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*All leadership is example.
Anything else is coercion.*

Consulting & Coaching

Evolving at the Velocity of Change™

Pessimism, Optimism and Realism in Our Rapidly Changing Markets

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A Summary of this Article:

This article analyzes the causes for the accelerating rate of change in our mutating markets. It examines optional responses and synthesizes a sustainable approach to prospering in the 21st Century Economy: "Econ 21." Business organizations are like all other organisms: they must *evolve at the velocity of change* in their environment or risk extinction through maladaptation. At the end of this article is a list of questions for business leaders to consider in determining if their organization is *evolving at the velocity of change*.

The accelerating rate of change business organizations face in their markets is directly proportional to the accelerating rate of change in Information Technology. This accelerating rate of change has no known (or theoretical) terminal velocity! The rapidly changing Information Technology makes it a Disruptive Technology! The most significant impact of new technology is not so much on the economy but on our emotional, intellectual and spiritual environments that define our "society" or "culture."

These technological changes shape our "culture" which, when we get beyond the academic definitions, is just "our most successful way of thinking, feeling and behaving." When technology changes our environment, we must "change the way we think, feel and behave." This creates stress, chaos and frustration in our lives.

The markets in Econ 21 are mutating at an ever increasing rate, and the customers' expectations are rising just as rapidly. The time between the customer's first inquiry and the customer's expected delivery of "a satisfying experience" is becoming shorter and shorter. Conceivably, at some future moment, it will become instantaneous! Only organizations embracing a Rapid Response Culture™ will survive. These organizations, led by Effective Executives™, are populated with Emotionally Intelligent employees who create loyal customers, suppliers and communities by building Resonant Relationships™.

Because these Effective Executives™ invest heavily in the development of their employees, the employees are both loyal and confident of their long-term employability in the face of the fierce Winds of Change buffeting all organizations.

Our business leaders are generally responding to the fierce Winds of Change in one of three ways: they are Pessimists, Optimists or Realists. The Pessimists are reducing their exposure to the winds. They are essentially heading for "the nearest port in the storm", waiting for it to blow over. The Optimists are turning into the high winds, dropping anchor, confident the organization will weather the storm as it has those of the past. They are expecting the future after the storm to be very similar to the past.

 *Eagles don't flock. You find them one at a time.*

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7 5.11.2006 FA 001Pess, Opti, Real 605.Doc © Bill Shirley 2005

The Realists know the Winds of Change will continue to gust indefinitely, so they adjust their sails, tack as necessary, and keep sailing towards their destination. The Realists are the Effective Executives™. Only they will successfully deal with these unrelenting, unpredictable fierce Winds of Change.

The organizations of these realistic, Effective Executives™ are populated with emotionally loyal employees who respond rapidly to the customers' needs and enthusiastically exceed the customers' expectations. These Rapid Response Cultures™, driven by Resonant Relationships™, are capturing market share from those who have not created such cultures and developed a depth of intensely loyal employees.

We have before us one very clear example of this phenomenon: Microsoft failed to see the power of the Internet Services Model as it exploded on the scene. This model is rapidly making computer based software obsolete. The customer leases (at little or no cost) the software on an internet server, always having the latest, virus free software continuously available. Google and several others are successfully challenging Microsoft's long-held dominance in the software market.

Microsoft is now in a struggle for its very life and will probably need much of its enormous cash reserve to recover its health and prosperity. Over the past three years, its earnings growth has been phenomenal, but its stock price has hardly moved! Many market analysts now predict that Microsoft's profit margins may decline over 40% in the next four years!

It will be the Effective Executives™ who focus on building Resonant Relationships™ with customers, suppliers and employees that will enjoy sustained prosperity. Other organizations, no matter how prosperous in the short term, will be vulnerable. The full development of this thesis follows:

Change, Evolution and Culture:

Man has been around a while, and our life-supporting universe a while longer. Change has been accelerating since the Big Bang! As our universe - that is, our Environment - changes, all life must evolve in response to these changes. Man evolves intellectually, physically, emotionally and spiritually in response to the pressures - the stress - of his ever-changing environment. If our universe presented an unchanging or static environment, survival would require stagnation; any evolving organisms would be maladapted and not survive. So not only must we evolve, our survival requires us to *evolve at the velocity of change* or we will become maladapted to our environment.

