Context Shift

by Richard Martin
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This piece was commissioned by the Change Management Institute in 2015 and subsequently published as a CMI white paper in July 2016. Since first writing it, the darker aspects of platform ownership have become more visible and alarming in their nature. The terms 'ecosystem' and 'Digital Age' have been hollowed of meaning, too, joining the long list of business buzzwords. I have opted, however, not to edit the paper, maintaining the core text as originally published. I stand by many – but not all – the ideas it contains.

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Context Shift

The business of change is changing

Change is constant. It is a commonly accepted aphorism. Life itself is a series of changes, whether the seasons of the year or the morphing of our own bodies as we age. But just as matter can evolve and change, so can ideas. Change itself can change too, our conception of it, how we respond to and manage it.

The first fifteen years of the current century have played out to a backdrop of social, political, economic and environmental upheaval. At the same time, we have witnessed accelerated technological advances in relation to communication, big data, workplace automation, healthcare, transportation and alternative currencies.

The Digital Age also has prompted us to reconsider how we organise ourselves, resulting in experimentation with different structural models. It has enabled greater collaboration, cooperation and partnership between companies, their customers and suppliers. It has raised questions about where and how work is conducted, the permanence of the employer-employee relationship, the value of the network, and the need for both individual and corporate agility and responsiveness.

Organisations recognise the need to modernise. More often than not, however, changes are currently tackled in traditional areas of structure, processes, roles and technology in project-based packages. Frequently, consultancies are commissioned to help affect the change. The near future requires a dual-operating-system approach that blends traditional methods of engagement with experimental and networked partnerships, comprised of workforces that transcend organisational boundaries but are united in common purpose.

Change specialists that traditionally have had a transactional approach to change are beginning to adapt their offering. The emphasis has shifted to ecosystems, platforms and partnerships. This entails a transformational approach to change, one involving mentoring and coaching of change agents, advocates and leaders, that ensures their long-term self-sufficiency. The approach is adaptive and context-based, rather than process-oriented and constrained by old methodologies. Business relationships are

developing around small and frequent projects and experiments, rather than single, large-scale interventions.

Points for discussion and action

1. Be prepared to change your business model, particularly if you have been reliant to date solely on leveraging intellectual property. Shift your focus on to service and long-term relationships.
2. Focus on the transformational, preparing the way for others, transferring skills to them, mentoring and guiding. Leadership can come from anywhere, dependent on context. Help develop the capability to both lead and follow in your people.
3. Work in partnership. Many who work with you will no longer be on your payroll. Suppliers, other businesses, freelancers and customers will become as vital to the delivery of your products and services as your own people. Build the platform and nurture the ecosystem.

Out with the old

It is a typical scenario... Motivated by the appointment of a new CEO and significant shifts in the legislative and regulatory framework under which it operates, an organisation initiates an extensive change programme. At its heart is a structural overhaul. Assistance is commissioned from change specialists with deep experience in organisational design. This most likely will be an external agency but may be a dedicated internal department in a large organisation. Weeks of interviews, meetings and workshops follow as the change specialists work through their well-proven methodology.

At the end of the engagement, the commissioning organisation receives a lengthy slide deck. The relationship has been purely transactional, the cost-per-slide highly expensive. The hard work – transformational change itself – remains to be done. But the organisation is flying solo now, with some graphics-heavy slides to serve as reference guides.

A rarer scenario... An organisation recognises that it needs to modernise. This is seen as an incremental, long-term endeavour that will need to be broken up into a series of

projects. The programme will cover organisational purpose, structure, roles and responsibilities, location, infrastructure and technology. Even as the organisation transforms, it will need to continue with the provision of current products and services to its customers.

It too seeks assistance from change specialists. With one important difference. It starts small, focusing on one project only, which is treated as an experiment, a low-cost, low-risk Trojan Mouse. One, however, that has the potential to promote a significant shift in the perspective of people working for or with an interest in the organisation.

While the outcome of the project itself is important to the commissioning organisation, so too is the collaboration with the change specialists. A trust-based relationship, leading to successful delivery and the transfer of skills and accountability to internal people, is likely to lay the foundations for a long-term partnership throughout the lifetime of the programme – and beyond.

