

Genuineness as an adaptation strategy for organizations

“It’s not the strongest of the species that survives, nor the most intelligent, but the most responsive to change” - Charles Darwin

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Progressive change and the illusion of control

The progressive change of the world around us - as a process - hasn't changed from the day it was first noticed. To simplify things, let's put a marker on the beginning of the last century. Since then, there's been one thing we've known for sure as a species - everything around us is changing fast and we have to adapt. We have to adjust our tools (most of the time we also do want to change them), our habits, the way we do stuff. Sometimes we also change the way we perceive some things, which is a natural consequence of gaining more knowledge about the world. But what's probably the biggest difference since late XIX, or early XX century, is that we've been talking about the nature of this change admittedly more often through the last decade. It inflamed probably about 1999, when Ray Kurzweil described his Law of Accelerating Returns¹. The direct reason of this talk is the fact that we felt we've lost the illusion of control over the change process. We no longer steer this ship, we just try to balance our continuously shrinking independence with our still growing needs and expectations of the world, the goods and conditions of our existence.

We can point out lots of symptoms of this loss of control. One of the first and most spectacular was a millenium bug, that was supposed to paralyze our whole economy. At the end nothing extraordinary happened, but we all experienced this emergency, we all wondered for a second whether we really control our environment, and asked ourselves: does the technology around us really serve us? Is it operating to assist, or maybe it's just coexisting in some kind of symbiosis? If so, can we say we really control it?

Another example - maybe even more tangible - is the way we fix our cars today. The other day we had to check what's wrong with the car manually. Of course, it required some additional knowledge about the mechanics, but the process was more organic than today. Now the car has to be plugged to the diagnostic computer, that tells us what's wrong. The business reasons are obvious, so we can say we're still in charge here. But from the viewpoint of regular

¹ “The Age of Spiritual Machines”, R. Kurzweil, Viking Press (1999)

car owner, we're fully dependent on the mysterious black box supported by some piece of technology.

Ubiquity of information is a great example of our loss of control. While information understood as news from the world, didactic knowledge or free exchange of opinions should definitely be common and widespread, it's not so obvious when it comes to classified military strategies and files, that - when declassified - are a serious threat to our security. Maybe it's not the most popular perspective, but availability of information is a double-edged sword.

The most discussed symptom nowadays is our problem with real vs. social media life balance. We no longer separate those two, and as our friends from real life become our virtual friends and vice versa, we no longer see any advantage in physical meetings. Suddenly, we started to invent new technology to keep us closer and more intimate in virtual conversation, even though there's no real impediments to simply meet, talk, touch and spend time face to face.² In fact, fast wireless internet, mobile phones, video streaming and high class screens make up a stack that compete with real-life relations. I don't try to value or compare those two, but the evolution of our relations and its connection with technology is indubitable. And as we know, natural evolution is very difficult to control.

One of the most spectacular examples of how our reality changed is Turing Test Success achieved by Eugene, a computer programme from Sankt Petersburg on 6th June 2014³. It's been 65 years we've been trying to prove that "Machines can think", To clarify, the Turing Test assumed, that real people can detect whether they're talking to human or machine, when sitted behind the closed doors. The experiment designed by father of computer science finally got passed this year. Ofcourse it doesn't tell us machines can think - what it does tell, is that we constructed real artificial intelligence as perceived few decades ago. Artificial intelligence, that we cannot distinguish from the real interlocutor. Or at least we no longer believe we could, as some doubts regarding the test rules came out right after the results were announced. So the question here is do we really control our doings as we did, if one of our best perceptual tools - conversation - isn't enough to tell the difference between man and machine? That's something worth a second thought.

Organizations in uncontrolled world

So how this lack of control affected modern organizations? As we said, the lack of control is caused by speed of change. The speed is so high, that the temporary conditions lasts shorter than it would take an organization to conduct adaptation process. Therefore the only way is to actually do try to adapt - not to particular conditions, but to permanent change itself.

