BUILDING ENTERPRISE AGILITY – IN AN ERA OF COMPLEXITY

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For two decades now, the world has seen numerous shifts – transformational in nature and fundamentally game-changing in their impacts. Most such shifts have been possible thanks to significant progresses made in the fields of Science, Engineering, Medicine, and Technology. Enterprises built around traditional command-and-control structures have for long endeavored at creating value, for themselves - most visibly in the form of shareholder value - and for customers - mostly in the form of competitiveness and comparative distinctiveness. Early years of this century resulted in aggressive adoption of capitalist endeavors manifested in corporations, ably supported by forward-looking policy making governments.

Times have now changed dramatically. Organizational structures have moved from owned-and-operated models to collaborative partnering. Such dramatic shifts have resulted in added uncertainty, as traditional boundaries have been breached, management theories – for long held as holy-grail – discarded; dependencies – hitherto manifested in the form of production and consumption (read traditional economics) – have changed form distinctly. Models defined traditionally within the context of the "Employer-Employee-Customer" triad are no longer seen as useful or sustainable. Replacement models have delivered upon unfulfilled promises, while adding new layers of complexity to existing models. It is highly appropriate to quote observations made by Jared Weiner[1] recently who says, quote "economies do not replace each other with each disruptive transition. They layer on top

> *Economies do not replace each other with each disruptive transition. They layer on top of each other. The old remains in the system.*

of each other. Hence the old remains in the system though they may be lesser in their impacts" unquote.

Understanding Complexity in today's World

Each of the three industrial revolutions has resulted in new jobs replacing old ones, and skills morphing with increasing sophistication, as enterprises ventured into building and developing more complex products and services. Customers began to shift from basic expectations to more sophisticated consumption patterns. Markets opened up – creating heterogeneous entry points for enterprises to leverage and serve. All these trends have collectively resulted in an increased global GDP and fortunes across board (however unevenly such incomes were distributed). The world went from being extremely local to a globalized and highly integrated marketplace.

Global supply chains have increasingly become sophisticated, mature and flexible enough to withstand the vagaries of demand-supply imbalances around the world. Policy makers on the other hand went from being discrete enablers to active participants in the global economy, through collaborating with enterprises and creating opportunities for cooperation, mutual growth and general well-being of the planet. Of course, no endeavors of this scale can be without their issues. Most often, one surmises that issues can be dealt with from within. Enterprises

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[1] Jared Weiner is one of the Founders of The Future Hunters, who focus on discovering, understanding and presenting future trends before they become part of mainstream vernacular. **http://thefuturehunters.com/**

face issues every day, and have structured approaches toward resolving them. It is considered an integral part of doing business. Most issues have been articulated well by academics, research entities and analysts the world over – sufficient fodder for endless conversations on how to address them and build solutions – some temporary, others more sustained.

Interestingly however, familiarity breeds contempt. Replication and evangelism of solutions has come to define most endeavors today. One who bucks the (globally) accepted trend is considered either ignorant or a maverick. Aligning enterprises to a prescribed mode has always been considered crucial for marketplace acceptance. Two hundred and fifty years of corporate initiatives have premised themselves on being the well-endowed lot, above the collective (read millions of customers across multiple markets). A bid to inculcate a sense of commonality has led enterprises on a path of replication. Various phases – read industrial revolutions – have prescribed the "how" without really asking "why". Today, with the fourth industrial revolution, all of it has been upended by nimble entities who start with the premise of "why not". Consequently, enterprises that have been built by such thinking have come to dethrone traditional ones all over the world, to the point that at times the "too big to fail" mindset

> *Traditional management theories on how to manage enterprises continue to fail today's inter-networked and boundary-less marketplaces.*

seems passé.

Factors Influencing Enterprise Agility

There are many factors influencing readiness of an enterprise to tackle the world of complexity, and continuously remain agile. While I shall refrain from describing them in great detail, a brief mention of their collective importance is necessary, if only to determine how agility is incorporated and subsequently sustained within enterprises.

Degrees of Separation: Traditional command-and-control organizations have always thrived on a structure with clearly defined realms of authority, and accountability. Decision-making went one way – down from the top. The same model governed ideation, risk management, customer emphasis, product development and marketplace strategies. Over the years, the enterprise world went from value to scale, with the latter defining influence. Complexity manifested from outside the organizations was rationalized through a "one-size-fits-all" approach toward standardization. I call this trend the "tyranny of empire". For long the world has dealt with empires that employed individuals whose only contribution was to follow scripted instructions and not swerve away from the rules.

