Planning AgingOrg.Com's Innovation Agenda

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Building on prior AgingOrg.Com analyses, this document presents a set of research questions, a framework for productive organizational transformation, and specific tasks on the path of AgingOrg.Com's Innovation Agenda.

Strategic Questions

Growth of competitors is both disturbing and seductive, especially when it outstrips AgingOrg.Com Interactive's growth. But ***why*** are competitors growing so fast?

Specific answers are needed to determine why other agencies are "***evolutionarily current***":

- Why do they fit so well that they are growing so fast?
- Who is paying, and for what types of skills, products, and outcomes?
- Why are they successful species in the new environment?
- What is the source of their advantage?
- Why is AgingOrg.Com less successful?

Solving for Competitive Advantage

The clear implication is that a business once successful in the "old model" can no longer be evolutionarily current: it has not evolved to maintain a fit with the new environment. Old economies of production or prior cost structures no longer hold; some things (many things) have changed:

- What technologies do successful competitors deploy, and how?
- How do these new technologies afford productivity gains?
- What is the "new model", new market, and new business economics?
- What is the cost structure and how must it be different?

Answering these questions yields a prescriptive model of the new environment.
These answers come from outside.

AgingOrg.Com's Agenda

In addition to what it takes to be evolutionarily current, AgingOrg.Com must decide what it wants, specifically, to be. This derives from its history, values, and skills.
These answers come from inside.

Combining AgingOrg.Com's wants with a deep understanding of the "new model" can lead to AgingOrg.Com creating a valid business strategy, where "strategy" is defined as a prescriptive method for achieving specific goals in an evolving market. We must look at the business of agencies and their clients in economic terms:

- What resources are scarce, and how are these resources amplified by technology?
- What resources do clients value?
- What new compensation models are viable for new digital markets?

Only when these issues are well-understood can new organizational structures, acquisition goals, and business strategies be developed. But how can an existing organization be transformed to execute a new strategy for a disrupted market?

Forcing Organizational Change is Impossible

Assuming a rigorous market model and strategic plan are created, there is a massive impediment to implementation: existing processes, existing structures, and existing beliefs.

Much has been written about the difficulties of transforming an existing organization to a new world, but to my knowledge only once has this actually been achieved—the case of IBM under Gerstner. By "killing off the court" (firing thousands of managers), Gerstner was able to change the "truth", that is, the language in which the business is understood and executed. (In its place, he—along with AgingOrg.Com—injected new language, the language of networked computing and e-business.) Brutal as this sounds, it is highly efficient because it gets the job done and avoids the cost of fighting resistance.

In all other cases of organizational change (and many come to mind: Du Pont, Kodak, GM, Ford, Sun Microsystems…), the existing organization is not transformed so much as destroyed by big layoffs, protracted managerial chaos, and huge loss of value to shareholders and employees. This practice is even institutionalized in MBA texts as the "creative destruction of capital" *a la* Schumpeter. One might argue (incorrectly, see below) that organizational change ***requires*** destruction of capital because there is so much inertia and resistance to change that it must expend vast resources to ***force*** change.

The "little grey book" [http://pangaro.com/HvF/index.html#greybook] speaks to why this happens: the ***internal organizational language becomes incapable of understanding the external environmental change***.

The framework of organizational language also offers a way forward: The process of creating new language, protected from the resistance of the old guard and nurtured in the context of solving a specific problem, provides a blueprint for reproducing success in new markets.

That success allows individuals to absorb the new model and to be absorbed in a new structure—that is, to find a valid place in the new organization that they understand and to which they can contribute, and ***know*** that they can contribute. Therefore, the new organization is something to which they can ***commit***.

This avoids much of the anxiety, lost time, and wasted energy in trying to ***force*** an organization—that is, its individuals—to change beliefs by fiat.

While the transformation of the business is revolutionary,
the transformation of its individuals can be evolutionary.

Forcing Organizational Change is Unnecessary

In sum, changing an existing organization is neither possible—resistance will waste resources and lead to destruction—nor necessary. There is a meta-strategy for incrementally substituting a new and viable organization that is evolutionarily current and hence maximally likely to be successful, to grow rapidly, and to evolve the whole. This strategy does not require the destruction of the existing organization to resource the new one; rather, the existing DNA affords the basis for an offspring, while other energies continue to service the old business until such time as the entire organization is renewed in the new model. So:

- Where to start?
- What small problem can we solve to experiment with a new structure?

It is easy to understand why it is necessary to pick a tractable problem as a first step. The proposal of an "Innovation Team" recognizes the need to begin with a new assembly of resources and domains of knowledge. To illustrate the depth of challenge in choosing a focusing problem and assembling a team to solve it, consider the following analogy.

Designing an Offspring

Imagine that you want to design an offspring, a new baby. Surely you want the best for your child, and so you want her to have the necessary resources to succeed in the world. If you could, you would carefully design your offspring from DNA that is both consistent with you ***and*** fitting of the new environment that will present unexpected challenges.

You would invest in the baby's nutrition and education, and provide resources until she is ready to stand on her own. You would want her to learn new skills and whatever new

language necessary to succeed in a world that ***you do not understand***. A mistake to avoid is getting in the way when actions seem too radical; another is to predict too tightly what ***should*** happen.

