Biz 4.0
An anthropological blueprint for business in the Digital Age

This document contains a sample of the content associated with this book.

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Preface

The following companies are part of a not so-exclusive club, where the admission criterion is simply to have presumed the past was an indicator of the future. Consequently, they pursued a strategy that became increasingly decoupled from reality:

- Nokia – Didn't see the smartphone coming.
- DEC (Digital Equipment Corp) – Didn't see the PC coming.
- Blockbuster – Failed to recognise how lazy its customers were.
- ICL – Thought there was only a market for mainframes.
- Marconi – 'Bet the farm' on telecoms infrastructure.
- Borders – Chose physical over digital.
- Commodore Corp – Didn't embrace the PC architecture.
- Palm – Out-innovated by Apple.
- Kodak – Digital inertia.

There are more companies that whilst not gaining admittance to this club are today operating as shadows of their former selves. Even more have had near death experiences, but through luck or judgement have been able to pull out of their nosedive, or at least they have softened the angle of descent. Such descents can be attributed to many factors, including poor management, over leverage, drop in demand, and challenger upstarts. But perhaps the underlying cause was that they failed to detect these problems in time to do something, perhaps even something radical, to address them.

One of the problems corporations face today is that the clock-speed of business is accelerating, so the mean time between problem detection and 'game over' is shrinking rapidly. But then there is also the matter of market uncertainty. We are indeed living in uncertain times.

Car makers can no longer model with any accuracy the future demand for cars. Similarly, hotel chains cannot be certain that growing their property portfolio is the best way forward. Smartphone manufacturers cannot be certain that they will be able to acquire the raw materials they need to meet likely ongoing market demand.

Consequently, strategy and strategic planning is becoming more real-time in nature. Strategy has morphed from 'let's build a few pyramids over the next few years', with the confidence that the materials and labour are readily available, to being more akin to a hyper-vigilant, anxiety-rich fighter jet pilot in the midst of a dog fight. Only the very foolish would make big bets on the future.

But the truth is that we have always lived in uncertain times. The risk of starvation or death by consumption was a daily reality for our ancestors. Our forefathers lived in a world where there was a real danger that 'lunch' might well turn on its prospective diners mid-hunt. It is only in the last couple of centuries that mankind has attempted to engineer certainty into our existence.

Most notably, at least for first world nations, a sense of safety, and abundance in respect of food. In fact, courtesy of the industrial era, we structured our existence to the point that we generally didn't need others to make our way through life. Supermarkets provided our food, and the military and emergency services handled our safety concerns. This sense of certainty also made it easier to anticipate demand, and thus invest capital in producing goods that were likely to be needed for an extended period beyond the building of the factory.

So, it might be more accurate to state that 'we are again living in uncertain times'. Many organisations are ignoring this, and are in effect 'dead men walking' because their only way to eke a profit is to focus on increasing operational efficiency.

Similarly, consumers continue to buffer the growing disparity between their earnings expectations and their sliding market value by the use of credit. For many, this is the equivalent of the final days of the Roman empire. The growth in populism is another indicator of our return to uncertainty.

MBA case studies are littered with examples of organisations that failed to adjust. We now live in a world where it is not inconceivable that the likes of AirBnB, Uber and Twitter will join the above list. It could be that on this very day, someone somewhere has abandoned their degree course to set up a new company which in due course will take out Google.

But the good news is that we are wired for uncertainty. Approximately one hundred percent of mankind's existence has been as a hunter gatherer, exposed to the malevolent realities of nature. The Industrial era, as we will see, was a blip in our existence when we were at our most disconnected from our true nature. The agricultural era, as we will also see, leans much more towards our hunter gatherer existence than our denatured industrial existence.

Just as the world is undergoing radical change, so is the very nature of business. Again, increased volatility and uncertainty means that organisations need the attentiveness of a mid-air trapeze artist. I have written this book to provide you with a way forward in respect of navigating the unforgiving terrain of this competitive savanna. This is not new to us as a species, but for various reasons, not least the needs of the factory owner, we have veered into this existential industrial cul-de-sac.

