Transformation and Change in a Complex World

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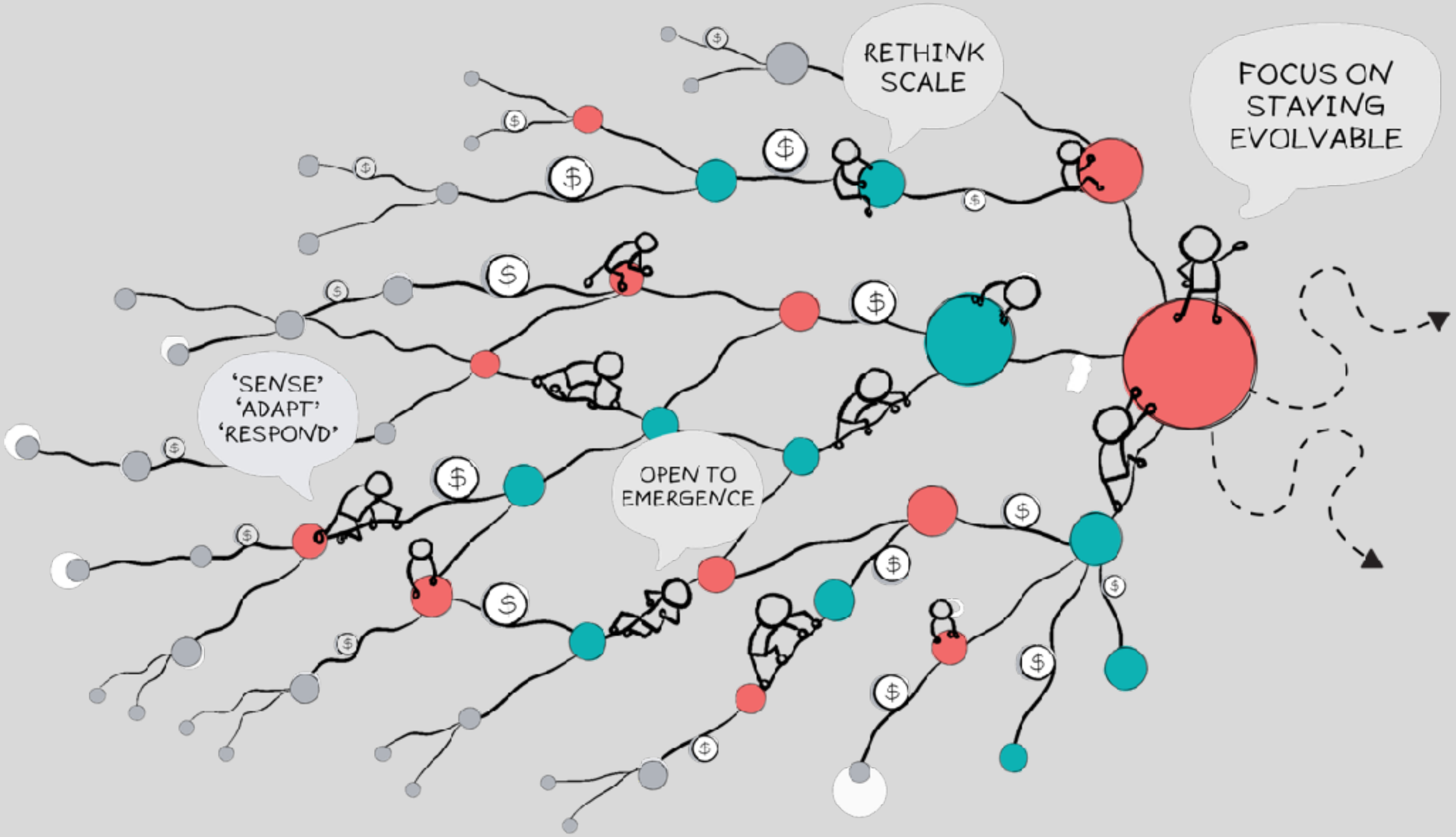
EVOLVABILITY IN BUSINESS

Enterprise Transformation in an Age of Complexity



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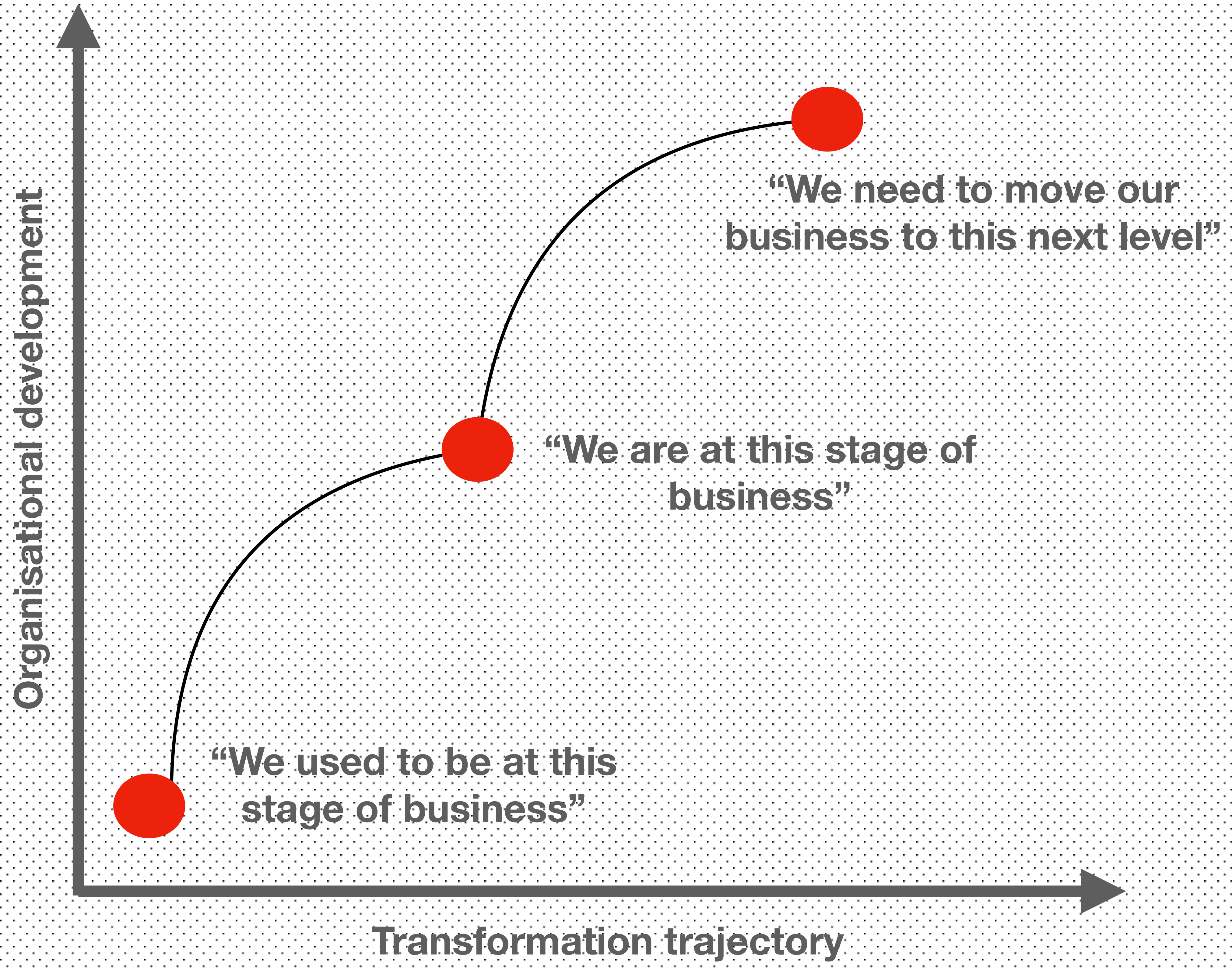
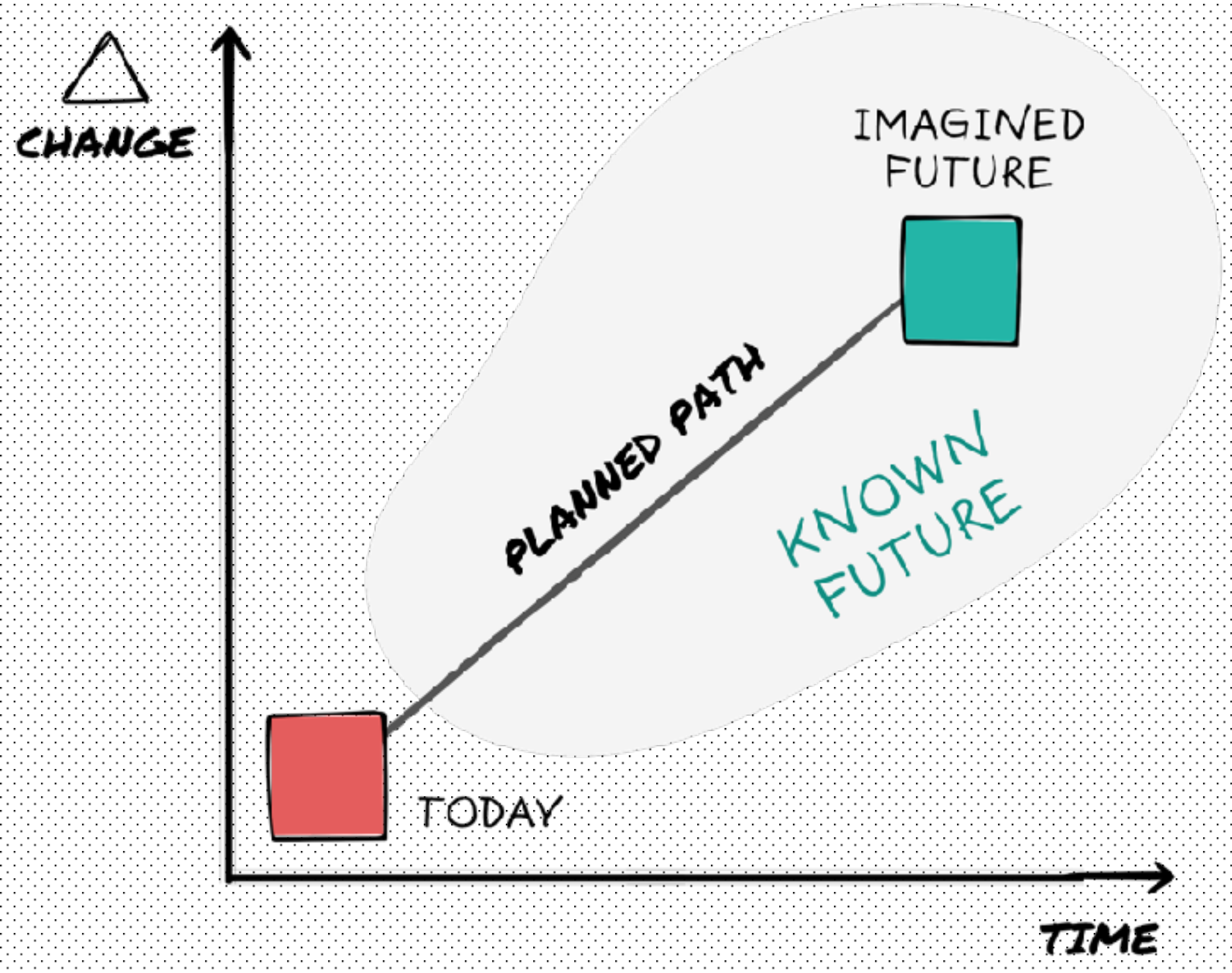
We need to move beyond maturity levels and sensationalising transformation failure

