

9

Formularising the Future



Death and taxes are frequently cited as being life's only certainties. However, with advances in medical science, and with well-paid accountants, even these elements have moved from the certain to the probable. How then is one to predict the way in which the rapid changes, in the undeveloped and developing world, are likely to impinge upon the developed world over the course of the next decade or century?

The simple answer is that one cannot even begin to imagine the impact that intermeshing societal, political and environmental changes will have upon the future. Historians, committed to the adage that *those who forget the past are condemned to repeat it*, often endeavour to predict the future by extrapolating the present, based on knowledge acquired from the past. However, even these extrapolations have proven notoriously unreliable because of the enormous number of factors that have contributed to every occurrence of the past.

Economic theorists, business analysts and accountants have often endeavoured to formularise business success and economic growth for companies, government organisations and even nations - only to find that many break every theoretical rule and succeed while others obey every theoretical rule and fail.

The problem with extrapolating history, as with formularising the future through economic and business theories, is that one is always confronted with an incomplete data set. As it has often been noted, history tends to be written by the victors and, so too, are the formulae for business success. One never really has enough wars to know whether an "XYZ" strategy was responsible for winning them or enough people, writing truthfully about their business failures, to know whether an "ABC" strategy was responsible for their penury. However, one thing is clear in both history and business - that is, that little can be gained from underestimating one's opponents. A dishevelled and disorganised 1920s nation can become a dangerous and formidable 1930s fighting machine, and last decade's banana-republic can become this decade's economic power-house.

Surprisingly, therefore, there is an incredible naivety, arrogance and complacency that tends to pervade pre-war-developed countries and leads them to believe that economic leadership is a perpetual phenomenon that cannot be assailed by competitors from the undeveloped and developing world. Perhaps this is a function of the fact that people view complacency, in

government or management, as a reward for the previous work that went into achieving superiority over past competition. Perhaps, too, it is also a function of the fact that each year after a government, or company executive, has elevated its organisation above the competition, the management structures become less and less relevant, more and more entrenched and difficult to change.

One could also speculate on the diminishing fortunes of the "pre-war developed world" by suggesting that a key cause of complacency and intransigence is that the state of "*how-to-do-ness*" has been elevated to the same level as the state of nirvana. In undeveloped and developing countries, parents plan for their children's after-life but, in the developed world, parents plan for their children's management-life. In the developed world, from the time a child is born, parents begin planning how they can give that child a better life by providing him/her with the tools to become a *how-to-doer* rather than a *doer*. In the developed world, there is the frequently cited anecdote of the school children visiting a factory and being told by their teacher that if they don't study hard then they too could end up being "*doers*", as a fitting punishment for the sins of their childhood:

"If you don't behave, you might have to do that..."

On the other hand, in undeveloped and developing nations, "*doing*", be it on a farm or factory or fishing boat, is seen as an integral part of life and existence.

One therefore has to ponder on the subject of what will happen to developed societies if they ever achieve their managerial nirvana, and every member of that society is raised and conditioned to tell other members of that society *how-to-do*. Will there be any people in the developed world left to "do" anything? To whom will the *how-to-doers* tell *how-to-do* if there are no *doers* left to do?

There is something that is fundamentally vacuous in the way in which the developed world has planned its future. A century ago, if one took a product that was valued at a dollar, packaged it in an attractive box and resold the same product for ten dollars, then one might have been accused of deceit or fraud - in the modern world, we euphemistically refer to the same phenomenon as "value-adding". Whether it is the retailers that have moved from adding 10% value to their products to adding 90% (without improving the actual products), or the building and construction consultants (that hire

senior consultants, to advise junior consultants, to advise the site managers, to advise the foremen, to advise the junior foremen, to advise the one person on site, who pours cement for a living, on how to pour cement) there is clearly something missing in the formula for the future. Perhaps we can simplistically refer to that "missing something" as *substance*.

