Thriving in the World of Flux

The Big Shift:
20th C. Push Economy => 21st C. Pull Economy

In the new era of constant flux:
a great time for entrepreneurs

The old institutions aren’t hacking it very well.
The return on assets (ROA) for U.S. firms has steadily fallen to almost one-quarter of 1965 levels.

Average Lifetime of S&P 500 Companies
However, in those same 43 years, labor productivity has doubled – largely due to advances in technology and business innovation.

The performance paradox: ROA has dropped in the face of increasing labor productivity.
But why, jsb?

A Partial Answer

• power has shifted to customer
• brand loyalty diminishing
• (global) competition increasing
• creative talent is grabbing more of the rent

But I thought you implied there was something more fundamental, more deep structural going on, jsb.
20th Century Era Captured by Alfred Chandler

Push Economy

20th century infrastructure
roads/cars/trucks/trains/ships/airplanes

Scalable Efficiency becomes the goal.

- predictable
- hierarchy
- control
- organizational routines
- minimize variance

S-curve
stable over decades.
(Few real changes in 60 years)

As an aside.....

Hmmm –but aren’t our schools following the same scalable efficiency 20th century mantra?

And focusing on building stocks of skills that we will supposedly need later?
But the 21st C infrastructure driven by the continual exponential advances of computation, storage & bandwidth, with no stability in sight!!

S-curve

rapid set of punctuated moves (potentially never ending)
infrastructure is tech + institutional arrangements & work and social practices

in a world of increasingly rapid change, the half life of a given stock/skill is constantly shrinking & the predictability of future needs is increasingly less certain!

Stocks ===> Flows
protecting knowledge assets participating in knowledge flows
creating new knowledge (strong tacit component)

Knowledge Enterprise Development
A double “win” from this exponential: (for the entrepreneur)

old ways die even faster

New ways can leverage this exponential power to create powerful knowledge creation tools and powerful new ways of learning/innovating.

Ah, you mean like cloud computing, social media to access & attract resources.

A fortuitous encounter that helped shape my thinking.

Oh – an example from your years of running PARC?
The Grommets

A story about how fame & fortune was brought to Maui

The first junior champion ever in Maui and a new genre – aerial surfing. And now ALL Five!
How was this possible?

- A passion to achieve extreme performance and a willingness to fail, fail, fail on the way.
- Accessing and analyzing frame by frame the best surfers around the world via video’s of the pros.
- Use of video tools to capture and analyze each of their own improvisations.
- Pulling the best ideas from adjacencies: wind surfing, skate boarding, mountain biking, motor cross, ...
- Accessing spikes of capabilities around the world – leveraging networks of practice in a ecosystem.
- Attracting others to help them around the world.

And always –

a deep collaborative learning with each other.
Mind Set

And a passionate pursuit of extreme performance with a deep questing disposition

Come on jsb – let’s get serious. extreme surfing, What does all this have to do with --
new forms of organizing, new leadership models, new ways to create value, etc??????

Well, maybe everything!
A Pull Framework for a 21st century economy
Access
on-demand access to resources

Access involves the ability to find, learn about, and connect with people, products, and knowledge to address unanticipated needs.

• Individuals: Social Networks that can scale

• Firms: From Push Programs to Pull Platforms

Google and beyond!!

Skadden
The Skadden Story

Supporting Users Across Generations

Learning from the Twitter/FB generation.

Peter E. Lesser
Director of Global Technology
Skadden, Arps, Slate Meagher & Flom LLP
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Portal Player & its Pull Platform
Rapid innovation using diverse expertise & talent

Firmware Platform for rapid integration, modification, testing

financial leverage ===> capability leverage

(9 months to market)
Attract involves techniques for drawing people and resources to us that we were not even aware that existed, but prove to be relevant and valuable.

Harnessing the power of serendipity

In a world that is rapidly changing – we don’t really know what questions to ask or whom to look for.

The real challenge is how to attract people in unexpected ways to help ask, frame and answer these questions.

Ah, where Google can’t help.
**Shaping Serendipity**
can be more than just luck!!!

