# delaware

#### Becoming Anti-Fragile: How to Thrive in Times of Uncertainty.

# Webinar 3: Becoming Anti-Fragile: Learning to thrive in Disruptive Times

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- Head of Value Chain The MTC
- Author: 'Transition Point: From Steam to the Singularity'



#### Webinar 1:

Living Through The Transition Point:
Understanding Disruption &
Exponential Technological Change

Tuesday 16<sup>th</sup> April: 11:00 – 11:45am

Why is everything so disruptive right now?



#### Webinar 2:

The Age of Fragility:
Why Companies Struggle with
Exponential Technological Change

Thursday 23<sup>rd</sup> May: 11:00 - 11:45am

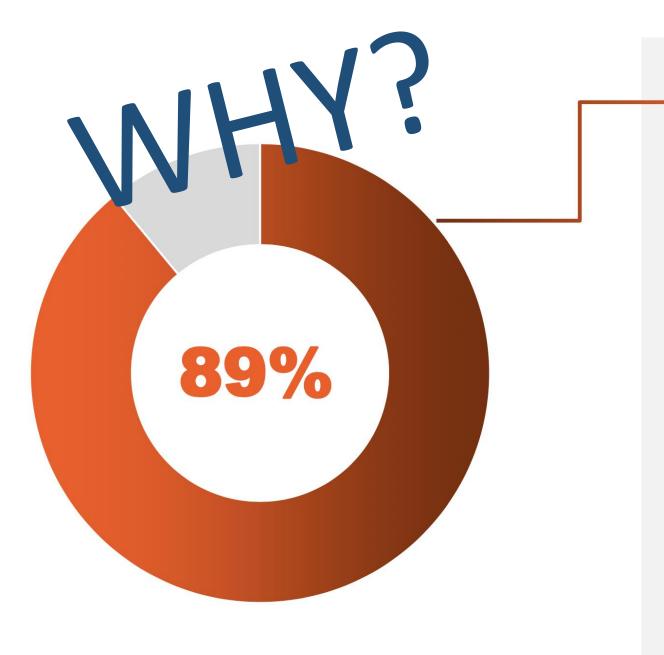
Why are companies struggling to adapt to this disruption?

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What can companies do to not just survive, but thrive?



**89%** of CSCOs\* believe we are in a prolonged VUCA\*\* environment.

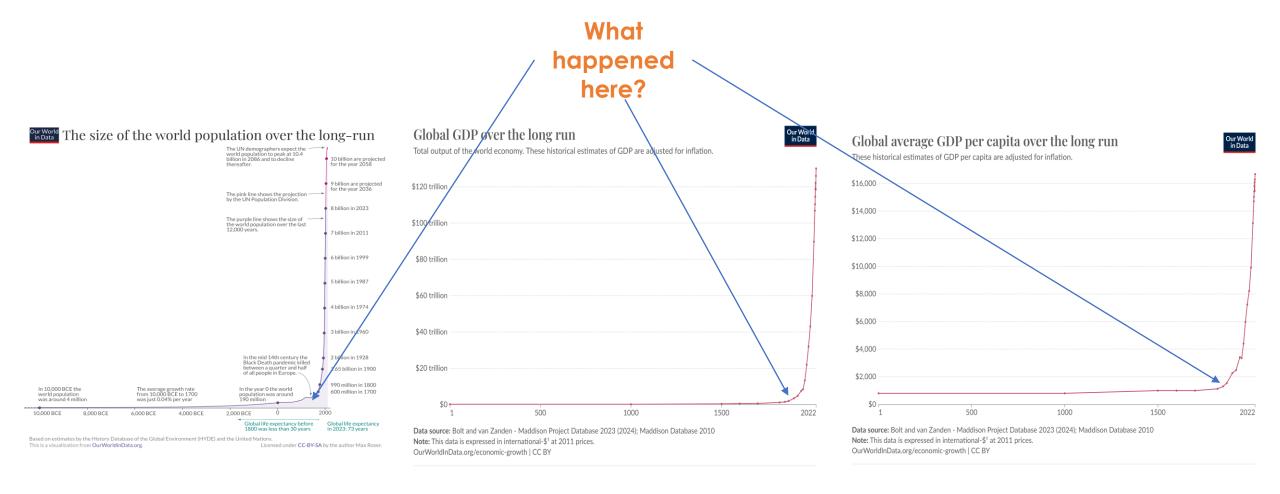
**More Change** 



**More Uncertainty** 

#### Been VUCA for the last 250 years...

It took 200,000 years for the human population to reach 1 billion, but only 200 years to reach 7 billion.



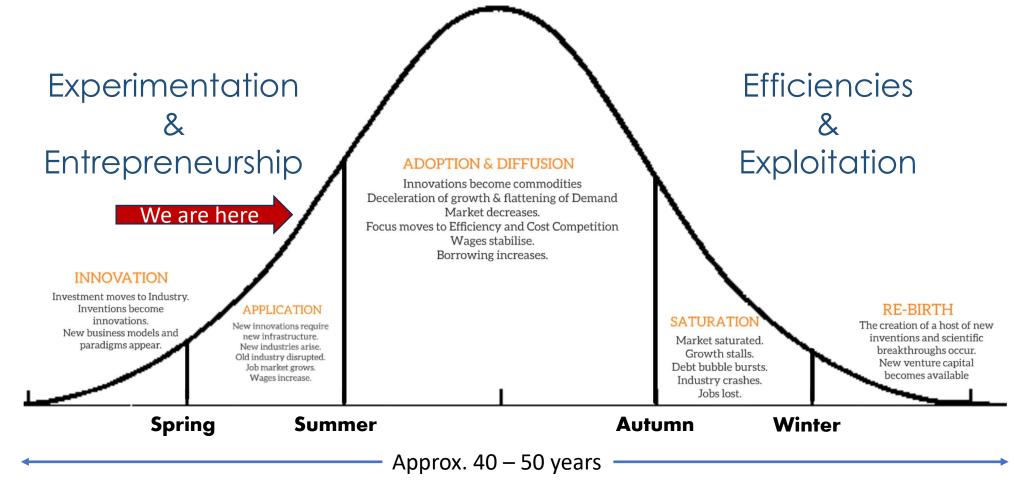
Exponential growth in the number of people...

Exponential growth in wealth...

Exponential growth in wealth per person...