We need to move beyond this...



assumptions of a linear journey



"SYSTEMS ARE EITHER…

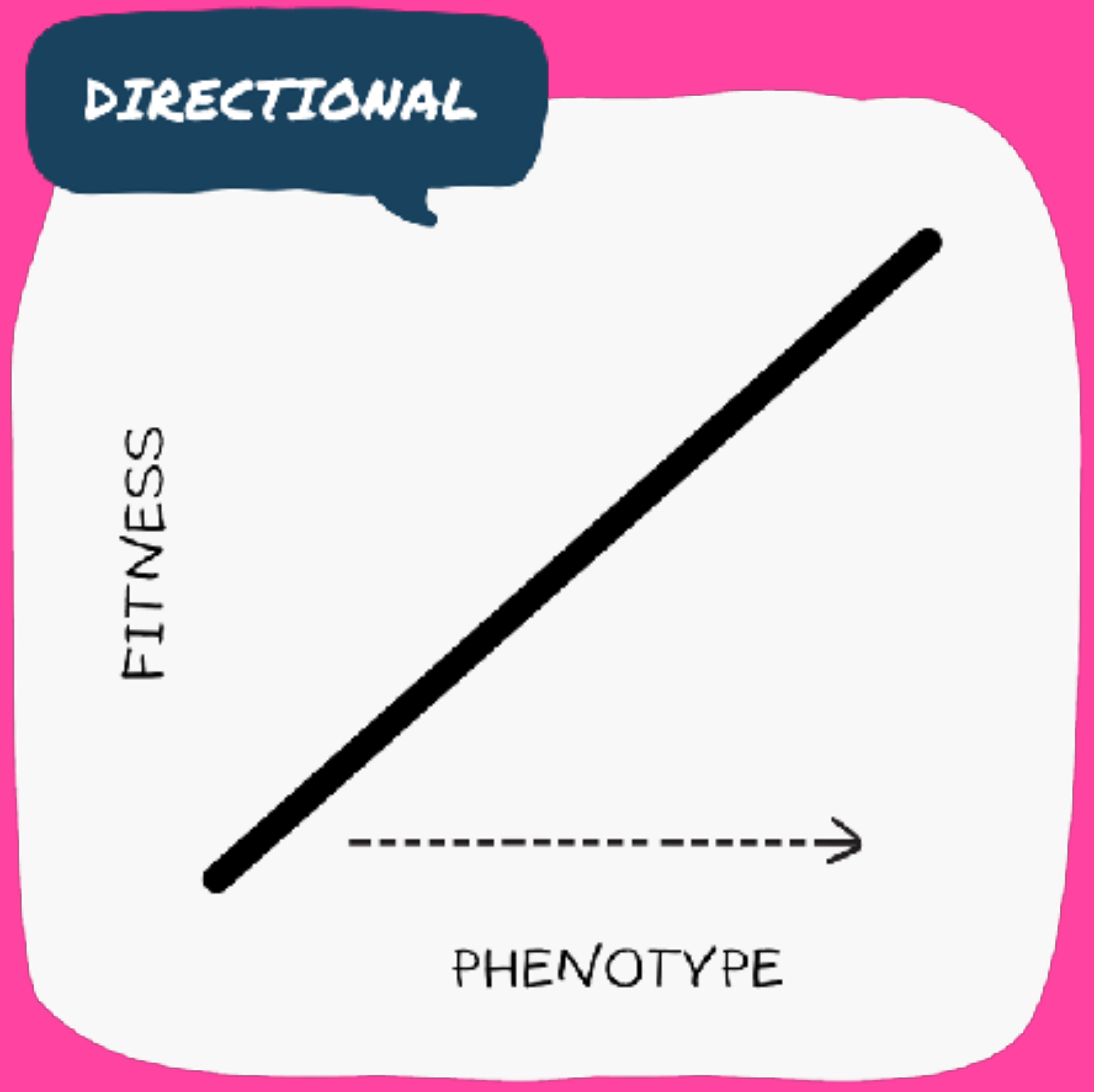
OPTIMISING TO REDUCE VARIATION AFTER REPEATED PROCESSES OF NATURAL SELECTION, OR

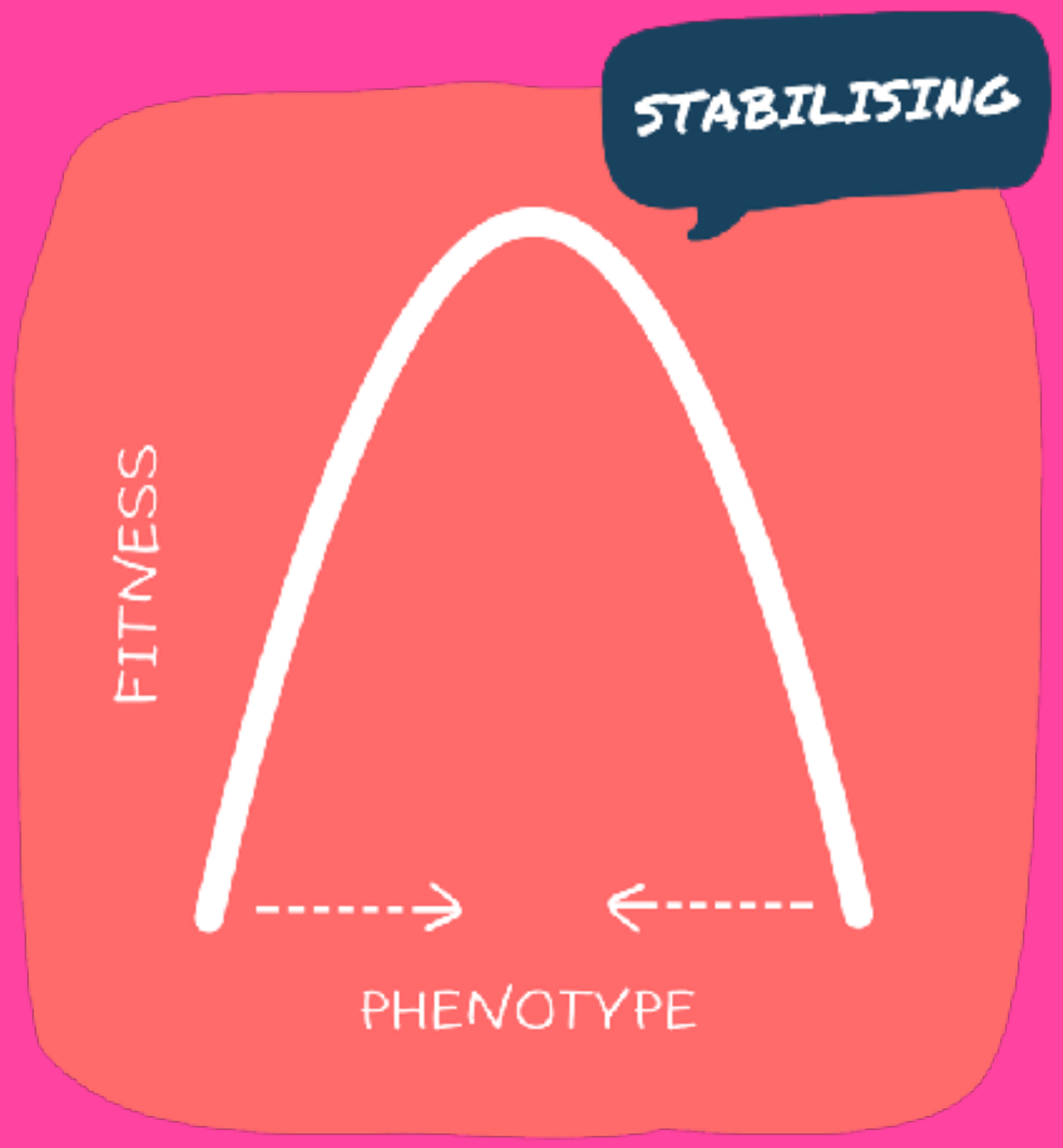
ADAPTING TO PRODUCE VARIABILITY AND MUTATING FOR NOVEL TRAITS, OR

IN SELECT CASES, ARE **'FROZEN ACCIDENTS'** (BECAUSE NATURAL SELECTION WORKS WITH THE BEST AVAILABLE AT THE TIME, NOT THE BEST POSSIBLE)"