The first sign of this new adaptation of organizations is on the field of organizing collaborative work. Agile manifesto, a definition of software development approach was written down in 2001. The entrepreneurial IT environment is not random here, as due to its nature, the

² "Social isolation in America", M. McPherson *et al.*, American Sociological Review vol. 71, no 3 (2006)

³ <http://www.reading.ac.uk/news-and-events/releases/PR583836.aspx>

change lifecycle is shorter, and it's easier to bring new behavior patterns in the game (let's mark this point, we will return to it later). Manifesto is a few good remarks on how to build software:

- Individuals and interactions over Processes and tools
- Working software over Comprehensive documentation
- Customer collaboration over Contract negotiation
- Responding to change over Following a plan

It's obvious, the change and its impact is a clue here. Each of values on the left of those sentences address attitude suited best for continuous and uncontrolled change. When things mess up you better have your team ready - it's much easier to change the tools than the people. Produce goods, not descriptions and documents, as your task is to fulfill client needs, and that's the only thing you have time for. Contracts change, relations last - you can change subject of agreement, but not your client/user. Finally and directly - adapt to change.

As we marked it earlier, strongly focused and well commuted teams in small and flexible organizations are the best surroundings when it comes to adaptation and change. They're also best suited to innovate. Big companies gradually introduce the new way of team forming in their organization structure, replacing two-dimensional matrix hierarchies with smooth and concentric model. Moreover, as this process can be very difficult for big, distributed and broad companies, we've recently seen new trend of corporate development: the startup acquisition mode. In 2012, 2277 private tech companies have been acquired for \$46.8B, and that's only the disclosed valuations⁴. The number increased over 20% since 2011. The world pays really big price for flexibility and ability to change.

New way of organizing adaptive companies also entails reevaluating employees competencies. Great part of managers - specially operating on emerging markets - tend to focus on soft skills (in particular interpersonal qualities), adaptability and creativity⁵. It's getting quite obvious now, that when it comes to small, cohesive teams, valuating people based on their technical skills or acquired knowledge is a mistake - technology outdates too fast, and overall available knowledge grows faster that we can absorb it. Moreover, specific skills are starting to be unnecessary most of the time - process automation let us delegate more and more duties, and our tools are getting smarter.

All of those trends cuts into organizations very deeply. As they've been shifting gradually for years, the change emerges also on the deepest layer of organizations construction - its culture. Organization culture is made mostly of people attitudes, habits, their perception of work, coworkers, clients and of their opinion on the whole ecosystem around them. As we know, it takes much time and effort to affect those things, and - in consequence - change *modus operandi* in a company, that is, "how things are done here". But nowadays, the change is taking place spontaneously. All of factors described above, plus people acting differently in their private and professional lives, made a global organizational culture change another area of deliberation about civilizational transformation. According to K.Cameron's and R.Quinn's Competing Values Framework⁶, we can distinguish four major organization culture types represented as a

⁴ 2012 Tech M&A Report, CBInsights

⁵ "Critical Skills Needs and Resources for the Changing Workforce", Society for Human Resource Management (2008)

⁶ "Diagnosing and changing organizational culture", Kim S. Cameron, Robert E. Quinn, Jossey-Bass (2006)