## Waves of Creative Destruction Understand the cause, not just the effect.

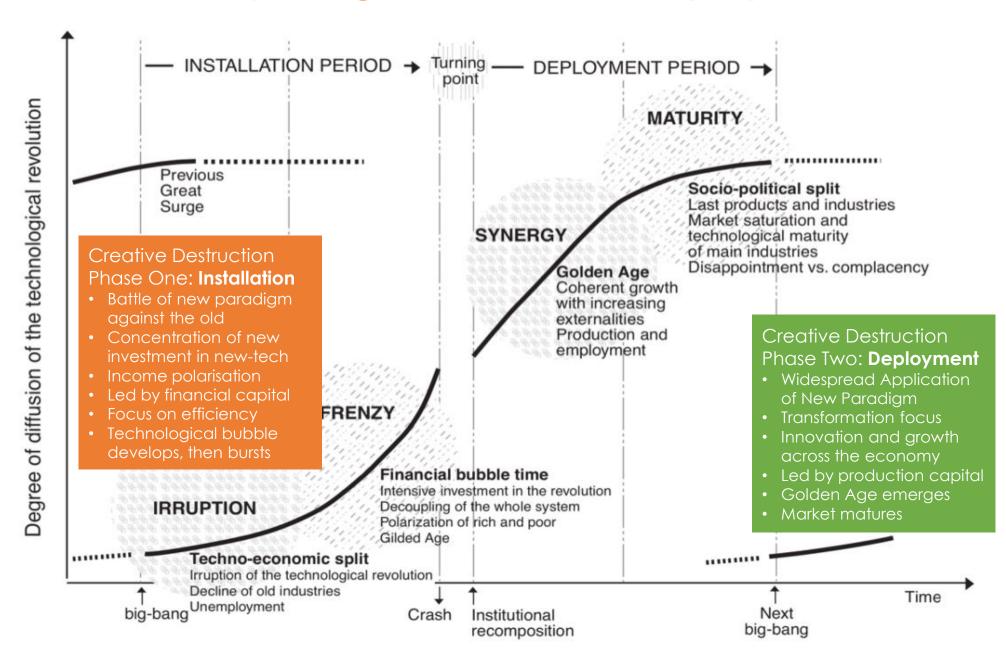




**UPSWING** 

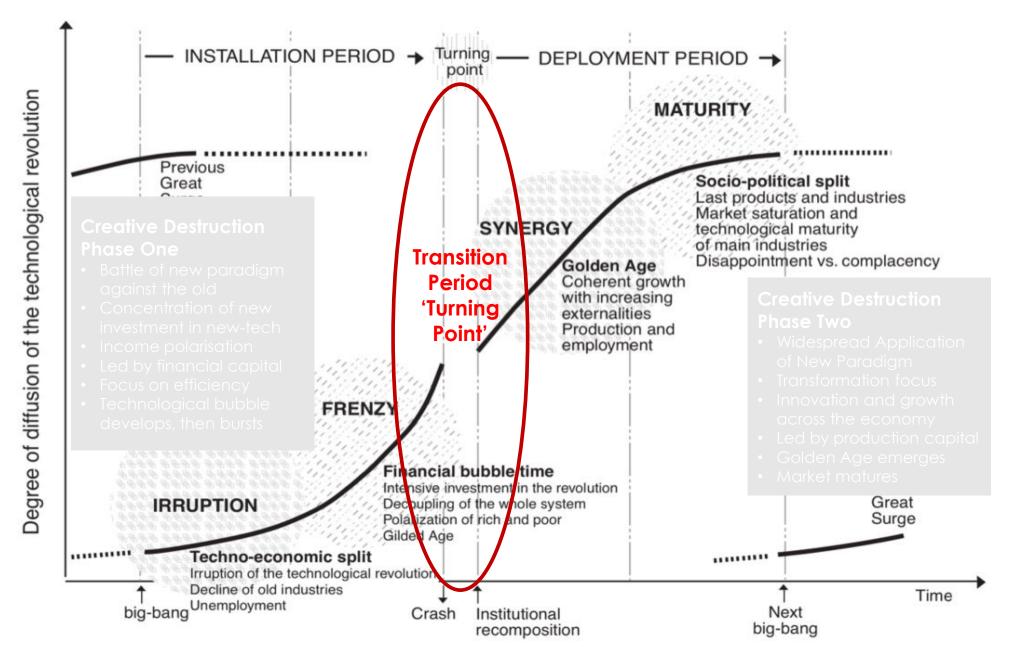
**DOWNSWING** 

#### Two Phases in the Upswing: Installation & Deployment



Carlota Perez: Technological Surge Cycle

#### We are currently in the disruptive Transition Period or 'Turning Point'...



Carlota Perez: Technological Surge Cycle We are currently living through the Sixth Wave's Transition Period.

It is a time of great fragility.

Our personal finances are fragile.

Our supply chains are fragile.

Our energy and food supplies are fragile.

Our economies are fragile.

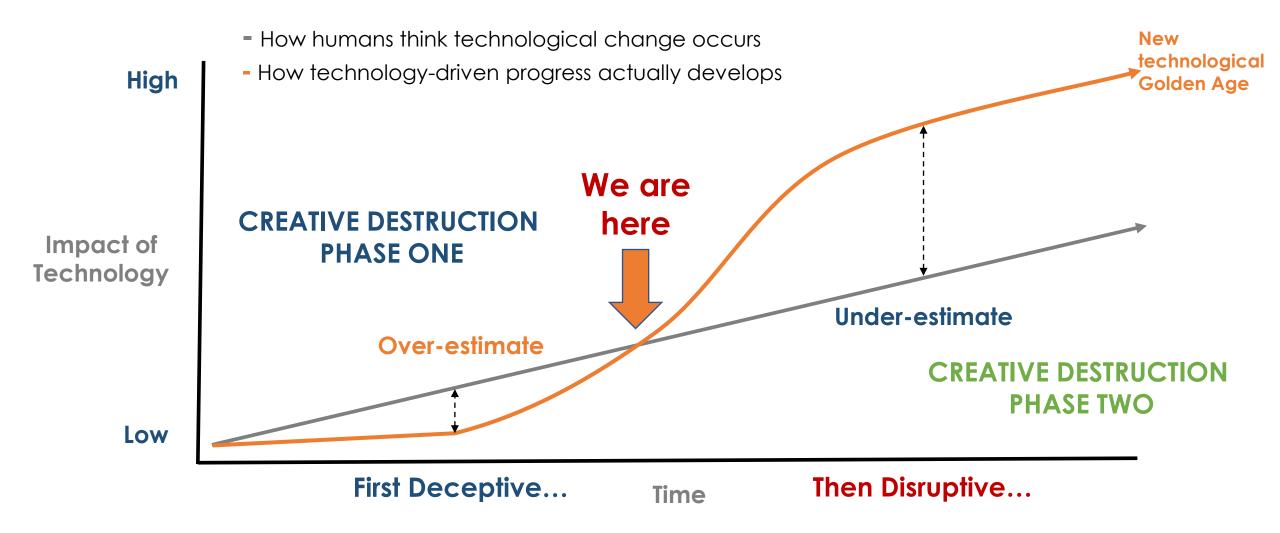
Our peace is fragile.

Our democracies are fragile.

Our ecosystem is fragile.

#### Amara's Law:

"We tend to over-estimate the impact of technology in the short-term, and under-estimate it in the long-term."



Think things are disruptive now? You haven't seen anything yet...

#### Phase One: Improve

New technological innovation appears

'Hype of Over-inflated Expectations' – experimentation frenzy

Innovation fails to appear and enters the 'Trough of Disillusionment'.

Uber's Otto hauls Budweiser across Colorado in self-driving truck

Plus.ai's autonomous lorry 'crosses US in three days'

© 11 December 2019

Ford takes \$2.7 billion hit as it drops efforts to develop full self-driving cars



Turbulence and disorder emerges

Demand for old model / technology / skills increases to handle disruption

Demand outstrips supply, driving up costs

How the pandemic e-commerce surge spiked demand for truckers

Truckers are getting big pay hikes, but there's still a shortage of drivers

Wanted: 80,000 truck drivers to help fix the supply chain

UPS drivers to make \$170,000 in pay and benefits following union win

Phase Two: Transform

Increased wages changes cost / benefit, creating additional incentive to innovate

Investment in new technological advancement increases

Focus on **scaling** the innovation, causing a paradigm shift and creative destruction.