No matter how one packages products in the developed world, and no matter how one tries to rationalise the myriad range of services that have come to exist, one has to accept that basic human needs have not changed greatly over the course of the 20th Century or, for that matter, over the course of 20 centuries - *feed the people, clothe the people, house the people and entertain the people*. Hence, with the exception of electricity and motor vehicles, life in Pompeii was little different to life in 20th Century New York. People (albeit the gentry) had food, clothing, shelter and entertainment and, with the exception of a good volcano-prediction-service, could have asked for little more. So, over the course of two millennia, all we have really managed to do is to create technologies that have helped to reduce the discrepancies between the very wealthy and the very poor in some societies. Although one could argue about the absolute success of such achievements, one has to accept that most developed countries no longer require slaves to maintain a quality lifestyle, for the gentry, and that those who might have been slaves, two millennia ago, are more likely to lead a comfortable and dignified existence.

One also has to accept that many of the advances in technology, over the course of the last two millennia, have done little more than to provide a mechanism for our planet to sustain enormous population growth, which otherwise might have been curtailed, through lack of technology or by disease or starvation. And, in doing so, the technological advances have created a plethora of new problems that need to be resolved. In economic terms, the key problem is what do we intend to do in order to gainfully occupy all these people that now reside upon planet Earth.

On the positive side, Darwin's theory of evolution put forward the idea that all forms of life tend to naturally improve, through the selective survival of the best of each species. In a sense, therefore, the last two millennia have led to some improvement of the human species in that we have, through countless wars, oscillated from right and left wing dictatorships to middle-of-the-road democracies that, by the end of the 20th Century, began spreading throughout the world. Technology has, in turn, provided useful tools for the

reduction in dictatorships and the demarcations between countries. And now, through an enormous number of contributing factors, the world's wealth appears to be naturally spreading from concentrations in pre-war-developed countries to undeveloped and developing countries.

One thing that doesn't appear to have changed, since the times of Pompeii, is the human belief that telling others *how-to-do* is still more pleasant than actually doing. And, in a sense, there is nothing really wrong with people striving towards a state of *how-to-do-ness*, provided that an individual city or state or country is totally self-sufficient and isolated from the rest of the world, and that it has enough *doers* to provide the basic ingredients for existence. However, while human needs haven't changed greatly over the course of two millennia, the self-sufficiency of cities, states and countries has changed enormously. Most cities, states and countries are dependent upon other parts of the world in order to acquire the basic items required for human existence. And, yet, we find a mass transfer of doing activities from the pre-war-developed countries to undeveloped and developing countries. Meanwhile, the developed countries have begun to restructure their economies on *how-to-do* activities under the guise of "value-adding". And, while most countries are proud to boast that knowledge-based services account for X% of their nation's gross domestic product, one has to accept that services can neither be eaten, nor worn, nor lived in.

The fundamental problem with basing an economy on *how-to-doers* is that one has an economy based upon nothing at all, unless the *how-to-do* services can be sold to *doers*. If there is a natural move of doing activities to undeveloped and developing countries, then the corollary is that the pre-war-developed countries largely have to export their services in order to survive in their own country (because there aren't enough local *doers*). One also has to accept that with increasing efficiencies in the doing processes over the past centuries (farming, manufacturing, construction, etc.), *how-to-doing* yields diminishing returns, in the sense that it takes a lot more knowledge and a lot more expense to make small improvements - in other words, the cost/benefit ratios are large. Coupled to this problem is the fact that, by the middle of the 21st Century, some 80% of the populations of pre-war-developed countries will have acquired university educations and will expect to make a living from *how-to-doing*. This, in itself might be of some concern, but one then has to consider the fact that most undeveloped and developing countries also seek to rapidly escalate their knowledge levels through dramatic increases in university education. So, it doesn't take a lot of imagination to see that there

will be no shortage of *how-to-doers* in the world. However, the developed world will have dispensed with much of its *doers*.

A positive element on the developed-world's side of the economic equation is the fact that *how-to-doers*, like gases, tend to fill the available space to an appropriate pressure level. Each new problem in the world does tend to be more complex than the last and does require more *how-to-doers* in order to arrive at a solution. Moreover, even when problems are simple, then teams of *how-to-doers* can make the problems complex enough to extract a living. *How-to-doers*, particularly academics, are also remarkably good at creating solutions to non-existent problems in the hope that someone will uncover a problem that needs to be resolved.

