

The New Future of Business and Leadership: The Fourth Industrial Revolution and Covid-19 Combined

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“We are entering an Age of Unreason, when the future in so many areas, is there to be shaped, by us and for us – a time when the only prediction that will hold true is that no prediction will hold true; a time therefore, for bold imaginings in private life as well as public, for thinking the unlikely and doing the unreasonable.”

Charles Handy, organizational culture specialist

While researching this whitepaper the world entered new and uncharted waters. The Covid-19 pandemic puts unprecedented pressure on the fundamental pillars of our current world paradigm. Business, education, government, healthcare and society are changing faster than ever. Already, some of the concepts and ideas highlighted within this white paper as future horizontal, have now become or are now being considered the new normal for the world paradigm that is unfolding.

“It is not the strongest species that survive, nor the most intelligent, but rather the ones most able to change.”

Charles Darwin

What we can be sure of is this: what once was will never be again. These are precarious times. But they are exciting times as well.

“We are now faced with the fact that tomorrow is today. We are confronted with the fierce urgency of now. In this unfolding conundrum of life and history, there “is” such a thing as being too late. This is no time for apathy or complacency. This is a time for vigorous and positive action.”

Martin Luther King

Are you ready to change and adapt?

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The Existing World Paradigm

Change is upon us, whether we are ready or not. Perhaps this global crisis is a “line in the sand” for the world of business and society at large. Perhaps it is the catalyst to a new world paradigm.

Business and leadership were already facing unprecedented times (see Table 1) as the world transitioned into the Fourth Industrial Revolution. The Covid-19 pandemic adds urgency – as well as uncertainty - to the already existing need to transform. The speed, reach, and impact of this crisis is destabilising many industries, organisations and leaders, and its course is not yet run. Leadership can barely keep up with, let alone lead, these waves of disruption. Even more worrying, a recent Global Leadership report across business and government produced by Deloitte, identified an ‘*executive myopia*’ that indicates *a systemic complexity gap in leadership*.

Global debt is currently at \$US257 trillion and global debt-to-GDP ratio hit 322% in late 2019. This is being further exacerbated by the trillions of dollars in credit and loan guarantees currently being dispensed by central banks and governments (+\$US10T). The IMF prediction of a global depression is balanced by the hope that the economy will then bounce back post crisis. The abrupt halt to the global economy threatens to impose economic devastation so profound and enduring that recovery could take years – and the business landscape will not be the same. Widespread business closures and mass job losses ripple through society exacting psychological costs, leaving whole industries teetering in a precarious state.

What does “post crisis” or “recovery” mean?

For businesses, there are three main scenarios:

1. They don’t survive the crisis;
2. They manage to survive the “hibernation” phase and then attempt to go back to business as it was pre-crisis; or
3. They use the “hibernation” phase to think ahead and reinvent themselves for the new paradigm.

Historically, recessions have primarily pushed businesses to adjust their business models; more dramatic crises, such as war and pandemics, tend to be catalysts for real innovation, including the creation of whole new categories of business.

“It also becomes quite clear that both pandemics and recessions are accelerants to innovation versus being direct causes of it i.e. these startups and business ideas were around but gained popularity at a faster rate thanks to a certain black swan event.”¹

Organisations that don’t adapt will struggle and quickly become irrelevant. Governments, Business, and the Global Education System need to understand the rapidly evolving underlying trends in leadership, technology, talent and society at large. Even Capitalism is being debated, faced with another bout of austerity, people are losing faith in the promise of capitalism to improve their lives, and alternative economic models gather interest. Organisations will need to embrace this new mindset and make sense of the implications brought about by this shift to become more agile, and better able to respond to an ever-changing environment.

¹ COVID-19 Will Fuel the Next Wave of Innovation - Hamza Mudassir

“What makes today’s modern, digital transformation different is that it’s almost all-pervasive.... It’s not transforming a part of the business. It’s transforming the structure and the strategy of the entire business.”²

Some organisations remain unscathed by this crisis and some are experiencing great success. Most of these have either successfully digitally transformed or are platform based digital natives. These companies have the ability to automatically adjust their offerings for millions of individual customers, leveraging real-time data to inform their behaviour - without direction from the senior leadership.

Many, if not most, people and organisations are experiencing elements of what this new normal represents, such as e-commerce, digital payments, tele-health, remote working and remote learning. Because of the nature of this virus and the potential for continued and ongoing disruption, digitisation is critical for most organisations, as is the ability to ensure operations can continue through the use of virtual human-technology teams.

These changes are not superficial. They challenge current belief systems about leadership, globalisation, education, business and technology. They pose an immediate threat to the income stability of employees as they get caught in the crosscurrents of this new paradigm. We are on the threshold of a new world paradigm which is going to have a fundamental impact on all of society. This is going to change the way we live, work and achieve a sense of purpose and meaning in our lives.

