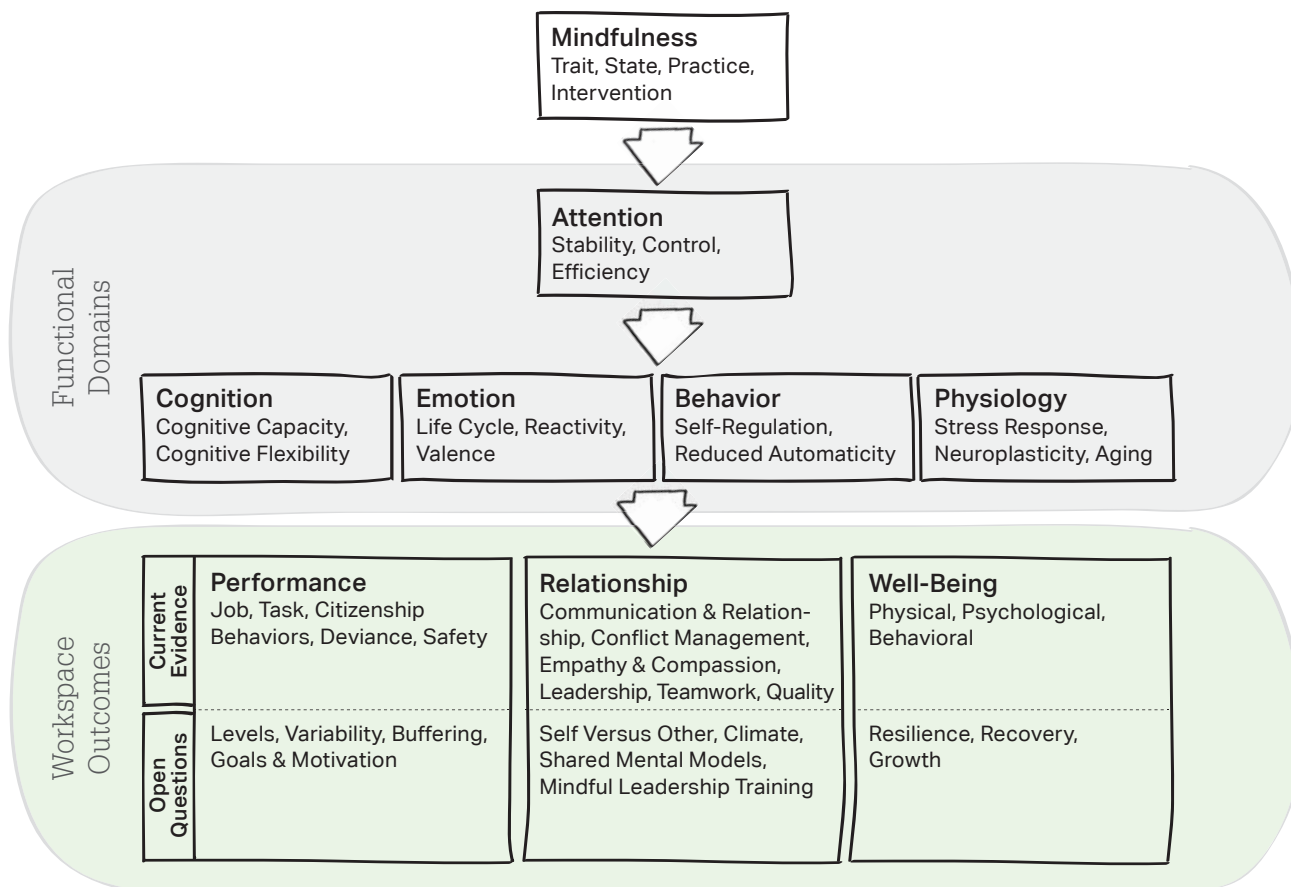
Source: Journal of Management 2015 , Sage, Good, Lyddy et al.

»Mindfulness means paying
attention in a particular way:
on purpose, in the present moment
and nonjudgmentally.«

Jon Kabat-Zinn

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If we follow this inner talk we spend a lot of time thinking about the past, possibly worrying about the future and categorizing people. This means we are not fully aware of what's really going on in our environment. We are running on auto-pilot and missing out on the real world.

Out of the default state

However, there is another state of being. It is one in which we are fully immersed and focused. This state is often described as »being in the flow,« or being fully in the present. As such, it is the state of mindfulness versus the state of »mindlessness.«

Mindfulness activates mainly those regions of the brain that process sensory input. Therefore, meditation exercises focus on both sharpening the awareness of our sensory system and on recognizing when we slip into the »default state.«

How does all this relate to leadership? A leader who spends too much time in the »default state« or running on autopilot is impeded in his ability to think clearly, communicate properly, manage emotions, and guide and coach others.

How to practice mindfulness

Many definitions of mindfulness show a strong relationship between attention and awareness. There are hundreds of mindful exercises you can find in relevant literature. They can be either meditative or non-meditative ones, and they all help you focus your attention on the present experience and also become much more aware (with all your senses, your cognition, and feelings) of what you are experiencing at the moment.

Mindfulness can be used in two very enriching ways: In a stabilizing, curing way, as it is used widely and successfully in the healthcare industry, and also to reduce stress, the risk of burnout or to enhance your life and increase your ability towards more awareness.

For a better organization

The illustration on the previous page shows an integrated view of the possible effects of mindfulness. It affects our individual attention and increases awareness (cognition, emotion, behavior as well as physiology) and therefore also has an impact on teams and entire organizations. If people are more mindful, organizational performance, relationships with superiors as well as colleagues and ultimately the culture of the organization improve. Empirical research suggests that individual task performance increases and meditators tend to have reduced performance variability and a higher ability to maintain high performance even in disruptive and threatening contexts.

In our trainings we have also experienced that mindfulness improves the quality of communication which relates to better relationships, better problem-solving and more creativity. It also helps people develop a balanced life. Employees and leaders with a good work-life balance are the important building blocks for a positive, trustful corporate culture.
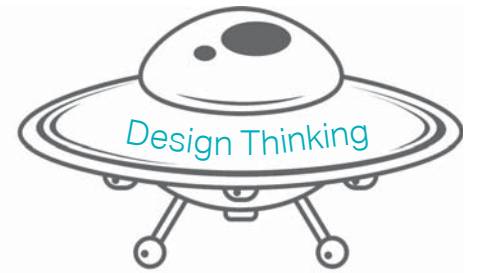
Life and work-changing

Each of us has got a miraculous, individual mind and if we understand how it works and even master it, we have a greater chance of growing towards a fulfilled life. ●

Design(ed) for Change

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The Design Thinking way
towards co-creative change

Design Thinking

$$C = D \times V \times S$$

Change   Dissatisfaction   Vision   Steps

Originally, Design Thinking was created by thoughtful designers for human-centered innovation of products and services. But what happens if you transfer the basic principles of the methodology into a change management perspective? Welcome to co-creative change!
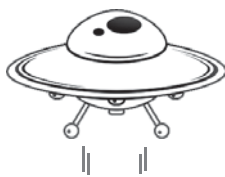
by Julia Jantschgi

»Alone we can do so little, together we can do so much.«

Helen Keller

A tool for change

Understanding the customer, creating meaningful products and services and selling them successfully – three items on probably every company's checklist for success. In order to achieve them, companies started to use Design Thinking as a methodology to find out more about the needs and wishes of their customers, hoping to bring exciting, high-flying products or services to the market. We asked ourselves what comes next. Can Design Thinking be a powerful tool for change processes, as well? With that question in mind, we travelled to the epicenter of Design Thinking – Silicon Valley.

Since Design Thinking always puts the customer at the center, the basic question to begin with would be the following: How often do you hear managers discuss the needs and wishes of »their« customers within change processes – the employees affected? The answer to it: Basically never. Innovatively argued, we would say why not copy a successful approach and start planning and executing change activities using Design Thinking to make change tempting and more successful.

Where to start?

When bringing Design Thinking into organizational change processes, one could start by questioning the whole concept of the change architecture. In our opinion it's best to follow a basic rule of change: go for quick wins, start small and keep learning.