Wayve and Microsoft partner to scale autonomous vehicles

#### **Autonomous trucks lead the way**

Many companies are shifting focus from R&D to making driverless models work at scale

Modular breakthroughs in commercial-ready autonomous truck technology

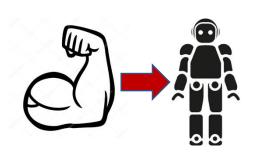
Continental, Aurora enter 'pivotal year' in autonomous trucking

## Phase Two: A new Industrial Revolution: The Automation Triple Whammy...

#### Whammy 1:

Horizonal Convergence

Muscle to Machine

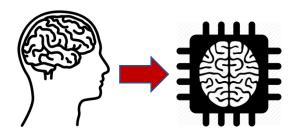


The Automation of Physical Tasks

#### Whammy 2:

Vertical Convergence

Mind to Machine

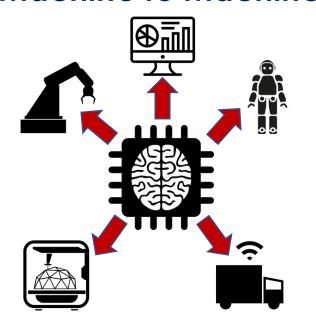


The Automation of Knowledge Based Tasks

#### Whammy 3:

Technological Convergence

#### **Machine to Machine**



The Automation of the End-to-End Supply Chain

Phase Two Supply Chain innovations are going to be transformative – but only for those able to create value from them.

#### Phase Two: The PAL Supply Chain



#### **Personalised**

products, services & experiences



#### **Automated**

manufacturing, delivery & planning



#### Local

production, logistics and retail



Al machine learning & cognitive computing
3D printing to products on demand
Robotic production to autonomous delivery
Transactions processed by the blockchain, RPA
& chatbots

Production reshored near the consumer Development oi autonomous, micro logistics network to support 1-hour delivery – urban logistics repurposing car parks etc.



Shorter, stronger, more agile and more sustainable supply chain.

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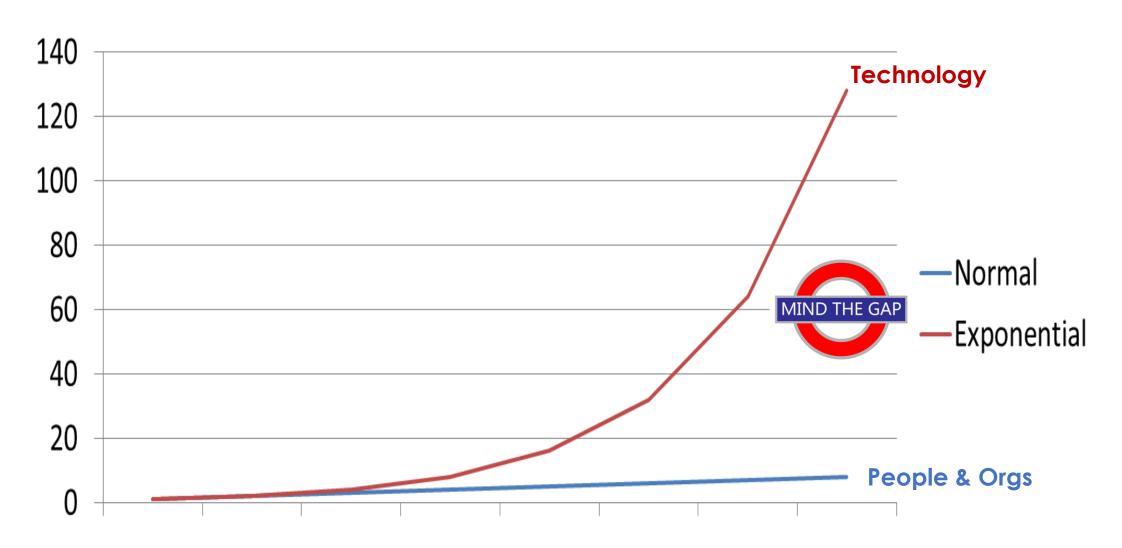
What can companies do to not just survive, but thrive?



Things will never again be as slow as they are right now...

#### Beware the Cultural Lag!

Technology changes at an **EXPONENTIAL** rate, but people & organisations change LINEARLY



# The Reality for Most Organisations... Analog Mindsets in a Digital World

#### Most organisations are fragile:

Functional and industrial age mindsets, methods and management styles leave businesses exposed in the face of this oncoming wave of disruption.

"Right now, your company has 21st-century Internetenabled business processes, mid-20th-century management processes, all built atop 19th-century management principles."

#### The Problem:

Most companies are still operating with an analog mindset in this digital age.

They are focusing on digitising existing processes and ways of working, rather than actually transforming the way the business operates.

To maximise the potential of all this new wave hardware and software, new wave thoughtware is required.

Are you digitally transforming your business?

Or just digitizing the old one?

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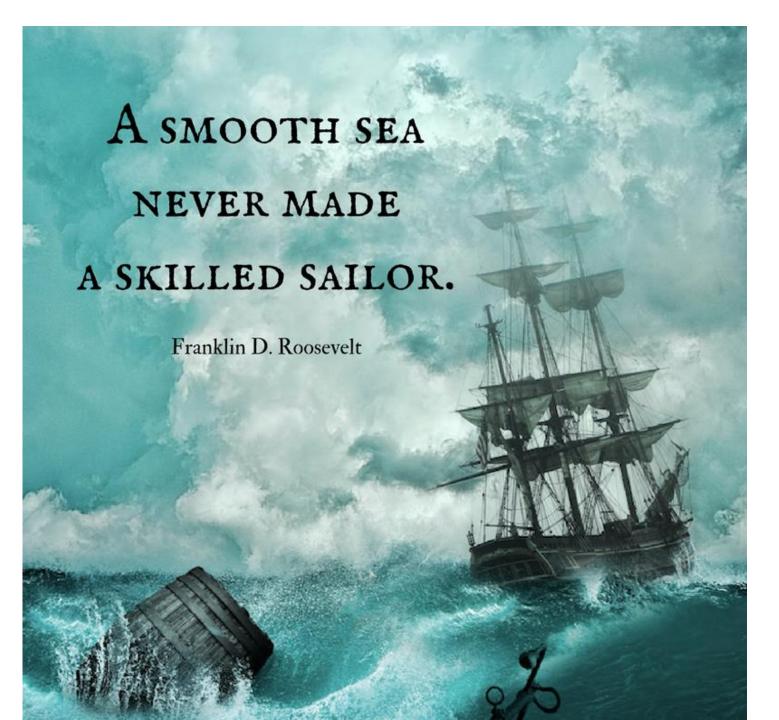
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What can companies do to not just survive, but thrive?



Is the rate of change going to slow down?

Are things going to get easier?

Are industrial-age company's going to make it?

Probably not.

Is there any way we can learn to not just survive, but thrive? Yes.

Become Antifragile.

#### Resilience is not enough...

- No amount of resilience in Blockbuster's physical supply chain would have stopped it from going bankrupt and being replaced from Netflix.
- A focus on resilience wouldn't have provided Blockbuster's CEO with the foresight to see that a £50m investment in Netflix would have **made their future more anti-fragile**.
- It won't have enabled him to realise that acquiring Netflix would protect Blockbuster against future technological shifts, while also thinking of ways to diversify their offerings.
- Had it remembered that its aim was to provide entertainment at home, and not provide physical DVDs and games, then it would have viewed technology very differently.









- Likewise, a more resilient film processing supply chain wouldn't have saved Kodak from its destruction due to the onset of digital photography.
- Had it remembered that its aim was to capture and share memories, and not sell film, then it would have viewed digital technology very differently.