In the animal kingdom, there appear to be no equivalents to our *how-to-do* societies, from which we can learn. Ornithologists provide little evidence of birds acting as consultants on nest-building and neither do zoologists suggest that gorillas act as consultants on banana-peeling. Perhaps the bird and gorilla worlds have no executive directors, marketing managers, time-and-motion experts, public-relations consultants or beauty advisers and that is why the nest-building and banana-peeling processes have not advanced significantly over the centuries. Perhaps, the gorilla world has recognised that a banana is a banana is a banana, whether it is peeled by oneself or by a team of gorilla service-providers. When a banana exists, it is to be eaten, when it doesn't exist, one has to do without. In the developed world of the humans, however, we have come to accept that a banana is a product, to which value can be added, by sophisticated marketing and packaging and distribution and retailing strategies. To a gorilla, the value-added banana, of the humans, would probably still taste the same as the no-value-added jungle variety. Interestingly, however, the humans (purportedly further up the evolutionary chain than the gorillas) would probably prefer the value-added banana to the jungle variety.

In a sense, therefore, all our discussions, thus far, have come down to answering two questions:

- Which products and services in society have a real intrinsic value, upon which an economy can be based?
- How can one provide meaningful leadership in a society that is moving towards a *how-to-do* existence?

Of course, we will never definitively answer these questions but we can recognise that societies solely built upon a *how-to-do* culture have no direct capacity to satisfy the basic needs of their population and therefore have economies that are extremely fragile. Hence, the corollary question for government and industry leaders is how to ensure that their economy is built upon something of substance.

It is also particularly interesting to note that some countries regard military hardware and personnel as a defence against competitors but fail to recognise that an ability to self-satisfy the basic needs of the populace is integral to both security and true independence. A nation, with a hundred million executives, is unlikely to long endure if nations that grow carrots are unwilling to trade those carrots for the executive knowledge. Therefore, we can at least begin to answer the first key question by saying that the only products and services that have some perpetual/real intrinsic value are those that pertain to the basic needs of life. However, we also need to recognise that dramatic increases in population levels, over the last two millennia, have led to a number of non-basic elements that need to be serviced, with knowledge-based products, in order for the world (or, more appropriately, its people) to survive.

In particular, it needs to be noted that countries with large populations need:

- Sophisticated drainage and sewerage systems
- Sewage treatment plants to sustain healthy environments
- Electricity and oil supplies to power many of the machines that we use to generate food, clothing and shelter on the scales that we produce
- Production equipment (of increasing complexity) to manufacture basic items in sufficient volumes; at a reasonable cost and to reasonable levels of quality
- A chemical/pharmaceutical industry to produce new materials and/or extract compounds, that can be used to improve basic

agricultural and manufacturing systems, and to minimise the spread of disease in heavily populated areas

- Computer and communications systems to enable the non-basic systems to function efficiently (or to function at all).

As a result of these non-basic systems, and as a result of unprecedented population levels, we have generated an enormous number of environmental and pollution problems that need to be resolved and these, in turn, also require enormous amounts of knowledge and technology. In many ways, we have therefore created a need for new knowledge and services because of the introduction of new knowledge and services and because of our innate desire for survival. However, no matter how we allocate jobs around our planet, we have to recognise that our knowledge has led us to a position where we simply do not need to employ five to ten billion people in order to provide all that is necessary for five to ten billion people to survive. And so, in the developed world, we have often created needs where none existed previously and, just as often, have created entire industries based upon the fulfilment of largely unimportant needs. Given that each country currently has to compete economically with other countries, we therefore have to recognise that these unnecessary needs have led to overheads and inefficiencies that affect relative performance.