M. Kirschner & J. Gerhart, "Evolvability" (1998)

the many shapes of adaptive change





RATHER THAN FIXATE ON MOVING FROM ONE STAGE OF EVOLUTION TO ANOTHER…

WE ENHANCE <u>EVOLVABILITY</u>

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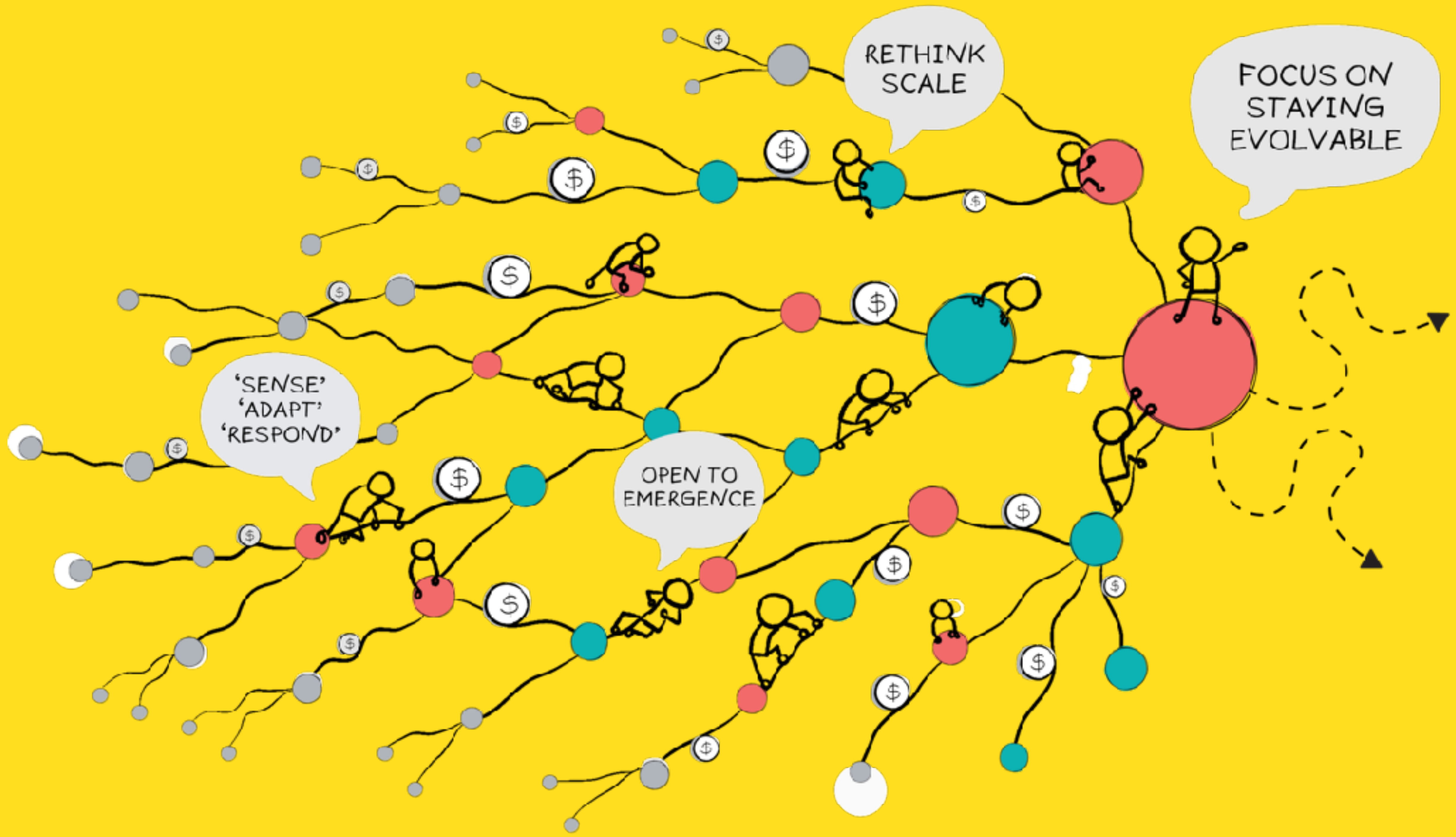
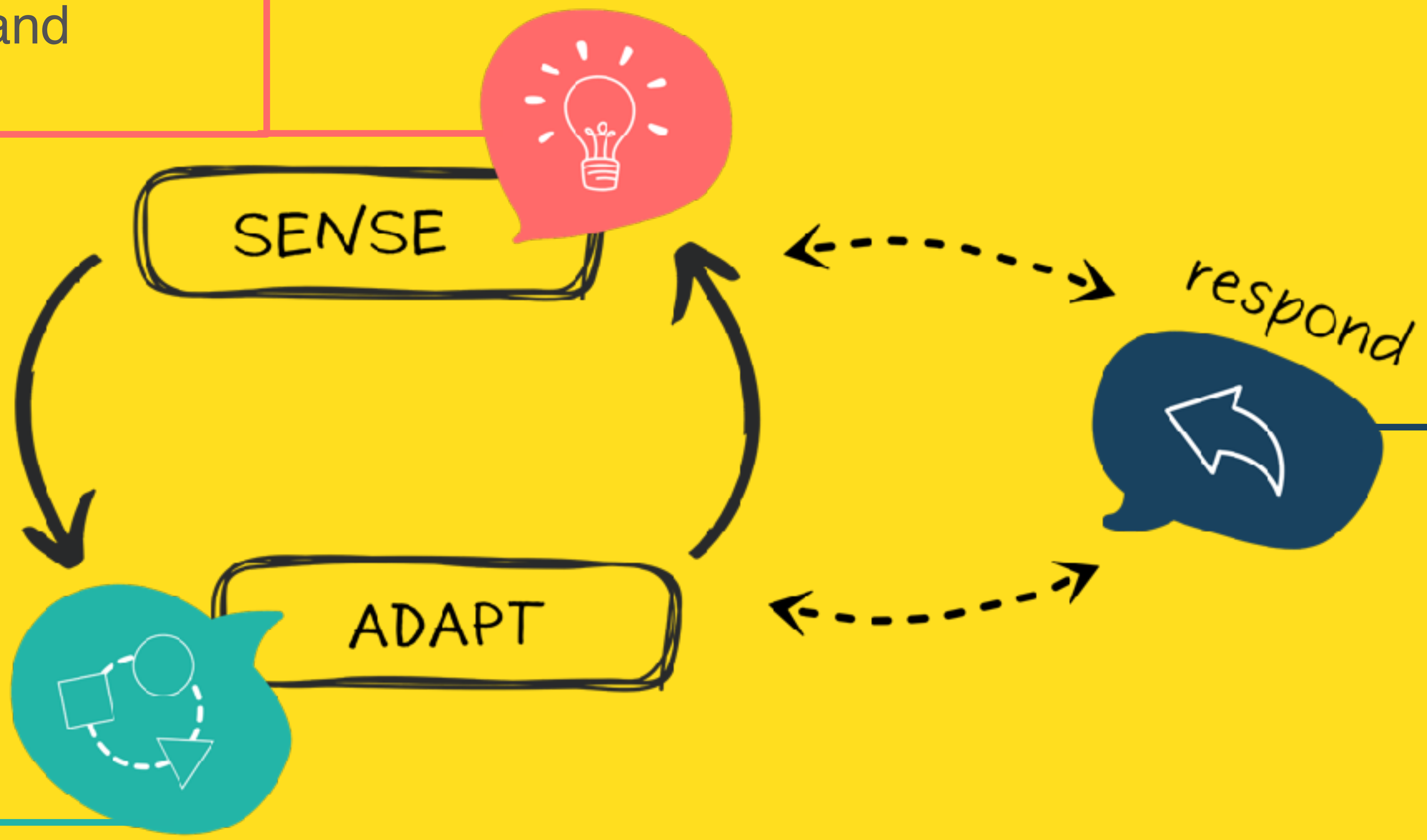
what is evolvability?