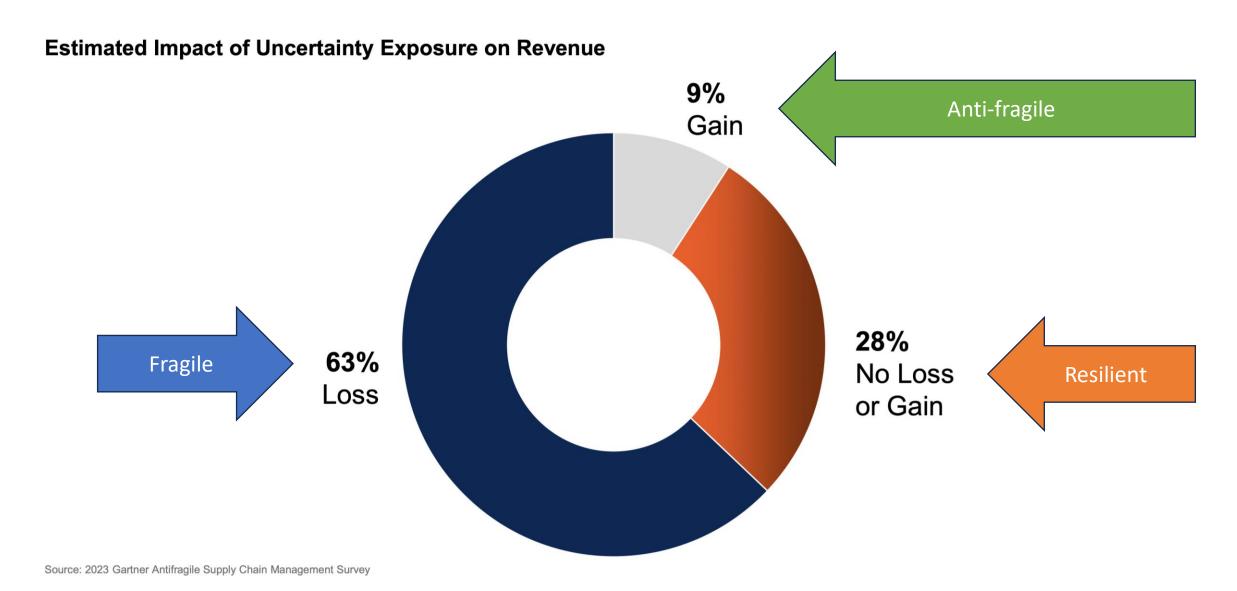
#### What got us here won't get us there...

We need to go beyond trying to be resilient.

Resilience is the ability to withstand shocks and to return to the previous state relatively undamaged...

...but a return to a previous state is insufficient during exponential change.

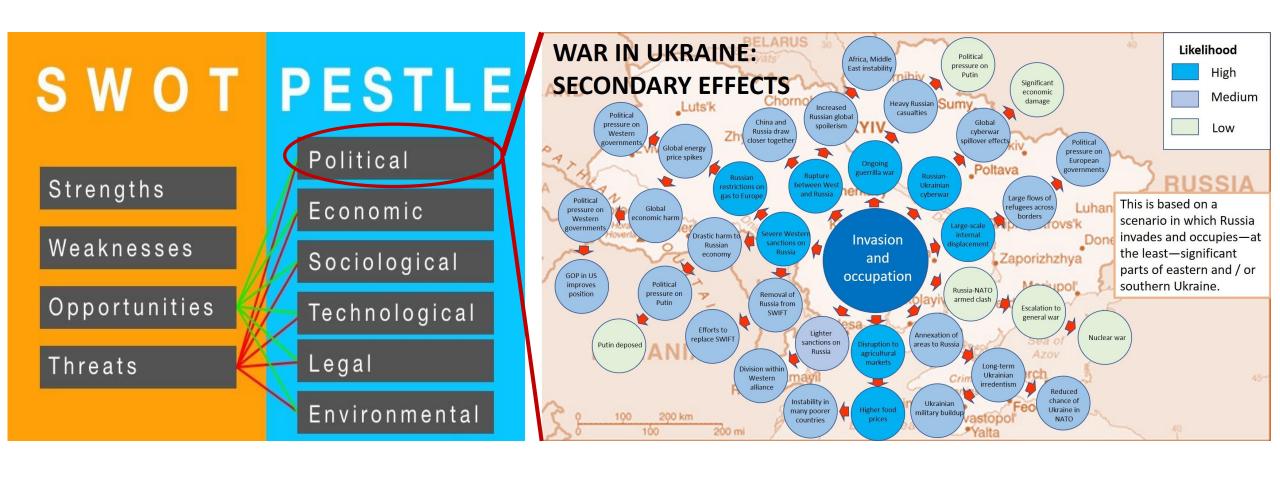
#### How well do supply chains deal with uncertainty?



#### Uncertainty requires agility in thought and action:

The ability to think and plan, not just react.

Need to progress from Deterministic planning and knee-jerk responses, to Probabilistic planning and strategic thinking...



#### Go Beyond Resilience: Become Anti-Fragile

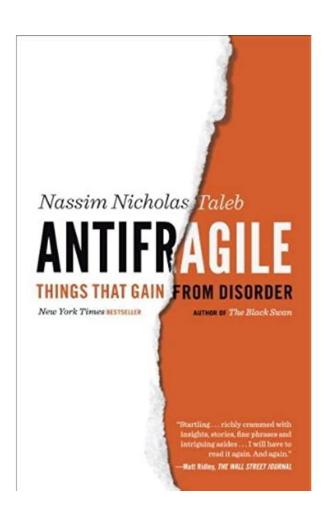
"Some things benefit from shocks; they thrive and grow when exposed to volatility, randomness, disorder, and stressors and love adventure, risk, and uncertainty.

Yet, in spite of the ubiquity of the phenomenon, there is no word for the exact opposite of fragile.

Let us call it antifragile.

Antifragility is beyond resilience or robustness.

The resilient resists shocks and stays the same; the antifragile gets better"



#### From Fragile to Anti-Fragile

Every organisation is perfectly designed to get the result it gets...

#### Fragile

'I' shaped people in 'I' shaped functions

Primary focus:

Increasing operational efficiency

#### Hates uncertainty:

Causes internal disruption and Post-Traumatic Stress

Struggle

#### Resilient

'T' shaped people in'T' shaped supply chain teams

Primary focus:

Maximising effectiveness & flow across the chain

#### Manages uncertainty:

Creates an effective response to disruption

Survive

#### Anti-Fragile

'X' Shaped people in'X' shaped valuenetworks

Primary focus:

Creating more value for customers & stakeholders

#### Loves uncertainty:

Results in learning and Post-Traumatic Growth

**Thrive** 

#### From Fragile to Anti-Fragile

Every organisation is perfectly designed to get the result it gets...

#### Fragile

'I' shaped people in 'I' shaped functions

Primary focus:

Increasing operational efficiency

#### **Component Thinkers**

Mindset: Narrow
Span of Control: Function
Focus: Current Efficiency

#### Resilient

'T' shaped people in'T' shaped supply chain teams

Primary focus:

Maximising effectiveness & flow across the chain

#### **Linear Thinkers**

Mindset: End-to-end
Span of Control: Supply Chain
Focus: Current Effectiveness

#### Anti-Fragile

'X' Shaped people in'X' shaped valuenetworks

Primary focus:

Creating more value for customers & stakeholders

#### **Exponential Thinkers**

**Mindset:** Exponential

**Span of Control:** Business Model

Focus: Future Expansion

# Fragile companies operate like Non-Newtonian fluids

- They operate as expected under normal conditions
- However, when facing external pressure, they lose their shape, things stop flowing and they become stiff and inflexible.