In this book, we have examined some of the overheads, inefficiencies and complexities that have particular relevance to developed countries, where they are most prevalent (albeit only because they have had more wealth with which to be inefficient). The first issue that we examined was leadership and its meaning to a complex society. This is central to all our problems because the ways in which we define leadership ultimately determine how readily we can solve our problems. Secondly, we examined the issue of overheads in the developed world and the way in which they were gradually becoming entrenched into society and marketed as services and products in their own right. The subject of overheads led us on to examine technology and, in particular, the so-called "computer revolution", where the demarcation between fact and fantasy (or, overhead and benefit) had been removed as part of the marketing process. In light of the complex web of problems that enmeshed those who actually endeavoured to "do" in the modern world, we then sought to examine whether or not many businesses were viable entities, given the competition and complexities of developed society.

In order to see the relevance of the mechanisms that complex societies had put in place to help the *doers* and industry, we examined the role of the universities and researchers and the impacts that they had (or did not have) upon the *doers* in society. The naivety of the academic world, in terms of its perceptions of the money-making process, led us on to ask whether it really was possible to "get rich quick". Given the difficulties of trying to survive, within the complex business web that is established in the developed world, we therefore examined the prospects of those who saw "doing" as a short road to riches. We studied the way in which the *how-to-doers* often endeavoured to build a freeway to riches, based upon the *doers* who wanted to "get rich quick". It was most surprising, therefore, to ultimately note that, despite the increasing complexities of both "doing" and "*how-to-doing*" in the developed world, so many error-free zones existed and that, in reality, most problems occurred as a result of somebody (or something) else's failures and not as a result of one's own mistakes.

In a sense, the references to error-free zones ultimately encapsulate the two basic questions that pervade this entire text. Firstly, there needs to be some recognition that finding things of intrinsic value, upon which to base an economy, and finding traits intrinsic to leadership, both involve making mistakes and learning from them. It is particularly surprising, therefore, that the more complex a society becomes, the more insecure people in business, government and industry are about admitting their mistakes. Sometimes, the insecurity comes from not wanting to lose vested benefits and, sometimes, the insecurity comes from the fact that we have come to associate "*how-to-doing*" with being error-free. Ironically, people who have "done", and have made mistakes in "doing", and have ultimately become *how-to-doers*, are more capable of recognising that mistakes are part of the process of change and growth. Those who have been born and bred as *how-to-doers* tend to perceive both status and authority as emanating from an absence of mistakes. However, in the complex world in which we now live, we must accept that there will be fewer and fewer absolutely "correct" or "incorrect" answers to our problems.

Scattered throughout this book have been references to countries that have adopted particular industrial or management traits and the fact that these have been successful (correct) to varying degrees. In particular, some mention was made of the successes of post-war Germany and Japan. In attempting to formularise the future, many historians and economists might be tempted to suggest that these traits would form a suitable basis for other

countries to follow. However, one needs to recognise that both the regimented Japanese approach to management and the matrix-style (management/technology) German approach to management were formulated in the middle of the 20th Century and based upon, then relevant, societal and industrial practices that were picked up from around the world. By the end of the 20th Century, even these approaches had started to falter because, despite having evolved, they were half a century less relevant than they were when they were initiated. By the end of the 20th Century, other developing nations, around the world, had begun to build green-fields economies based upon a newer range of societal (and prevailing international) conditions and the current state-of-the-art in management. Consider then, that economies and management styles in countries such as Australia, Britain, Canada and the United States are more than a century "less- relevant" than they were when they were introduced.

The point here is that each developing country represents a green-fields site that can, potentially, adopt the best practices, that the world has to offer, in terms of management and technology. And, each time a developing country spring-boards into economic life, those that are already developed become one step further away from the state-of-the-art. As each developed country becomes another step removed from modern practices, government and management structures become more entrenched and error-free zones start to develop, as the finger of blame is pointed from one source to another. What then happens to developed countries as they become less and less relevant?

In the modern (post-war) world, we have no real basis for formularising gradual economic decline, other than making the assumption that it is an ever-so-steady degradation that never precipitates a sufficiently-large crisis to trigger gradual change (until there is a sufficiently-large crisis that needs to trigger dramatic change). In other words, nothing much happens until something big happens. We often can't see that we are subjected to so much of the "nothing much" that it ultimately amounts to a tremendous level of change.