This is not new information: history reveals a vast number of communities and cultures -- whole civilizations - that have disappeared because they failed to evolve at the *accelerating* velocity of change. They were replaced with communities, cultures and civilizations better adapted to Evolving at the Velocity of Change. Nothing unusual here, this is just the nature of our universe. It has always been so.

Our 21st Century Economy - "Econ 21" - is the natural outgrowth of advancing technology, specifically the technology related to information flow. While technology greatly improves our physical environment through a cornucopia of tools and toys, its most significant impact is on our emotional, intellectual and spiritual environments we (collectively) call "society." The accelerating rate of change in society is directly proportional to the accelerating velocity, quantity, and reach of information. Rapidly advancing Information Technology imposes rapidly advancing changes upon our society - "our culture" -- requiring that we evolve, both individually and collectively or become maladapted, leading to extinction. Information Technology is now a Disruptive Technology creating immense stress, chaos, and frustration through our culture.

Traditionally, Culture is defined as "a system of shared beliefs, values, behaviors, attitudes, customs and artifacts of a community." This is an abstract, academic definition. But the Culture in which we live is real: it shapes how we think, feel and behave through its system of rewards and punishments. So, in our natural effort to avoid pain and find pleasure, *our experience of the culture is our most successful way of thinking, feeling and behaving within a community*. From our individual experience, the culture is not some set of abstract

values and beliefs. The reality is that it is “our most successful way of thinking, feeling and behaving within the community.”

When the community is an organization, the organization’s working environment defines the employees’ experience, and in turn, their experience defines the culture. The organizational culture, i.e. the employees’ most successful way of thinking, feeling and behaving, is the natural response to the environment created by the leaders. The leaders control how the organization’s working environment adapts to the accelerating changes in their markets (driven by the accelerating changes in Information Technology.) This concept applies to all communities: families, schools, churches, businesses, clubs, cities, and nations.

When new technology imposes changes in our environment, our culture must adapt, i.e. we must evolve; we must discover new, successful ways of thinking, feeling and behaving within our community or “Polis.” If we don’t evolve, we discover life is less successful in whatever way we measure “success.”

“Polis” in this context is any community organized for the common and greater good of its members, and as such, has accepted norms of thinking, feeling and behaving enforced through its own system of rewards and punishment. A Polis can be any community from two friends, to a family, or a business, or a nation, or even a group of nations. Neither its specific reason for being nor its size is of any consequence.

When a Polis fails to survive, it is because the members have not evolved at the velocity of change. That is to say, its leaders have not successfully led the required transition in the accepted norms of thinking, feeling and behaving at the (ever increasing) velocity of change so the Polis can successfully adapt to the environmental demands of the time.

A typical example is the Polis of a business organization: Management establishes the working environment. The culture is the employees’ most successful response to that environment. For example, if the working environment supports innovation, creativity and risk taking, then the employees will “think, feel and behave” accordingly. Conversely, if the working environment supports win/lose competitive acrimony, or negativity or bureaucratic behavior, then the employees will “think, feel and behave” accordingly. It is clear that the 21st Century Global Economy is forcing business leaders to create working environments very different from those considered successful just a few years ago.

The Rapid Response Culture™:

The markets of Econ 21 are mutating at an ever-increasing rate of change. The economic half-life of an organization’s product or service is becoming shorter with every doubling of the semiconductor’s processing capacity! Only organizations with a Rapid Response Culture™ will survive; for only those organizations have employees evolving in their manner of thinking, feeling and behaving at the velocity of change in this 21st Century Global Economy.

What distinguishes the organizations with the Rapid Response Culture™ from those who are destined to disappear? The short answer is the manner in which the leaders deal with fear; their fear and the fear of the employees regarding employment security. The full answer requires some unfolding, so we will begin the unfolding with the manner in which leaders deal with these fears.

Environmental change is frightening, and rapid environmental change is absolutely terrifying to everyone! The Senior Management team of an organization is as human as its supervisors and all other employees. Until very recently, our sense of security was rooted in the institutions and organizations we believed were permanent, or at least, indefinitely stable and sustainable. Now we must deal with the reality that there is no external security in the environment; the universe affords us none!