Keep in mind that bigger is not always better. Smaller pack animals do take down their larger prey through numbers, agility and sociality. But they are not always successful, so this isn't necessarily a winning formula. Fintech start-ups, are stalking the big financial players. And like a scene on the savanna, the bigger animals are not squaring up for a fight, but are not rolling onto their backs either.

My point being that it is not simply a case of agile and collaborative versus big and slow. It is much more nuanced. GE and Rolls Royce are a couple of examples of how the big players have adapted to the digital era. If we cast our minds back to the early days of oil exploration. The players would simply burn off the gas entombed in the wells, considering it to be a useless byproduct of their search for oil. Today, they have turned that by-product into value. The likes of GE and Rolls Royce are now doing the same with the large 'data byproduct' that their offerings are generating.

The arrival of the digital age is not necessarily a mass extinction event for large established organisations. But it is no longer business as usual. Organisations that wake up to this, and reengineer accordingly, have a fighting chance of thriving in this post-industrial world. This book is both the wake-up call and the strategic road map.

Biz 4.0 is aimed primarily at those who are strategically influential, as the future of business lies in your hands. Workers, also known as, talent, artists, human resources, the precariat and personnel, will benefit from understanding how digital puts you in control, if you are willing to 'up your game'. You will also develop a feel for what good looks like from a talent engagement perspective, and why you, as talent, or a talented leader, may be feeling unnecessary tension, and unfulfillment in your organisation.

Business/digital transformation/change is not a new topic. It is a reality of this return to uncertainty. However, I have concerns that there are some sweeping assumptions being made that will not help business or society make the necessary leap. Industry 4.0 is a high-profile example of such a 'rogue beacon'.

But why should you listen to my perspective? I have worked for over three decades at the forefront of technological change, initially as a technologist, and more latterly as an advisor to business leaders. Through my writing activities as a columnist for both CIO magazine and the Financial Times, I have been exposed to many leaders dealing with business transformation. Having worked in over thirty countries, across many sectors, I have a broad sense of what works and what doesn't.

Watching organisations respond to market pressures by getting their people to simply work harder, or throwing all their resources into process re-engineering, is painful to watch. Similarly building a stockpile of new technology, or having the 'biggest' data, as a solution to fundamental inadequacies in their business model is similarly futile.

In respect of the blueprint, I have taken a model that has worked very well for hundreds of thousands of years, and contextualised it for an organisation whose primary role is to generate value.

My underlying hypothesis is that humans are integral to organisational value generation, as is new technology. Keep in mind that we are careering fast towards a world where humans will not be required to work, so this model may only have a few decades of mileage in it. Nonetheless, organisations looking to be in business in the near to medium future will find my model to be of relevance.

At the most abstract level, the Biz 4.0 blueprint has three areas of attention:

- Capital.
  - There are five sources.
- Success factors.
  - I have identified five main themes.
- Human drivers.
  - I have identified nine relevant anthropological drivers.

Structurally, I make the case for the Biz 4.0 blueprint, prior to introducing it. I then present the blueprint, and its primary moving parts. We will then dig a little deeper into the capital elements (value creators) of the model, followed by an exploration of the success factors as a collective whole. Next, we will become familiar with the anthropological drivers that are hardwired into our nature.

These drivers impact all aspects of business, from the manner in which organisations design services, right through to how the workplace is structured.

Having set the foundations, we will explore the success factors in more detail. Each of these has their own key areas of focus, which we need to understand, if we are to truly build organisations wired for success. In each case, we also explore the associated capital and human implications. Finally, we will look at the recommended next steps from both the perspective of a start-up and an established organisation. We will also address wider considerations that the model does not explicitly seem to address.