Cognition and ability to build on shared experiences from across the organization was consecrated to management theory. Interestingly however, the advent of the web democratized knowledge, to the point that today one is ignorant of one's own volition (and not on account of lack of access to such information). New

enterprises that began to spring the world over in the past two decades have – among other things – upended the very notion of command-and-control. Their emphasis on predicting, collaborating and shaping the marketplace gave way to the traditional "build and sell" models of yore. The very notion of consistency was discarded, paving the way for continuous fluidity and agile responsiveness. In traditional enterprises, turnaround cycles - in response to marketplace changes – were usually a three to five year endeavor. Customers too did wait for such turnarounds to happen. Not anymore.

The customer of today is looking for instant gratification, and choices in real time. Enterprises continue to contend with lack of information – validated – that could help shape their own strategies. Traditional entities almost always focused on two distinct layers: (a) internal structured footprint and (b) customer needs in the context of competition. Today's enterprises contend with two distinct facets: (a) multiple degrees of separation among employees, customers, collaborators, partners and supply chains; and (b) developments from other industries that may adversely or positively influence their own business models/ products /services/ solutions. Gone are the days when competition was articulated as an "intra-industry" function. Today, business models are becoming obsolete because an innovation in one industry wipes out another[i]. Competitiveness today has come to be redefined as a function of how far along the consumer adoption curve an entity is, rather than in quantitative terms like market-share or mind-share alone. On the other hand, consumer loyalty has become obsolete.

> *Customers are looking for instant gratification, flexibility to opt-in/ opt-out, and categorically rejecting the notion of loyalty.*

Marketplace Trends: Influencers are many. Principal among them are two distinct types of trends that have a direct influence; (a) Internal Trends: Sense of Entitlement, Pastism, Rising rage, Instant gratification, redefinition of intimacy, Nostalgia, Loneliness, Anxiety, Individualism, Obesity et al; and (b) External Trends: Changing value systems, Digital narcissism, Urbanization, Localism, Desire for control, Declining fertility, Contextual deficit et al.

Enterprises have been caught up in cycles of internal restructuring, modernization and rationalization that most have been unprepared for the onslaught of complexity from outside their control areas, with customers and marketplace behavior defining such shifts most poignantly. The entire notion of production-consumption spectrum driven by demand-supply dynamics has begun to give way to a fundamentally new model, where needs and wants have lost their intrinsic definitions completely, while traditional modeling of market demand have become obsolete. The late Dr. C.K. Prahalad had, in his book titled "The new age of innovation"[2] clearly emphasized that enterprises can no longer operate using traditional methods to remain competitive. The emphasis on co-creation has to take center-stage, where collaboratively solutions are built, consumed, and enhanced. Consumers are seeking involvement through the production-consumption spectrum and are no longer willing to be told what to do.

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[2] The New Age of Innovation is a book authored by (late) Dr. C.K. Prahalad and M.S. Krishnan, 2008 describes how co-creation of value is not only necessary, but inevitable if enterprises are to deal with complex ecosystems going forward.

Prahalad's formulae are intrinsic to the nature of markets and consumers today. From the yesteryears' model of mass customization, today consumers are asking for an **N=1** model (i.e. each consumer is treated as a distinct person, with preferences, choices, circumstances, and behavior), and enterprises are no longer location-constrained as resources are global in nature and can be leveraged: **R = G**. Predictions made by him in 2008 have unfolded exactly within the next few years. Today technologies permit us to deploy an N=1 model alongside an R=G leverage. The added complexity here is that individuals who play various roles in a given day – employees, customers – need to be factored in.

I firmly believes that a third factor needs to be incorporated, that of **E=1**. Mass customization of customers has given way to an N=1 model. Similarly, if we are to build cognitive enterprises that are not straitjacketed but willing to utilize the entire organization's capabilities, employees too have to be treated as singular, with each employee viewed as a function of innovative ability and responsive collaborator. Enterprises cannot afford to have a significantly "singular" view to consumers, and a "commoditized" view to employees. The consequent discord will not permit organizations to build value. Contrarily, such diametrically opposite models will only increase complexity within organizations, while reducing flexibility to change or shifts. A cognitive employee is not created

> *It is imperative for us to adopt models that reflect a symbiosis among resources (R=G), customers (N=1) and employees (E=1) in a concerted manner.*

through role-plays; instead cognition needs empowerment and mutual accountability.