A success formula for change teaches us that nothing will happen without three ingredients: dissatisfaction with the current situation, an attractive image of the future and – very important – quick first steps in the right direction. In change architectures, a lot is considered to analyze the current status quo and create a meaningful picture of the future. But the concrete steps to start the movement sometimes miss attention regarding designing them in a human-centered way. In hopes that the initial thought was right and the first actions result immediately in quick wins, detailed actions are formulated and executed too quickly sometimes. When using Design Thinking, the success of your first steps can become predictable. How? By designing them with heart and mind, iteratively and together with and for your target group.

The three cornerstones of co-creative first steps

Process
Inspiration
Ideation
Iteration

Teams
Divers BUT
Similar

Space
Changing the
space changes
behaviour

Needs on fire

Design Thinking follows some simple rules. Before you come up with possible solutions, you need to find out what bothers your customer/employees. It is not very often that we see a change team questioning the articulated problems. But only if you are tackling the right problem will your solution be successful.

The secret thereby is to dig deep until you touch on emotions and real needs. Afterwards, formulate challenges. Got it? Great! Then go on creating many solutions – from obvious to crazy. Download first ideas and build on them to develop real concepts. Continue by testing the most promising ones and collect lots of feedback. The more often you test your solution and improve critical aspects, based on the opinions of testers, the more likely it will be accepted and adopted by the system later on.

Empowering teams

The most frequently asked question when we work with our clients is »Who should go for it?« The logical answer: a motivated team. Within Design Thinking, teamwork is a core element. If you are aiming for the perfect solution for a heterogeneous group, it's best to assign a heterogeneous team to come up with the solution. Successful companies teach us that building diverse teams is the most powerful tool to avoid and even break down silos, which is often on the action list during a change process anyway. But reality shows us that a team is not necessarily a team. Diversity is the catchphrase everybody uses when talking about successful teams. However, our experience shows us that besides functional, age- or gender-related and even ethnical diversity, two important elements need to be homogenous: an open mindset and the willingness to experiment. Without this, a common energy can't de-

velop and diversity becomes a handicap that inhibits change. And what about motivation now? The secret formula for empathizing with your target group is to be the target group! Nothing motivates more than being allowed to work on something that serves your own needs. What seems to be very challenging when developing products or services for external customers gets much more tangible when thinking about change processes where your customers are your employees.

Basically, it comes down to one simple task to enable co-creative change in the logic of Design Thinking: identify employees with the right mindset and empower small teams to take the first steps for change by solving personal needs that motivate them intrinsically. If you are thinking for example, about redesigning the meeting culture in your company as a step to unfreezing your culture, start by looking for employees that are hooked on that challenge. Then give them enough guidance to follow the process of inspiration, ideation and feedback – don't forget to provide them with space and freedom to work on it – and be surprised.

Space for change

The third key element of Design Thinking is space. There is a reason why successful, innovative companies seem to be crazy about detail when it comes to their office spaces. The design of a working space can and will influence the behavior of your employees. But it's not about beauty here; it's about functionality. Only if the changed environment itself solves a challenge or problem that employees would articulate when asked is the investment worth the money. How does this relate to co-creative change? In our opinion, it might be the perfect starting point for any movement. Empower passionate employees to create an environment where change is seen as an opportunity to gain something more comfortable, functional and lovable. ●

Promising Similarities

Transylvania, the next
Silicon Valley of Europe?

Europe is looking with admiration and even some envy at the performance and innovation capacity of the organizations founded or based in Silicon Valley. At the same time, Europe is wondering how to replicate this phenomenon. In our opinion, a place that could be – or already is on the path to being – the »Silicon Valley« of Europe is Transylvania. This region already has many similarities with the high-tech Valley.

by Mihai Svasta

Apart from a famous name promoted by the popular character Prince Vlad (mostly known as Dracula), the Seven Castle/Siebenbürgen region, located »beyond the forests« a.k.a. Transylvania, has several characteristics that resemble the Silicon Valley ecosystem.

First, there is significant cultural and ethnic diversity. For thousands of years now Romanians, Hungarians (and Székely), Germans (Saxons and Swabians), Serbians, Slovakians and other smaller ethnic groups have been living in this area. In this region you can find traces of Saxon heritage and the »Mitte Europa« influence, both are based on the foundation made by the Roman and Byzantine cultures. While diving into the mindset of Silicon Valley in an attempt to extract its quintessence, you are staggered by its cultural and ethnic diversity. Around 40 percent of Silicon Valley inhabitants were not born in the U.S. This tangible figure puts a serious question mark over a European society which is so concerned with national myths, tries to limit free movement of people and the labor force within the European Union and is appalled by the refugee flow. In Silicon Valley, people see it differently; this ethnic and cultural diversity is an important asset. It's the same in Transylvania; people have been working for centuries in a multicultural environment – a multiethnic, multilingual, multireligious cohabitation. ▶

Similar to Silicon Valley, the office spaces of Transylvanian tech companies such as Tecknoworks are mostly creative playgrounds where employees can experiment with new technologies and bond over informal activities.

»The ideas are not so important; what's more important is the team behind the project. In this context, it is therefore critical to be able to connect people from different environments.« – says Dr. William Cockayne, professor at Stanford University, who continues: »The Valley is a huge network. The question nowadays is not to have a better network; the question is to have a bigger one!« Similarly, being such a diverse cultural space, the Transylvanian region is part of multiple networks: German, Hungarian, Israeli, Serbian and of course Romanian initiatives always consider Transylvania to be a promising area. It is probably worth mentioning, too, that the only two Romanian cities that have been declared European Capital of Culture, Sibiu and Timișoara, are located in Transylvania.

The second motor force of the Valley is the education system. Stanford University and Singularity University, along with many other educational organizations in the Bay Area, stimulate the most powerful asset of the industry: the human brain. Decades of investments in education obviously pay off. Transylvania is home to two renowned universities that belong to the global top list: Cluj Babeș-Bolyai University and the West University of Timișoara. Along with them, there are many other younger but high quality universities throughout the whole region.

Speed of execution is critical

Innovation happens everywhere, but the capacity to apply innovation and scale it globally is not. »We, Silicon Valley, are not best at innovating; we are actually best at applying innovation on a global scale.« – says Benjamin Levy, co-founder of BootstrapLabs, a venture platform dedicated to artificial intelligence. Several European industrial producers such as Continental Automotive, Bosch and Marquardt understood the human potential in Transylvania; they opened their Research & Development centers there, not just to produce innovation, but, through cost-efficient development work, to scale it and translate it globally, through the companies' network.

State of mind: Optimism

»Do you know why you fail or you do not succeed in Europe? Because you are paid salaries. Somebody paid a salary, regardless of her/his bonus system, will never be an entrepreneur.« – says another Silicon Valley venture capital specialist. This is also highly connected to the American mindset of being very optimistic. In the land of the free, both entrepreneurship and optimism are the main ingredients for success.

Besides a portion of optimism, the common European frame of mind also lacks other characteristics: we do not think globally from the beginning and do not have the experience of scaling our product or ideas globally – we usually address our national markets, maybe expanding within Europe. Last but not least, being an old and traditional culture, in our European societies there is a limited number of early adopters: »An American is prepared to accept a new product when it is 70 percent ready, while a German accepts it when it is 130 percent ready,« remarks the same venture capital specialist.

Full of drive

Another answer to the question why so many industrial companies have started their research and development operations in Transylvania might be that in this region, you can find the young and motivated spirit of a relatively new economy, as well as a positive state of mind. Only a little more than 25 years have passed since Transylvania switched from communism to a market economy; the entrepreneurial spirit and willingness to grow are still present in the people. Here you may find many local startups such as LiveRail, a monetization platform for video publishers recently acquired by Facebook, or MIRA Rehab, a system for the recuperation of motorically challenged people that uses the Kinect sensor.