In sum, you want to ***design your offspring to be evolutionarily current***, in whatever world emerges between now and its maturity. But consider the rigor and sheer amount of work required to be able to say with confidence, "***This*** is a design that will succeed." Absent that rigor and well-placed confidence, how great is the risk of failure?

First Steps

Clearly this is a tall order, and designing the successful follow-on to AgingOrg.Com is no less difficult. What exactly needs to be done? Of course we can't know that yet. But we have a meta-strategy from which to begin:

- Understand what it means to be evolutionarily current in the new model: How does the new environment operate? Where lies its economic potential, opportunities for efficiencies, lowering of uncertainty, replacement of technology for scarcity?
- From that understanding, design an organization, an autonomous offspring, with the skills and resources to set about learning how to survive, in the context of a specific and well-chosen "focusing problem".

Requirements for Focusing Problems

If the environment has changed radically (because of a disruptive technology or massive market shift), then by definition the existing language of business must change. This means that new language must be created, a synthesis of existing domains and expertise, brought together to work effectively in the changed world. But how can experts from separate domains understand each other and work effectively? And how can we avoid becoming lost in confusion caused by meaningless buzz words?

A focusing problem is ***necessary to create new language*** because otherwise there is no way to reliably collaborate. Through the medium of the focusing problem, experts come to terms with different worldviews and vocabularies, and must synthesize a new language in which the problem can be solved. The classic case is Los Alamos labs, where physicists, mathematicians, operational planners, machinists and fabricators and workers of all types had to be brought together to create the first atomic weapon, something theoretically possible but never before achieved.

Defining an initial focusing problem is difficult because it must fulfill a set of tight requirements to serve as the transformational seed. To be successful, a focusing problem:

1. Must engage the new market environment—an old market disrupted by the infiltration of digital production, delivery, and feedback channels.
2. Must be an opportunity to express economic potential—that is, possess the ability to solve the advertising needs of clients and be paid for it.
3. Must be consistent with our history—what AgingOrg.Com has been—and must connect with how we see ourselves in the future.
4. Must be politically acceptable—otherwise it gets killed off immediately.
5. Must engage individuals who have a passion to be involved and who together constitute the necessary and sufficient skills to solve the problem.
6. Must have generative capacity—meaning that it must reveal what it takes to be evolutionarily current, such that solving this first problem makes it cheaper and faster to solve subsequent problems; this lowers the cost of replication and ensures that that it naturally "catches on".

Defining a Focusing Problem

Defining focusing problems requires knowledge of the new environment as well as the deep internal knowledge of individuals from any source who would suit the new regime. Here's how we proceed:

- We know that a new organization is necessary, because the current organization is not well suited to the new model (evidence: competitors are doing better than we are; furthermore, our direction is unclear).
- We know that all market disruptions come from new means of economic potential, new means of productivity or of replacing scarcity with technology, or new (better or lower-cost) means for reducing uncertainty in performing any function.
- By creating a model of why competitors are succeeding, how they are fulfilling market needs, and how the technology is evolving, we learn what it takes to be evolutionarily current. We can test this model against cases that once succeeded but now represent weaknesses or failures caused by a shift in the market environment.
- By taking this learning, we can design a team to solve a focusing problem we pick, and learn-by-doing what it takes to succeed in the new market, in a first instance.
- By solving the first focusing problem, we lower the cost of solving other problems of the same type.

[See also http://pangaro.com/ashby/]

Designing and Resourcing an "Innovation Team"

The initial role of the Innovation Team is to solve a focusing problem. Designing the Innovation Team requires modeling the new environment, creating a short-list of focusing problems, and then specifying and allocating roles and resources to create the team. In more detail, our initial tasks are:

1. **Phase 1: Model the New Environment**
    a. Understand how and why the competition is doing well, and AgingOrg.Com less so, in terms of what is required to be evolutionarily current in the new market. Interview AgingOrg.Com insiders, study market and media reports.
    b. Understand how and why technology affords new sources of productivity to create, transmit, and gather feedback from existing business/market interactions. Research the new model with AgingOrg.Com insiders as well as outside sources.
    c. Determine where the technologies lie on developmental curves (early phase, where growth will accelerate; mid phase, where growth is steady). Predict which technologies will afford competitive advantage in the near- and mid-term.
    d. Document technology and market models. Create frameworks to communicate conclusions.
    e. Present findings and discuss internally. Refine.

2. **Phase 2: Create Focusing Problems**
    a. Create and refine a short-list of focusing problems and describe them in terms of their complexity and the expertise necessary to scope and solve them.
    b. Evaluate and choose one to attack, based on its fit to requirements, persuasiveness, and manageability.
    c. Develop a detailed resourcing plan, infrastructure requirements, schedule, and deliverables. Identify roles and individuals. Consider acquisition as means to rapidly build out team, expertise, or infrastructure.
    d. Review internally and obtain approval for plan.

3. **Phase 3: Assemble the Team and Execute**
    a. Assemble the team and infrastructure, ensuring the necessary range of skills and support to solve the focusing problem.
    b. Execute the plan—create the nursery. Manage resources and maintain schedule against deliverables.
    c. Listen and watch. Evolve the problem definition, team design, and resource allocations according to learnings. Maintain vigilance for acquisitions.
    d. Report on progress and deliver on milestones.
    e. Evaluate overall plan and outcomes. Document team and process limitations and propose revisions for ensuing phases.

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