- **evolutionary biology** | to evolve is to mutate; the ability to generate adaptive genetic diversity
- **organisational evolvability** | the capacity of a system for adaptive evolution
- organisations as **living systems that continuously learn, adapt, and evolve** in response to dynamic and unpredictable environments



Sense-Adapt-respond

- Incorporating diversity of perspective and distributing sensemaking across system
- Right feedback loops allow corroboration of patterns and signals (small signals to broad picture)
- Psychological safety to speak up and disagree, and suggest changes



- Adaptable purpose, vision and values tolerate ongoing situational shifts
- Experiment widely and learn
- Affording the system and its agents the nimbleness and flexibility to make changes and self-organise to realign priorities

- Alignment to strategic priorities, know what tradeoffs are being made when something is marked as higher priority
- Involve the stakeholders in co-creation builds stakeholdership into the experience or product being delivered
- Placing focus on genuine value delivery

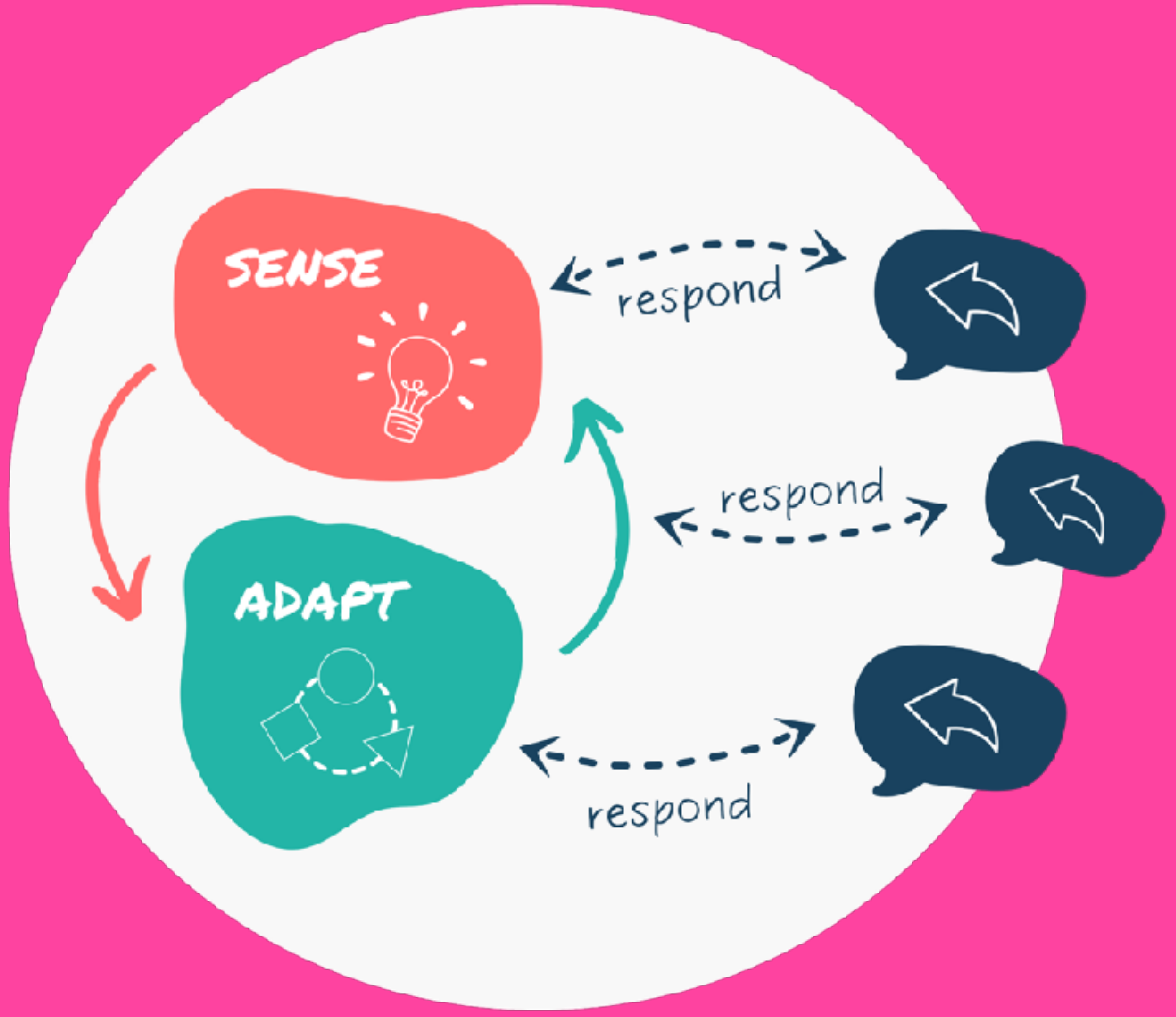
Case study: New Coke 1985

Coca-Cola had been the leading soft drink company for decades. However, by the early 1980s, Pepsi, had been gaining ground with the "Pepsi Challenge" marketing campaign.

The classic Coca-Cola recipe has been virtually unchanged since its creation in 1886. The company conducted taste tests and concluded that consumers preferred a sweeter, smoother taste, which was more similar to Pepsi.

On 23 April 1985, Coca-Cola launched New Coke, a reformulated version with a different taste. Coca-Cola made a very bold move to discontinue the original Coke. However, they completely misjudged the strong emotional attachment consumers had to the original coke.

This caused a massive backlash and public outcry, which forced Coca-Cola to bring back the original Coke within 79 days of the introduction of New Coke.

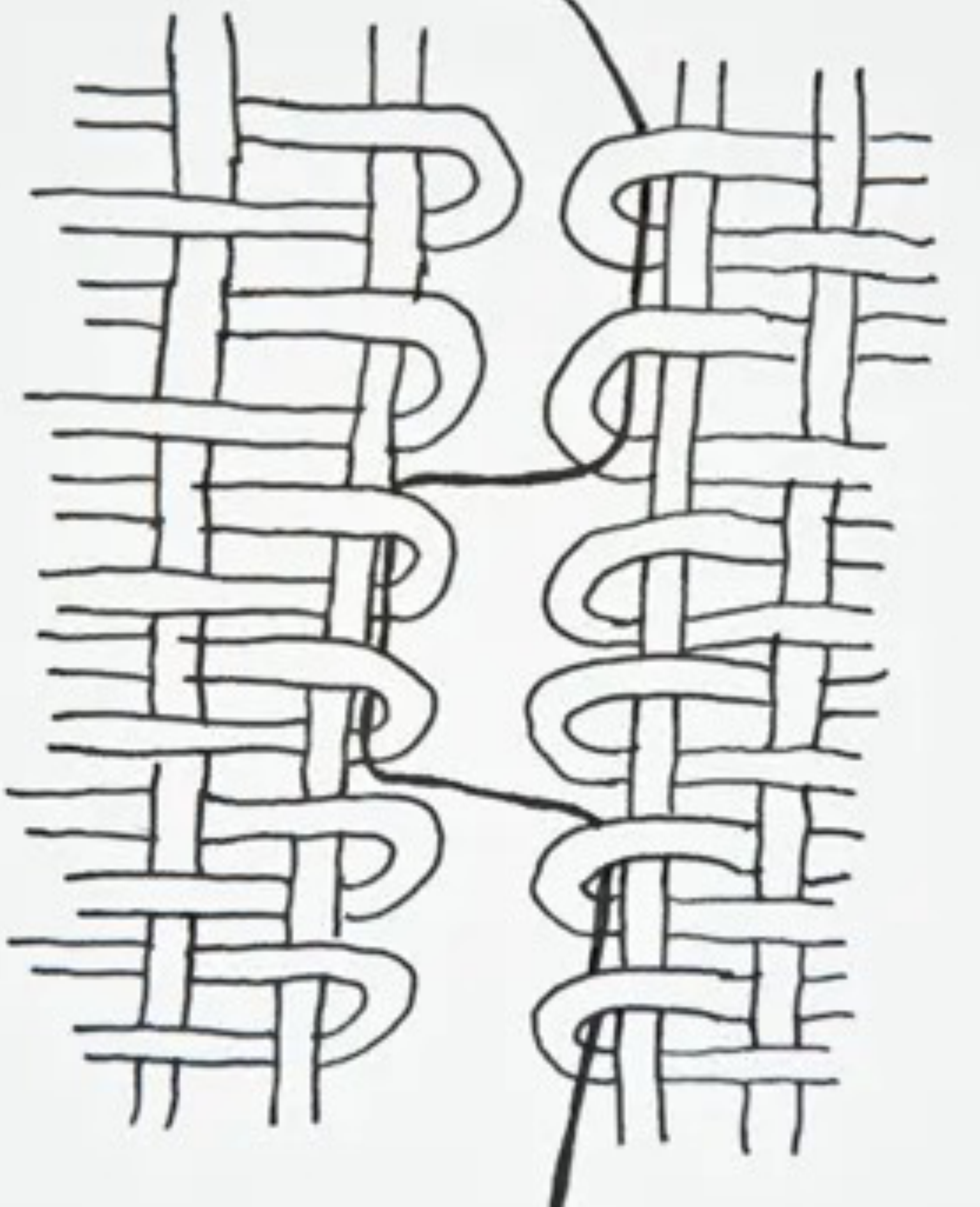


"RATHER THAN MOVING FROM ONE STABLE STATE TO ANOTHER DISCRETE POINT, **CHANGE IS CONSISTENTLY UNFOLDING** AND EXPERIENCED AS **AN EMERGENT FLOW OF POSSIBILITIES**, AND **A CONJUNCTION OF EVENTS AND OPEN-ENDED INTERACTIONS** OCCURRING OVER TIME"