At the forefront

Quite recently, we have started a co-operation with Tecknoworks, a fast-growing Transylvania-based technology company. Our goal is to unite our resources of knowledge as well as our network of clients and partners with their resources of technology in order to provide our clients the platforms for innovation and digitalization. This collaboration allows us – and our clients – to be at the forefront of the new industrial revolution that is rising, fostered by artificial intelligence, machine learning and digitalization. ●

Feels Like Silicon Valley

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An established car manufacturer in discovery mode

Larger organizations are predominantly oriented towards stability, division of labor, accuracy and efficiency. They are perfectly able to operate in execution mode and, therefore, generate current profit. In the midst of these companies are a number of successful German car manufacturers.

by Manfred Höfler and Stefan Posch

A second operating system is needed

Year after year, fantastic cars are launched and automotive innovations are perfected. To make sure all of this succeeds, it continuously needs task forces, improvements, troubleshooting teams and the consistent pursuit of goals. Considering these challenging requirements, how much scope is left for creativity, conjuring up new ideas and the search for findings, so that success is still ensured in the next five to ten years? What is needed is to consciously exert the discovery mode – the typical »operating system« of many startups. The discovery mode is the incitement for discovering future potential and is also a way of breaking free from the restrictions of the existing logic of success.

While the execution mode focuses on efficiency and implementation to generate current profit by linear thinking, the discovery mode works according to the principles of renewal and uses creative spaces to create success in the future (see illustration).

It is exactly the creative power of the latter that is inevitable for the European industry in order to face the threats from Silicon Valley. Uber, Airbnb, Apple, Google, Upwork and Tesla are only some of the well known names on their way to revolutionizing entire in-
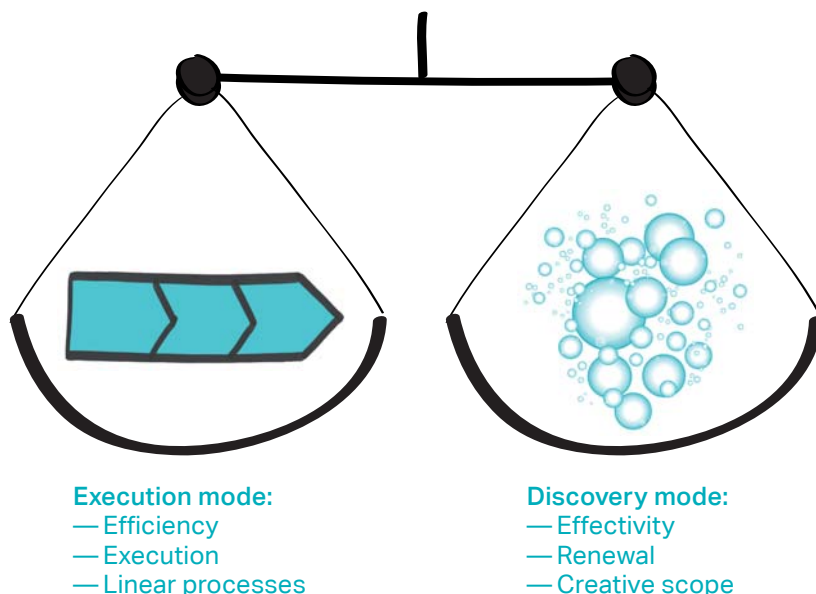
dustries. There are, of course, thousands of others that are about to challenge the champions. Some of them are also good examples of exponential organizations (ExO). They are growing exponentially and are n-times more successful than their competitors are, because ExOs (see also page 87) are based on completely different organizational principles than established corporations.

An example

While traditional European corporations want to create solutions that are 130 percent ready, innovative Silicon Valley companies like to work with solutions that are 70 percent ready and act according to the Lean Start-up principles. Early tests in market niches with MVP (minimal viable products) and fast prototyping in development processes are crucial ingredients to act in the discovery mode.

When we visited organizations in the San Francisco Bay Area, we looked for decisive success factors for an innovative company culture. We found many that make companies successful. Having sorted them, we came up with the following seven dimensions for innovation fitness.

Innovative organizations have two operating systems

Execution mode:
— Efficiency
— Execution
— Linear processes

Discovery mode:
— Effectivity
— Renewal
— Creative scope

Seven dimensions for innovation fitness

Vision and purpose to give orientation
Every person involved is guided by a »higher purpose,« a greater aim that one pursues – that something that lights up their eyes. A strong common purpose creates energy to go the extra mile and overcome barriers.

Freedom, time and resources
Management provides necessary freedom by supporting initiatives, arranging contacts and enabling easy access to small money. Leaders are role models for an agile working approach.

Self-organization, personal responsibility, intrapreneurship
Teams have more autonomy – team members follow their ambitions and get involved with enthusiasm and passion for their vision. The principle is: »Don't ask for permission; ask for forgiveness.«

Spaces and appropriate work environment
Appropriate spaces are required to make agile working possible. These areas are places where people can work creatively with each other and move furniture freely – therefore encouraging lateral thinking as well.

Few guidelines and fewer processes
Performance systems are »innovation neutral« and don't hinder people in their ambitions. Working in discovery mode, processes are reduced to a minimum. Fast personal interactions dominate formal procedures.

Networking and working in heterogenous teams
Differences make the difference – the discovery mode only works with a variety of personalities, origins and biographies. People work temporarily in cross-functional teams and are not limited by organizational silos.

Innovation methodologies and processes
The toolset is different from the one that is used by traditional management. Discovery mode uses real dialogue, all kinds of creativity methods, rapid prototyping and agile approaches like Scrum or Design Thinking.

»You don't have to know everything and be cool. Just be curious.«

David Weekly, Google

▶

The example of a German car manufacturer

Since the beginning of 2016, the development division of an established car manufacturer has been focusing on strengthening its discovery mode. The top management of the company initiated the project and in a pilot process, the management team engaged in experiencing this mode. It's not always easy to do that, since the organization and its employees, like in other large corporations, were already working flat out in the execution mode. So in this case, time was the most valuable resource.

Beginning of a common expedition

To start the process, several workshops took place where employees from lower hierarchy levels localized specific strengths and pointless barriers that keep them from experiencing creativity. Internal clients were asked to provide an external view, inspiration was taken from other innovation leaders and all of this was discussed with the management team. An attractive vision for a creative and inspiring development division was quickly found within a few hours during a workshop. Contrary to traditional plans for introducing change, no intricate change programs or new systems were developed. Instead, the focus quickly switched to »doing.« Following the Rapid Result approach, seven innovation teams were formed, each made up of four or five voluntary employees.

Each team had members from different departments and a challenging objective for the next 100 days was set. Top management decided the fundamental policy for each team, while everything else was based on self-organization. Office spaces were redone to suit a creative working environment. Team members were not appointed; instead, volunteers were assembled by the team leader. The teams organized methodical training on agile working and creativity to test completely new ways of working.

After 100 days, the teams presented their achievements to top management. All seven teams showed exciting results that completely conformed to the strategies of the development division. In this one-day workshop, employees from four hierarchy levels worked together on a new innovation culture. They openly discussed questions such as: »What worked in the last 100 days and why?« »Which obstacles needed to be overcome and what do the young innovators recommend to the top management for further strengthening the discovery mode?« These young innovators were employees convinced of their ideas and who had previously never had any contact with top management.

Designing moods and making values come alive

The vibe was inspiring on this day. It was marked with high mutual appreciation and full of the desire to do »something together« for the development division. Even hot topics were discussed with remarkable openness. A learning-oriented company culture was therefore not »sermonized,« but rather experienced by all participants instead. Or, as a manager described it: »A kind of Silicon Valley spirit was palpable, even in Germany.«

According to our experience, there are three things that need to be done to consciously reach this stage:

1. It requires at least one top manager who has the courage and is eager to experiment with new ways of working.
2. Some employees who wish to do something in specific areas because they are truly convinced about it (and you can find such people in every company).
3. A team of internal professionals who consistently stay on the task of developing and who are the enablers for trying out working in the discovery mode. ●

A Holistic Success

ACO Industries grows through breakthrough innovation

ACO is one of the world's market leaders in drainage technology. The company tackles two of the food industry's biggest concerns: reducing the risk of food contamination and optimizing cleaning costs by focusing on hygienic performance of the products. ICG created an innovation methodology that helped ACO develop a highly successful breakthrough innovation.

by Jan Chal

ICG was a consulting partner of ACO in the Czech Republic for three years and provided them with a design of an innovation project that included a transfer of innovation methodology to cross-functional teams and support in project execution and management within a stage-gate approach. They, like many companies, ran a development process which produces incremental but constantly reliable results. ACO's established development process was linked to the »business development« as well as »technology development.« However, new requirements, like increasing pressure from customers and a new international standard for hygienic design, demanded radical improvements in the innovation performance of the company with a direct impact on sales growth as well as an increase in productivity of the production system. Consequently, ACO needed and asked for a new way of looking at the development of innovative new products that emphasizes fast interaction, customer insight, a huge vision, great sales ambitions and a quantum leap in the number of new clients – all at the same time.

