

# BUSINESS AND MANAGEMENT ON THE EDGE: HOW TO SURVIVE IN AN ERA OF CHAOS

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Insights into how disruptive technology shapes and re-invents business, management and entrepreneurship

**T**oday, the whole economy is 'new' The term 'New Economy' is typically used to describe new, high-growth industries that are on the cutting edge of technology and that are the driving force of economic growth. This new economy is commonly believed to have started in the late 1990s when high-tech tools such as the internet and increasingly powerful computers began penetrating the consumer and business marketplace. At that time, companies in the new economy were heavily involved in the Internet and biotech industries, but the ripple effects of new technologies have since spread out to all other industries as well.

The result is that today there is no longer a division between an 'old' and 'new' economy: indeed, the whole economy becomes 'new' today. Every company, whatever the sector they are operating in, finds itself constantly required to be on the lookout for the latest technological developments that may directly or indirectly influence their business. Moreover, these technologies transform conventional thinking on strategy, marketing and innovation, giving rise to a new set of business rules.

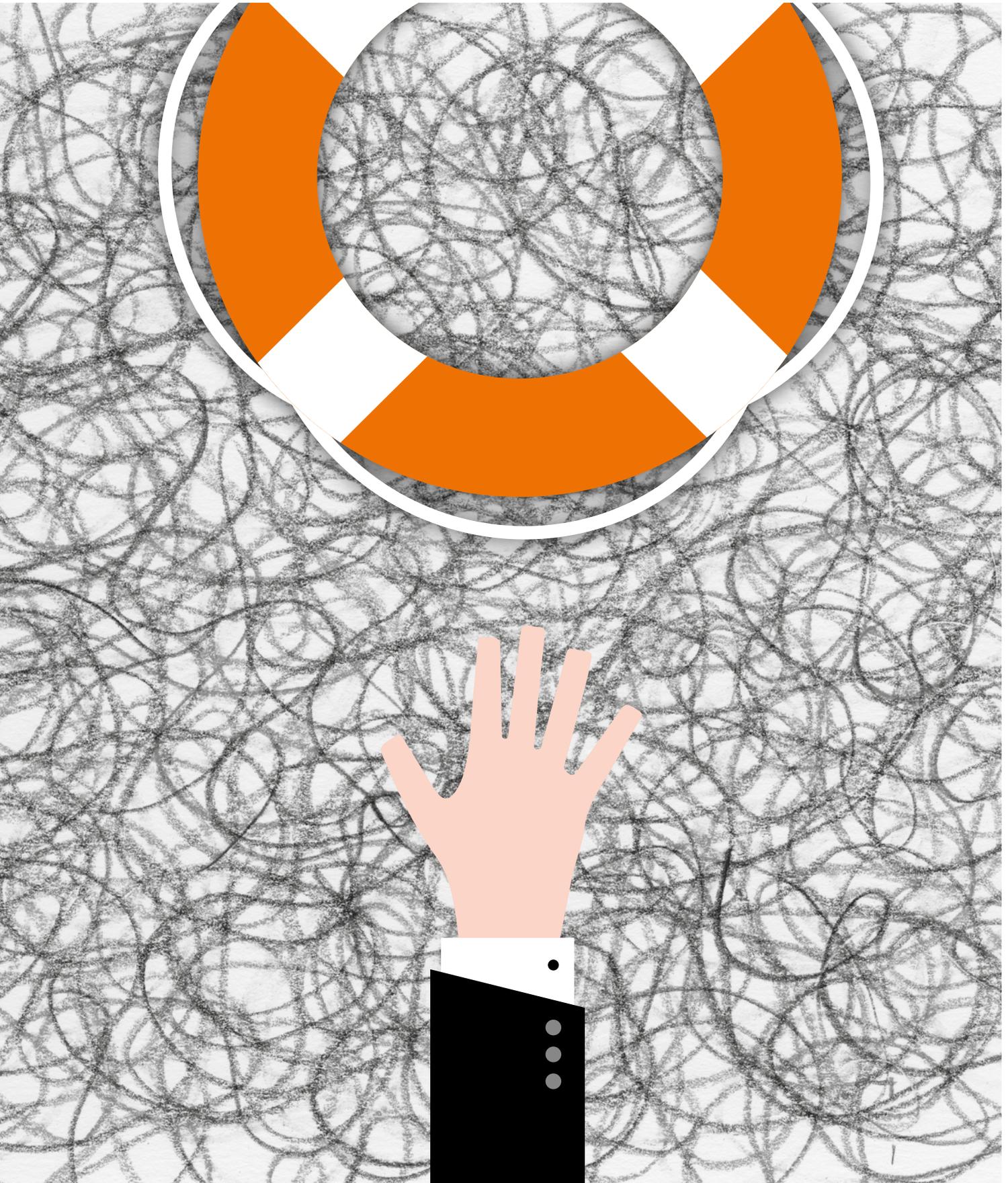
Over the years, the business world has become accustomed to seeing mature products wiped out by new technologies and ever-shorter product life cycles. But now entire product lines – whole markets – are being created or destroyed

overnight. Disrupters can come out of nowhere and instantly be everywhere: and once launched, such disruption is hard to fight.

