



# Organization & Leadership

Domesticate the change

How to make your organization more adaptable

by Heike Bartsch & Martin H. Kaltenbach

“ *Leadership challenges in the age of the Millennials. Successful CEO’s need to leverage the organization in today’s new normal of globalized, dynamic markets.* ”

Markets are facing a looming slowdown accompanied by political instability which leads to worldwide economic nervousness.

Old correlations explaining market behavior seem not adequate any more, accustomed tools will be unlikely to lead to satisfactory solutions.

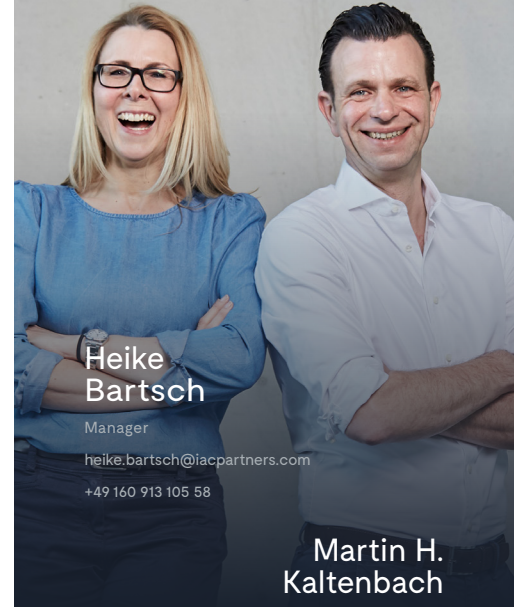
Defensive, risk orientated strategies are no longer sufficient to prepare for upcoming challenges.

Among many examples, let’s take a look at Kodak, the company that dominated the photographic film market during most of the 20th century.

Although Kodak actually invented digital photography already in 1975, they decided

not to launch this early innovation into the market. Management reaction was defensive – maintaining their film sales – and so the management failed to see the potential of a disruptive technology; even though they had started it.

To the surprise of some, Kodak failed in 2012 behind declining sales in films since digital photography became the new normal.



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## *The rise and fall of the stars of technology.*

Nokia was exposed to a slightly different experience after being the global leader in mobile phones for more than 20 years. Though having released the first smartphone - the 'Communicator'-, they didn't grasp the concept of software and kept focusing on hardware and therefore missed the rise of today's smartphone as mass product.

Apple however, adapted to the changing customer behavior by a substantial process innovation with launching the iPhone in combination with the App Store in 2007.

There are many more examples of leading companies within their respective industries that misjudged customer needs and market requirements. Taking defensive or reactive actions instead of proactively shaping the future leads to an immense uncertainty regarding the perception of customers and market trends, which in fact is vital to a changing economic climate.

In a nutshell the world is constantly changing, and changes are becoming more unpredictable while happening faster and faster. As historical forecasts and past experiences are losing their relevance and are rarely applicable it's becoming more difficult to anticipate events or predict how they will unfold.



# Perspective - consumer knowledge trends

All industries are changing fundamentally at an ever-growing pace. Predictions based on backward-looking tools collapse as traditional correlations do no longer fit. Increasingly, experience-based skills seem to be outdated, as knowledge is available anytime and anywhere.

In 1982 Buckminster Fuller created the "Knowledge Doubling Curve" in which he noticed that until the year 1900, human knowledge doubled approximately every century. By the end of World War II knowledge was doubling every 25 years. In 2013 average human knowledge was already doubling every 13 months. According to IBM's predictions, starting in

*Historically customers have expected basics such as quality, service and fair pricing. Today's customers have much higher expectations, such as proactive service, personalized interactions and connected experiences across channels*

the year 2020 we expect the doubling of available human knowledge every 12 hours.

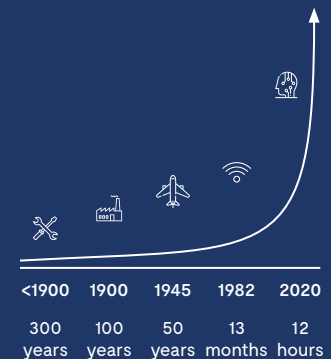
Hence, knowledge management becomes more of a processual challenge than the mere accumulation of knowledge.

With the rapidly evolving knowledge base and its accessibility, customer expectations change equally fast.