By reading this book, you will have a greater understanding of the prevailing forces that are driving today's business realities. You will also have a simple framework that will enable you to steer your organisation through the digital tempest.

I appreciate that I am teasing you somewhat by being vague in respect of detail - capital? success factors? anthropological drivers? But all will be revealed shortly. At this stage, I ask that you simply internalise the three sides of the Biz 4.0 triangle.

Figure 1 The Biz 4.0 triangle

As you read the book, I am sure many of you will have a sense of 'of course' in respect of the contents. Building businesses around our true nature is the essence of my message. Once we achieve that, then both going to work, and acquiring products and services, will resonate at a much deeper emotional level for both us and our people.

The industrial model edifice is crumbling. Businesses need to change. Biz 4.0 offers a model that embraces our natural, tried and tested, neurological wiring. It's time to make nature your business partner!

Ade McCormack, 2017

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1   Making the case for change

Overview

In this chapter, we explore the changes that are forcing organisations to transform. By the end of this chapter, you will have a strong sense of whether your organisation is currently wired for the future, or for obsolescence.

Is your organisation built on an industrial era model?

A premise of Biz 4.0 is that the industrial era factory model is no longer fit for purpose as far as employees are concerned. A robot-driven factory with minimal human intervention has its place, for example in the production of vehicles, or the distribution of books. So, let us establish whether your organisation is in fact a factory. You might be fairly confident as to how this rough and ready test will play out for you. There are no conveyor belts in your organisation. Your people do not wear hard hats and boiler suits. So clearly you must be a post-industrial organisation. But bear with me for a second.

The first characteristic of an industrial era organisation is its emphasis on process, specifically the reengineering/refinement of its existing processes. This indicates a sense of market stability. Consequently, the focus is on maintaining that position through greater operational efficiency.

The second characteristic is the extent to which the leadership is centralised; strategic decision making is in the hands of a few individuals who spend much of their time in what is called a boardroom. The presumption is that everyone else in the organisation does not have a brain worth consulting, or is in fact employed on the understanding that they will not use their brain. Such is the nature of being a 'cog in the machine'.

The third characteristic, which relates to the first, is that there is a general belief that what made the organisation successful in the past will continue to make it successful into the future. Again, this relates to the industrial era notion of certainty.

Possibly, you now see your organisation in a different light?

The world is changing

We can say goodbye to certainty. Like our ancestors, we are living in an increasingly uncertain world. However, unlike our ancestors we have new communications technologies thrown into the mix. Thus, we are entering the era of hyper-uncertainty.

Political developments are redrawing alliances, and tensions. Whilst traditional warfare exists, cyber, media (fake news) and financial (currency exchange rate manipulation) warfare are now playing out on invisible battlefields.

Blue collar work continues to become automated. The emergence of the blue collarisation of white collar work, courtesy of new technologies, is causing the socially important middle class to fray in the developed world. Though at the same time, we are witnessing the creation of an emerging middle class in some major developing countries. As we will see, there is still a place for humans in the workplace, but these people will be the antithesis of the industrial era cog worker. Their scarcity, however, will cause the employer-employee power axis to lurch towards the employee.

Our rate of consumption of natural materials is unsustainable. As we are discovering, this is having an impact on both the fields of space exploration, and genetics.

Our enhanced interconnectedness has the effect of converting linear progressions into exponential explosions. A butterfly flapping its wings in the Philippines today will be a harnessed energy source tomorrow.

Business models are changing

As I have strongly alluded, the very nature of business is changing. A focus on process is giving way to a focus on innovation. And that innovation is increasingly data-driven in nature. Centralised leadership is giving way to decentralised leadership, enabling field operatives to respond to threats and opportunities in real-time, rather than after the next board meeting. And of course, certainty is being replaced by chaos. One cannot assume that the current drivers of success will be the future drivers.