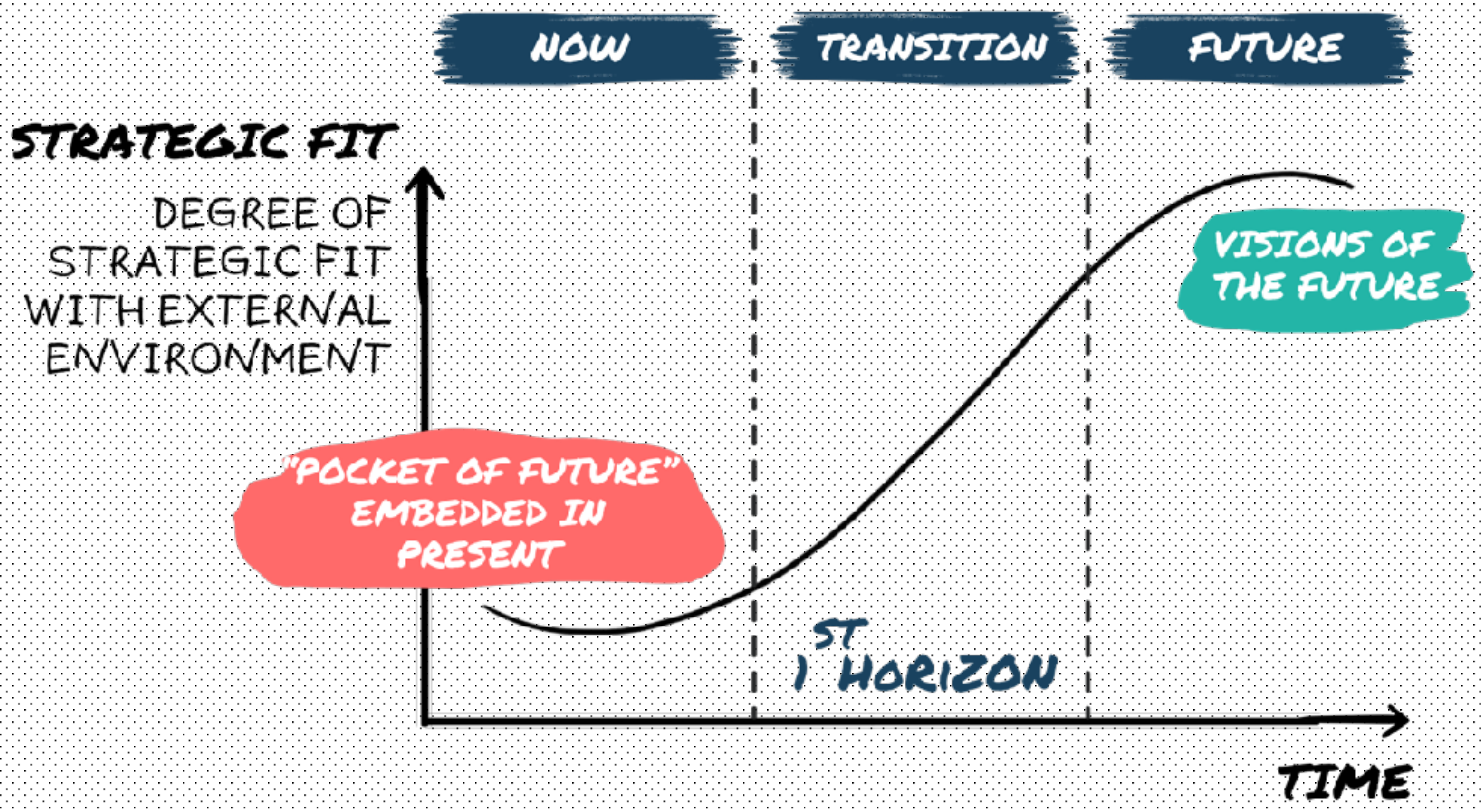
Karl Weick, "The Social Psychology of Organising" (1973)

SENSEMAKING GAPS

#2. Remembering to Forget



Three Horizons Framework



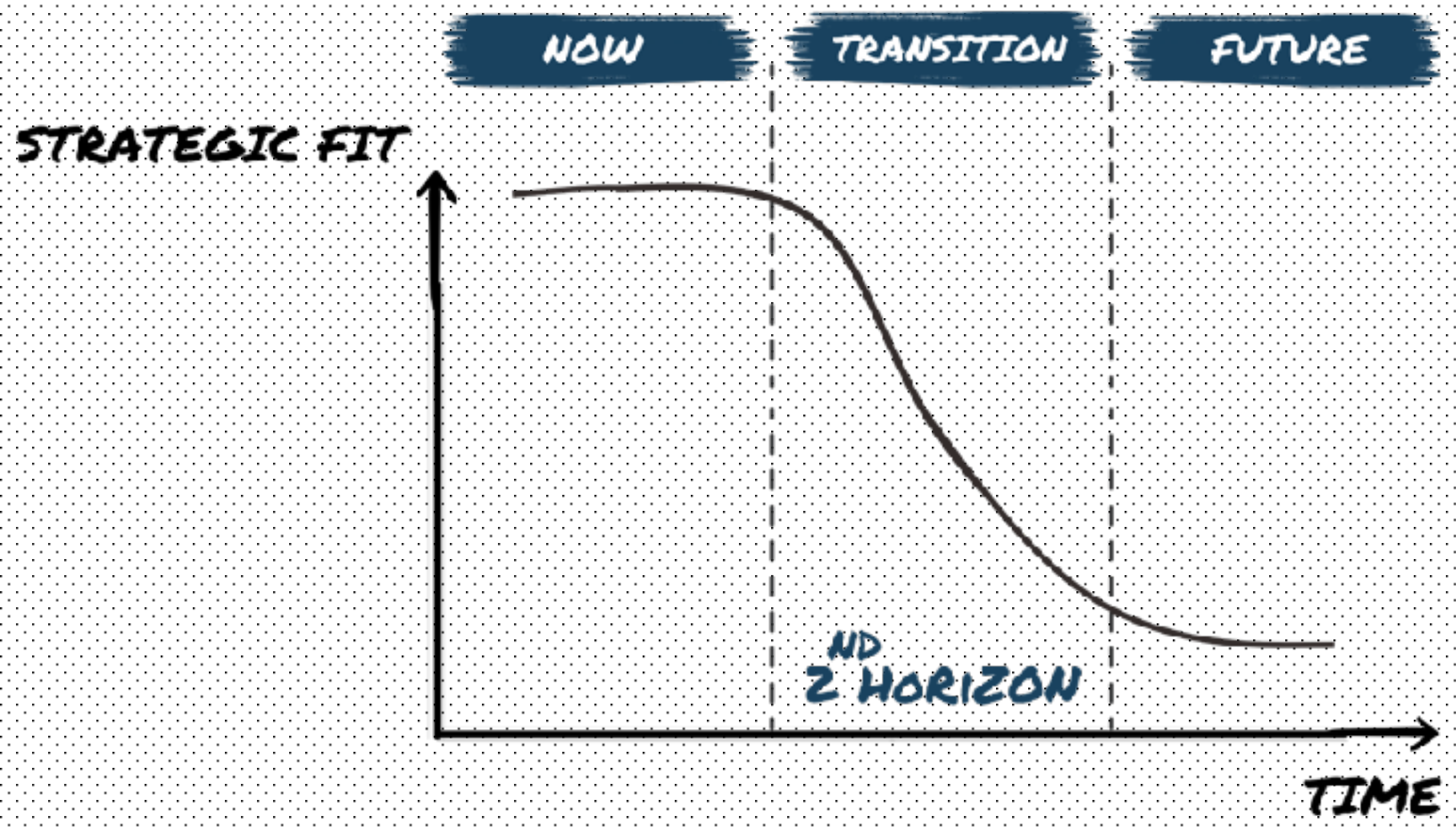
Viable future - the Vision

- Scan the broader market and patterns to understand how the organisation needs to adapt
- This vision of the future remains a projection based on what we can know now
- The vision sets a direction, rather than a destination
- Moving towards this horizon always entails acknowledging that much is not known, and unknowable, and will emerge as a part of our process

"There is a goddess of Memory, Mnemosyne; but none of Forgetting. Yet there should be, as they are twin sisters, twin powers, and walk on either side of us, disputing for sovereignty over us and who we are, all the way until death."

