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PREPARING FOR BUSINESS  
IN THE NEXT DECADE

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# Foreword

The economic recession has prompted a sustained period of change that has forced organisations in both the public and private sectors to quickly adapt to an unstable and ever-changing market. As the communications partner to many of the UK's largest employers, one of our top priorities is to help our customers prepare for the challenges they will continue to face in this new decade.

We commissioned this report in order to understand the forces driving this change, and to explore how and why large organisations will need to evolve their business models in the future.

The report has revealed that employers have learnt from the hard lessons of the recession, and a new breed of businesses and public sector enterprises have emerged better prepared to deal with the economic challenges of the coming months and years.

Advances in new technologies are transforming the ways in which organisations operate, and successful enterprises will be those that embrace the opportunities these advances present.

Our challenge is to help all of our customers harness these opportunities. We believe we have already responded well by moving our services beyond mobile communications to embrace fixed-line and consultancy services.

It is evident that change triggered by the recession is set to continue to have a major impact in the months and years to come. At O2, we intend to be at the forefront of this change and will continue to work with our clients to lead them into this new era fully equipped to adapt rapidly to an ever-changing world.

*Ben Dowd, Business Sales Director, O2*

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# Introduction

This report is the first in a three-part series commissioned by O2. It investigates how large British organisations across the private and public sectors will adapt to (and capitalise on) rapid, unexpected and sometimes cataclysmic change over the coming decade. The series looks at the following subjects:

Chapter 1: the nature of change and the need for large organisations to become more efficient

Chapter 2: the case for greater sustainability over and above cost savings

Chapter 3: the way organisations will become increasingly social (customer- and public-centric)

The reports have been written by The Future Laboratory and Future:Poll (The Future Laboratory's research division). Our project involved a three-step research process: consolidating and analysing desk research; conducting a quantitative survey of senior managers and directors within 500 large British organisations (with a turnover of £5m - £50m); and selecting and interviewing experts, including academics, authors, and strategists, to further understand the impact of change. The quantitative survey and supporting research was conducted in February 2010. Unless otherwise stated, all statistics in this report are from the quantitative survey.

## Contributing experts:

- : Grahame Broadbelt, director of development, Tomorrow's Company
- : Roland Harwood, director of open innovation, NESTA
- : William E. Halal, professor of business, George Washington University
- : James Goodman, head of futures, Forum for the Future
- : Nicholas Bate, author and consultant, Strategic Edge
- : Professor Carlos Cordón, IMD
- : Lynne Maher, NHS Institute for Innovation and Improvement
- : James Wallman, editor of LS:N Global
- : Gary Hird, technical strategy manager, the John Lewis Partnership
- : Tim Bradshaw, head of the CBI Enterprise and Innovation

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# Part 1: Organisational Realisation

Britain is passing through the first months of a fragile economic recovery. The current climate is finally enabling many organisations to reflect, rework and realign themselves for the coming decade – a decade that is set to be turbulent, challenging and rewarding for some. These conditions will encourage the rise of large organisations which benefit from being efficient, sustainable and social (consumer- and public-centric).

*‘The recession was a catalyst for change. It forced companies to consider what is core; where they see potential for growth; where they can collaborate; and which parts of the business they can shed. This would not have happened to the same extent had we not had that shock to the system. Companies will prepare for things at different rates. But they are already thinking about doing things differently, and they are ready for change.’*

Tim Bradshaw, head of the CBI’s enterprise and innovation team

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## A new realisation: waking up to the dawn of a new decade

### Considered conduct

The recent recession caused the majority of large British organisations to shift their focus to the future, while being agile in the short term. The majority agree they could have done more to understand and exploit opportunities in the market during this time (65%), but most organisations were able to swiftly adapt and make decisions during the recession to exploit opportunities (72%).

*'The future is uncertain for organisations because of the twin challenge of sustainability and globalisation. Although we can begin to map some of these challenges, the nature and scale of these impacts continue to be uncertain. This makes planning using traditional planning tools really difficult. There is a new strategic planning requirement to build adaptive capacity in order to build resilience and respond effectively.'*

Grahame Broadbelt of Tomorrow's Company.

At the beginning of 2009, Aldi was quick to respond to the shift in middle-class spend from the high-end UK grocer Waitrose to its own more discounted offering. The company reported that its ABC1 customers had increased by 17% since 2008 in the UK, and the result was a new brand message, new stores in wealthier neighbourhoods and an expansion of its fresh produce and wine offer.