# Resilient companies operate like da Vinci bridges

- When placed under pressure, their components work together to strengthen the organisation.
- They retain their shape and provide support to resist the external forces placed upon it.



# Anti-fragile companies operate like muscular systems

- The body works together to handle the force placed upon it, strengthened by the experience and stronger as a result.
- They adapt and learn from the experience, requiring greater stress in future to have a similar impact.



#### Challenge

Analog industrial mindsets struggling to adapt to a digital world

#### **Understand**

how technology changes the customer's job to be done and how you service it

Open your mind and think differently about how you could deliver value

Increasingly complex supply chain networks

#### **Understand**

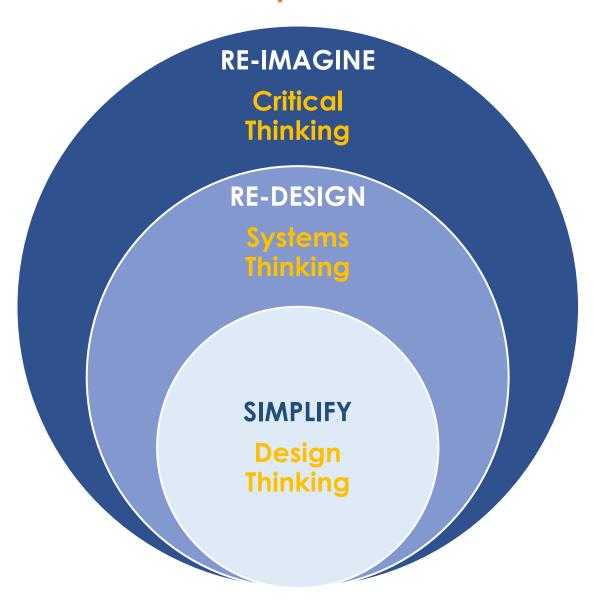
the goals of the systems and how the nodes connect, relate & integrate.

Redesign the system using technology to increase effective delivery of strategic goals increasing technological and process complexity

Seek out the inherent simplicity at the heart of the system

Use
technology
to remove
barriers to
value and
make jobs
simpler and
more
convenient.

#### Response



#### New Anti-Fragile Thoughtware:

Becoming anti-fragile requires the synergistic integration of three approaches:







**Critical Thinking** 

#### Reimagine:

Open your mindset to new ways of working, new decisions and new value propositions



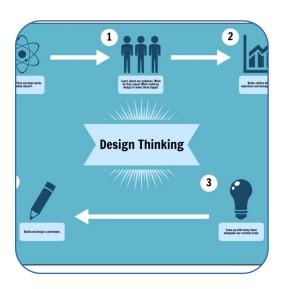


**Systems Thinking** 

#### Redesign:

Understand the end-toend network, its interrelationships & interdependencies to redesign how it could deliver these value propositions





#### **Design Thinking**

#### Simplify:

Engineer the system for customer / user simplicity and convenience, removing friction, nonvalue adding elements & barriers to value

#### Becoming Anti-Fragile: New Skills, New Mindset

Becoming anti-fragile requires the synergistic integration of three approaches:





#### **Critical Thinking: Reimagine**

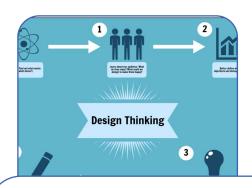
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- Who are your desired customers and what is their job to be done?
- Understand the customer's 'job-to-bedone' and the problems involved
- What are their pain points? Visibility? Sustainability reporting? CO2 reduction? Risk mitigation?
- Does technology change their job or your offering?
- Reject 'one size fits all'- think business models and segment on value
- Consider radically different ways to solve these problems





- Understand the end-to-end system and its complexity
- Understand process inter-relationships (such as the supply-chain) and their inter-connections.
- Understand data feedback loops and strategic trade-offs
- Understand decision second order effects & unintended consequences
- Analyse problems critically from a data and decision-based perspective

   use objectivity and evidence to address systems issues



#### **Design thinking: Simplify**

- Focus on solving customer problems and helping them succeed, not selling them products
- Redesign and simplify the system around the delivery of desired customer outcomes - Reshore? Nearshore? Outsource? Consolidate? Vertically integrate?
- Design the system and its solutions for simplicity, flow and usability – remove barriers to value

#### 1. Critical Thinking: Reimagine

Return to First Principles: Solve customer problems, don't sell products.





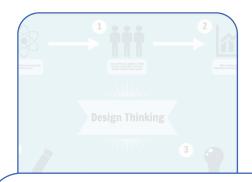
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# Critical Thinking: Digital Mindsets for a Digital Age...

- Successful digital transformation is not actually about tools and technology. It is about transforming the mindset, culture and strategy of the organisation.
- The problem with transformation is never a lack of ideas; it's a lack of a change in thinking and behaviour.
- New start-ups are winning because they are not weighed down by traditional thinking or existing infrastructure, and do not expect an immediate ROI on their ventures.
- 'Digital' is not a project. It is a journey, not a destination. It offers the chance to make a paradigm shift in the organization's mindset an opportunity to redefine what it stands for, how it operates, and what it rewards.

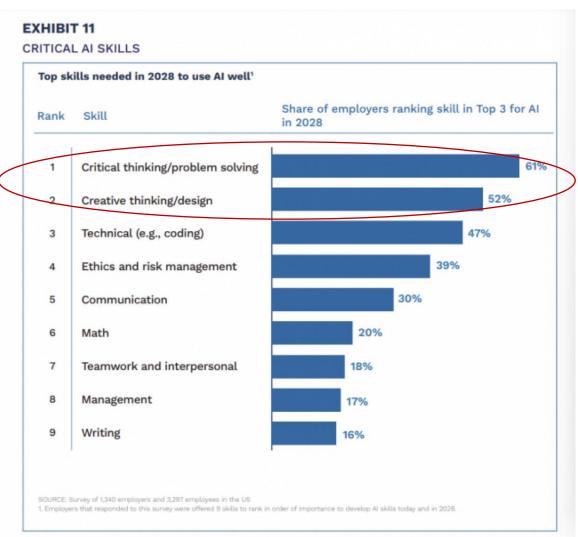
#### **New Thoughtware:**

### Critical thinking, design thinking & problem solving most needed skills to use AI well...



It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.

Mark Twain



## Anti-fragile companies are willing to reject long-held beliefs in order to perform effectively in the digital age...



"Every dollar we spent on agility has probably got a 10x return on every dollar spent on forecasting or scenario planning."

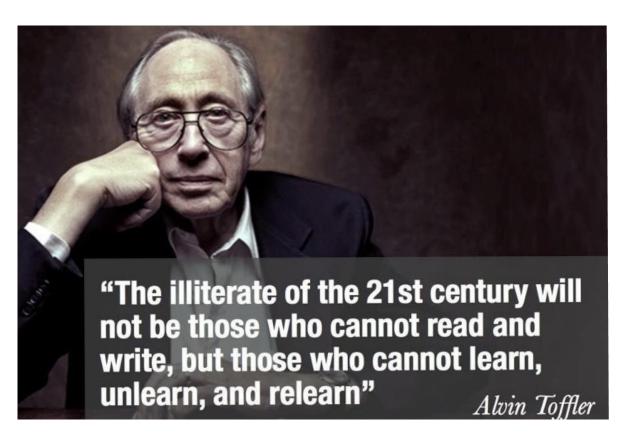


"Agility trumps accuracy."
Agility gives you resilience."