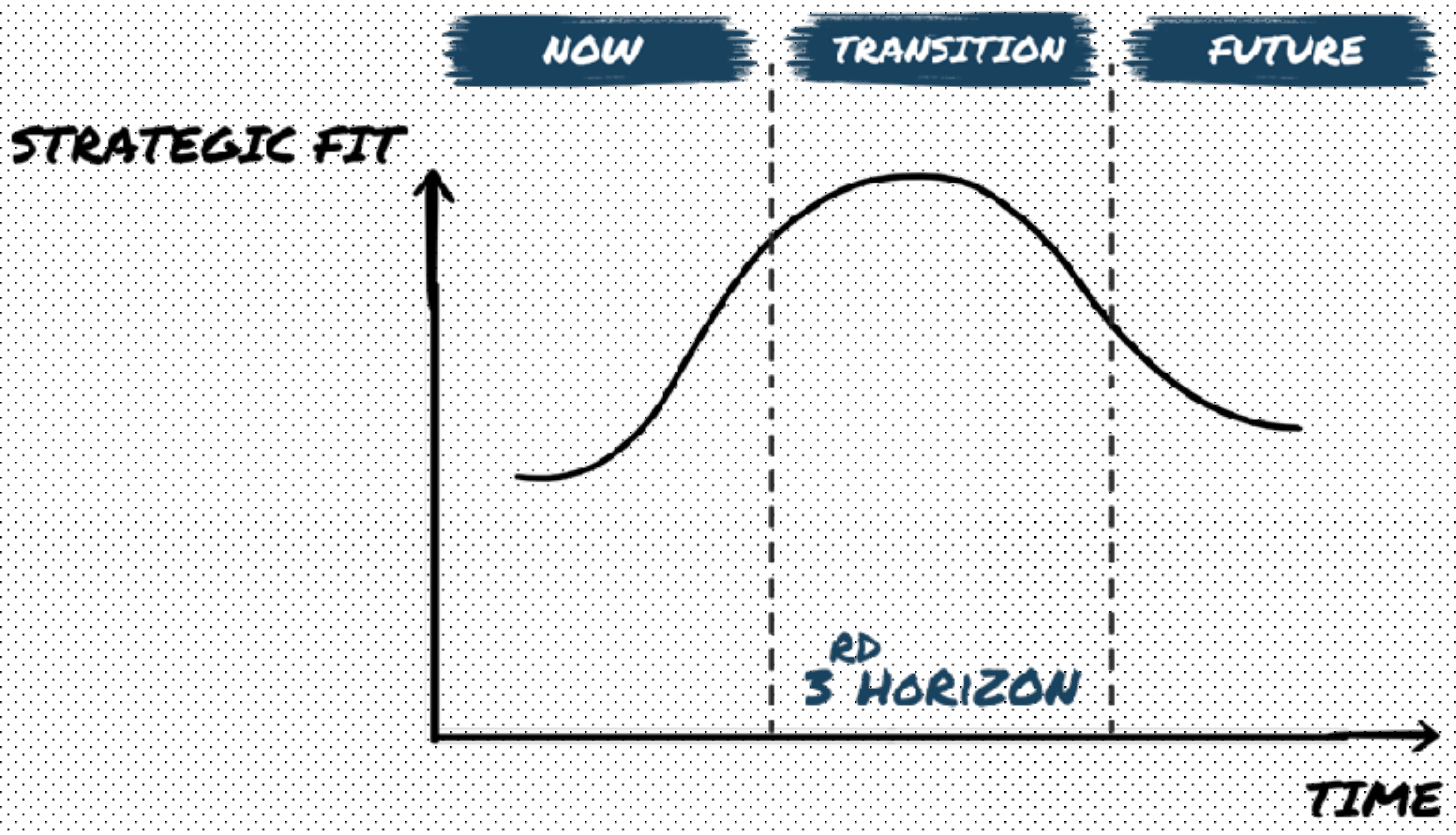
Richard Holmes

remember the other shapes of adaptation



Business-as-usual | The Manager

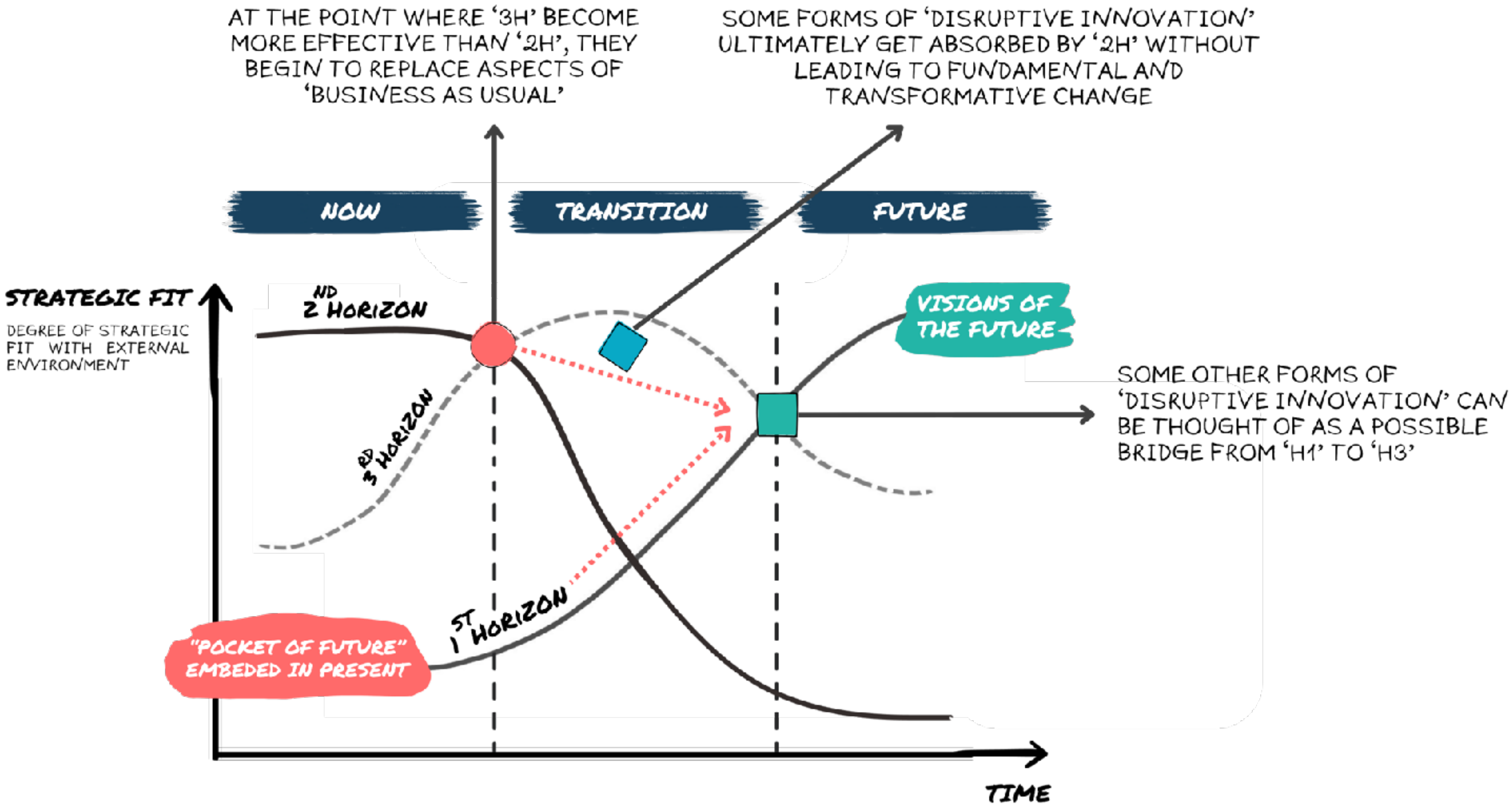
"Sustaining innovation" that help to keep business-as-usual going and to "keep the lights on" as the organisation navigates change



World in transition | Entrepreneur

An intermediate space in which the first and third horizons collide.
About building stepping stones rather than guaranteeing outcomes. Experiment with the knowledge that many initiatives will fail, but will offer valuable opportunities for learning and evolution

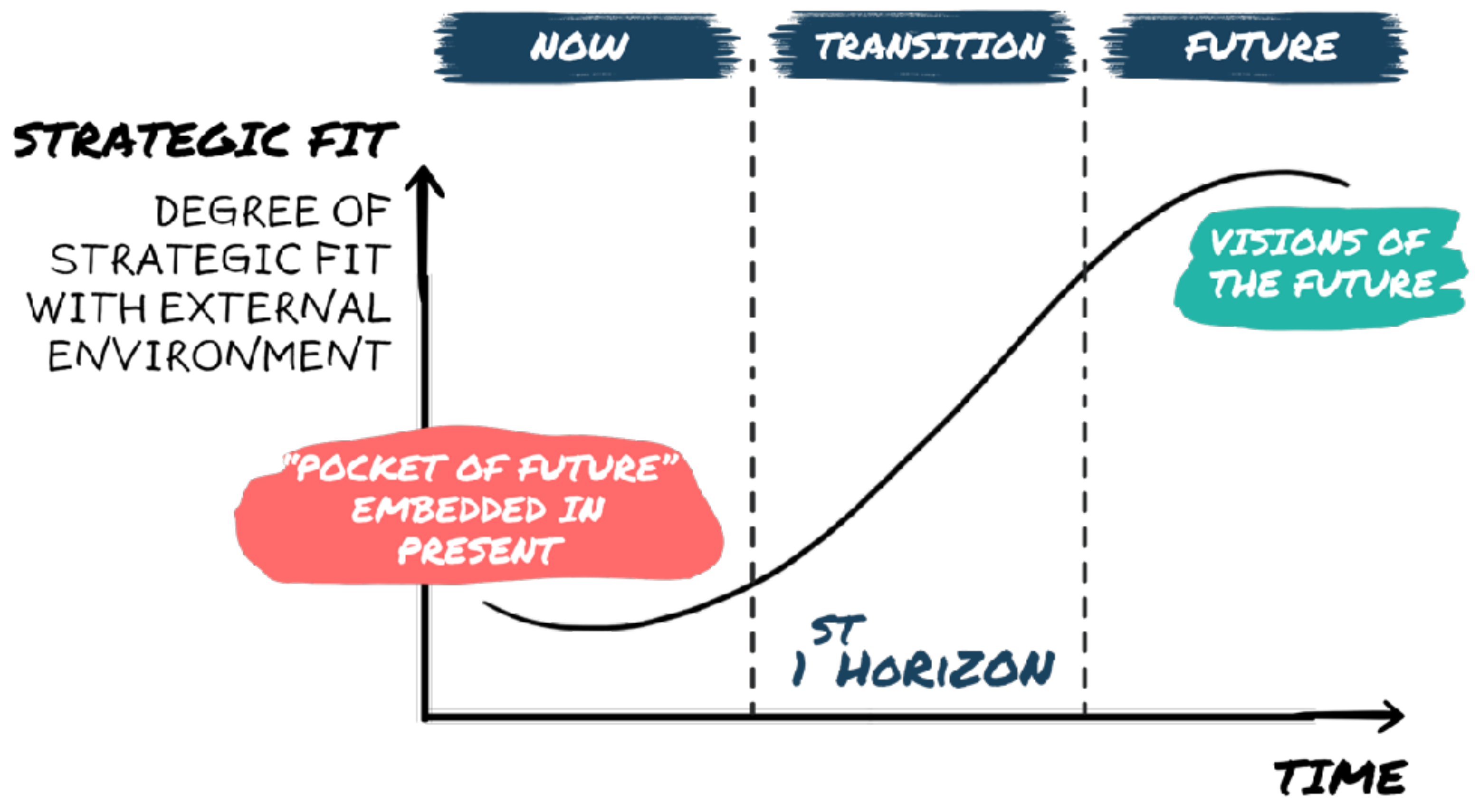
all three time horizons are always present