quadrants on two-dimensional space. The dimensions are internal/external orientation, and flexibility/control. Four basic culture types are: Hierarchy (Internal focus, stability and control), Market (external focus, stability and control), Adhocracy (external focus, flexibility), and Clan (Internal focus, flexibility). Looking back on companies over years, we can observe some shifts in both directions of this space: big, mostly large scale production companies from 50s' and 60s' formed in hierarchical way, late 60s' market culture rise caused by a need of competitiveness and still growing market penetration, 70s' japanese-style clan cultures emerged when workers knowledge and experience started to outbalance value of manpower. Finally, we entered *ad hoc* culture, adhocracy - the type adequate to information age, where innovation and pioneering is the only way to compete on highest level. We could call this type "temporality economy type", and it definitely fits our world of accelerating change. Although it's clear that external focus and flexibility are crucial nowadays, there's something very important missing in competing framework. Modern consumers tend to expect much more from companies than just fulfilment of their needs with good tailored products. They expect something we can call **genuineness** - a real authenticity of company's product or service, that originates from the organization itself. We no longer believe or identify with professionalism, high quality and utilitary value of goods, we expect it to be original and natural. We expect - consciously or not - each and every aspect of product to speak to us. The definition of brand got broader, as we started to buy experience, not material value. That's something natural, if we look at the shift from industrial era to information era, from human work to human idea, from physical objects to services. We, as a customers, expect the organizations to be the product or service itself. That's somewhat corresponding with the internal focus from competing values framework, where organization is focused on its own operations, and treat its interior as a key to success. On the other hand, whole effort comes down to the product and care of our final consumer - that's definitely external focus. So this modern expectation - genuineness - combines external focus on the consumer with organization's way of doing things that originates deeply in its DNA.

The best holistic example of the impact genuineness can bring is a comparison between Apple and Samsung on high tech electronics market. Both companies co-lead the race, both sell highest class devices, spent billions of dollars on design, technology research, etc. But when it comes to profitability, there's no doubt which company is the number one. In 2013, Samsung reported US\$ 30 billion net income, while Apple US\$ 37 billion. What's most significant, Samsung made it with 237 billion revenue and by employing 427,000 people, while Apple needed only 170 billion revenue and 80,000 employees. What's even more important, the influence which apple had on our society could not be overestimated. It's very reasonable to seek for the reason of Apple's success in their commitment to Jobs' idea, their devotion, consequence and intransigence in forcing this vision in each and every aspect of company's product.

The society has been approaching this moment of genuineness expectation for a while, and the companies have been trying to address it by many different ways. Most popular - the concept of Company Social Responsibility - has been around since 60s', but emerged in the last decade. CSR is about demonstrating company's serious interest in impact on communities and helping important humane causes from outside of their core business. The driver here is evidently external, therefore CSR has been perceived as a form of marketing. Moreover, it was often highly insincere, as companies core business stood in contradiction with their reactionary

charity activities. As Professor Michael E. Porter pointed out, the companies should “create economic value in a way that also creates value for society by addressing its needs and challenges”⁷. That means exactly what we call genuineness - companies, or more generally organizations, are expected to act authentically and to emit their core values through every activity. We can also see this kind of trend today in *sustainable economy* concept.

The human-centric future

As we see, the loss of control, which is in turn caused by a rapidly growing speed of change results in a huge civilizational transformation, also on the field of organization building. Shortly said, loss of control is the cause of growing need for genuineness. It's not only that this evolutionary process, that originates from technological development, brought us to the ultimate adaptation strategy - the only that can handle accelerating change. Genuineness is also simply becoming the best fitted strategy in a world of ubiquitous information and huge diversity of goods. Companies nowadays are finding it hard to compete by price, or even by the sole quality of product. The success stories from last years - specially in services and consumer products - show us, that in highly competitive market, somewhat bored and spoiled customers buy stories and lifestyle over features, functionalities or even usefulness. Slow food trend, local businesses, Apple case - each one is similar in what we as a customers are given. We buy intensions, the vision, a charismatic leader, devoted team. We buy passion and love. Some call it user experience, but it's nothing more or less than emotions.

To compete - on whatever field they operate - organizations have to sustain genuineness in everything they do. The biggest challenge today is **how to form lasting core values**, and subsequently **how to maintain cohesion between ideas and deeds**. I strongly believe that the following guidelines are crucial to achieve it.