² Digital Transformation: Becoming a ‘Forgetting Organization’ - Eric Clemons - Wharton

The following table provides a summary of the dynamics that contribute to the complexity that businesses and leadership now face:

<i>Type</i>	<i>Issue</i>	<i>Complexity</i>
<i>Systemic Issues</i>	Climate change	Some people expect this to be solved by applying the latest exponential technologies – such as AI, ML and Quantum Computing - to the vast amounts of data being captured and analysed. They may be right but it's too early to tell, and too early to be confident about this.
	Resource scarcity and disruption of ecosystem cycles	On Monday, 29 July 2019, 209 days into the calendar year, we had used up all the resources the earth could regenerate in 365 days (Global Footprint Network). This is known as “Earth Overshoot Day”: “the day when humanity overshoots the planet’s ability to recover from what resources we consume within each year ... At this rate, it would take 1.75 Earths to sustainably meet the current demands of humanity, according to the available data.” ³
	“Command and Control” management tools, methods and structures	During the “management century” (1911 – 2011), organisations have been managed and operated using the machine model and the principles of scientific management. This hierarchical “command and control” structure resulted in an era of unprecedented scale and efficiency. Now, as we transition into a new paradigm, this model is no longer viable, and dangerously so. Some business leaders and economists have begun to think of this management paradigm not just as a weakness but as the very reason for the failure of many companies.
	Political outcomes are becoming less predictable	The rising nationalism and the increasing polarisation of the political landscape and the rise of both left- and right-wing populism are destabilising the political landscape. Political outcomes are becoming more unpredictable and disruptive. This also undermines the trust in international institutions, which are becoming increasingly unstable. The latest disruption to the global supply chain is causing organisations to bring offshored operations back onshore. They seek to replace the cost savings they realised through offshoring by adopting technologies such as RPA, AI etc. to digitise the onshore operation – this will lead to long-term job losses
	Competition	Organisations find their ability to compete hindered and complicated by the need to navigate complex and evolving issues such as user trust, data privacy, and a rising tide of rules and regulations. These issues will become critical as established companies seek to adopt local suppliers while start-ups accept the risk of sourcing and using cheaper global suppliers in this already destabilised global economy.
<i>Technology</i>	Waves of innovations and the speed of disruption	The speed and frequency of successive and overlapping waves of innovation create an environment of “always on” and “constant change”. Exponential technologies such as AI, ML, robotic, nanotechnology, space technology, biotechnology and quantum computing combine to push the rate of innovation and disruption to outpace organisations’ ability to stay abreast the latest developments and their potential impact.
	Digitisation and disintermediation	Established businesses and industries are being commoditised or replaced through digitisation, and the innovative use of new business models, platforms and automation.
	Technologies disrupting the nature of work	Evolving technology is changing the nature of work and the skills required of workers. All employees will need to be able to collaborate with machines. Most will also need digital skills to design, change and maintain those machines. As the more ‘mechanical’ aspects of work become automated, increasingly the contribution of the workers will be their distinctly human capabilities such as empathy, creativity, judgment, and imagination.

³ WEF

	Exponential change and disruption	The concept of “exponential” change and disruption is poorly understood by 19th & 20th century businesses, who are still trying to manage change with dedicated separate organisational roles and solutions that seemed to work in the past.
	Accelerating growth and democratisation of information	The increased volume, transparency, and distribution of information require organisations to engage in multi-faceted communication and complex collaboration with a multitude of stakeholders. This also means having to be consistently vigilant regarding the constantly evolving legal and regulatory implications of this information democratisation.
<i>Customers and Markets</i>	Power shift to the Customer	Each successive generation will expect more openness, social responsibility, and inclusiveness from the companies they buy from and work for. The new generation—of both talent and consumers—expects businesses to look beyond profit and to positively impact society. Companies must shift their focus from a short-term view of shareholder primacy (which measures only financial gains) to stakeholder primacy - a humanistic, long-term view of total societal impact, which measures the economic, social, and environmental impact of a company’s products, services, operations, core capabilities, and activities.
	Market volatility and fast-changing customer buying patterns	The “customer is king”, is back and in our, always on economy with 24/7/365 communication across the globe, means customers expect what they want when they want it. The pace of changing buying patterns truly relates to the pulse of the market.
	Increasing transparency and less privacy due to social media and changing ethical considerations	The amount of information collected on every person, product, and organisation is growing exponentially, and the pressure to share that information — with customers and consumers in particular — is increasing. Privacy is the price we pay for the consumer comforts and personalisation this widespread sharing of data enables.
	Social Uprising	Social backlash to business is more frequent and larger in scale. Companies are facing escalating social activism from all stakeholders including governments on issues of climate risk, economic inequality, and societal well-being.
<i>Employees</i>	High levels of stress, burnout and depression	In Australia alone, there is an 18% annual increase in work related anxiety and stress illness. The latest reports suggest that 1 in 8 Australians are suffering from some form of increased anxiety due to current global situation.
	Low levels of employee engagement	Global employee engagement is weak with less than 20% reporting that they are fully engaged at work. ⁴
	A war for talent	In a world based on linear disruptive technologies (1960 – 2011), companies are struggling to find and keep skilled resources. As we move into a multi-faceted, multidimensional exponential world, this problem is only going to get worse. “ As creative knowledge-and-learning-based tasks become more important, organisations need a distinctive value proposition to acquire—and retain—the best talent, which is often more diverse.” ⁵
	Millennials, GenZs, and Centenials desiring new ways of working	“These “learning workers” often have more diverse origins, thoughts, composition, and experience and may have different desires (for example, millennials).” ⁶

Table 1- Business and Leadership Complexity Dynamic

⁴ Nine Lies About Work – Marcus Buckingham & Ashley Goodal

⁵ The five trademarks of agile organizations - McKinsey

⁶ The five trademarks of agile organizations - McKinsey