A holistic way

We developed an innovation methodology for breakthrough innovations starting with an observation of the market opportunities and their successful commercialization (adoption in production, launch and scale-up in the market). We adopted a holistic approach to business innovations: How constant innovation creates ▶

radically successful businesses and increases innovation capability in the long run. In a nutshell: Doing the right innovations right.

Doing right innovations

Leaders already know that innovation calls for a different set of activities, skills, methods, metrics, mindsets and leadership approaches. And it is well understood that creating a new business and optimizing an already existing one are two fundamentally different management challenges. The real problem for leaders is doing both simultaneously; how do they keep up with the growth of the existing business while reinventing or creating a new one?

The shareholders of ACO basically requested an upgrade of its core portfolio but not innovations that would mean entirely new products and portfolio diversification for the company. The risk of innovation failure needed to be minimal. The strategic objective of the shareholders was, and is, to become the market leader in drainage systems.

The importance of innovation analysis

To understand what is important to customers and competitors and the dynamics that rule the business, we developed a set of tools for structural and behavioral analysis, diagnosis, and decision-making when faced with big challenges. An analysis shows the size and location of innovation potential and consequently, priorities for the observation of innovations can be formulated.

Market innovations

1. Industry innovation analysis
   ACO's analysis showed that competitors' customers are not satisfied with the existing products and therefore revealed space for stronger penetration of the industry. Furthermore, promising room for growth was identified in the pharmaceutical industry.

2. Business model innovation analysis
   ACO found out that among their customers, satisfaction with the existing offering process is low.

3. Products and services innovation analysis
   ACO identified that customers demand improvement in the quality of the hygienic design and at the same time, to be offered more possibilities to customize solutions without an increase in price on the product level.

Value innovations

Based on many years of innovation consulting services and our own research, we observed that instead of dramatically increasing the output of short-term and commercial innovations, it is better to focus on fewer but more radical innovations.

1. The disruptive value innovation: create something new
   Disruptive innovations create a completely new market value proposition. ACO's new disruptive value is a unique integration of fully hygienic design plus easy customization at a competitive price. This value proposition is a novelty in the industry.

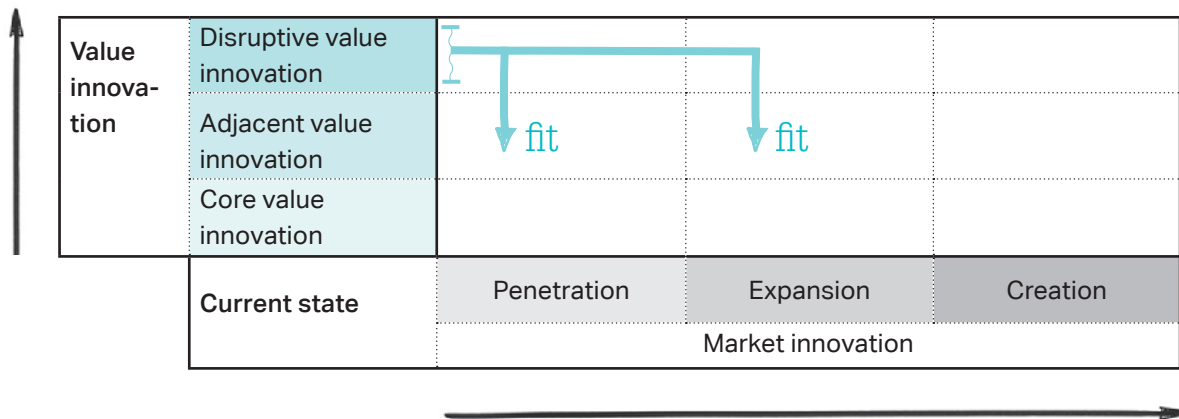2. The adjacent value innovation: cross the boundaries
   If changes in several values are offered at the same time in the existing value proposition, it results in larger values that cross boundaries by adding new wanted values from other industries, for example. ACO developed a new offering system for customers: an online configurator for solutions that is connected to the sales and production system of the company. Moreover, a fully robotic assembly line has rapidly increased productivity and flexibility.

3. The core value innovation: change the known
   A value proposition is like a »vector« composed of several partial values. Inside any known value proposition there are always ways to deliver larger, better and different ones. The focus here lies on a quantitative improvement of one or a few partial values from the core value proposition.

Fully hygienic design, a configurator that allows a high degree of customization and a new robotized process created a disruptive value proposition in the industry that is very difficult to replicate.

The innovation matrix

Value innovation	Disruptive value innovation				
	Adjacent value innovation	fit	fit		
	Core value innovation				
Current state		Penetration	Expansion	Creation	
		Market innovation			

Value proposition and market

The fit between a value proposition and the market determines if the value proposition is ready for commercialization on completely new or already existing markets. ACO applied a new disruptive value proposition for the penetration of the existing food industry. The company wants to use the same disruptive value proposition for an expansion into the pharmaceutical industry. The fit between market and value innovations must also be adjusted to an existing or new business model of a company to generate revenue, optimal costs and acceptable ROI. ACO decided to keep the existing business model but improve in the areas of customer engagement, relations (online configurator), a new product (fully hygienic design) and higher process performance (see illustration).

Fast evaluation, experimentation, launch

Innovations also carry risks. Fast evaluation and experimentation is for de-risking a development. First, we reduce uncertainty of value innovations by deciding »what to test« and evaluate them by choosing »who to test.« The practice of building quick and inexpensive models to learn about the desirability and viability of alternative value propositions and business models determines »how to test.« At ACO, several validations of a new value proposition with customers were conducted by using simulations and 3D printing models.

Benefits

ACO's proposed innovation was introduced to the market two years after the initial idea, and within two years – according to the results achieved in sales of units, revenues and year-over-year growth compared to the industry leaders – it became a breakthrough innovation. ACO in the Czech Republic has become a competency center for the range of products across the whole group with responsibility for developing this commodity on the global market through independent marketing, development and production.

Moreover, they utilize their positive experiences with breakthrough innovations to amplify the company's ability to create new solutions. ●

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»Creativity is
thinking up new things.
Innovation is
doing new things.«

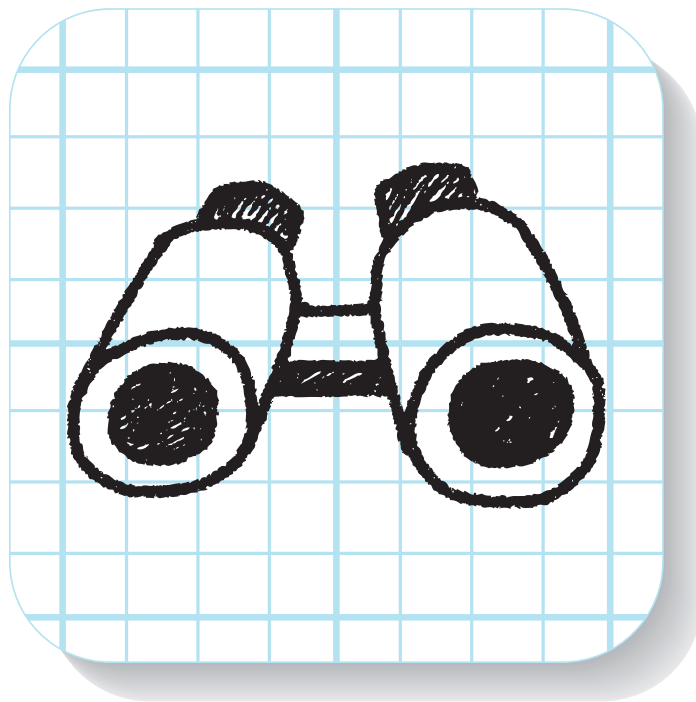Theodore Levitt

Go for diverse
team members

Foresighting

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Understand the future
better than your competitors do!