Vision: Widespread adoption of renewable energy sources, decentralised and integrated

For example:

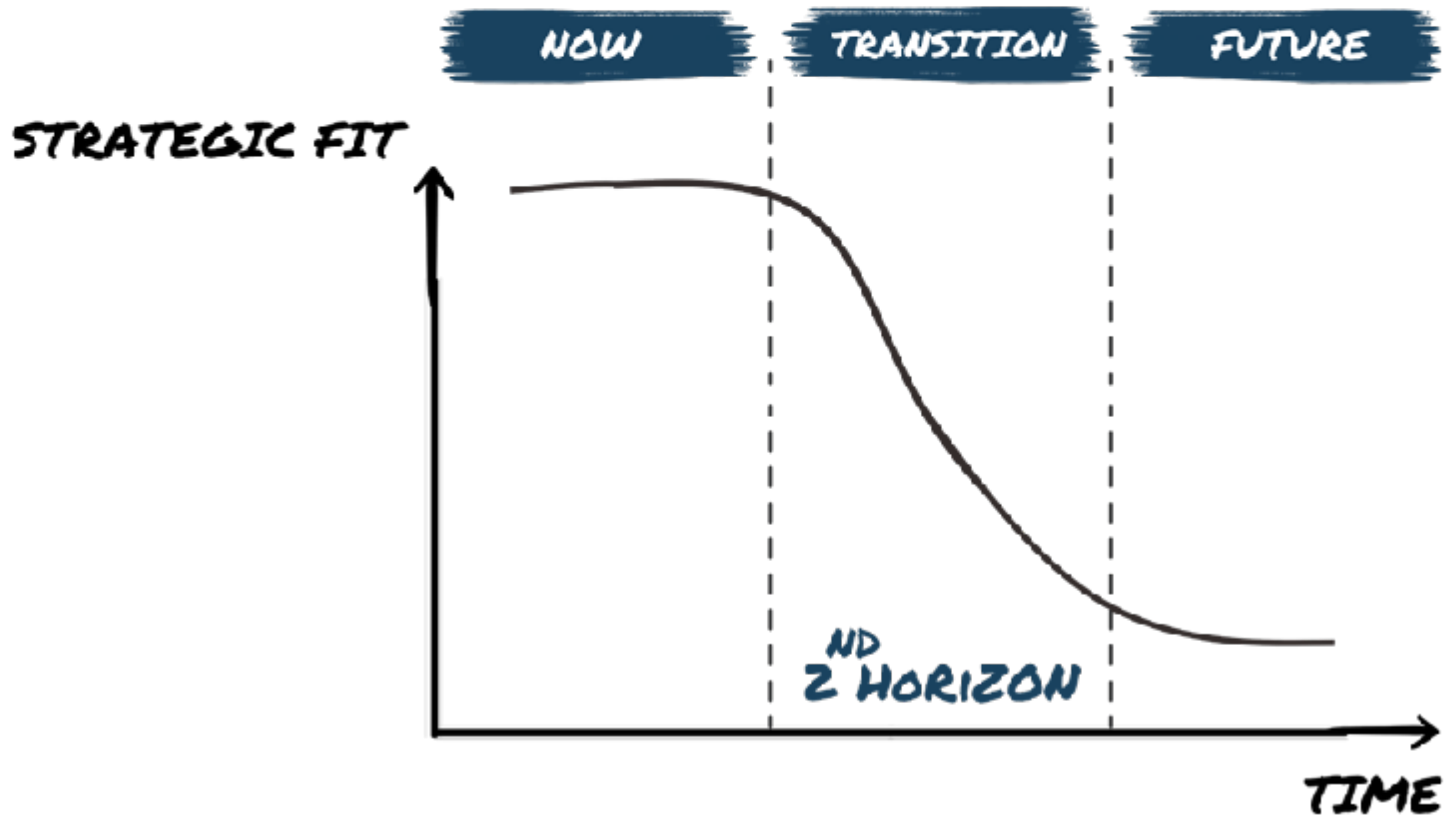
- **Large-scale solar and wind farms:** Dominate energy generation, with advanced storage solutions balancing supply and demand.
- **Microgrids:** Communities and individuals generate and manage their own energy.
- **Smart grids:** AI-powered systems which optimise energy distribution and consumption in real-time, balancing supply and demand across the network.
- **Scalable low-cost blue/green hydrogen**: Stable technology at managed costs to support production and distribution of blue/green hydrogen at scale



Manage through: Optimising existing infrastructure and revenue streams while transitioning towards renewables

For example:

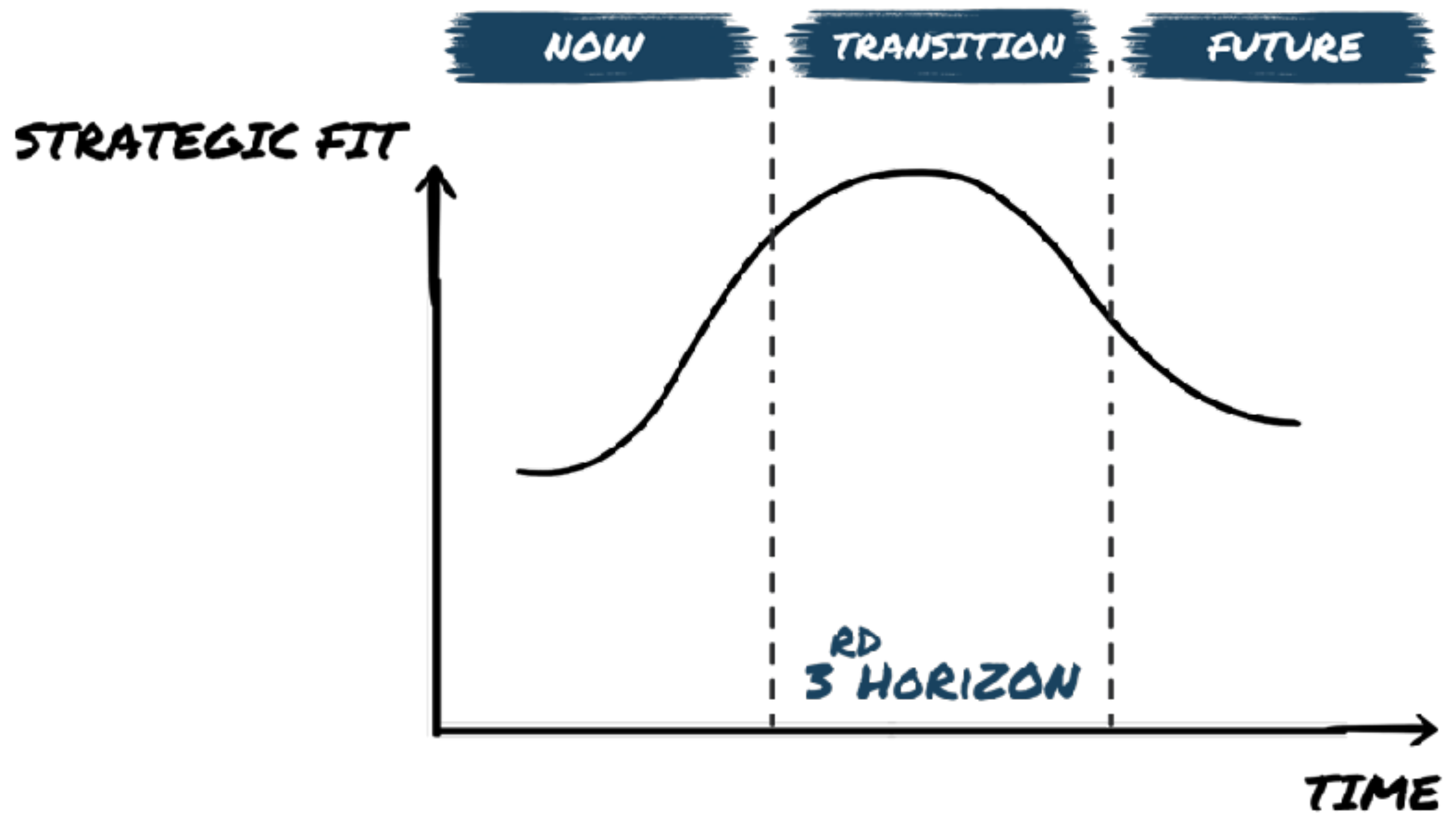
- **Carbon capture, utilisation and storage (CCUS):** Extending the life of existing fossil fuel infrastructure while reducing emissions.
- **Renewable energy integration into existing grids:** Upgrading grids to handle multiple renewable energy sources.
- **Efficiency improvements:** Margin optimisation through new technologies and behaviour changes.
- **Value chain optimisation:** Map, analyse and optimise value chain and strategic feed and mid-stream, down-stream optimisation.

