

## **Digicraft: Art and Science of Managing Creative Destruction**

*Nathaniel Manaloto*

In this era of globalization, the tectonic shift in technological revolution is moving aggressively and reshaping every aspect of political, economic, and social landscape in an unprecedented scale. Its perpetual motion of innovative process surges like tsunami of challenges that sweeps anything along its path except those, which are strong enough to withstand the force. Within a complex system however, such destructive yet transformational force does not emanate from a single point; the dynamics of this revolution, as what the term connotes, is commonly characterized as multiplicity of information warfare requiring ingenious strategies. In the context of business, a brilliant strategy does not solely rely on one's endurance capacity but more significantly on resilience to wield such force to one's advantage.

Considering fluidity of information warfare, the playing field of is not for managers or institutions, which are afflicted with xenophobia, extreme conservatism, and excessive idealism. Likewise, the reductionist idea that management is confined within certain limits has now become obsolete. Often, the casualties of this ferocious competition are victims of what seemed to be myopic business sensibilities. While the tenacious lionhearted survivors and conquerors display skills that stretch out far beyond having extensive understanding of the market. As wittingly asserted by Peter Drucker in his book "Management Challenges for the 21<sup>st</sup> Century," management as a discipline takes the form of the art and science of mastering and molding the contours of the inevitable future. Tad philosophical one may say, but company's vision and mission by essence should have forward trajectory.

Reconciling a profoundly chaotic information warfare in the digitally globalized world with a concrete universal vision may seem onerous. But if we look deeper into what appears to be fragmented system, the linkages flesh out into seamless rhetoric of collective security. Like the First and Second World War, the atrocity of the clashes and tensions among players in any industry would culminate to a point of balance or equilibrium when all the stakeholders gain benefits. Although there may be asymmetry in terms of magnitude, the keystone of such process of diffusion is the fact that it's more inclusive. Such bewildering

paradox is encapsulated in the words of Joseph Schumpeter which goes: *“Societies that permit creative destruction to operate grow more productive and richer the citizens see the benefits of new and better products shorter work weeks, better jobs and higher standards of living.”*

The propellants of the constructive aspect of information warfare are ignited narrowly by friction but more crucially through cohesion. In the past century, there have been countless mergers, acquisitions, and partnerships across all spectra around the world. Entrepreneurs working together, multinational companies penetrating international markets, consortiums being formed ceaselessly take place everywhere. These images of cohesion exemplify the central paradigm of the information age – mass collaboration. Just think of formation of coalition groups during the World War II, when nations and states had to collaborate with either the allied forces or axis powers. In order to thrive in a highly competitive market, players should learn to build bridges and other forms of connection.

Mass collaboration put against the information warfare as backdrop is basically transcribed into two phases of innovative process. At the initial phase, proliferation of information and technology spawns doors of possibilities and opportunities leading to expansion of the market or the emergence of the mass. It can be said that this entails incessant creation of new products and goods by new entrants and existing players who wrangle each other to get bigger share of the pie. As the extent of war intensifies, different management styles particularly ability to translate market information into feasible strategies would be put into test. Eventually, market conditions become taxing and cost of competing escalates to impractical level. Hence, warfare enters the phase of collaboration. As earlier described, players grow more interconnected and naturally teams or alliances start to pop-up like mushrooms.

The grim side of it though is the rampant dismantlement and liquidation of either independent or acquired weaker players, which are frequently coupled with layoffs. Some contends that it's nothing but a zero-sum game i.e. relatively few prosper while more people are worse-off and end up being totally displaced. In spite of few dreadful ramifications, mass collaboration induces a snowball effect which serves as the counterweight; making the process, as a whole, more advantageous.

## **A mass of vision, strategies, consumers**

From business framework, the mass emerges from information warfare in various forms at different stages of the business cycle. It is basically the repercussions of incessant process of creation that accumulate into a pool of visions, strategies, resources, products, and consumers. Needless to say, the obvious starting point is taking a leap of faith. Reed Hastings, one of the founders of Netflix, a provider of on-demand Internet streaming media said that “... *as an entrepreneur you have to feel like that you can jump out of an aeroplane because you’re confident that you’ll catch a bird flying by. It’s an act of stupidity, and most entrepreneurs go splat because the bird doesn’t come by but a few times it does.*” The trigger of success has always been courage – courage to overcome fear of failure and defeat. One has to learn how to take bold risks, seek hope, and trust in his/her abilities no matter what circumstances are.