Customers are increasingly fickle. Not only do they want value for little cost, or even for free, they want it with the minimal number of clicks, when and where it suits them. And not only must the product or service meet the stated functionality requirements, it must, in some cases, also confer a personal branding boost in the process, or at least make some sort of lifestyle statement. Increasingly customers are more interested in consumption than ownership, and this is upsetting the traditional sales process protocols.

The ensuing chaos of the market today means that organisations need to maintain a state of healthy paranoia about their business model's sustainability. As such, they need to be relentlessly exploring new offerings, and even new business models.

The nature of work is changing

In turn, the very nature of work is changing. People are reviewing their commitment to work in respect of the time they spend doing it compared to the level of satisfaction they receive. Funding affluent lifestyles to impress others, often with money they don't have does not appear to stack up.

People are reviewing what is important to them, and what they expect from their short stay on the planet, and the trend certainly isn't towards blind obedience to an organisation whose sole focus is on making shareholders wealthy.

The industrial model saw humans as a form of horsepower, and/or a technology placeholder. The technology is here now, so the demand for compliant process workers is diminishing fast. But there is a growing demand for people who can do things computers cannot do that are of value to the market. Such capability calls upon our creativity, and in turn our cognitive capacity to be creative. These rare people are calling the shots in terms of how they are engaged by corporations. The notion of a career for life is being replaced by a life of careers. Unlike their one-career predecessors, digital age talent is exploring multiple careers throughout their life, often running careers in parallel.

Talent management can no longer be solved by throwing money at the problem. Organisations need to create great workplaces that attract and retain the best talent, who as a group will work collaboratively to produce differentiated customer experiences. We are witnessing the transition of humans in the workplace from cogs to artists. This would appear to be a return to our tribal past. We want to be part of something that is going somewhere, and to be useful in the process.

We are wired to be hunter gatherers. So perhaps we are evolving into digital hunter gatherers? Digital in this case means augmented; the smartphone is the new spear. In any case, we want to operate in an environment where our innate curiosity is given free rein. The alternative is death by immobility and boredom. We appear to be returning to our tribal roots.

Defend, Disrupt or be disrupted

This human nature 'reset', coupled with increasing market volatility and technology evolution hitting the steep phase of the exponential growth curve, has created the perfect storm. Imagine a game, where not only are the goal posts moving, but the pitch is as well. On top of that, those that show signs of winning early on in the game get to write the rules for the rest of the game. In such conditions, there are really only three options. You can attempt to defend your territory by bracing for a market disruptor to attack. You can reinvent your organisation to be that disruptor. Or you can remain oblivious, hermetically-sealed from the digital-reality (an oxymoron?).

Business leaders can similarly be classified in this way. With that in mind, it is important to note that digital leadership is not a role, but a boardroom competence that all leaders need to acquire. The reality is that not only are most business leaders lacking this competence, they do not even have access to someone who can guide them in such matters. It is my view that this represents an opportunity for an ambitious Chief Information Officer (CIO), who recognises that the 'I' in CIO stands for information, and not IT (information technology). Similarly, Human Resource Directors (HRD), who see people less as 'resources', and more as humans, would have the foundations to lead the digital charge. In any case, having a digital executive in the leadership team would be a start. But keep in mind that the goal is for each member to be digitally competent.

This book was written to help business leaders on their journey to becoming digital business leaders, and thus equipping them to lead the ongoing transformation necessary to thrive in the digital age.

Take note

- Be clear on where your organisation is in respect of its journey towards digital-robustness. Being process-oriented, with a centralised leadership model, and a sense that the future will be similar to the past, albeit a little faster, would suggest that there is much work to be done.

- Whilst everything appears to be changing, the changing expectations of humans, particularly in respect of work and consumption, is where we need to place our attention.

- Whilst the objective in business is not to attack the competition, it is likely that if you are not out-innovating your competitors, in whatever form they take, you will likely be on the receiving end of the disruption transaction.