An educationalist once observed that if a doctor, from the 19th Century, walked into an operating theatre at the end of the 20th Century, then he would feel totally impotent because he would not understand one iota of the technology or the procedures that were taking place. However, if the same doctor walked from a university medical lecture, in the 19th Century,

into another, at the end of the 20th Century, then he might not notice one iota of difference, other than in the electronic teaching aids. The universities that were largely created to be at the forefront of society's thinking are, generally, amongst the very last to respond to societal and industrial changes. In a sense, the universities, as a microcosm of the *how-to-do* society, mirror what happens in business, government and industry leadership - those who are charged with the responsibility of leading are often the last to initiate any form of change that impinges upon themselves.

In this book, we have made numerous references to the benefits of "doing" before becoming a *how-to-do* person. However, we must also recognise that complex developed societies no longer give people the option to "do" and then *how-to-do* - many *doers* remain *doers* for their entire working lives and many *how-to-doers* have never really had the option to "do". One must therefore recognise that the pyramidal structures that were established, to govern and manage pre-war-developed countries, simply won't serve the future as well as they served the past.

In the traditional corporate pyramid, the objective was to move people from the base of the pyramid to the apex as their knowledge increased - thereby creating a structure with maximum knowledge at the top and minimum knowledge at the bottom. Of course, technology and change have made such a pyramid largely unworkable in the modern world. The result is that, now, at the bottom of the management pyramid, we have a lot of people with a great deal of knowledge about a very narrow band of subjects. At the apex of the pyramid we have a few people with very little knowledge about a broad band of subjects (or, as Charles Dickens once observed, *a smattering of everything and a knowledge of nothing*). The current pyramid therefore tends to represent more in terms of perceived employee value (per working hour) than it does about the effective control of an organisation.

One of the greatest problems with the corporate pyramid (that has been alluded to in this book) is that it has an inherent ability to stifle real change, in a world where a continuous stream of real change is the only formula for ongoing competitiveness. Those at the apex of the pyramid, often have a vested interest in avoiding real change, because it represents the path of greatest resistance and of greatest risk (to themselves). Those aspiring to reach the apex of the pyramid, often also have a vested interest in avoiding real change (at the apex) because a lack of change enables them to exploit a static set of ground-rules in order to reach the top.

Many companies, in the developed world, have therefore sought to resolve their problems by flattening their corporate pyramid. However, one could equally argue that the current pyramid would function just as well (perhaps better) by simply inverting it and standing it on its apex - in other words, having a collection of those who know what actually goes on, giving real advice to those who are charged with the responsibility of running an organisation. Revolutionary as such a notion appears, the approach was successfully adopted in a few companies in the 1980s.

The inverted pyramidal structure for organisations isn't likely to be a panacea for all of the economic ills of the developed world, any more than the regimented Japanese philosophy, or the matrix-style German philosophy, are likely to be generic cure-alls. However, the fact that such a revolutionary structure can work at all (coupled with the general diversity of management trends in countries such as Germany, Japan and the United States) tends to suggest that, perhaps, companies, in the developed world, aren't as sensitive to changes at the senior executive level, as the senior executive level would have us believe. In other words, there is considerable room for experimentation and potential improvement.

In most cases, in the developed world, unless some crisis position is precipitated, there is unlikely to be radical experimentation with government or management structures. Medical science prevailing, an executive, from the end of the 20th Century, may still be able to find suitable employment, in dinosaur companies at the end of the 21st Century, while noticing little different about the world around him.

We therefore need to conclude our discussions by posing another fundamental question - what sort of catastrophic economic event might trigger a sufficiently-large crisis, that would serve to initiate real change?

Unfortunately, for the currently developed world, there will probably be no single crisis that will trigger change. A diminution of fortunes tends to occur over decades - generally far longer than the rule of any government or company executive. However, as each developing nation builds up its business, government and industrial structures, on green-fields sites, it will adopt the most recent and most appropriate management structures. And, as each new country develops, those that have long been developed will be another fraction away from their original positions of strength and relevance.

The rising tide does lift all the boats. But just as certainly as it lifts them, so too does the ebb tide gently lower them back to the earth from whence they rose.