Unilever has moved from monthly planning based on process, to planning every 3 days based on need.

## Anti-fragile companies are willing to challenge long-standing paradigms...

66



"We went from knowing it all, to learning it all, and that's now one of our mantras.

We really needed to open our minds to what's possible and what's out there."

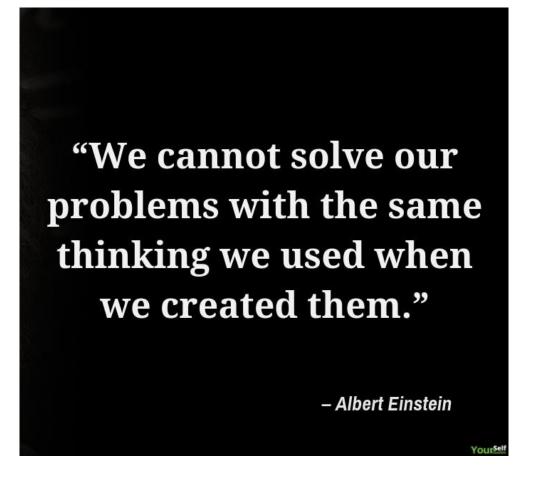


Wendy Herrick Head of Digital Supply Chain Unileyer

## Don't be afraid to challenge the status quo.

Perceived wisdoms, business rules and cultural norms are often based around a world that no longer exists, facts that are no longer true, or beliefs that are false.





### Fragile thinking

Companies, brands and products compete...

on features & price

### Resilient thinking

Supply chains compete...

on internal effectiveness

### **Anti-fragile thinking**

Business models compete...

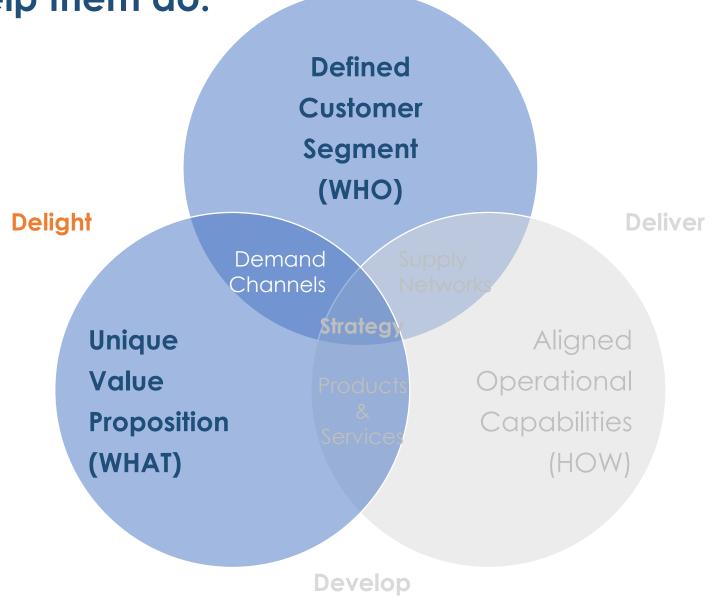


on customer value

### Business model thinking – focus on value and its delivery

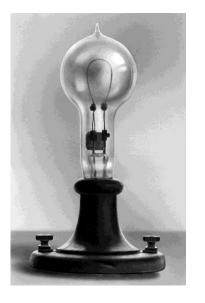


Think critically about the desired customer and what job they hire you to help them do.



### Disruptive times requires disruptive thinking...

### Need a paradigm shift in our thinking not just our tools

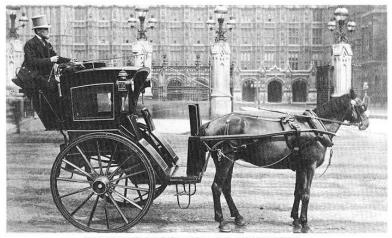


The lightbulb wasn't a result of continuous improvements to the candle.





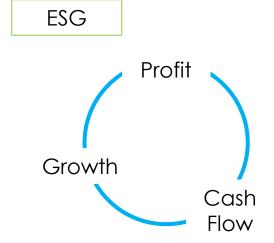
The motorcar didn't emerge as a result of continuous tweaks to the horse.



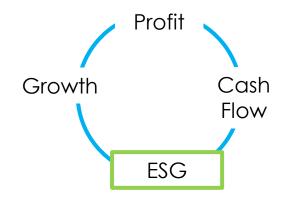
HANSOM CAB photographed in London in 1895. (Smithsonian photo

## Different Approaches to the ESG challenge

Fragile



Resilient



**Anti-fragile** 



Report & Recycle

Monitor and manage ESG by function / process (i.e. supplier, transport)

**End-to-end Control** 

Reduce, Repair, Reuse

Improve ESG across end-to-end supply chain

### Reimagine

Identify ways to use sustainability and circularity as a driver for new value propositions and business models.

Circular Improvements and Innovations

**Functional Understanding** 

### Go back to First Principles: Outcomes not Activities.

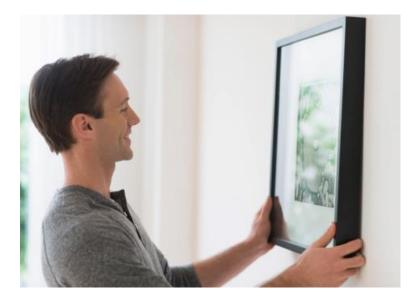
What companies sell...



What people actually want...



The <u>real</u> job to be done.



Fragile:

Look at new technologies as a way to make more profitable drills...

**Resilient:** 

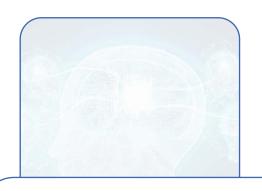
Look at servitisation as a way to rent out the drill to multiple people, making more money per drill.

### **Anti-fragile:**

Experiment with new ways to solve the problem in a sustainable way that makes putting holes in walls redundant.

## 2. Systems Thinking:

You cannot hope to control that which you do not understand...