Our only security is our core belief in our individual ability to evolve in body, mind and spirit to meet the demands imposed by the environment’s (accelerating) velocity of change. For example, our employers (even if

we own the company) cannot guarantee us employment, pensions, health care or even a healthy working environment! Most job descriptions become obsolete in less than two years.

Since we have no employment security, we must each take full responsibility for sustaining our *employability*. We must be life-long learners. We must know ourselves so well that we recognize our natural talents and develop them to the fullest so that we make our limitations irrelevant. We must waste no time or energy attempting to develop talents we do not have. We must take full responsibility for our career and not expect anyone to “take care” of us. This imperative applies to everyone from the most senior executive to those who perform the routine, every day work of the business.

The demand for those with creativity and the ability to find innovative solutions to intractable problems far exceeds the supply. The left brain technical skills and linear, logical, analytical reasoning skills are necessary but are no longer sufficient. The rewards are flowing to those problem solvers with the talent to create innovative business processes; a combination of right brain creativity, imagination and vision grounded in left brain logical analysis.

Finally and most significantly, it is those with the Emotional Intelligence and the Personal Leadership Talents to create Resonant Relationships™ (as well as create innovative business processes) who will rise to lead the surviving organizations; those with a Rapid Response Culture™. These are the Effective Executives™ of Econ 21!

An Effective Executive™ has the leadership talents to gain Buy-in to the organization’s mission, vision, values and goals. Without Buy-in, the executive must use coercion. Coercion, no matter how subtle, is not leadership or at least, not effective leadership in this century! Those who operate from the slightest “my way or the highway” mentality are endangered and will soon be extinct.

The Winds of Change:

The combination of many things: the turmoil from rapidly advancing technology, global terrorism, the political polarity of the Iraq war, the economic downturn of the past three years, and the utter disintegration of ethics at the highest levels of both our business and political leadership, taken altogether, have created fierce Winds of Change that cannot be ignored.

These Winds of Change are creating paralyzing and debilitating fears and tensions throughout the fabric of our society and the economy. Most leaders have responded to these market changes imposed on their organizations in such a manner that over 70% of their employees are “disengaged”, and intend to change employers within the next 12 months as the economy improves. (At this hour, the economy is rapidly improving.) “Disengaged” is a euphemism for “I fired my boss.” *People do not leave companies, they leave bosses!*

In general, the employees of each Polis (a large organization may have many Poleis) are responding to these Winds of Change in a manner consistent with the way their visible leaders are responding. These visible leaders (not just the Senior Executives, but executives from the top down) are responding in one of three ways: they are Pessimists, Optimists or Realists.

The Pessimistic Leaders are the vast majority. They complain – and even fight -- about the Winds of Change among themselves and the people they are leading. Their negativity is contagious and infects the entire organization. They are reducing their risk and metaphorically, they are heading for the nearest “port in the storm.” Creativity, innovation and initiative are smothered. Bureaucratic – CYA -- thinking abounds!

This extreme caution feeds the organization’s fears and feelings of discontent, helplessness and hopelessness. The employees have no enthusiasm with which to engage their customers. The customers are turned off by this lethargic culture. The turnover of both talented employees and profitable clients is high. Generally, this

negativity is subtle and covert rather than out in the open. But it is real and lethal whenever management is leading from fear.

The Optimistic Leaders are the next largest group. They acknowledge the Winds of Change with accepting good humor and the confidence everything will be fine. Metaphorically, they turn into the wind, and drop anchor to ride out the storm. They remind everyone who will listen (the pessimists are not listening) that the organization has weathered fierce Winds before. Their strategy is to patiently wait out the storm, confidently certain that conditions will return to “normal.”

While these leaders appear confident in waiting for things to return to “normal”, they become cautious; they do whatever they must do to maintain the status quo. In pursuing this strategy, they fail to value, develop or recruit exceptional, problem-solving talent with creativity, initiative, imagination, and vision. These leaders also fail to focus on building Resonant Relationships™ among the employees, customers and suppliers.