2   The Biz 4.0 blueprint

Overview

We have now established that there are seismic forces in play reshaping the world and the nature of business. The old strategic assumptions no longer hold true in this new era of volatility and uncertainty.

In this chapter, I provide an overview of the blueprint for a digital era business model. It can be thought of as a meta-strategy, in that it is identifying what needs to be considered in general terms, so that you can apply it to your specific situation.

We will explore the elements of the Biz 4.0 blueprint in detail in subsequent chapters. But first let us be clear by what we mean when we talk of transformation and digital.

Transformation?

Transformation has become a much-used term in respect of business strategy. We used to talk about change management, so is it just a modern reference to change?

Transformation might be considered 'extreme change'. The caterpillar grows, and so it changes. It becomes a butterfly. This is transformation.

The transition from the industrial era to the digital era is not a change, it is, in my view, a transformation. It is not simply the industrial era, 'amped up on tech steroids'. The digital era is much more than just a continuum of the industrial era (as suggested by the Davos-sponsored term: Industry 4.0). It is an economic and possibly even an anthropological transformation, which requires nothing less than an overhaul of current industrial era business models.

This requires much more than fronting your business model with a mobile app, or sponsoring a hackathon. It requires a 'drains up' reengineering of the business. But, of course, such a transformation would be guaranteed to destroy your existing cash flows, without any guarantee of creating new ones. Thus, we must factor this into the journey to be taken.

Nonetheless, for most industrial era organisations nothing less than a transformation is required. Again, an industrial era business, as defined in the previous chapter, is less defined by what it sells and its channels to market, and more about its approach to innovation, leadership and uncertainty.

Digital?

Hopefully by now you are recognising that digital is not simply:

- The opposite of analogue.
- A synonym for IT.

I am going to share my own perspectives on this a little later in the book. But for now, let's see what management consulting firm, McKinsey and Co. have to say on this.

In broad terms, they accept that technology has a role to play, that it embraces new ways of engaging with customers, and might even represent an entirely new way of doing business.

In more focused language, they talk about unlocking value at new frontiers through greater market sensitivity through the use of sensor-captured data. They talk about understanding the customer journey and experience, and fostering loyalty through contextualising the experience in the light of the journey. Using automation to both drive down costs, and to simplify the customer experience is part of becoming a digital business. All true as far as I am concerned, but it still hasn't got to the core of what digital is. Nonetheless, this definition helps us understand that there is a lot to be done in respect of our business models.

For now, I hope you are developing a sense as to why the industrial era business model is no longer fit for purpose. As mentioned, I will reveal my own perspectives on this at the appropriate point in the book. I suspect you already have a sense as to where I am heading.

What is the Biz 4.0 blueprint?

The Biz 4.0 blueprint identifies the key elements we need to consider when building a business fit for the digital era. At the very least, it can serve as a check list/self-assessment tool in respect of your organisation's 'digital age readiness'. I have developed it to help business leaders through the transformation process. But the principles go back millions of years, and are thus tried and tested.

To be continued…

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About the Author

Ade McCormack is focused on helping organisations thrive in the post-industrial world through the optimal engagement of people and judicious application of new technology.

Clients engage Ade when they need a 'zoom out' view of how the world is changing, followed by 'zoom in' guidance on how they can capitalise on these changes.

Ade has worked in over 30 countries, across many industries. Clients engage Ade in many ways including:

- Thought leader.
- Conference keynoter.
- Advisor and coach.

He is a former technologist, with a degree in Physics/Astrophysics.

Ade has written for several publications, including the Financial Times (circa 150 pieces). He has written several business books, including 'Beyond Nine to Five: Your career guide for the digital age'. He has also lectured at MIT Sloan School of Management on digital leadership.

Ade is married with one son. He enjoys martial arts, dancing and running. Running being his most effective form of self defence, closely followed by dancing.

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Here you can explore a variety of resources, including Ade's blogs:

- **Digital Life**.

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