So what can a company do to predict or defend against big-bang disruptions? The hard answer must be – nothing! However, in this context, it is critical for firms to gain an understanding of the new realities of the market and transform their organization in order to provide quicker and smarter adjustments to those realities. Indeed, the stark reality is that everything invented in the last one hundred years will have to be re-invented within the next fifteen, the major danger to any company being an inability to see the connection between today's fiction and tomorrow's reality.

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### Taking it to the edge

Today, there is an infinite amount of ink and pixels spilled on most any topic, making the job of a company's business intelligence unit both rich and taxing. However, the principle today points rather to the fine print and tiny announcements, meaning that the greatest nuggets of information and foresight are located at the edges, not the center – weak signals are worth watching, not the strong ones. Indeed, if something has become a strong signal, more often than not it is unimportant from the point of view of business opportunities. Too bad for those seeking acclaim: If everybody says your idea is great, best to drop it – because it's most probably too late.

Dealing with complex economic, social and organizational systems that operate on the edge of chaos, today's managers and entrepreneurs alike need the ability to pick up subtle changes, even without knowing quite where to look for them and by looking everywhere at once. If we take a look at the major revolutions in business, almost all of them were started by a small group of people huddled around a beer in a bar – and there are millions them going for a drink every day: metaphorically, we have to spot the ones that will start a revolution, whether it is a new technology, customer value, market trend, or business model.

### Weak signals, strong messages

Given that the future most likely manifests itself on the edges, detecting weak signals is nowadays becoming one of the most critical managerial skills. Big social, economic and management systems (just as much as biological) are chaotic in nature as they are defined by chaos theory. And as we all might know, the main feature of a chaotic system is the so called sensitive dependence on the initial conditions – more widely known as the *butterfly effect*: tiny changes in one parameter of the system may eventually produce a profound effect somewhere far away in that system: a butterfly beating its wings over Japan may 'create' a tornado in South America.

This brings us again to the importance of detecting weak signals in business early on. Business in general, but even more crucially the managers on an individual level, need to build and constantly develop a personal system of antennas continuously reading the environment in search for new, important but still tiny, developments. However, the big problem with weak signals is that there are far too many of them, and most of them with no real meaning, though it is certain that an obsession in tracing weak signals in faraway places, seemingly distant from where we stand and supported by well-selected antennas such as smart-info platforms, inspirational blogs and magazines such as Kevin Kelly's *Wired*, will give our students as well as business clients and their companies a real life-time competitive advantage in these times that are increasingly chaotic and butterfly-like.

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### The art of survival in the 4th Industrial Revolution

There exists no single model that leads to success despite what myriads of management books and MBA programmes in the last 50 years have been suggesting. Yesterday's *either-or framing* is a gross oversimplification. Take a look at the airport bookstore (something of a personal crusade), its shelves typically stocked with three kinds of books: cookbooks, romance, and business/economic books. Look at the titles and it will describe this oversimplification we live in: "Four Simple Methods to Fight Global Recession", "One Minute Manager", "Become a Leader in Three Weekends" (sitting next to "Becoming a Surfer in Three Weekends").

Tolerating, accepting, and, yes, revelling in paradox is the approach demanded by our chaotic economy. Management today is paradoxical. It requires: efficiency and openness, thrift and mind-blowing ambition, nimbleness *and* a workplace that fosters creativity.

Organizational systems based on the Newtonian model are not equipped for these dualities. Moreover, managing a creative company today entails a balancing act between the potentially opposing goals of encouraging creative freedom and ensuring an orderly process and consistent financial results. Management is (almost) never about 0-1: good-or-bad, yes-or-no, wise-or-stupid, short time-or-long time, people-or-profit, tradition-or-novelty. It is about fine lines and the necessity of finding the right balance between hierarchy and spontaneity, necessary control and tendency for experimentation, benefits of standardization and leaving a space for "deviations", closed and open innovation, useful employee integration and protecting creative 'unadjusted' individuals. And it is a general reality that companies clearly have a problem with this.

Today, only the hybrid companies will survive, those able to combine the two seemingly contradicting organizational formulas: a corporate rigor and a 'garage' vigour. One of the things that makes a great company today is realizing that somewhere on the planet Earth, in some backyard garage, there's a kid who's going to do it better.

In conclusion, this age is witnessing the end of management as we knew it, and in every aspect:

- strategy (emergent, based on weak signals)
- business models (cross-sectorial, patchwork, technology-based)
- marketing and branding (many small interactions on customers' terms)
- decision-making (real-time big data-based, predictive modelling, information symmetry)
- a company's architecture (loosely coupled, fluid, curious, paradox-imperfection-based)
- the customer (well informed, spoiled, erratic, connected)
- competitors (coming from outside, convergent)
- innovation (open, emergent)
- competitive advantages (short-term, both construction and self-destruction)
- human resources (multi-cultural, independent, mobile, life-centric)
- an economy's structure (no sectors, global transformation, new global centres of gravity)
- the management paradigm (no more *either-or*)
- the major management metaphor (quantum systems, holography).

Accordingly, and as a final word, a business leader has to do three things well today: driving design, driving technology, and thinking paradoxically. Some people who are really good at one can build a pretty good company. People who are very successful are good at any two. The true business visionaries have to be good at all three.



PHOTOS LEFT & ABOVE:  
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