### Critical Thinking: Reimagine

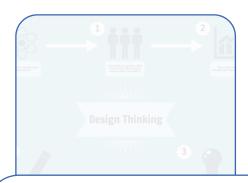
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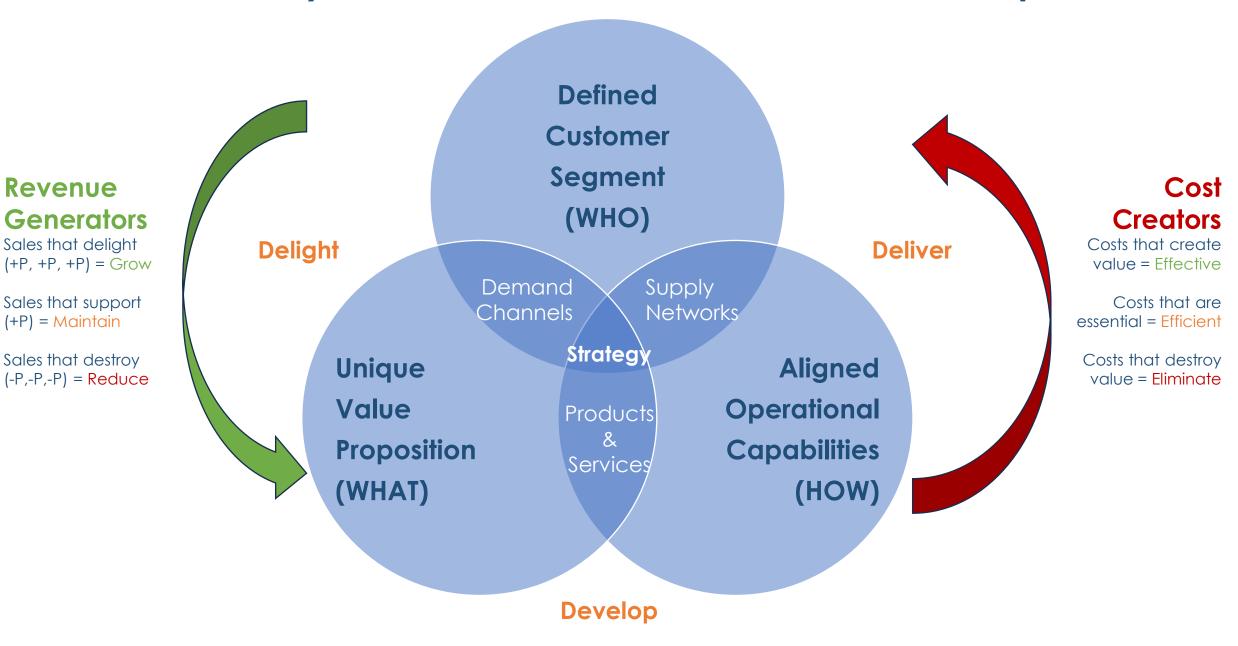
# "You do not rise to the level of your goals."

# You fall to the level of your systems."

- James Clear

### Understand the system of value and its costs and consequences

Revenue



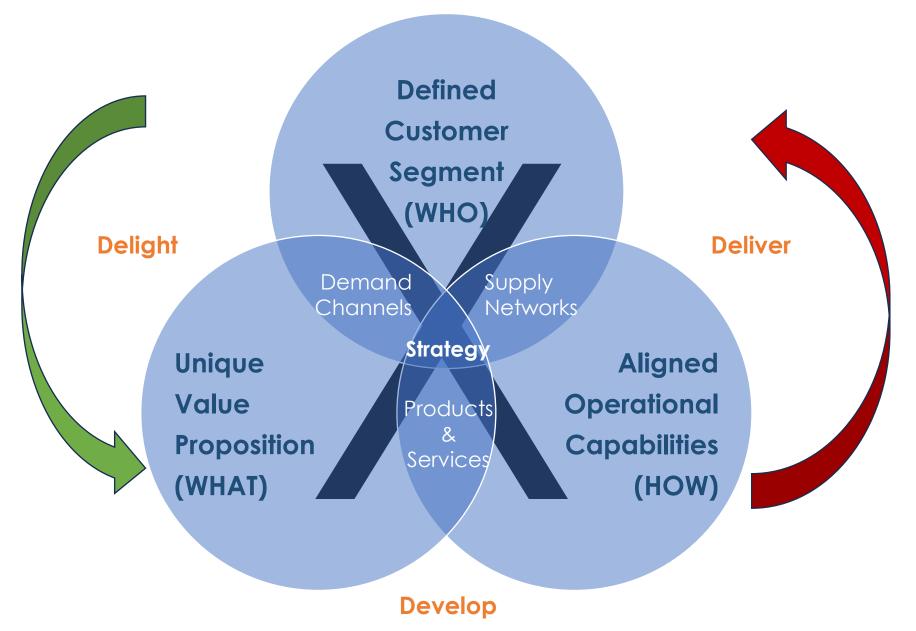
### X-shaped, multi-disciplined, strategically aligned teams...



Sales that delight (+P, +P, +P) = Grow

Sales that support (+P) = Maintain

Sales that destroy (-P,-P,-P) = Reduce



## Cost Creators

Costs that create value = Effective

Costs that are essential = Efficient

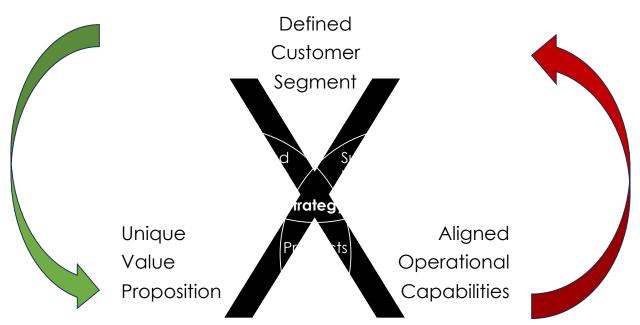
Costs that destroy value = Eliminate

### Define & align the commercial and supply chain strategies & metrics

Focus on defining and understanding the customers that drive profitability and establish how to delight them from both a product and service perspective.

Define the commercial strategy for this model

- Price?
- Innovation?
- Quality?
- User experience?
- Sustainability?



Define the supply chain strategy for this model

- Reliability?
- Responsiveness?
- Agility?
- Cost, Cash or Capital?
- Carbon?

**Demand side of the team** work to accentuate the differentiating factors and align activities, metrics & behaviours behind these strategic **commercial** objectives.

Supply side of the team work together across the value chain to align activities, metrics and behaviours behind these strategic supply chain objectives

# Align your technological investments to your supply chain and commercial strategies

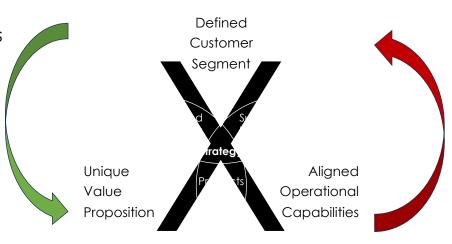
## Your business model team should collaborate on how AI & other new technology could help them become Anti-fragile...

#### **EXPLORATION**

- Create a New Future for the business
- Develop new business models
- Use next-gen tools to redefine value propositions
- Out-innovate the competition in areas that matter

### **EFFECTIVENESS**

- Increase ROI on good costs
- Align activities across the e2e supply chain
- Spot trends and market changes quicker
- Make better decisions faster sense and respond
- Make decisions at a granularity and frequency previously impossible – automate the long tail etc.
- Make decisions previously impossible



#### **EFFICIENCY**

- Minimise inter-departmental friction
- Minimise the cost of executing valueenabling activities (Essential costs)
- Increase the quality of data through automation
- Increase the number of 'right-first-time' results
- Operate 24/7 instead of 9-5

#### **ELIMINATION**

- Remove waste bad costs that add no value to the business or customer
- Use technology to provide insights without additional effort and meetings
- Eliminate the need for Excel 'shadow IT' solutions everywhere – single version of the truth
- Remove the need for constant meetings to find out 'what is actually going on'

## Determine whether these new technologies could help each value chain achieve its strategic objectives...

Could tools like RPA, chatbots and digital assistants remove non-value adding clerical and administrative activities, improving data timeliness and accuracy?

Could robotics and 3D printing produce things faster, minimizing the time from design to delivery and drastically reducing the inventory of spare parts and components?

Could smart, automated warehouse systems be used to dramatically improve the speed of picking and putaway?

Could autonomous vehicles move goods rather than humans, especially in remote or dangerous areas?

Can you use new forms of logistics in order to remove your carbon footprint and deliver things quicker?

Can you take advantage of Servitisation capabilities and rent rather than buy?

Could the IoT and digital twins could be used to simulate the supply chain, tracking energy utilization and asset performance in the field, predictively solving potential issues?