Anti-Fragility: Command-and-control organizations have almost always premised their operating environments as a function of structured governance, supported by clear and distinct roles for each individual employed. Internal ecosystems have been premised on extracting efficiencies within highly controlled environments, so as to remain competitive. These are necessary yet insufficient measures. Complexity-induced change needs to percolate into organizations across all its decision points, particularly around governance, and strategic planning. The desire to remain competitive can make organizations tunneled in their vision of their near-term future, leading to decisions that create fragility instead of resilience. To exploit complexity, autonomy and outcome-centric hierarchies/ roles become crucial levers. Straitjacketed approaches built around traditional management theories do not hold true any longer. A caveat here is that it is not possible to design systems that are capable of addressing all types of changes while incorporating anti-fragility/ resilience into corporate environments, given that the influencers to such types of changes come from a range of sources, not all within one's influence circle.

Age of Zero Marginal Value: Today some significant shifts have come into play in the marketplace. Primary among these are reduced distinction between buyer and supplier markets, where integrated approaches to production and consumption began to give rise to a new breed of companies. Technological innovations like atomically precise manufacturing have begun to compress global supply chains (thereby upending traditional businesses). Further, automation at the transactional level (especially jobs requiring high levels of pattern recognition) have begun to replace humans. Input factors began to get equalized to the extent that organizations

that had thrived on differentiating (amongst themselves) by the nature of their inputs began to lose out. The age of "Zero Marginal Value" has begun, where capital such as software and robots can be replicated cheaply, thereby creating an environment that builds upon its successes, with marginal value reducing dramatically even when used in greater quantities. A state of "Global Commons" is likely to be established as the marginal costs of many industries are driven to near zero (nearly profitless).

Conclusion

The intensity of these changes have impacted all industries worldwide. Traditional models that thrived on input-factor sophistication are being seen as increasingly irrelevant in the face of transcendental shifts in business models, marketplace complexities and consumer expectations. The uncertainty faced by organizations is unprecedented. Expectations have invariably shifted. Enterprises expect their partners to move from being fringe provisioning entities to collaborative and co-creation partners.

I believe that the first step to creating resilient and agile environments within organizations is to accept that theory around management is not sacrosanct anymore. Traditionally accepted principles around cost containment, consumer pricing, and marketplace spend, customer outreach/ marketing et al have been upended by new models. Disruption has come not just from deployment of new technologies, but from making fundamental changes to operating models. Agility therefore has now come to be defined in the context of collaborative co-creation rather than pure competitiveness.

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ABOUT THE AUTHOR

Bobby Varanasi is one of the acknowledged **Top 25 Globalization Leaders** in the global sourcing space and the Founder of **Matryzel Consulting** – an independent advisory firm that has been acknowledged as one of the **World's Best Outsourcing Advisory Firms** three years in a row (2013, 2014 and 2015)**.** He brings with him two decades years of experience in consulting and management across IT, Business Services and building global operations. He advises federal governments across four continents on ICT sector development with particular emphasis on policy development, industry-government partnerships aimed at creating domestic resilience through increasing productive (and inclusive) faculties of entrepreneurs. Bobby also advises Fortune 500 customer organizations and emerging market entrepreneurs on strategy, growth, sourcing and expansions. He is often quoted and published in Forbes, fDi, Economist, The Outsourcing, ICT Media BV, Ratio Magazine Africa, etc.

Bobby holds Board positions with the **International Association of Outsourcing Professionals (IAOP)** – a global standard setting organization for the sourcing industry; the **Global Sourcing Council (GSC)** - an entity focused on sustainable and socially responsible sourcing practices (both headquartered in New York); and the **Malaysia Australia Business Council (MABC)** – an entity focused on cross-border trade enablement. He is an Assessor & Mentor, Product Development & Commercialization Fund (PCF), established and managed by **Malaysia Digital Economy Corporation**, Govt. of Malaysia that focuses on new technologies, new trends and entrepreneurship development.

He is author of a book titled *"Humanomics – Making Sense of Socio-economic Impacts of Global Sourcing"* published by Author House (a Penguin Random House company), which is available on Amazon, Google Books etc*.* An avid scuba diver and basketball player, he currently splits his time between Newark, DE, USA and Kuala Lumpur, Malaysia with his wife and two sons.

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[i] Sony Walkman was killed by the iPod. Digitization killed Kodak's film business. There are many such examples around the world.