But “normal” today is no longer what was “normal” yesterday. While at anchor, the market continues to mutate; today’s “normal” never existed before! At their core, the Optimist is not substantially different from the Pessimist. Both are either unaware of the reality of their situation, or are intimidated by this reality and choose a strategy of denial.

The Realistic Leaders are the rarest group. They know that these fierce Winds of Change will continue to gust in unpredictable ways, so they adjust the sails, tack as necessary, and keep sailing towards their destination. They are very clear about their destination and course adjustments are just part of the adventure. As Realists, these leaders are neither pessimistic nor optimistic; they see things just as they are.

The Effective Executives™ weather the Winds of Change by retaining, developing and selecting Emotionally Intelligent employees who create Resonant Relationships™ and by so doing, evolve a Rapid Response Culture™.

The Realistic Leader knows that prosperity in Econ 21 requires a growing base of emotionally loyal customers. This requires emotionally loyal employees who respond rapidly to the customers’ needs and enthusiastically exceed the customers’ expectations.

The Highly Productive Resonant Culture™:

Among other things, such a culture is also a Resonant Culture™, one that calls forth the creativity, initiative, imagination and vision of everyone! The talent that creates innovative business processes is well rewarded. The Senior Executives realize that successfully adapting to the Winds of Change requires *every* employee’s enthusiastic contribution.

Such employees are totally confident that they have the experience, skills, talent, credentials and work ethics to be immediately employable in fulfilling and meaningful work elsewhere. *Their job security is in their confident employability!* This cultural attitude is the result of a working environment where talent is recognized, developed and rewarded; where management makes a significant on-going investment in skill development. Employees stay because they have Buy-in to their leader’s purpose, vision and values.

So it is not sufficient for leaders - and their organizations - to deal with their fears by just moving from Pessimism to Optimism. They must embrace Realism with the quiet confidence and humility required to create a Rapid Response Culture™ and Resonant Relationships™. They must become Effective Executives™.

The typical response of senior executives and business owners upon first encountering this material is something like: “All this business of Effective Executives™ creating a Rapid Response Culture™ and building Resonant Relationships™ with employees, customers and suppliers is an interesting theory that may become relevant at some distant future time, but not today.”

However, if you were to have a conversation with Bill Gates on this subject, I doubt that he will agree with you. Bill Gates and the Microsoft Polis are just beginning to realize the necessity of a Rapid Response Culture™ and the importance of Resonant Relationships™! Here is their story:

The Failure of Microsoft to Evolve at the Velocity of Change:

About four years ago, a whole new business model of how software is created, distributed, used and paid for emerged. The market is rapidly mutating to this model due to widespread high speed internet access and open source software systems such as Linux. This Internet Services Model is an open, competitive model where the software is either inexpensive or free, and the supplier gets paid for computing services by advertisements or modest subscription fees. The software resides on a server which the user can access from anywhere a high speed internet connection is available. The vendor keeps the software continuously updated, virus, worm and bug free.

In response to this web-based computing service model, Microsoft executives divided into many non-communicating Pessimists and more non-concerned Optimists. Microsoft's culture is better known for its competitive dissonance than its collaborative resonance. The Optimists were confidently certain things would return to (their idea of) "normal." And, if that didn't happen, Microsoft could always use its strong arm competitive tactics of the past. Microsoft chose to let the storm - this new business model - blow over. But this storm is showing no signs of dying; in fact, these fierce Winds of Change are intensifying!

Finally, early in 2005, Bill Gates realized Microsoft was in serious jeopardy of seeing its market destroyed in this storm! So he hires Ray Ozzie as Chief Technical Officer to move Microsoft from selling complex, integrated software packages residing on PCs (and developed over long product cycles) to delivering simple but powerful, continuously updated computing services residing on the internet. And this mother-of-all paradigm shift must happen immediately, if not sooner!!

Bill Gates' sense of urgency was not universally shared among his senior executives. Ray Ozzie was advised by his new colleagues to take a year to learn how things are done at Microsoft before attempting to shift the culture. However, in October 2005, he presented his ideas on what Microsoft must do to survive in seven pages titled "The Internet Services Disruption." Bill Gates also describes this "service wave as very disruptive." He says "the next sea change is upon us." (Disruption, n: "an event that results in displacement.")

