

Perspectives on

A New Normal in Business

John I. Todor, Ph.D.

The Whetstone Edge, LLC

November 2009

Perspectives on a New Normal in Business

We are experiencing not merely another turn of business cycle, but a restructuring of economic order.

“Restructuring of economic order!” That’s a very intimidating concept and many business leaders might be inclined not to give it serious thought. Yet, focusing on more tangible issues and leaving this to the big thinkers to sort it out could be a very big mistake.

This statement was not directed at thought leaders. When [Ian Davis](#), Worldwide Managing Director of McKinsey & Associates made it he was forceful in making a case that the new normal in business should not be dismissed or deferred but requires the attention of any business leader who expects to adapt, thrive and have a shot at sustainability.

This goes beyond the current economic crisis. Most people recognize that business is fast-paced, fast-changing and increasingly complex and most businesses have undertaken more than one initiative to adjust or cope. The pressing question is whether this is a turning point, a point where playing by the old rules lead to seriously diminished returns. Have business dynamics shift so significantly that sustainable opportunities and expansive new possibilities cannot be seen from the prevailing perspective?

Certainly the first order of any business is to insure survival during the economic turn down. But, a close second has to be some serious deliberation of what it will take to thrive. Critically, these deliberation need to take into consideration that shifting dynamics have profoundly impacted customers.

Davis offers some insights on what it will take to adapt to the New Normal:

The business landscape has changed fundamentally, tomorrow’s environment will be different, but no more less rich in possibilities for those who are prepared.

The new normal will be shaped by a confluence of forces—some arising directly from the financial crisis and some that were at work long before it began.

Executives preparing their organizations to succeed in the new normal must focus on what has changed and what remains basically the same for their customers, companies and industries. (I would add employees as well)

Ian Davis is not alone. A growing number of business sages and leaders are making the case that traditional business models and assumptions are not longer tenable.

...deliberations need to take into consideration that shifting dynamics have profoundly impacted customers.

We must make large organizations fundamentally more adaptable, more innovative and more inspiring places to work.

Gary Hamel

The Big Shift

John Hagel III, John Seely Brown and Lang Davison (Deloitte's Center for the Edge) have called it the [Big Shift](#) and recently announce a [Shift Index](#) to help companies assess their ability to adapt.

According to this trio, businesses are now confronted with "Constant Disruption" and the solution requires constant adaptation. Technological mobility and human capital are the critical assets for adaptation and profitability.

The value of *scalable efficiency*, a growth tenet held near and dear by many, has been replaced by a need for *scalable learning*.

The more the business climate changes the faster the value of what you know diminishes. Success hinges on the ability to participate in a growing array of knowledge flows.

Take away: A key competence for both organizations and individuals is the ability to learn and adapt.

The Future of Management

[Gary Hamel](#) (London School of Economics, cofounder of Strategos and director of the Management Innovation Lab).

Hamel contends that competitive advantage is eroding more rapidly than ever before. At the root of the problem is a mismatch between the challenges businesses face today and forte of traditional management models. 20th Century organizations focused on efficiency and stability. The goal was to organize work and workers to function at ever-increasing productivity and to be scalable.

In hierarchically structured companies, most people are not emotionally or intellectually committed to what they do on the job. They execute tasks in a disengaged fashion. This won't cut it in the 21st century dynamics. [Organizations](#) need to be agile and therefore must build and leverage human capital.

Take away: Rethink and revamp your organizational model to align with current challenges and opportunities. In doing so, make sure your plan engages employees.

A Structural Break

Richard Rumelt (Professor of Business and Society at UCLA) is especially well known for making a connection between business strategy and profitability. To Rumelt,

Real strategy is neither a document nor a forecast but rather an overall approach based on a diagnosis of a challenge. The most

important element of a strategy is a coherent viewpoint about the forces currently at work.

Rumelt is adamant that we are experiencing what economists call a **STRUCTURAL BREAK** where the old structure or rules no longer applies or predict events. The new dynamics create new possibilities but require new strategies.

A good example is the current state of consumer discretionary spending. Consumer debt/income ratios rose 300% steadily since 1982 until the collapse of 2008. But it is not just consumers. Whole economies were based on continual growth in spending and credit. As this is no longer tenable companies need new strategies to adapt to lower customer spending.

Take away: *The wrong way forward in a structural break is to try more of the same. The break and the hard times are sure indications that an old pattern has already been pushed to its limits and is destroying value (Rumelt).*

Information and analysis are losing value compared to the ability to make sense in a climate of accelerating change.

The New Economy

Chris Anderson (*The Long Tail* and editor-in-chief of Wired Magazine).

Large and disciplined organizations win at games that change slowly. No one knew this until change reached sufficient speed. (quote attributed to Paul Graham) Huge vertically integrated companies were created to minimize transaction costs between teams up and down the supply chain.

*Now, distributed information networks do the same outside the walls of a single company. Now, the best of breed anywhere form and reform quickly into small pieces loosely joined – without the structural rigidity of traditional organization (*Wired, 2009*).*

Take away: Big is not necessarily better. Being nimble, adaptive and collaborative is essential.

Sense Making Ability

Daniel Pink (*A Whole New Mind: Moving from the Information Age to the Conceptual Age*). Pink argues that information and analysis are losing value over the ability to make sense in a climate of accelerating change.

One could apply Pink's thinking to the evolution of IBM. Once the company made money selling hardware, as we shifted to the information age, they made money selling software that managed information. Today, IBM's most profitable division is consulting, the act of helping clients make sense out the world, to see how to harness technology to pursue new possibilities.

Take away: Making sense out of innovation, change and helping customers see how it is meaningful to them is a strategic differentiator.

The Erosion of Trust

Shoshana Zuboff, (Harvard Business School professor and co-author of *The Support Economy*) recently made a blunt [statement](#) about the growing disconnection between traditional businesses and their customer base.

The old solutions have become the NEW problem. What generations of business leaders learned from the leading Business Schools, is now the problem. We managed to produce a generation of managers and business professionals that is deeply mistrusted and despised by a majority of people in our society and around the world.

Take away: It is not enough to assume you are trusted. Implement systematic and deliberate business practices that earn the trust of customers, employees and business partners.

The Impact on Customers

At The Whetstone Edge, we are focused on helping companies figure out what has changed and how to succeed in the new normal. Companies to question how things have changed for their business and look for ways to cope or adapt. However, looking at the New Normal from the customer's perspective is what leads to new possibilities and new opportunities.

Personal lives have changed. A confluence of forces have people re-evaluating their lifestyles, what they value, the basis of purchase decisions and the types of relationships they want with companies. Ignoring these forces will lead to a serious chasm with business coming up short.

Our website, www.TheWhetstoneEdge.com is designed to be a resource to help companies adapt to a new normal in business.

*The old solutions
have become the
NEW problem.*

Shoshana Zuboff

John I. Todor, Ph.D. is the Managing Partner of The Whetstone Edge, LLC. He is a psychologist and business strategist who examines how change in technology, society and the marketplace impact how customers make decisions and what they value. Based on these insights he advises client companies on how to align their offerings and business practices.