### Foresight and attentive minds

This recession has caused organisations to blend short-term tactics with long-term strategies; a new approach for many who would previously have been short sighted. Businesses agree the recession allowed them to justify and quickly implement tough decisions for long-term gain (79%). This astute and pragmatic attitude fostered during the recession saw them prioritise future growth plans (74%) over ensuring short-term considerations (57%), even though that meant in many cases making tough decisions to ensure short-term survival (66%).

*'The reason the recession has been so devastating for so many organisations is that they didn't have any flexibility or fast-footedness in their organisations. This is not just about responding to recession, but reacting to an opportunity. Organisations of the future will be more organic. If you have a hierarchical structure, you cannot respond quickly.'*

Nicholas Bate, author and consultant at Strategic Edge

One company that has profited from the recession is Waitrose, in spite of the rise of the Aldi (those shifting to the discounted stores). Indeed, the supermarket chain repositioned its line as soon as the recession hit and the Aldi emerged. It didn't lose its high-end range, but it also tried to attract families with a greater range of products including its 'Essentials' range. This speed and agility ensured that its 2009 Christmas results were staggering, and it is opening new food markets across the country in service stations.

## Being prepared and prudent: future challenges are being anticipated now

### Nurturing preparedness

Increasingly, studying and pruning operational systems is the priority for organisations that want to survive and thrive in the future. Not knowing what and where to optimise is fast becoming inexcusable.

As the upturn unfolds, organisations are making sure they become more effective and efficient now to overcome future challenges (87%). Naturally, many are focusing on recovering from the impact of recession at the moment (78%), but the recession has forced them to redesign their operational methods and practices in order to plan for future changes ahead.

In fact, transparent and streamlined supply chain systems are seen as key elements (84% and 82% respectively) to the ongoing success of an organisation. Three quarters (75%) feel the recession has forced them to develop a clearer picture of their own business strategy.

Notably, the public sector did not build the adaptive capacity needed to respond effectively to the scale and pace of recessionary changes. Instead of being transparent, streamlined and efficient, it has a mindset of chopping things off at the edges (to make cuts) as opposed to driving fundamental change. This short-termism and lack of future strategising means they and those like it will not reap the rewards of the recession.

### Clarity and de-cluttering

The recent recession has been a blessing in disguise for many organisations, making them leaner, fitter and more astute. This marks a turning point in the evolution of private and public organisations, and as we will see, will drive a new era in organisational strategy.

The recession primarily enabled British organisations to cut operating costs (53%) and find more efficient ways of operating (41%). Whilst the recession meant trimming unnecessary staff (40%), it also trimmed the marketplace by removing competition.

This de-cluttering means a third of organisations say it is now easier to find and develop talent, and a quarter say they can now engender greater productivity from their employees.

Market clarity and cohesion were the reasons why Germany rode the upturn faster than other European states. The successful upturn of Germany's export-driven economy surprised many in the third quarter of 2009. It has reminded many British organisations that not being blinkered and not holding your breath to wait for crises to pass can turn a recession into an opportunity to hone thinking, prune operations and demonstrate greater flexibility.

## The impact of the recession

- : Large organisations now prioritise future growth plans (74%) over ensuring short-term survival (57%)
- : They feel the recession has forced them to develop a clearer picture of their own business strategy (75%)
- : Nearly nine in 10 (87%) of senior executives say the recession has forced them to become more effective and efficient, and they have redesigned their operational methods in order to plan for future changes
- : Private and public sector enterprises were able to swiftly adapt and make decisions during the recession to exploit opportunities (72%)

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## Harnessing change to bolster an organisation

The recession is a major force driving and shaping organisations but there are, of course, other dynamics at play.

### Change is good

Myriad forces are presenting opportunities for organisations. Nearly half of private and public sector leaders (42%) are confident that their organisation will improve and more than a third (37%) believe it will thrive over the coming decade as a result of a number of social, cultural, economic and technological changes.

This confidence is remarkable when you take into account that the top forces perceived as threats by organisations now are terrorism (57%), rising levels of customer debt (53%), a sharp rise in energy prices (51%) and the unstable economy of the US (50%).

### The new breed

A number of key changes set to take place in the next decade will prompt four major changes in the way organisations operate.

