

# Prepare for transformation



This is a time of profound economic changes generated by a turbulent transition from a predictable dynamics (based on the old industrial model) to a new landscape of unpredictable scenarios. The economic crisis that began in the United States in 2008 and then, within a week, involved much of the globe it is a figure of a complex network of processes, including, for example: the redefinition of industrial forces, the development of new technology, the reorientation of capital flows, the changes in the modes of production and marketing, the corporative restructuring, the bankruptcies and mergers, the emergence of new areas of war conflict, the demands of new social sectors, the complications of energy sources and the deepening of environmental risks. These global situations, combined with regional difficulties such as growth of inflation, competitive weaknesses, rising unemployment, and the instability of government policies (among others) showed us an unprecedented historical sequence.

The images of this historical moment could be represented by a few words: complexity, uncertainty and confusion. These conditions could lead us to think that the instability is the permanent state and the periods of stability are transitory moments. We lived the first decade of the XXI century as a time characterized by a succession of emerging symptoms in the organizations.

Currently, the future is open in a new landscape. In this framework, the competitiveness of an organization depends on a new strategic map to deal with new life's conditions. This calls for the need to renew our beliefs, mental models and skills to create future possibilities in the instability of the present. In the current dynamics of the events, it is impossible to keep hegemonic conditions (economical, political, cultural, productive, etc.) without changes. This is an illusion, because the changes are much faster than changes in other historical moments and they have a deeper impact on the structures and corporate projects.

## The complexity of this time

At every historical moment, there are different structures (social, political, economic and cultural) living together, and these are organized in different levels of complexity. Although each historical cycle is characterized by dominant models (e.g., "the industrial model", "the knowledge economy", "financial capitalism", etc.), within this "official story" coexist parallel cycles with different structures and degrees of heterogeneity. Generally, these parallel cycles are marginalized from hegemonic living conditions, but these excluded cycles also have their own lives that, at some point, cross and disrupt the official story and hegemonic conditions. Throughout time, there have been meeting points between these parallel cycles that generate points of bifurcation with changes to the life of hegemonic living conditions. The key is to ask, *how does the system resolve these inner paradoxes and contradictions?*

The complexity of this context can be characterized by three factors:

- A. THE INCREASE OF ACTORS INVOLVED IN THE DYNAMICS OF EVENTS. These actors have different scales of resources and structure. The multiplication of actors expands and diversifies the interests of the economic sectors.
- B. A DEEP NETWORK OF INTERDEPENDENCE. This structure of relationships is generated by the speed of the transformations and the volatility of interaction. This dynamic extends the impact of mutual effects in the space (effects may appear in different places or regions) and time (the speed of the impacts and the consequences of these effects in the relevant relationships).
- C. THE EXPONENTIAL CHANGES. This means the multiplication of "the new," as manifested in a series of increasingly fast breaks (in the sequence of appearances) and deep changes (in the level of transformation).

The consequences of these historical movements generate daily challenges to the classical management parameters. To address the current instability and remain attuned under these conditions, we need to transform traditional processes. We are living a historic moment with two profound changes: a global change related to a new landscape full of unexpected situations, and another change related to the personal skills which we need to address the instability. *Which resources do we need to advance in this unknown landscape?* This question contains a fundamental shift for managers. This transformation means the passage from the "administration of the known" to the "management of the unknown".

In this sense, preparing for the transformation of a new historic cycle is a challenge that contains two aspects. On the one hand, it is necessary to resolve the symptoms of the current production system to re-create the basic conditions for development. On the other hand, it is necessary to work on a new management structure of the economic, social and political processes.

In the early nineties, a series of academic papers began to present new perspectives for facing the new social and economic context that was arising. Some of these texts were introduced by academics from prestigious business schools in Europe and the United States. In other cases, they came from scholars from different disciplines, including anthropology, philosophy, physics and sociology. These works integrated foreign concepts into the field of management in the pursuit of new theoretical framework with two key objectives: the first was to understand the dynamics of a new world after the fall of the Berlin Wall; the second was to develop new management concepts to meet the challenges of the emergent changes.