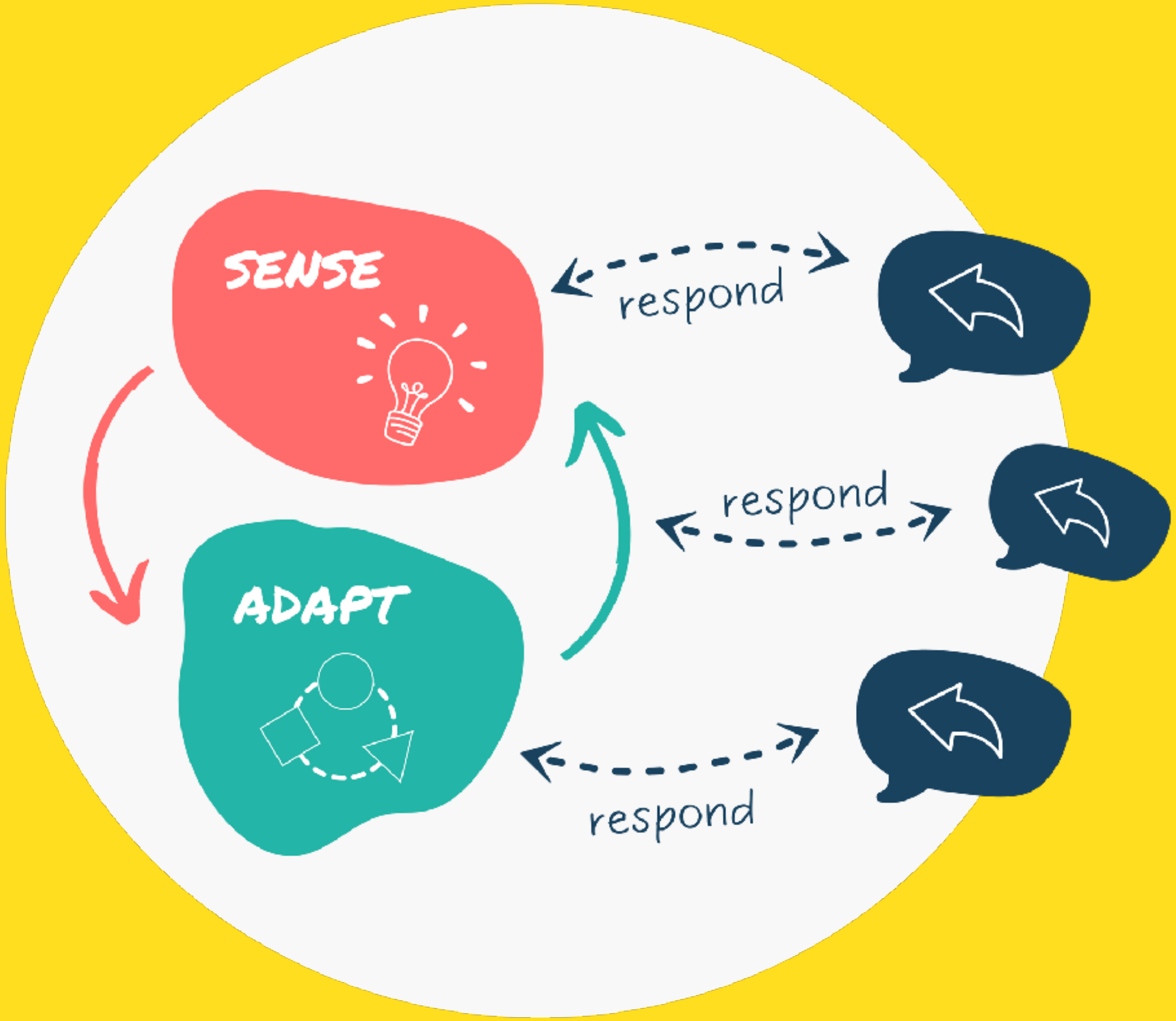


Transitional tactics: Experimenting with disruptive innovation and strategic investment that could fundamentally alter the business

For example:

- **Peer-to-peer energy trading:** Individuals and communities directly buying and selling energy from each other.
- **Blockchain-enabled energy management:** Secure and transparent tracking and trading of renewable energy.
- **Developing new materials and technologies:** Breakthroughs in solar cells, batteries, crackers, etc..
- **Shift to venture-style portfolio investment for new energy alternatives:** Invest CapEx strategically in strategic new energy alternatives.

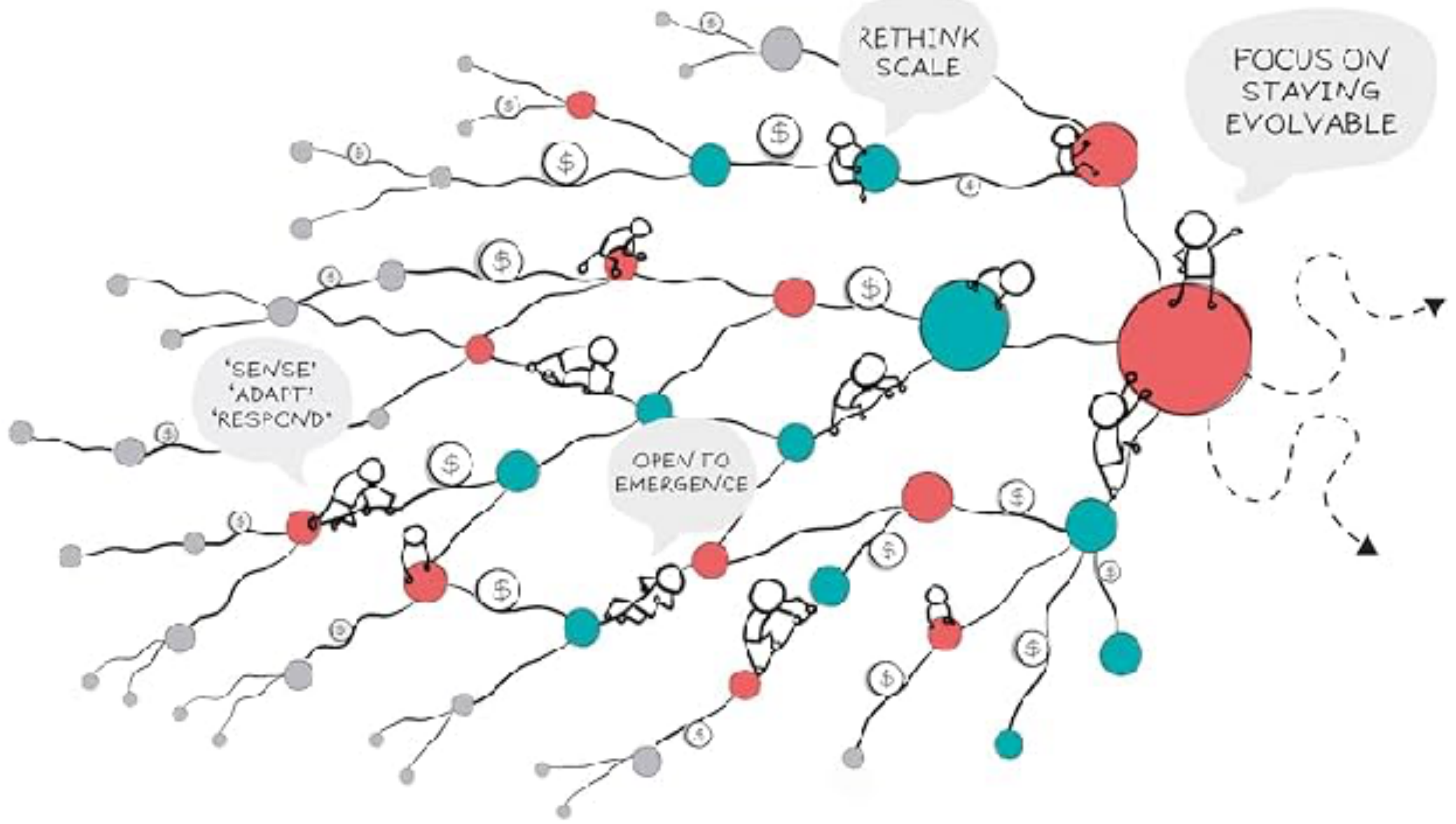



SENSE
ADAPT
respond
respond
respond

EVOLVABILITY IN BUSINESS

Enterprise Transformation in an Age of Complexity

ZHEN GOH AND SUNIL MUNDRA



Routledge-Solaris Applied Research in Business Management and Board Governance

ROUTLEDGE

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