Foresighting is a systematic process of collecting information, analyzing facts and making conclusions about needed actions that are actually purposeful – the future outcomes can be influenced by the decisions and choices the organization makes in the present. Indeed, the best way to beat the competitors is to make a false start – to begin the development far before they even realize the need for it. **by Jarno Poskela**

Clear the future by following the F-O-R-E-S-I-G-H-T principles!

Dealing with the future can be a messy process. No one knows what's coming but there are plenty of hints and clues available to make it much more understandable. By remembering a handful of principles, the organization can create an efficient approach to anticipating the future.

Forward-looking attitude

A foresight process may suffer from irrational thinking if we cannot explore the future open-mindedly. There is a danger that we ignore information if it conflicts with our mental models and if we anchor our estimates only on data from the past and deny a need for change. A good foresight approach is equipped with tools that help the organization create a forward-looking attitude and overcome typical cognitive traps.

Organization-wide approach

When the organization wants to understand the future, it needs to collect and analyze a vast amount of data. This means it must broadly harness employees to collect relevant information and utilize experts when analyzing it. Foresighting is an organization-wide activity by nature since it connects different units – all the functions should have a great interest to foresee what the business environment will look like in the future.

Reserve resources

Foresight processes are too often done superficially. An organization starts a process but is then unable to dig deeper into the phenomena to get meaningful insights due to lack of time and resources. If the organization wants to understand the future properly, it should reserve enough necessary resources for doing so.

Expertise and intuition

The best experts are needed to create an accurate and convincing description of the future business environment. However, there is also room for intuition in a good foresight process. Experts should be encouraged to explore their intuitive hunches and ideas. They should get any support that helps them imagine the future. This is where innovation and foresight meet.

Systematic foresight process

Since the information about the future might be fuzzy, you need to make it understandable. Information gathering about business environment works nicely by following organization-wide procedures. However, when you work with this information, you need different approaches. Megatrends, trends, weak signals or scenarios are dissimilar by nature, and different tool sets are needed to make sense out of them.

Information gathering

A starting point for the efficient foresight process is information gathering. An innovative and forward-looking organization creates efficient mechanisms to collect relevant, business-related information about the future. The only things that are needed are motivated employees and practical tools to support them.

Get the big picture

One of the key challenges of foresighting is to create a big picture of relevant phenomena in the future. The tools used should enable efficient discussion about interrelationships and connections of different phenomena. Quite seldom, it is just one single trend or weak signal that creates a dramatic impact. More often, a bunch of interlinked trends drive the world in a certain direction.

Highlight historical development

If you can't understand the history, you are unable to predict the future. By studying developments of the past, you are able to put the investigated phenomena into context. The rule of thumb is that you should analyze historical steps backwards twice as long as you would like to predict the future. The foresight team should understand e.g. how the trend has been developing, in which stage of the S-curve the trend currently is, and how the industry has reacted to the trend.

Think impacts

Foresighting work should be done for a certain purpose, e.g. to help make strategic choices. It is important to concretize the work in such a way that the results lead to appropriate action. Organizations should think of long- and short-term impacts of trends. If the foresight teams push far enough, they can even get ideas for new innovations or strategic actions to respond to changes in the business environment. ▶

INTERVIEW

Yleisradio – a new way for the Finnish media industry

Yleisradio Oy (Yle) is the national public broadcasting company owned by the state of Finland. Yle operates four national television channels, 13 radio channels and services, and 25 regional radio stations. It currently employs around 3,200 people in Finland.

Innotiimi-ICG has collaborated with Yle for many years in the field of innovation and foresighting. We asked Arto Markku, Accelerator of Innovation and Future Vision at Yle, to share his thoughts about technology foresighting at Yle.

Yle has a special regulated role in the Finnish media industry. How do you see Yle's role in a broader context and why does Yle invest in doing foresighting work?

Arto Markku: Yle wants to show vision and direction for the Finnish media industry and develop a creative industry in Finland in general. This requires that Yle understand in depth about the future, what the possibilities are and what will be the game-changing technologies. However, Yle's role is also changing. The Internet economy is transferring the traditional national focus towards global competition. Yle wants to advance Finnish media content and support the media industry in this global context.

The media industry has faced several quite radical technological and other changes just recently. What are the next foreseen big changes?
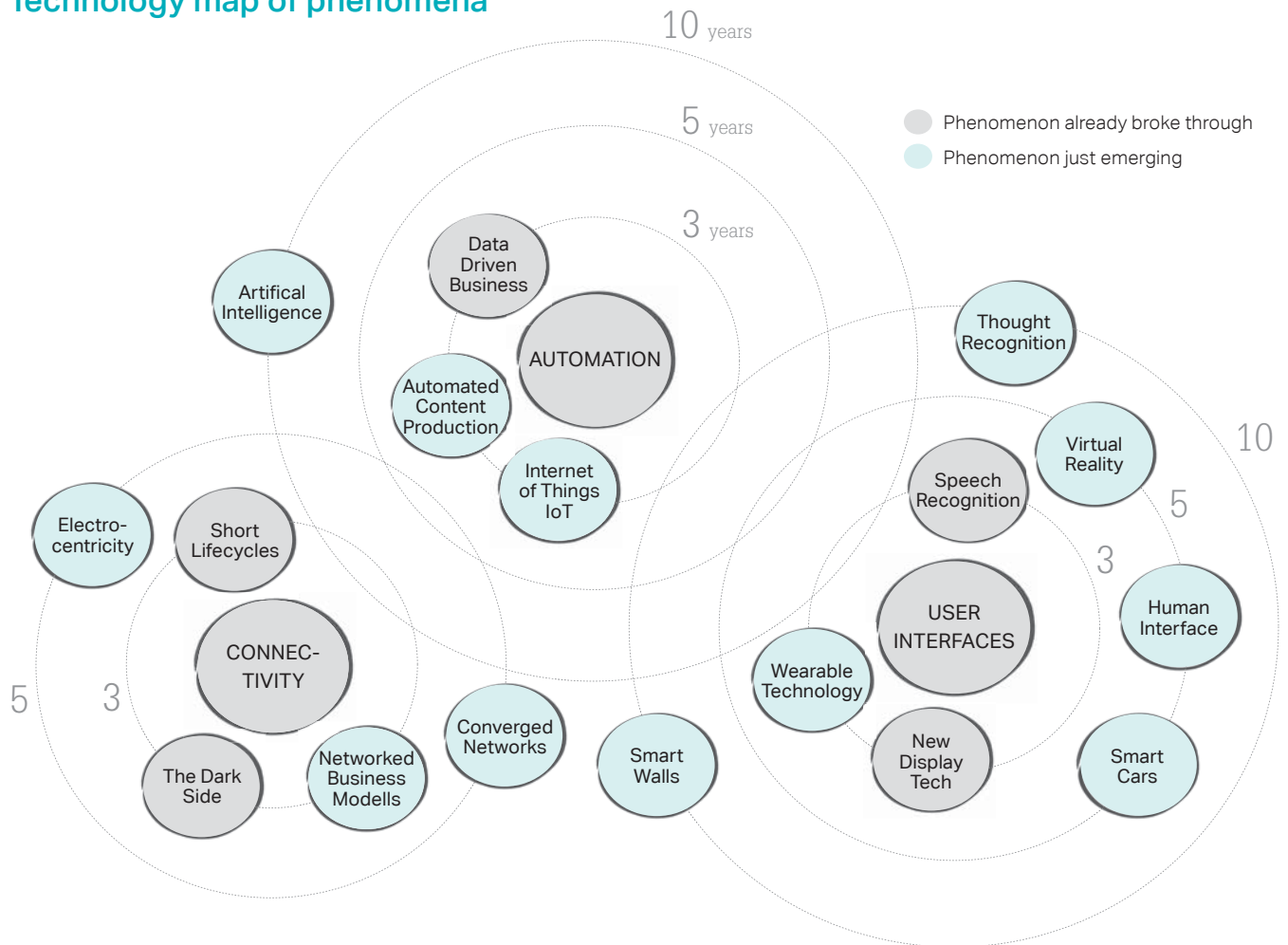
Arto Markku: Well, there are several emerging technologies which Yle carefully follows (one illustration of Yle's technology radar »Map of Phenomena« can be seen on the opposite page). One interesting possibility is to create media content without any human interaction. Basically, it is already technologically possible to make personalized news content, e.g. sport or financial news, in a fully automated way. Big change in storytelling comes with virtual reality (VR). In VR, a user is the director of the story. Where to look, what to listen to, where to go – it is up to the user. Affordable end user equipment is now available and worldwide trials for content creation are being carried out. Another fascinating technology is automated emotion or thought recognition. Sounds futuristic, doesn't it? However, we have already seen e.g. prototypes that enable simple thought recognition with the help of a small frontlet. Reactions in our brains can be measured by extremely accurate sensors without conscious decisions of the individual. Yle is currently deeply involved in exploring and researching opportunities in this field of emotions together with its collaboration partners.