Despite the theoretical innovation, many of these proposals were excluded from the political debate dominated by neoliberal ideas for nearly two decades. At the beginning of XXI century, the economic system started crumbling and many of the social movements, productive ideas, politicians and intellectuals that had been ignored years ago became important again. Many of these works are currently valid to explain: the fluctuations in economic systems, the financial turbulence, cultural consequences of the globalization, the geopolitical transformations in the world and the impact of the technological revolution we are experiencing today. This "multiplication of the disorder," announced twenty years ago, is now converging at a new turning point that determines the life of companies and organizations.

This historical turning point is characterized by cycles that become increasingly shorter with deeper and deeper impact. Small movements of social groups, innovations in a small business, individual actions in social networks, and the local political decisions of a country can be amplified in a way that can transform lifestyles, production systems, technologies, political structures, etc.

In this context of changes, we can characterize two levels of transformation:

- A. THE TRANSFORMATION IN THE COMPETITIVE CONDITIONS generated by the diversity of actors with different structures in different territories. For this reason, many of the current changes can be generated by small actors from territories that are traditionally

underestimated. Therefore, constrain the context analysis to the control of the movements of other companies and the government decisions are a "strategic blindness".

- B. THE TRANSFORMATION OF THE PLANNING generated by permanent change in the rules of interaction that in turn change the conditions for business development. Planning based on a timeline is a strategic mistake because the variable "time" does not guarantee the permanence of structural conditions.

We need to be wary of emerging situations that appear in the landscape, because the possible levels of impact do not necessarily mean positive conditions. This means that the movements of the system are open to different outcomes. In this game, there are no predetermined results. The transformation of the economic context can generate three levels of impact for a company:

- IN THE CYCLE VALUE OF PRODUCTS: in the value of our proposal in particular market or community. It affects "*what we do*".
- IN THE BUSINESS MODEL OR "CORE BUSINESS": in the model of production and organization processes. Affects "*the way we work*".
- ON THE STRATEGIC DIRECTION: on the strategic direction of our business, the mission of the organization. Affects "*the meaning of our work.*"

## The future of business opportunities

We have been educated for stability. We continue training people to be effective in known territories, but the current conditions of competitiveness reveal a completely different situation. *How can we prepare to live in unstable contexts? How can we prepare to be effective if the conventional management models are collapsing?* The classical framework of managers

reduces the number of possibilities for organizational development. For this reason, leaders often fall into confusion, reacting compulsively against the events. *How to work these limitations to achieve better performance? What are the perspectives of future development?*

These questions have a range of responses, from technology, bio-fuels, and communications to the actual appearance of concepts such as the new “conscious capitalism” or a “new spirituality in business”. According to our point of view, the perspectives of transformation of future business are not related to technology, investments in emerging markets, energy conversion, or finance. Our hypothesis is that the business of the future is in a new place: “the unknown”, because the moments of historical transformation generate many possible states throughout time. For that reason, much of the development of companies and projects is latent in a group of emerging conditions that are unpredictable today. The “unknown” is related to the possible states that configure a social economic system from bifurcations when a hegemonic cycle meets new processes and behaviors. These “break points” in history are the cause of the challenges and transcendental decisions in organizations today.

The exploration of opportunities and the design of alternatives in an unknown world are essential for competitive development. Being efficient in a known world does not guarantee permanence or future competitiveness. Preparing for the unknown involves the development of personal skills and the accumulation of corporate resources that will allow the organization to address unpredictable dynamics. The uncertainty facing a leader today is related to the difficulty of observing, designing and managing their actions in unprecedented territory. The classical tools are ineffective against new landscapes and structurally different from those that have formed the framework of conventional practices.

The design of interventions in the complexity of the current context begins from an interpretation of the contexts. The “point of view” is the basis of the action. The act of observing allows the person collect, organize and prioritize the data, concepts and events, which are then transformed into attitudes and actions.

This principle leads us to recognize the limits of our subjective models for addressing the dynamics of a context that moves and creates permanent challenges. Our “point of view” of the reality is limited by two factors: first, it is impossible to have all available information desired when making a decision; second, when we decide there is no information available yet because that will emerge as develop and interact as the variables of an event. A “point of view” of the reality is finite because we do not know everything about what exists, and what might exist in the future is impossible predict with certainty when planning or designing a decision. Therefore, the modality to project and forecast from the past to the future is operative in stable contexts, in the dimension of stability. However, in an unknown landscape, the certainties are diluted.

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