Building strategies to best cater for those rapidly evolving customer expectations increasingly requires strong predictions that incorporate all possible aspects and the capability to constantly adapt.

## 2019 & onwards What counts?

### Knowledge doubling



Managing the enormous amounts of knowledge coupled with the evolving requirements calls for advanced data analytics on the technical side. However, the pure data handling capability will not get the companies where they want to be. Data interpretation and rapid adaptation take a front seat in how companies need to be prepared.

Such rapid evolutions in customer requirements create a massive need for flexibility and adaptability of the companies; thus leading to a corporate culture that is constantly transforming.

As the future will be increasingly unpredictable, companies need to constantly question their current strategies to adopt market challenges.

During the 1990's, solid strategies were expected to stay intact for a period of 3-5 years; today we very often need to adapt or entirely revisit strategies already after 6-9 months.

### *Average Lifetime of Business Strategies*

*1990*  
*3-5 years*

*2019*  
*6-9 months*

Today's CEO who leads such amorphous organizations will need to prepare their decisions very differently than in the past decades.

Decisions need to be based on solid predictions on evolving product and process needs and require a very diverse set of analytics, tools, methods and viewpoints.

Assembling powerful, diverse teams and hence recruiting talent with new capabilities will be the key to a sustainable future.

So why not use the skills and the natural mindset of the millennials? Just the ones that strongly influenced the fast-paced nature of today's markets?

# Generation Y

born 1981 - 1991



Tech/web  
savvy



Family  
centric



Ambitious



Communicators



Team  
Players



Like to  
be loved

## Future challenges – millennials as success factors

The millennial workforce become a much more important contributor than previous generations as they are adding a different mindset and skillset to the process which is largely influenced by their digital upbringing.

Millennials or Generations Y (why) and Z, digital natives, are highly comfortable dealing with an information-saturated, fast-paced, interconnected world. As a result, they are very adaptable, able to respond quickly to new situations. They are driven to find purpose in their work, they require flexibility in every respect while questioning every aspect – including the status quo.

The individual and collective requirements of those millennials have hugely influenced changes in customer requirements – they initiated the changes hence best understand them and are in the best position to anticipate future dynamics.

None of those changes and dynamics can be adequately predicted with experience-based views and toolsets.

Called 'war for talent' – there is and remains a strong competition for the best talents predicted to become fiercer for the millennials. Key to win over talent requires a corporate culture that rewards courage, offers space to "think and to try". Hence, it becomes exceedingly important to improve the way organizations deal with mistakes.

In a recent study fault tolerance was examined in 61 countries. Unsurprisingly, Germany came second to last, many of the European core countries following suit, the US is doing only marginally better in general. All those countries and cultures still display pockets of excellence: process innovation such as Paypal, Amazon or the App Store never would have arisen without challenging existing cultural traits.

As important as hiring will be to develop the right skills and capabilities. The employees will be paramount to consistently challenge and question today's strategy and adapting to new market mechanisms.

## Generation Z

born 1992 - 2001



88% are extremely close to parents



76% want human impact & doing good



50% university educated



65% worry about the economy



74% want to be entrepreneurs



100 texts per day  
Attention span 8 seconds



> 7.5 hours/day screentime



\$143bn direct purchase power in US

# Future challenges – nurture teaming and become customer centric

Embedding the organization in a flexible, bottom-up work structure, that incentivizes challenges, provides room for trial and error and rewards risk taking will contribute to nurturing organizational capabilities and attracting new talent. As a result, future CEO's core competencies are changing immensely: Formerly focused teams that persistently drive change.

backward on risk, product and cost management, the future CEO challenge will comprise a constant strategy adaption, facilitating perpetual transformation and relentlessly maintaining a customer experience focus. The successful CEO of the future will need to assemble and manage highly diverse

*The business climate of today is unflinchingly complex, riddled with uncertainty, becomes more and more difficult to navigate and requires heightened amounts of physical, mental and emotional stamina of the CEO's*

IAC Partners support organizations in their change agenda and help senior leaders adapting to the new environments and expectations – we help our clients both in defining the 'true North' and making change happen across the organizations.

## CEO Focus

Past – Company Manager



Experience based



Risk Management



Cost Management



Product focus

Future – Team Facilitator



Attracting & retaining talents



Constant strategy adaption



Facilitating constant transformation



Consumer interface focus

## CEO of the Future