Could machine learning / AI decision intelligence be used to increase the accuracy of planning and create sense-and-respond capabilities?

Can you incorporate circular principles and design standardisation to enable greater reuse and recycling?

Could modular 'factory-in-a-box' systems help to rapidly set-up automated production facilities in remote locations, that can be monitored and controlled from afar.

Could facial or palm recognition and 'just-walk-out' technology could be used to control the access to equipment and automatically record who removed items and when.

Can you incorporate circular principles and design standardisation to enable greater reuse and recycling?

## 3. Design Thinking

People pay a premium for simplicity and convenience.







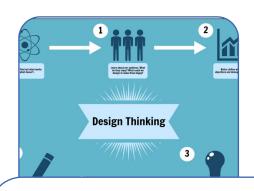
- Go back to first principles
- Who are your desired customers and what is their iob to be done?
- Understand the customer's 'job-to-be done' and the problems involved
- What are their pain points? Visibility?
   Sustainability reporting? CO2
   reduction? Risk mitigation?
- Does technology change their job or your offering?
- Reject 'one size fits all'- think business models and segment on value
- Consider radically different ways to solve these problems





### Systems Thinking: Redesign

- Understand the end-to-end system and its complexity
- Understand process inter-relationships (such as the supply-chain) and their inter-connections.
- Understand data feedback loops and strategic trade-offs
- Understand decision second order effects & unintended consequences
- Analyse problems critically from a data and decision-based perspective – use objectivity and evidence to address systems issues



### **Design thinking: Simplify**

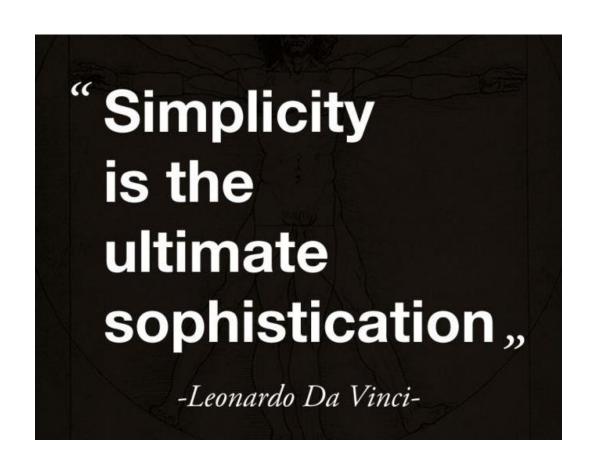
- Focus on solving customer problems and helping them succeed, not selling them products
- Redesign and simplify the system around the delivery of desired customer outcomes - Reshore? Nearshore? Outsource? Consolidate? Vertically integrate?
- Design the system and its solutions for simplicity, usability and flow –
   remove barriers to value

## Once you understand the system, you can focus on simplifying it.

Design your supply chain and your offerings for simplicity, not complexity...

Resist the temptation to believe that **complex** external issues require **complicated** internal solutions.

To thrive in an exponentially more complex world, you need to **simplify**, not complicate.



## **The Problem?**

Complexity grows **naturally**, while simplicity needs to be **consciously designed**.

The prime opportunity of this age is to simplify processes, procedures and products behind the delivery of desired customer outcomes.

It's not easy, which is why most don't do it.

Most companies prefer the passive security of independently reacting to events, which allows **complexity to spread**, rather the hard 'whole system' approach of understanding the end-to-end supply chain, defining strategies, unintended consequences and trade-offs.

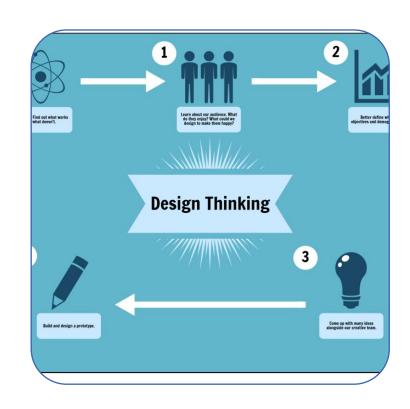
## **Becoming Anti-fragile - Design Thinking**

**Return to First Principles:** Seek out the inherent simplicity at the heart of the business.

### Work back from desired Customer Outcomes:

- How does the current system make things difficult for your customers?
- Could your services be redesigned to reduce the complexity?
- Could you design solutions that eliminate or minimise the frustrations and issues your customers face? What about your team?
- Could you use technology to reduce non-value adding steps or eliminate barriers to value?
- Can you use technology to help your customers succeed?

Design your solutions and the system of delivery for simplicity, usability, circularity & flow.



## Organizations can't rely on technology alone.

They must overcome cultural barriers and define a framework and series of behaviours that enable its people to operate with speed, agility and resilience.

### Anti-fragile Goals, Org structures, Mindset and Culture

	Fragile (Post Traumatic Stress)	Anti-Fragile (Post Traumatic Growth)
GOAL	<ul> <li>Maximize value for shareholders</li> <li>Protect your slice of the market</li> <li>Firm-centric</li> <li>Products and short-term profits</li> <li>Sustainability as a reporting requirement</li> </ul>	<ul> <li>Maximize value for stakeholders</li> <li>Grow the pie / bake new pies</li> <li>Consumer / customer-centric</li> <li>Business models and long-term value</li> <li>Circularity as a business imperative</li> </ul>
STRUCTURE	<ul> <li>Instruction from above</li> <li>Command-and-control</li> <li>Efficient functions</li> <li>Designed around activities &amp; responsibilities</li> </ul>	<ul> <li>Ideas from everywhere</li> <li>Empower-and-enable</li> <li>Agile, aligned, x-process value teams</li> <li>Designed for flow and outcomes</li> </ul>
MINDSET	<ul> <li>Fixed mindset – protect what you know</li> <li>Product selling</li> <li>Cost and budget control</li> <li>Hate uncertainty</li> <li>Activity and task-focused</li> </ul>	<ul> <li>Growth mindset – embrace uncertainty</li> <li>Problem solving</li> <li>Value creation and abundance</li> <li>Embrace uncertainty</li> <li>Decision and outcome-focused.</li> </ul>
CULTURE	<ul> <li>Adherence to rules</li> <li>Knowledge &amp; experience (must have answers)</li> <li>Avoid risks / blame culture</li> <li>Play not to lose</li> </ul>	<ul> <li>Freedom to challenge</li> <li>Inquiry &amp; creativity (right questions)</li> <li>Constant experimentation / learning culture</li> <li>Play to win</li> </ul>

### Remember that we still live in a human-centric world.

X-shaped people and teams are needed to leverage the value of all this automation.

Machines can make and move products...

...but they cannot imagine what products to make.

Machines can create images from text and write books...

...but cannot determine what images to create or books to write.

Machines can help make decisions...

...but they cannot decide what decisions are important or what outcomes are good.

Machines can find trends in large amounts of data...

...but don't know what to do with that information.

Machines can help us find answers to questions...

...but they don't know what questions to ask.

Machines are a what, sometimes a how, but never a why.

That's where human creativity, imagination and entrepreneurship comes in.



The sixth wave's second phase presents an opportunity to redefine what your organisation stands for, how it operates, and what it rewards...

<u>Take it.</u> Go beyond resilience. Become anti-fragile.

### Is your company ready for the Sixth Wave's second phase? Human + Machine reality awaits – but only for those able to adapt.

Change your mindset. Change your future.



Thank you! sean@seanculey.com





## Questions



we commit. we deliver.