- **Choose Serendipity Environments**
- **Develop Serendipity Practices**
- **Enhance Serendipity Preparedness**

All encounters: deep listening with reciprocity  
**Transactional --> Relational**

"How often do you get out of your comfort zone?"

How do you create beacons that help folks find you?  
How do you create reciprocity in your interactions?
Achieve
pulling out of each of us &
our institutions our full potential
and harnessing network effects.

Breaking free of the Red Queen effect

harnessing network effects where
the more people that participate the
greater the potential returns
Li & Fung –
$11B of revenues with no manufacturing facilities

Global Network at a Glance
- More than 80 offices in over 40 economies
- Annual turnover in excess of US$11 billion
- Approximately 10,000 suppliers around the globe
- Over 13,000 employees worldwide

Li & Fung – Process Orchestrator

ROE 30 to 50%
one million$/employee
Li & Fung – orchestration
Learning, bootstrapping skills & knowledge creation

Li & Fung Performance Feedback

Yarn Sourcing Korea
Yarn Weaving Taiwan
Yarn Cutting Bangladesh
Yarn Dyeing Thailand
Final Assembly Mexico

Logistics
Logistics
Logistics
Logistics
Logistics

Retailing Distribution Centers
Global

Key: 30/30 Relational Principle

Creation Spaces
(as institutional innovations)

Designed to foster and scaffold
- Scalable collaboration – afforded by social media & IT
- Peer to peer networks across teams – networks of practice
- Learning thru productive friction – role of boundary objects
- Performance improvements – dashboards in & across
- Governance protocols – dispute adjudication, values,

Creation spaces foster long term, trust-based relationships on multiple levels with the prospect of higher performance by everyone.
**World of Warcraft**
A massively multi-player online game: MMOG

*on a quest*

*Why should we care????*

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**Emergence of MMOGs**

![Graph](image)

- WoW
- Dark Age of Camelot
- DFO
- Rift Online
- EverQuest
- EverQuest II
- Final Fantasy XI
- Lineage
- Lineage 2
- Lord of the Rings Online
- RuneScape
- Star Wars Galaxies
- Ultima Online
- World of Warcraft

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Managing Knowledge in
Guild-based Creation Spaces

- Structure of filtering and feedback loops
  - Problem: Knowledge is constantly changing
  - Problem: Too much information to reliably manage. (around 12k new ideas just last night.)

- Guild structures allow for small groups (20-200) to test, filter, and disseminate information

- Guilds more than crowdsourcing & self organizing entities.. Have governance protocols, constitutions..
- Guilds can help other guilds for cracking high end raid challenges.

WoW’s knowledge economy/ecology – help players gain & create knowledge exponentially faster

Blizzard Forums (~300)
(forums.worldofwarcraft.com, forums.wow-europe.com)

Other Forums (~countless)
(www.worldofwar.net/forum, www.wow-forever.com)

Over a million

Databases

Blogs

Wikis
(www.wowwiki.com)

Videos
(www.wowcraftmovies.com)

26,000 videos from over 5k guilds

And after action reviews of a quest.
Dashboards created by the player for him/herself.
Exponential Learning

Hours to Gain Experience Points (XP) in WoW

Source: Palo Alto Research Center (PARC) PlayOn http://blogs.parc.com/playon; Deloitte Analysis

The Big Picture
Edge – Core Reversal

20th Century: push mode
Innovate on the edge and then push the edge to the core, transforming (hopefully) the core.

21st Century: pull mode
Innovate on the edge(s) but now let the edge pull the core to the edge.

New tools for empowering the edge

› cloud computing enables the edge to access all the power it needs without CIO/core approval.

› social media amplifies engagement with external partners, customers, and others in the core.

› cloud enables nearly infinite scalability, reach & scope and new business models, galore. And afford new kinds of creation spaces.
Individuals and Institutions
individuals will increasingly reshape institutions rather than vice versa

20th century

21st century

agile tools, agile networks, agile clouds, agile minds
social media shifts power to the edge (well, maybe)

The purpose of the 20th Century firm: to minimize transaction costs & achieve scalable efficiency

The Purpose of the 21st Century Firm: To accelerate capability building (building talent)

Learning from others as they learn from you: accelerated bootstrapping in an ecosystem
Thank You
Center for the Edge
Deloitte