Although courage is admirable, such conviction in the absence of concrete vision is vulnerable to confusion if not disillusionment. In information warfare, the decision to venture into a battle should always be an informed one and serve a particular purpose. A manager or entrepreneur should have the knack of shaping hordes of information into brilliant idea that has potential to set-off as a new frontier. Such as the case of Zappos.com, Tony Hsieh, an investor, was at beginning hesitant to fund the vision of Nick Swinmurn i.e. to sell shoes online; upon learning about the \$40 billion US market and its potentials, he quickly jumped into the bandwagon and invested \$2 million. The company was later on sold to Amazon.com for at least \$1.2 billion. In one Hsieh’s interviews, he asserted, “*Chase the vision, not the money, the money will end up following you.*”

Given the availability of enormous volumes of information, chasing a vision may seem easy; however the crux of the race is not the depth of technical know-how of translating an abstraction into reality but ultimately the velocity of development. An excellent example is the semiconductor business in which research and development spending in 2013 has exceeded over \$50 billion. In the 1965 paper written by Gordon E. Moore, co-founder of Intel Corporation, he posited that “*over the history of computing hardware, the number of transistors in a dense integrated circuit doubles approximately every two years.*” Simply put, an advance technology at the moment will be outdated in just few years or in a matter of

months; hence, it's paramount to have an acute sense of the future and ways to get there. As what Peter Drucker untiringly stressed in his writings, the kernel of contemporary management is centered on *effective* mobilization of organizations resources for achieving desired results. The major role of managers is to generate a momentum for business activity and keep it in an accelerating motion. Steve Jobs, inventor and co-founder of Apple Inc., averred, "*Innovation distinguishes between a leader and a follower.*"

With greater emphasis on growth, the conduct of management and its scope of priorities have remotely remained provincial. In terms of orientation, information warfare is no different from colonial war. Institutions are managed like empires driven by *progressive* imperialistic motivations i.e. to expand, tap resources, elevate living standards and influence culture. A suitable fit for discussion is H&M Hennes and Mauritz AB, a retail-clothing giant, which has over 2500 stores in 53 countries. As of 2013, it employs 116,000 workers and relies on 900 independent suppliers across Asia and Europe. At a glance, we can tell that modern management in its very essence recognizes no borders or limits and has a structural network that's very diverse. This alludes to the notion that to be an effective manager entails adroit use of resources specifically human capital and technology to assimilate itself into different territories of different cultures. Stefan Persson, chairman of H&M, captured this in snapshot when he said, "*We are aware of the fashion collections, but we look everywhere.... We are not creating fashion. With our volumes, it would be too risky to do that. But we are an independent force of design unit. We take inspiration from life as we see it.*"

All these aspects of information warfare boil down to the character of the market or categorically speaking the collective power of the consumers. In Peter Drucker's book, it was mentioned, "*The (true) basis of the contemporary management activity should become the value accepted by consumers and their decisions regarding the allocation of their incomes.*" Visions, strategies, products are evidently conversions of an amplified consumer demand. Nowadays, companies spend millions on knowledge management and development of algorithms that are geared towards understanding the complexity of consumer behavior. David Ogilvy, founder of Ogilvy & Mather - a world renowned advertising, marketing, and public relations agency, once remarked, "*In the modern world of business, it is useless to be a creative, original thinker unless you can also sell what you create.*"

By the end of the day, the real measure of management's success is the number of satisfied customers.

## **Meaningful Collaborations**

Within terrain of information warfare, everyone is susceptible to gargantuan mass of inspiring visions, cunning strategies, innovative products, and evolving consumer demands. Against all these odds, a competitor would persist as soon as it realizes the value of meaningful collaboration. In a business setting, management involves building relationships not simply for the sake of sizing up but out of resolute determination to establish cooperation under an umbrella of a unified purpose. Florian Schneider, a lecturer at Leiden University Institute of Area Studies outlined such function in his statement, *"Collaboration are the black holes of knowledge regimes...And it is their vacuity that is their strength... It doesn't entail the transmission of something from those who have to those do not, but rather the setting in motion of a chain of unforeseen access."* In this section, four kinds of synergy will be expounded namely collaboration with employees, other companies, the government, and the community. Equally important is the relationship between the company and consumers, which has been tackled in the previous part.

A strategy is worth nothing if it's left dormant lying on the table as a document; otherwise, it would materialize into benefits if properly executed. In order to accomplish the latter, intimate cooperation among employees is critical. A climate of harmony is normally established in a conducive working environment wherein commitment and loyalty can be inculcated through a sense of identity. Nonetheless, management functions as tool to instill shared values and motivate people to act in synchronicity with an institution's mission. The logic is comparable to mobilizing military campaigns, which usually involves airstrikes. A weapon as highly sophisticated as Lockheed Martin F22-Raptor jet fighter plane is useless if there are no valiant pilots trained to operate it. The epitome of such practice is Jack Welch, the man who led General Electric for more than two decades. He asserted, *"There are only three measurements that tell you nearly everything you need to know about your organization's overall performance: employee engagement, customer satisfaction, and cash flow. It goes without saying that no company, small or large can win in over the long run without energized employees who believe in the mission and understand how to achieve it."*