First of all, build value on humane foundation. To ensure longevity of most important thing in organization - the root idea, it always had to be honest and true. But today, in a world where our senses aren't enough to distinct human from machine, the root idea additionally have to address our primal humane attributes. Our civilization will gradually seek products and services that emphasize what's our discriminant as a species and with wich we coexist on our terms. Those two - our species fundamental discriminants and the way we naturally get along with our habitat - is what I call humane foundation. It is not easy to build a humane foundation because of two reasons. Firstly, one can ask a question: “So what actually is humane today?” Our abilities are being displaced by technology - we no longer have to remember, to calculate, to know the grammar, drive mechanical machines, walk, etc. We willingly replace our intuition with recommendation systems, and our ability of deduction with expert systems based on neuronal networks and self-learning algorithms. It's netiher right or wrong, but this drift definitely makes it difficult to seek for original humanism. Second questioning thought is: “How can you put humane

⁷ “Creating Shared Value”, Michael E. Porter, Mark R. Kramer, Harvard Business Review (01-02.2011)

values in first place in industrial corporations or stockbroker companies, where it would be so far from their core business?”

Starting from the second question - yes, it can be extremely hard to do. Maybe in some rare cases even impossible for now. But if we look at what is human-oriented today (especially if we also take CSR way of human focus under consideration) there definitely would be plenty of organizations that we couldn't have imagined ten or twenty years ago in this group. On the other hand, it's also about causes, therefore even stock exchange can be done with a human in mind. There's a lot of areas of organization functioning, that can be influenced by humanism.

The first question - how can we tell what's humane these days - is a bigger challenge. There's a science discussion taking place, and it's frequently transiting into more philosophical or even theological deliberations, as the nature of this problem can be described as originating from The Big Bang. The best way for us here is to act intuitively, because we ourselves - witnesses of millions of years of evolution - are the best advisers. Ofcourse, it still is not easy to answer, but with this kind of mindset our species will slowly, stepwise but undoubtedly get closer to rather feel than know those humane origins.

Secondly, tame the beast. One of the most spectacular mistakes in managing technology was Kodak's bad decisions on digital photography. As Vincent Barabba describes in his book⁸ "The Decision Loom" (n.b. dedicated to P. Drucker), Kodak has a long tradition on miss out on technology innovations on their own field. Steve Sasson, the Kodak engineer who invented the first digital camera in 1975, characterized the initial corporate response to his invention this way: "But it was filmless photography, so management's reaction was, "that's cute—but don't tell anyone about it". Their strategy of pushing away, that they've held through the years eventually led to bankruptcy. Regardless how fatalistic it may sound, technology as itself is inevitable.

It's already ubiquitous and strongly impacts our lives, not only companies business, as mentioned in much telling example of Kodak. It's a species just as we are, and it's developing very fast. We have to get it under consideration whatever our organizations do, because it affects organizations' main subject - the human. Due to the speed of change, in the long run there's no point in building value on any particular piece of technology, or even on a trend. What's reasonable though, is to build the value with technology. You can take facebook or instagram, as the best examples of addressing human nature with great usage of technology. Even if your product or service doesn't include any technology (however it's almost impossible), you should take it seriously, as technology today touches deeply the ones that organizations stand on - the people.

Thirdly, fill the vains with devotion. The bigger the organization, the harder it is to control it. As Alan Watts points out in his lecture "*Looking through the net*", measuring, quantifying and building structures are effective mechanisms, but work only to some size of matter we want to cope with. From some point, our abilities to control are getting insufficient, so those discrete tools don't work anymore. We can't handle the utmost complexity. The same

⁸ "The Decision Loom", V. Barabba, Triarchy Press (2011)

works with organizations - big companies can't be handled efficiently by rules, hierarchy and procedures. As technology gets old, market changes, and people come and go, it's impossible to coordinate everything. The only way is to support each move (decision, behavior, statement) with full devotion to your idea, the ultimate reason of the organization existence. And what's most important here - it has to be enforced from every stakeholder. Each activity has to be derivable from the core values. This attitude is descending in it's nature, and this full internal devotion is a *sine qua non* for true genuineness.

Finally, maintain genuineness at all costs, because that's what will last, and if we believe in significance of organizations in modern world and aim for their longevity, that's what is eventually worth investing.

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