Yle has intensively developed its foresighting approach during the last years. What are the key success factors of foresighting work at Yle?

Arto Markku: I would say that people are the key. It is important to recognize and engage those people who would like to work on foresighting topics and then maximally utilize their competence and energy, thus giving new energy back to them. It also needs support from the top management. The employees must realize that the results from foresighting work are expected and needed in our organization. We have been lucky in this matter. Our directors clearly articulated that we must create a clear picture of the expected future in order to support decision-making at Yle. This was actually a starting point for this long project of developing our foresighting approach. We have a clear

Technology map of phenomena

10 years

5 years

3 years

Phenomenon already broke through

Phenomenon just emerging

Data Driven Business

Artifical Intelligence

AUTOMATION

Automated Content Production

Internet of Things IoT

Thought Recognition

Speech Recognition

Virtual Reality

Electro-centricity

Short Lifecycles

USER INTERFACES

Human Interface

CONNEC-TIVITY

Wearable Technology

The Dark Side

Networked Business Modells

Converged Networks

Smart Walls

New Display Tech

Smart Cars

10

5

3

5

3

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process and practical tools supporting our work – we must systematically collect information, analyze it carefully, share it with the relevant stakeholders, and make sure that the information is appropriately considered when decisions are made. We are now, for example, creating practical phenomenon cards including concrete descriptions of a trend and reasons why it is important for us. This is actually an approach we adopted from Innotiimi-ICG when we did scenario work together. Currently, we have about 400 findings that serve as a basis for these phenomenon cards. The cards give us easy access to the future-related information. Some of the things we have learned from Innotiimi-ICG are these practical processes and concrete tools for doing foresighting work. These practices have been good additions to our foresight tool-

box and have been a great help to us in developing our foresighting work further.

You are personally responsible for Yle's foresight and innovation processes. How do you maintain and develop your own ability to understand and explore the future?

Arto Markku: Since my childhood, I have always been interested in things that do not exist yet. Even though I lead a process, I am also hands-on as much as possible, collecting information on new topics, analyzing them further and participating in different discussions. This gives me a lot of energy personally. In addition, I read science fiction literature a lot to be continuously inspired. ●

Transforming Social Organizations

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Reforming Dutch healthcare as an example

Transforming a social organization is not as easy as making a turn-around in a privately-owned company. What are the blocking factors and what are the levers to make a successful change? The following case and some other examples from Dutch healthcare might answer these questions.

by Bas van der Velde, Rijnconsult

Changes in the Dutch healthcare system: less money, more participation of clients

Care for the elderly, youth and mentally disabled people in the Netherlands is facing a huge challenge. Compared to other European countries, the Dutch have far more institutionalized care. Because of our aging population, big reforms are necessary to guarantee financial sustainability of the system. Central government did so and made a blend of decentralizing – allocating responsibilities and budgets to local governments, budget cuts and a policy of letting clients and their caregivers »participate« more. The latter means: do more yourself. Of course in the long run, technology will help to innovate care processes. In the Dutch healthcare system, there is not one clear party holding the power to initiate and coordinate these kinds of reforms, like the NHS in the UK or other caregivers, as we saw in the USA when we visited Kaiser Permanente. Without a clear leading party, a difficult game of cooperating individual institutions remains.

One of our clients foresaw all these changes and started a project in the middle of 2012 to redefine their vision and strategy. It is an institution for housing and caring for mentally disabled people, with a turnover of around € 110 million and 2,000 employees. ▶

Case: transforming a regional institution for mentally disabled people

The first step was to have a dialogue with all employees in the organization on the trends and developments in the environment and their impact on the organization. We gave interactive input on what is happening in the outside world and used »dialogue maps,« to come to conclusions with the management, the (para)medical staff, the non-executive board, maximally mixed groups of employees, etc. Rijnconsult developed the dialogue maps and moderated most of the discussions.

A specific step in this project was also discussing these issues with the clients. Of course the input from this group wasn't exactly strategic, but looking back, it provided a lot of insight as to potential implementation issues. After gathering this input, we came up with some simple directions for the future, such as focusing on intramural care, defining core values around the theme of taking care of a good life for clients and giving a little room for entrepreneurial initiatives in new markets created by local governments. These directions were translated into a new organizational model and structure, which included reducing the middle management from around 50 to 12 managers and investing in self-managed teams. Rijnconsult co-developed all of these issues in close co-operation with the board and supported the decision-making process. Once the relevant decisions had been made, (partly new) directors and managers were assessed and appointed to new positions. After this, Rijnconsult continued to have a role in the leadership development, while other consultants helped in the process of making self-managed teams work and introduced principles of lean management into the organization.

Vision and courage pay off: a role model for other social organizations was born

Today this organization is happy having started this process relatively early and is still alive and kicking. In 2015 the organization qualified for Deloitte's Best Managed Companies contest because of its flexibility within the business model. The organization is also a frontrunner in the use of technology in their processes and is involved in some startup activities at the campus of a university.

Why are these kinds of changes extra difficult for social organizations?

1. Having a stable budget that increases slightly from year to year does not make an organization fit and agile. These organizations are built on values such as stability as well as management and control and not on innovation and leadership. Since social organizations are also social for their own people, there is usually not a big change in management going on.

➡ In the case mentioned above, a serious dip in the turnover was taken into account and the organization was prepared for it, but looking back, a few years later, the turnover has grown towards € 145 million. Because this organization dared to face a negative perspective, everybody was ready for change.

2. It is more difficult to define concrete KPI's. A commercial organization can define its success by profitability, market share, rebuying rates, etc. but a social organization has a more challenging task when evaluating success. Mostly the output of a social company is not 100 percent related to the expected outcome. For example, offering shelter to homeless people doesn't directly lead to fewer homeless people in the streets.

➡ In the case given, the shrinking budget was a very concrete trigger to change. The strategy was not only defined from a financial point of view, but also in other types of outputs as well, such as client satisfaction, the level of development of the teams, etc.

3. Ideology, from a professional point of view or a political point of view, can lead to ignoring or neglecting what is happening in the outside world.

➡ When working with the client mentioned before, we experienced a lot of this professional ideology, especially in the discussions with the (para)medical staff. In other places, we have dealt with religious opinions or just with people with a big heart. One of our client's statements concerning care for drug and alcohol addicts is: »I have more than enough clients, but I only need the clients who also have a budget.«

4. There is no »market reaction« and clients depend on the services from one institution.

➤ In the case described, we involved the clients in the process. Another example of this is an institution for elderly care where we facilitated lean workshops together with clients and their relatives. This had an astonishing impact on the employees involved, because needs of clients and their families were more simple than they had ever expected. Besides, the solutions they came up with were also quite simple and there was far less resistance to the change from the employees.

5. The tendency to go for institutional survival is big, but the more complex cases in healthcare demand for smart collaboration between organizations; not only at the professional level, but also between organizations.

➤ In our case this topic was dealt with in a simple way. The organization pulled back from some markets, leaving them open for other institutions. In another case, we managed to bring 12 healthcare organizations together in one tender of a big city instead of all of them tendering separately. This, however, was more a unique experience and is not common.

What are the levers for change – and are they universal?

Considering all these examples, we can see a few levers for change in social organizations:
— Go back to the WHY of the company – together with professionals and employees.
— Involve clients (or their representatives) in the new design and daily routines.
— Dare to face a negative future; this might inspire a great one.
— Be willing to make big changes in management (structures and people) and accept the side effects that will eventually come along.
— Self-management can reactivate people, but is nothing new! Accepting this makes implementation a lot easier.