The result is a transformational programme, a fluid, collaborative and cooperative exercise that is tailored for the needs of the organisation and its people. This is not a cookie-cutter or colour-by- numbers approach, but one that is responsive and adaptive. Together the commissioning organisation and the change specialists create a platform on to which they invite others from their network who have the requisite skills and experience to meet certain challenges, share knowledge, and assist the organisation in its evolution. They create a network of small pieces loosely joined that is united in common purpose.

Why change change?

These are far from hypothetical scenarios. Although anonymised, they are based on real events, real experiences of the past decade. Why does the second scenario feel so compelling, so necessary today? What is it about the first scenario that strikes us as outmoded and unfit for the Digital Age? Why is it that the business of change is itself having to change? What is the background economic, political, technological and cultural context to these changes? What emergent trends have been detected and how should they be accommodated?

Nothing works in isolation. Everything is connected. The operation of a business is shaped and informed by the socio-political environment in which it exists. Opportunities

and challenges are spawned by government policy, social movements, cultural events and technological innovations. This has been the backdrop of the last fifteen years. The false dawn of the dot-com boom nevertheless paved the way for great advances in digital and mobile technologies that have affected the way we do commerce, communicate with other people and organise ourselves. It has had an impact on how we collect and make use of data, how we manage and share knowledge, the way we run our businesses, our political and economic institutions, as well as the mechanisms via which citizens can question and challenge them. Digital currencies, changes in transportation and the automation of jobs that involve repetitive activities are only likely to accelerate things.

An economic crisis that has swept through most Western nations has prompted many to query the viability of practices in banking, government and industry that were prevalent for much of the previous century. Humanitarian crises, as a result of natural disasters, armed conflicts and the mass movement of refugees and economic migrants, have served to foment the calls for change. People are mobilising to find different, more effective, more people-centred approaches to getting things done.

In *Swarmwise*, for example, Rick Falkvinge reflects on the emergence of the Pirate Party as part of the political landscape in Sweden and the effect this had elsewhere in Europe. In *Networks of Outrage and Hope*, Manuel Castells documents the power of digitally-savvy social movements and the challenges they pose to the status quo, whether in confronting dictatorships in the Middle East and North Africa or physically blockading prominent financial institutions via the Occupy initiative. In *Open*, David Price sets out some of the fundamental shifts that are developing in the education sector. In *ReWork* and *A Year Without Pants*, business leaders outline their approach to new working practices, adopted by dispersed workforces, that have been enabled by technological change. In *Accelerate*, academic and consultant John Kotter outlines how these changes can be incorporated and built upon in established enterprises. This requires a dual-operating-system approach, accommodating experimental, networked change programmes alongside more traditional hierarchical organisational structures.

Many acknowledge the need for change but bump up against the constraints of cultural inertia. Their stories and the lessons learned form the backdrop to Jane McConnell's *The Organization in the Digital Age*. They have looked beyond the confines of their own organisations, connecting with like-minded change advocates, recognising the need for external influence.

Involvement in and access to cross-border communities like Corporate Rebels United, Change Agents Worldwide and Rebels at Work have served as the catalyst to change agency within established institutions. These networked connections have helped make organisations more porous, more receptive to external influence. A case in point is the extensive change programme being undertaken in the UK's NHS. A white paper written by Helen Bevan and Steve Fairman synthesises ideas from outside the domain of healthcare. This is already translating into the mobilisation of change agents across the many different bodies that comprise the NHS.

This change zeitgeist pervades everywhere. It extends beyond other sectors, other practices, to the business of change itself and the many change specialists, in companies large and small, that operate in this space. The challenge is how to stay relevant? How to let go of the tried-and-tested and develop a more bespoke approach? What are the factors that change specialists need to be taking into consideration to make them viable in the Digital Age?

Atomisation

We know that the application of an external agent – another chemical, heat, extreme cold – can have a dramatic impact on the composition of substances. Moving from solid to liquid to gas, the organisation of atoms appears more random and dispersed; harder to contain. External agents can have a similar effect on people and their organisations too. Government policy, regulation, court rulings, financial crashes and, most importantly, customer needs can all trigger change.