Web-base software now looks and feels like desktop applications. Microsoft's competitors have formed the Open Document Foundation to create freely available formats for word processing, spreadsheet and other office documents as alternatives to Microsoft's proprietary Office Suite formats. This shift to The Internet Services Model is rapidly eroding Microsoft's power to dominate industry standards. Very soon, it will no longer dominate its traditional markets. Microsoft no longer has the market clout to crush its rivals.

Microsoft's competitors in the web-based services market range from I.B.M. to raw startups. The one everyone is watching is Google. Many industry gurus believe Google will come forth with a wide array of web-centric software competitive to Microsoft desktop products.

The financial analysts in the computing industry do not agree as to Microsoft's future. The stock market has not shown much confidence in the company. Over the past three years, its earnings growth has been relentless, but its stock has hardly moved. The consensus seems to be that the company has not been Evolving at the Velocity of Change™! The prevailing perspective is guarded: while no one piece of software is seen as replacing Word or Excel, etc., the many excellent web-services offerings, in the aggregate, will eat away the core market of its Office Suite products over the next couple of years.

Highly regarded financial analysts predict Microsoft profit margins can drop 40% or more over the next four years! These predictions are all hedged on what Google does and how well it does it.

This much is clear to everyone: Microsoft must now survive in a web-based computing services market against well-financed, agile and responsive competitors. The market will only embrace vendors who listen and quickly respond to its perceived needs. Only those organizations with Rapid Response Cultures™; organizations skilled at creating Resonant Relationships™ with its employees, customers and suppliers will prosper, the others will wither.

Microsoft Must Create Resonant Culture™ Within a Dissonant Environment:

Bill Gates, Ray Ozzie and Steve Ballmer face a daunting challenge as Microsoft is not known for its Resonant Relationships™, either internally or externally. The Microsoft culture must quickly evolve into something no one ever dreamed was possible as recently as a year ago. Innovation and creativity must abound! That requires individuals to take risks; to risk looking dumb or silly as they work out embryonic ideas. *Everyone, from the top down, must discover an entirely new way of “thinking, feeling and behaving.”* High risk, innovative behavior can only exist in a working environment grounded in honesty, openness and trust, i.e. a culture of Resonant Relationships™. Their “traditional” Dissonant ways of thinking, feeling and behaving must quickly be replaced with a Resonant Culture™.

Microsoft’s future will not be determined by its technical talents. It has an abundant surplus of technical talents. Its future will be determined by its relationship talents; its ability to create Resonant Relationships™ where people disagree without being disagreeable. Only in a Resonant Culture™ will everyone’s enthusiastic creative energy come forth to develop a whole new way of doing business.

If Microsoft is even a player six years from now in the market it dominates today, it will be because it quickly evolved a Rapid Response Culture™, and the organization becomes known for its Resonant Relationships™ with its employees, customers and suppliers.

How Much Pessimism, Optimism and Realism Exists in Your Organization Today?

If you can, step back and honestly look at your organization, its leaders and employees, with no shades of pessimism or optimism, just realism. What is the frank reality of your situation? Here are some questions to spark your examination:

- Are you rapidly responding to your client’s latest expectations with ease or are you making excuses, offering discounts, and doing other things in desperation to hold the business?
- Are your employees enthusiastically engaged, or are they in a passive weekly countdown?
- Is your human capital asset base expanding, or is turnover diminishing your resources?
- Do your colleagues and direct reports easily tell you what you need to hear, or are you a “good news guy” infected with CEO Disease or don’t you know?
- Are you getting immediate and reliable information from your frontline people on the smallest shift in customers’ expectations, or are you surprised when the market mutates?
- Do you and your key leaders operate under the stress of dealing with the urgent, or do all of you have time to reflect and think about what is truly important?
- Are you dealing with overwhelm, frustration and isolation, or are your creative and problem solving talents nurtured by the environment?

Your candid and realistic answers to these questions - and many more like them - are the first step in bringing your organization to the place where it, and all of the employees, is Evolving at the Velocity of Change. Once you are realistic about where you are, the path to where you want to go becomes clear.

“The Rate of Change in your universe is accelerating and it has no known terminal velocity.”