Are these universal levers and lessons? Or are these typically Dutch? It is up to you to decide! ●

rijnconsult

Rijnconsult was founded 35 years ago and specializes in the areas of Lean management, Leadership and Chains & Network organizations. Rijnconsult distinguishes itself through a combination of local know-how, international orientation and a proven track record.

www.rijnconsult.nl

Bas van der Velde is CEO at Rijnconsult in the Netherlands and has over 25 years of experience in management and consulting. This includes collaboration within public-private partnerships internationally, governments and the health industry, cooperation in the agricultural and food industries and the development of multinational firms.

WHAT'S NEXT

Singularity University

Riding the exponential curve

»A thousand years ago, the only people who could change a nation or a region of the world were kings; a hundred years ago, it was the industrialists. Today, anyone passionate enough can take on one of the world's grand challenges and by leveraging exponential technologies, can solve them.« These were the opening words of Peter Diamandis' speech at the World Economy Forum in 2015.

by Stefan Posch

Peter Diamandis is truly convinced that a dramatic pace of change lies ahead of us. At Singularity University – founded by him and Ray Kurzweil (CTO of Google) in 2007 – they teach entrepreneurs and leaders about their main research topic and core of this dramatic change – exponential technologies.

Exponential technologies are characterized by the fact that their performance improvements typically double with each evolutionary step. Unfortunately, we as human beings cannot conceptually understand this. As linear thinkers, we understand very well where we get if we add up a number of literal steps, which means that with each step, we cover the same distance we had with the step before. We can perfectly predict how far we'll get with e.g. 30 linear steps. With exponential steps, this is very different: with each step, we double the distance covered (1, 2, 4, 8, 16, 32, …). Adding up 30 exponential steps leads to about one billion kilometers (which equals 26 times around the world).

Let's take the more practical example of the storage capacity of a USB stick. Almost every year, the available capacity of a USB stick doubles, but the price stays the same. The first USB sticks were introduced to the market in 2000 with eight MB; in 2012 it was 256 GB, in 2013 512 GB and in 2014, it was one TB. This is a performance improvement of 130,000 within 14 years!

Today we see many technologies developing at a similar exponential pace, some of them more obvious ▶

At Singularity University the engagement with new technologies triggers enthusiasm and excitement.

than others: The performance of digital products increases almost every day. Mobile phones become significantly more powerful with each generation and the Internet stores and provides more and more data. IBM's artificial intelligence computer program Watson was specially developed to answer questions posed in natural language. In 2011 it won the game »Jeopardy« against the former human winners Brad Rutter and Ken Jennings.

Other technologies have followed the same path: Nowadays, 3D printing can be done with more than 300 materials, and drones – considered as fun little toys three years ago – are used in many applications, ranging from carrying cameras for film productions to delivering medicine to people in disaster areas when roads are blocked.

Positive impacts

The team of Singularity University collects all of these developments and researches their implications for our future. Exponential technologies are the tools that can empower a passionate entrepreneur to positively impact the life of one billion people within ten years. It is no longer only nations or very big corporations that have the deep pockets and access to powerful resources to drive world-wide change. Singularity University believes in the potential of entrepreneurship and that by leveraging exponential technologies, every problem can be solved even by a very small group of people. With their approach of supporting especially entrepreneurs, Peter Diamandis and Ray Kurzweil want to tackle what they call the 12 Global Grand Challenges. They group them into two categories: Firstly, the resource needs, which are energy, the environment, food, shelter, space and water; secondly, the societal needs, like disaster resilience, governance, health, learning, prosperity and security. Currently, Singularity University supports about ten startups that have that potential of change impact.

While the power of exponential technologies creates a lot of disruptive opportunities for keen entrepreneurs, at the same time, it will cause disruptive stress for the incumbent players. Still, many are not aware of the technological tsunami that is currently building up. For the leaders of these organizations, Singularity University offers a compact program that allows them to dive into the new technologies and their possible implications. For those who listen carefully, this can be a timely wake-up call.

ExO and the MTP

Singularity University not only researches the exponential technologies themselves, but also the organizations that leverage them in a clever way. They've identified a new type, which they call the exponential organization (ExO). Its main characteristic is that it grows ten times faster than its peers in the industry. These organizations are driven by an MTP – massive transformative purpose. They address one of the world's grand challenges, implicitly preaching the Silicon Valley mantra of »making the world a better place.« Examples are Google – organize the world's information, TED – Ideas worth spreading, or Quirky – making invention accessible. Salim Ismail, Executive Director at Singularity University, explains the importance of an MTP as follows: »It inspires a community to form around the organizations, it helps to attract and maintain talents, it binds collective inspiration, supports a co-operative, nonpolitical culture and enables agility and learning.« In his best-selling book »Exponential Organizations,« Salim describes, besides the MTP as the glue for the organization, ten more elements that many of these companies have in common. To leverage assets of others is one of those similarities. A very prominent example of this is Airbnb, which became the largest hotel chain within a few years without owning a single hotel.

What is next?

Singularity University is different from most other universities in the world because it is not a degree-granting institution. It offers educational programs that fully focus on the future and the unbelievable possibilities that lie ahead of us, due to the rapid development and convergence of exponential technologies. We can expect dramatic changes in the coming years; some even predict that in about 50 years from now, we will have overcome death. All of these developments will also put some pressure on those that hope to linearly extrapolate their currently – often – comfortable situation. Following the arguments of Singularity University, this will not work, because we live in very volatile and uncertain times. For those who embrace this as times full of exciting opportunities, currently, tools are being developed that allow the Global Grand Challenges to be solved. ●

Exponential Technologies

Robotics
Robotic applications first replaced menial tasks, such as operations on assembly lines, warehouses or cargo bays. With the help of AI and exponential improvements, the relevance of robotic systems increased to being responsible for entire business solutions, such as Amazon logistics services. Despite the automation, this increased use of robotics will generate as many as two million additional jobs between 2017 and 2020.

Additive Manufacturing
It also refers to 3D printing and was invented by Hull in the 1980s. Despite its slow development at the start, 3D Systems' market cap is now more than US$ 3 billion. 3D printing allows creating objects out of more than 750 different materials layer by layer with significantly lower assembly costs and less waste. As this process of manufacturing is capable of handling a wide range of geometric configurations, it additionally opens the door to new manufacturing designs.

Industrial Biology
In the past, high costs have prevented organizations from pursuing genomics as the budget to first sequence the human genome was almost US$ 3 billion. Nowadays, with improved digital technologies and easier access to hardware, scientists may alter genes for less than US$ 1,000.

Source: https://dupress.deloitte.com/

ABOUT
ICG

Part of the EU

Providing organization and
leadership development
for the whole EU community

ICG, along with two other European partners, was chosen as the provider of leadership and management development programs for EU institutions. We started in 2015, and for the next three years, this means no fewer than thirty-seven clients in all EU member states.

by István Kosztolányi

Our success was even sweeter when we found out that the winning concept was considered far superior in comparison with the other thirteen international competitors.

The contract includes the design, delivery and quality assurance of management development courses offered in the three clusters »Managing myself,« »Managing my team« and »Managing my environment« by the European School of Administration. Besides these, we provide bespoke programs for EU institutions based on their needs, including working out a management competency framework, talent program, tailor-made management development process, team development and individual coaching.

Based on this success, we also submitted a tender for the European Commission's Organization Development together with another European partner, and won in this case, as well.