It is not a new phenomenon. The Hollywood film industry was affected by rulings in the 1940s that forced horizontally-and-vertically integrated monopolies to divest themselves of their distribution arms. No longer could a single studio control the whole life cycle of a film from inception to reception by the film-going public. They had to re-think a model that had seen them using only contract personnel to make movies and their own exhibition outlets to show them. The privatisation initiatives of the Reagan-Thatcher years and beyond similarly saw the fragmentation of large institutions, broken up into cooperative, frequently competitive, parts. British Rail, for example, gradually morphed into an assortment of public, private and non-profit bodies, focused on infrastructure, safety, regulation and services for both passengers and freight companies.

The NHS, on the other hand, has always been atomised, constantly shifting in shape, adapting to government changes, new policies, new priorities. Each body, whether health trust, GP clinic or civil-service institution, plays a role on a wider stage, is one node in a vast network of interrelated services. They have to be adaptive. They are constantly challenged to do more with less.

In the private sector, a responsive aptitude is responsible for a high degree of atomisation and diversification in what Nicholas Vitalari and Haydn Shaughnessy have termed *The Elastic Enterprise*. Here companies like Apple and Google are constantly moving into new markets, adding to their portfolio of products and services. Apple, for example, has evolved from a manufacturer of personal computers to a major player in music, mobile telephony and wearables. Google has morphed from a specialist in web-based search algorithms to a business leader in advertising, mobile and transportation.

Both companies have created platforms – iOS and Android – around which entire ecosystems have been established. Business partners and solo app developers orbit around them, enjoying a symbiotic relationship with the platform owners. Meanwhile Apple, Google and other players are constantly on the lookout for new additions to their portfolios. As Dave Gray observes in his Medium article 'Change is Changing', for such companies business change has become something that does not happen once in a while but all the time.

It is a shift that is replicated elsewhere, as outlined by the authors of Deloitte's *Business Ecosystems Come of Age*. It is also reflected in the high numbers of people now reported to be self- employed or freelancing. Organisations can no longer depend solely on those people who are on their own payroll. Instead they work in time-bound partnerships with suppliers, customers and freelancers to deliver projects. Small pieces loosely joined. Portfolios temporarily overlapping one another like Venn diagrams. They then reshape for the next initiative, working with those whose skills and experience are most relevant. It is the great challenge in a world of constant change: how to remain both adaptive and relevant?

Collaboration is not enough

In *Playing to Win*, A. G. Lafley and Roger Martin recount how Proctor & Gamble entered into a partnership venture with another organisation. Both had an interest in the cling wrap and bin liner market. Clorox were seeking to consolidate after their acquisition of

the Glad brand. P&G were exploring how to either position two new products or, alternatively, license out innovative technology. Rather than competing in this market, as they did elsewhere, the two companies opted instead to work together, with P&G following Clorox's lead in the arrangement. In modern working practices, we have to go beyond simple collaboration to both survive and thrive.

The notion is core to Harold Jarche's analysis of the networked Digital Age in his *Finding Perpetual Beta*. With collaboration people work together towards a common objective. Often this collaboration is structured and overseen by an individual with managerial responsibilities. It is, at heart, a hierarchical endeavour. With cooperation, however, time-bound alliances can develop between people who may be pursuing different goals but can derive mutual benefit from working together. This is more representative of network operation, and does not preclude a reversion to competition as the context changes in which cooperation took place.

This is well illustrated by an example from the sporting world. In a professional cycling event, like the Tour de France, several teams compete. Each team is comprised of nine riders and will have different objectives for each day of racing, as well as for the overall three-week event. Within each team the nine riders and the support team of sporting directors, carers, mechanics and chefs collaborate towards the achievement of their daily objectives. But each day too will witness cooperation, as well as competition, between riders in different teams. This can be between riders in the breakaway working together until close to the finish line, or the different teams leading the peloton's chase of the breakaway, or the riders who are trailing behind the main bunch working together to stay within the cut-off time, team and personal rivalries temporarily put on hold. Context and personal autonomy inform how these different partnerships form and play out.

As Jarche recognises, with cooperation there does not have to be an immediate pay-off. The benefits to be derived can be long-term. Relationships are the currency, with favours given and taken, social capital accumulated over time. It poses a challenge to those familiar only with traditional, transactional arrangements. How do they adapt to the service economy while remaining financially viable?