Adopting the policy of rolling out an army, and battling against anyone who opposes doesn't guarantee survival in the information warfare. To feel too comfortable with one's strength and abilities is counterintuitive. There are several situations that call for a compromise if not partnership. A clear reflection of this kind of mutual relationship is the operation of venture capital and alternative asset management firms. These institutions customarily operate as a unit and on various occasions being accused of collusion when it comes to shaping and carrying out strategies. Nevertheless, they are paragons of extensive and comprehensive virtue of analytics and knowledge management. Venture capital companies such as Andreessen Horowitz, Accel Partners, and Sequoia Capital act as angel investors who fund growth of start-up companies as they did for Facebook, Amazon, and Airbnb. Meanwhile, global bigwigs like The Carlyle Group, Blackstone, and Bain Capital usually form consortiums that invest on and acquire assets of thriving or ailing businesses. Their portfolio includes some of well-known companies such as NXP Semiconductors, Hilton Hotels and Resorts, and Nielsen Company. David Rubenstein, former domestic policy advisor of US President Jimmy Carter and founder of The Carlyle group, opined *"It is clear to me when you do private equity well, you're making companies more efficient and helping them grow and become more profitable. That success means our investors benefit, which contributes to the economic wealth of the society."*

Another big part of the equation is the government, whose powers are sometimes viewed as encroachment of business interest. In reality though, the government thru promulgation of laws and policies provides security and safety nets that sustain, stimulate, and propel business activities. For instance, 2007 Financial Crisis forced governments and central banks to intervene in order to abate global recession and prevent impending collapse of the financial sector. Fiscal stimulus and revised monetary policies were implemented across Europe and North America. Apart from laws, a specific form of collaboration with government is the Public-Private Partnership Projects (PPP) which are ubiquitous in major trade sectors particularly energy, transportation, communication and healthcare. These are ventures, which are funded and operated through a partnership scheme between a government agency and private companies. An example is the construction coal-fired power plant in Vietnam, which has been awarded to Marubeni Corporation and Korea Electric Power Corporation in partnership with Vietnam Electricity Holding Co. To

understand the weight of collaborations with the government, Bob Dudley, chief executive officer of BP, said this at the height of Gulf of Mexico oil spill – “ *We need to earn back your trust, along with that of state and federal leaders and the trust of Gulf Coast residents and customers. We are determined we will once again restore that trust and I realize this requires actions, not words.*”

In light of the increasing connectivity among people, the voice of the public or a community could reach an audience beyond the borders of its locality. An outcry of a few could spread like a plague with the aid of technology, which could put the reputation and credibility of a company at the brink of catastrophe. The call for stakeholder engagement or collaboration with nonconsumers and consumers alike is not merely about mitigating the risk, but more importantly to promote good management practices internally and externally. Visibility in the community or in any public space through dialogues and sociocivic work is a reflection of an institution’s commitment to make valuable contribution to society’s sustainable growth. In a speech, Irene Rosenfield, chairman of Mondelez International (Kraft), spoke of such extraordinary undertaking : “*To build and sustain brands people love and trust, one must focus – not only on today but also on tomorrow. It’s not easy...but balancing the short term and long term is key to delivering profitable growth – growth that is good for our shareholders but also good for our consumers, our employees, our business partners, the communities where we live and work and the planet we inhabit.*”

### **Collective Security**

The course of information age has yet reached its denouement, and the mass of data continues to mount. Management paradigm is also rapidly changing as the gap between information and knowledge is gradually narrowing. With smarter systems and modern digital infrastructure, capabilities of companies to process and harness colossal amount of information is advancing together with the development of new approaches and analytical, algorithmic models. These developments are fueling the information warfare – the grueling battle among the shrewd tech-savvy managers. The battlefield is a vibrant portrait of clashing visions, intersecting strategies, and explosive innovative products. Beyond that, it has become a fertile ground for the growth of different forms of collaborations. These

collaborations stimulate smarter growth, and furthermore bear a fruit known as collective security i.e. all the stakeholders benefit.

The dynamics is simple - as collaboration deepens into more intimate level while its scope expands and number multiplies, more people are being drawn into the circles of alliance including those who have been displaced. The best example is Microsoft. Looking at its financials, its revenue ballooned to \$77 billion in 2013 from \$36 billion in 2004. During that period, it launched a score of products such as Windows Vista, Xbox 360, Bing, SQL Server, Kinect, Windows Phone 7, Microsoft Surface, etc. In addition to that, it acquired nearly 90 companies like Nokia Devices, Skype Technologies, Yammer. Moreover, it won bids for multiple government contracts and deals including the \$617 million enterprise license agreement with US Department of Defense on January 2013. In 2013 alone, it spent \$900 million dollars for Corporate Social Responsibility Projects in 2013. In terms of employee headcount, the number nearly doubled to 99,139 in 2013 from 57,086 in 2004. Considering the case of Microsoft, I can't help but wonder as to how information warfare would *evenly* disperse the benefit of mass collaboration and when would we say that such virtue is truly collective security. The answers to these questions are not specific but Peter Drucker has lent his wisdom when he said "*Unless commitment is made, there are only promises and hopes; but no plans.*"

-----