Tackle challenges

The European Commission is facing the challenge of making fresh starts, addressing difficult geo-political situations, strengthening economic recovery and building a Europe that delivers jobs and growth for its citizens. To support these processes, a wide range of organization development and change management programs is offered, including workshops, capacity development, management consultation and team coaching. In both projects, coordinated by Katri Auvinen and István Kosztolányi, we propose a model in which the development needs are defined, taking into account the needs of the individual and the team, the working environment and the organization at large. The context of daily managerial and organizational situations is the obvious starting point. ●

Global Partners

A worldwide enrichment

Many of our clients are globally acting organizations. To provide them with the utmost professionalism in their strategic markets, we decided to look for consulting partners all over the world. These partnerships are not an embellishment on our website but are characterized by a strong cooperation and mutual feeling of appreciation. To exchange our expertise and insights as often as possible, we meet at each other's »Learning Days« several times a year and even went together on our journey to the San Francisco Bay Area.

by Daniela Hütter und Manfred Höfler

China

A cooperation between ICG and Deloop, a German consulting company Gerald Renger co-founded, back in the late 90s was the start of a great friendship. Ever since then, ICG and Gerald have kept in contact and when he moved to China to be part of the INNOVA Management Institute (Shanghai) it was almost like a sign: A new partnership was born. INNOVA Management Institute was founded in 2003 by Laurenz Awater as a Chinese-based consulting & training company for people and organizational development. The multinational team is specialized in leadership, change, innovation, strategy development and project management. They combine process and people skills development as well as international experience with local Chinese industry expertise – a winning combination for many clients, like Daimler, Heidelberger, Porsche, Lufthansa, BMW and Continental.

Together with INNOVA, we have already executed a Change Management training program for a major player in the international automotive industry. We are very confident that future collaborations will be equally successful.

www.innova-institute.com.cn/innova

13	12
years	consultants

U.S.

SCHAFFER CONSULTING

With the well-established experts for Rapid Results change initiatives, we share a common understanding of consultancy. Our partnership is an asset on many levels. We profit mutually from each other's knowledge and already work together on client projects and workshops. Schaffer Consulting has got more than 55 years of experience and supports companies when it comes to achieving challenging goals or implementing strategies effectively. Worldwide renowned companies value Schaffer Consulting's vast knowledge of comprehensive change processes as well as their ability to find and leverage hidden potential that exists in every company. Therefore, their clients are companies like General Electric, Merck, Johnson+Johnson and Siemens. Not only private-sector companies appreciate the expertise of Schaffer Consulting; NPOs and governmental institutions, such as the World Bank, United Way and Mercy Corps do, as well.

We are very happy to have found such a capable partner and are looking forward to further projects with them in the near future.

www.schafferresults.com

55 years | **20** consultants

The Netherlands

rijnconsult

Our newest partner has got a very strong foothold in the Dutch and Western European markets. While getting to know each other when we met on Learning Days and went on our journey, one thing became very clear: We share a similar approach and working together already »feels natural.« Rijnconsult is a consulting expert especially when it comes to Lean Management, leadership, human resources management, strategy development and supply chain management. Their core business is to implement strategies by combining management consultancy, temporary management and staff development. Depending on their clients' needs, they offer one or more of these services. Rijnconsult works with the major players in diverse industries and government organizations, and their satisfied customers include Shell, Ardagh, DS Smith, Voith, Cofely Meneba, Royal Lemkes Group and Agri Food Capital, to name but a few.

Our partnership with Rijnconsult is getting stronger with every common initiative and we are excited about future developments to grow closer.

www.rijnconsult.nl

39 years | **52** consultants

Face the challenge
/
Use the right tools

Fishing has taught Antti Hellström a lot. When he first started as a recreational fisher, he was satisfied to catch any fish. Nowadays, his aims are higher and he fishes more skillfully. Depending on the goal and the weather conditions, he chooses between fishing nets and the spinning rod with a range of spinners. Learning through many experiences, his knowledge has improved. As a result, Antti's family eats quite a lot of fish. At work, Antti concentrates on organizational development. Every project is unique, depending on the goals and environment of each organization. Just like a fisherman, the coach also needs a toolbox and experience to achieve the expected results.

Creating
ideas
/
Solving
problems
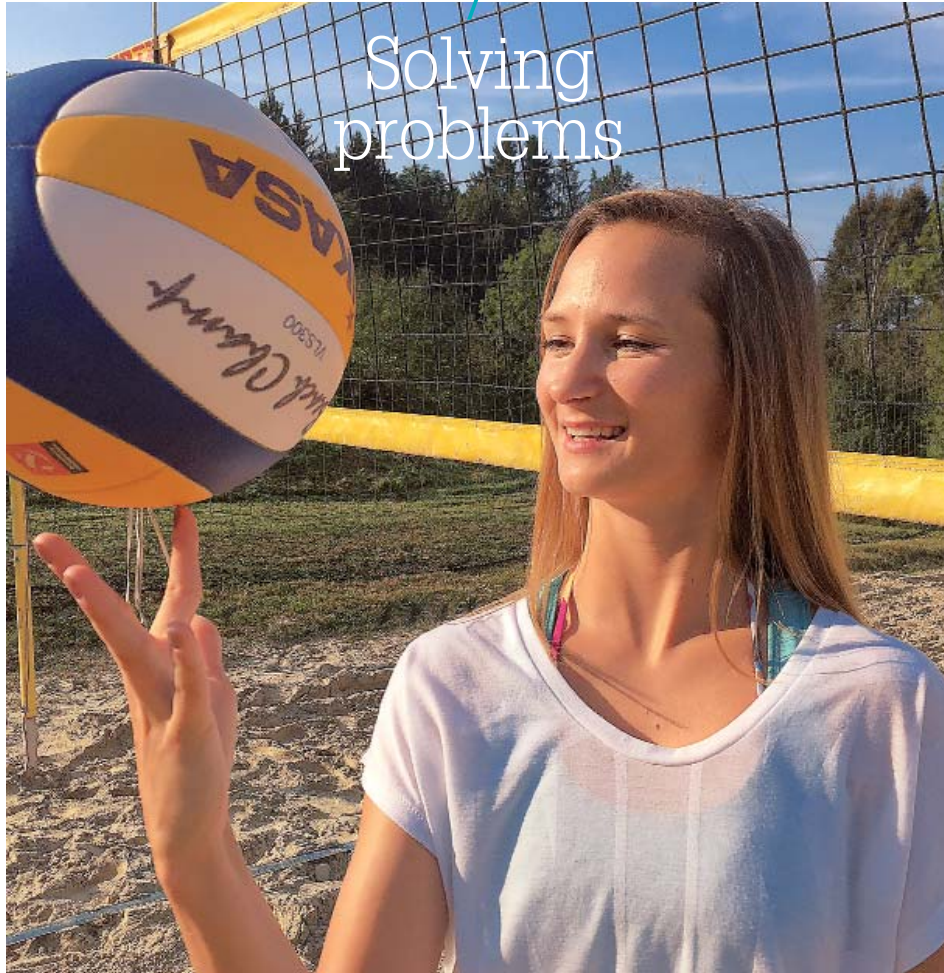
Julia Jantschgi gets energy and inspiration for her consulting work from trying out new activities. But nothing makes Julia's heart-beat faster and her brain buzz with ideas more than playing beach volleyball. On the court, she trains herself in creative ways of problem solving, since every move represents a new challenge. How to win a game? By using the surprise effect! It was Julia's fascination for creativity as well as customer orientation and service design that pointed her to the concept of Design Thinking. With clients, Julia focuses on creating spaces for innovation and sharing her knowledge of how to understand and surprise customers.

Adventurous mind
/
Innovative solutions

Since the beginning of his professional career, Libor Čadek has had one motto: »Let's try it!« However, after establishing and running the Czech branch of ICG, becoming a family man with two beloved kids seemed to leave very little time for trying new things. So, Libor modified his motto: »Experience 52 innovations per year.« They may be small, like listening to new music, or big, like learning how to build a summer cottage. As Libor provides his consultancy in the areas of process and product innovations, this motto also helps him in his job: »I find new inspirations for my clients and me to be innovative, in all the different meanings of this word.«

Dig
deep

Reveal
potential

Consultant <u>Ágnes Zarándy</u> is a committed enthusiast of Hungarian wine culture. She loves to discover new vineyards and learns a lot for her work from acquiring knowledge about winemaking; in fact, she has already found some striking similarities. Agnes believes that – just like a grapevine – by being deeply-rooted, positive characteristics can emerge and great values can develop, even if the environment isn't always favorable for growth. No matter how challenging the context is, in her development projects, Ágnes strives for fruitful partnerships with her clients. She digs deeper to reveal hidden potential and encourages putting it to good use for satisfying results.

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For reasons of readability, the male form is used when referring to persons, however, the female form is also always intended.

Errors and printing errors excepted.

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