Leadership fluidity

The authors of a 2014 IBM report, *Making Change Work*, recognise the need for leadership at all levels of the modern organisation. This notion of universal leadership capability is echoed by Vitalari and Shaughnessy. Leadership is no longer about job title, hierarchical position or stripes on the arm. It is governed by context. It is fluid, constantly in motion. Clorox, for example, can be the smaller partner, lacking either P&G's scale or their research and development capability. Nevertheless, they can assume the leadership of a joint venture. The sprinter, who will be minutes behind and following the leadership of the climbers in the Alps, can then assume team leadership on the flatlands. The owner of iTunes can follow the lead of the artists who make their music available on its platform. The head surgeon at a London hospital can take the advice of a Formula 1 pit-stop team member.

The wirearchy principle, formulated by Jon Husband and expanded upon by many others, suggests that knowledge, authority and power remain in a dynamic flow. In the right context – stepping however temporarily into a hierarchical role, exercising a specialism, drawing on and sharing one's experience and expertise – an individual's node may light up in the network. In that moment, at that time, they are required to lead. Others look to follow them. But then the context changes, and they are then expected to have the humility to follow the lead of other people. It is not a dismantling of hierarchy, rather it is a decoupling of any one person from a set position in the hierarchy. People step in and out of roles, as determined by circumstance.

It is yet another challenge to the change specialist. It highlights the need to establish relationships throughout an organisation, building communities, developing and recognising leadership capability within others. To only have a relationship with the occupant of the corner office or their colleagues in the executive team is to inhibit the effectiveness of any change initiative and to harm the potential for long-term partnership with clients. The NHS change programme that Bevan and Fairman highlight seeks out and celebrates the rebels at the edge of the organisation, harnessing their energy and enthusiasm to establish a network of change activists – agents, advocates, leaders. The potential negativity of dissatisfaction and complaint is rechanneled, manifesting itself instead as transformational leadership, forward-looking rather than regressive.

Beyond financial capital

At the root of a transactional relationship is the idea of financial capital. I offer you a product or service. In exchange you provide me with money. It is cold, clinical. It is the model that has dominated, certainly in Western society, at least since the Industrial Revolution. But as the trappings of industrialisation are being reviewed and challenged, from environmental impact to banking systems and scientific management practices, so alternative systems, some ancient, some modern, are being assessed. Bartering, the exchange of goods and services for other goods and services, is one alternative. So too reputation-based trade, where both parties rate one another – whether on auction sites like eBay or on transportation and accommodation services like Uber and Airbnb.

It used to be the case that companies built their business model around the exploitation of their intellectual property – patents, trademarks, publications, consultancy methodologies. In the Digital Age of networked interactions, platforms and partnerships, now social capital plays an equally important role. We develop dependencies on trust-based relationships. We create spaces in which others can earn our trust.

When Apple launched the iPhone, they introduced iOS, an operating system that had evolved from their work on the Mac. It was a walled garden, containing a small number of apps developed by Apple itself. The decision to introduce a software development kit and allow third-party developers to create their own apps for iOS changed the game. An ecosystem developed that involved the platform owner, thousands of developers and millions of consumers. Many of the apps required no financial exchange. Social capital was established first, and ensuing relationships ultimately created revenue streams.

P&G could have licensed their methods to Clorox, exploiting their intellectual property as they had done in the past. Instead they entered into a partnership with a competitor. Financial exchanges followed after a social capital foundation had been laid, with P&G extending its stake in the Glad brand. Within five years this was a billion-dollar business benefiting both organisations.

Social capital can help enable knowledge to flow, it can strengthen industries as they establish connections with other sectors, exposing themselves to other ideas. In *The Checklist Manifesto*, for example, US surgeon Atul Gawande relates how he turned to people in the construction, aviation and finance industries to learn lessons that could help him and his colleagues reduce incidences of post-surgery infection. This was not

about financial exchange, it was about relationship building, support and empathy. Ideas from one industry cross-pollinated with ideas from another to affect practice and foster change in yet another.

The change specialist is ideally positioned to have a similar cross-pollinating effect across numerous industries. When their focus is on social capital before financial capital, they serve as bridges between multiple industries, multiple nodes in this networked world. The change specialist becomes the connector in the business of knowledgeable networking. Through partnership with one organisation, they benefit many others.

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