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## 1: Female-focused

‘Female centrality’ may sound problematic to some. But for strategists in fields as diverse as healthcare, the armed forces, economic policy, marketing and manufacturing, it is the essential new focus for the 21st century. Almost two thirds of British organisations (62%) believe that having women in senior positions is critical to their ongoing success. Furthermore, the rise of a female workforce is now seen as a major opportunity for organisations in Britain (78%). ‘It’s not about talking to women because it’s fair, it’s because it makes business sense,’ says Jane Cunningham, co-founder of female-centred marketing agency PrettyLittleHead.

The past 150 years have been in the hands of men, as the Economist recently put it, and production has been geared to male preferences. However, the next 150 years will be female-focused and the future focus, it believes, needs to be on women. For economists, the focus on women means boosting GDP by bringing more of them into the workforce. European economist Kevin Daly of Goldman Sachs is understandably excited about the prospect of increased female employment. ‘Raising female employment to male employment levels would boost US GDP by as much as 9%, Eurozone GDP by 13% and Japanese GDP by 16%,’ he says.

Women will be well equipped to face the challenges of the coming decade. In today’s economy, which relies heavily on knowledge services and creativity, the currency is one of collaboration, communication, teamwork and democratisation. These are all traits that are viewed as female and associated with the right brain, as opposed to the left brain which is skilled at logic, systems, and hard data (male-centric).

Daniel Pink heralded the female age in his book *A Whole New Mind*, which looked at the importance of right-brain skills rather than left-brain approaches, which he associates with the previous information age. ‘Women generally have larger, denser, more robust corpus callosums than men,’ says Pink, referring to the dense network of nerves that mediate communication between the left and right hemispheres. ‘This suggests they’re better able to toggle between the left brain and right brain. If you believe that the world demands a whole new mind, this is an advantage.’

## 2: Technology-driven

Digital connectivity has brought operational transparency to the fore, and over the coming decade this greater openness and awareness, based on communication technologies, will allow organisations to thrive and tackle change.

The advance of mobile phone/device technologies (65%), increasingly sophisticated office technologies (71%) and home technologies (61%) are all seen as enabling British organisations to thrive in 2010. Even the growth of social media and social networking technologies (59%) is seen as a majority opportunity area for organisations.

*'One view is that all the things we need to survive and thrive are in abundance; we just need to think carefully how we navigate the territory. Technology has a big part to play in that.'*

Grahame Broadbelt of Tomorrow's Company.

According to a recent report by HSBC CMB, the majority of European businesses agree that their country will flourish only if all organisations use internal and external operations (supply chain, customer relationship management, marketing, distribution, etc) that work across all digital channels, thereby making them more transparent and open for collaboration and cooperation. Indeed, alliance is proving the best remedy during adversity.

*'Networked and collaborative work is going to become much more important in the coming decade. Organisations are going to become much less hierarchical, and much more connected and emergent.'*

James Goodman, head of futures, Forum for the Future.

A lot of effort is being put into building a technological basis for tackling future change. Nearly half of organisations (48%) are already investing in more advanced technologies in order to prepare for future factors, and a similar number think new technologies are essential as they face future challenges (42%).

## 3: Ethical rather than environmentally friendly

Increasingly, organisations are doing 'good' by augmenting society and helping to change things for the better. Community responsibility (ie. giving something back to society) is viewed as a major opportunity by many organisations now (55%) and in the future (53%). Over the coming decade, the LATTE factor (Local, Authentic, Targeted, Trustworthy and Ethical) will be key if organisations are to succeed and resonate with the public. When asked to rank these traits, British organisations believe trustworthiness is the most important. This fits with the importance of being civically minded and 'good'.

*'Brands have learned that it is ok to talk, to take risks, and to collaborate, and because of this new values are being learned that encourage brands to develop a social, civic or community face. There's a growing need among consumers to buy local, stay local, and be more engaged and involved on a community level.'*

*'A decade ago such activities were seen to be marginal or cutting-edge, but now this is what consumers expect. But they also expect their brands to be more civic-conscious, caring and responsible; not as an add-on, but as a must-do.'*

James Wallman, editor of LS:N Global

## Top changes impacting organisations:

### Top Threats

- 1: Terrorist threats 57%
- 2: The rising levels of customer debt 53%
- 3: Sharp rise in energy prices 51%
- 4: The unstable economy of the US 50%
- 5: An overworked, time-compressed society 46%

### Top Opportunities

- 1: Increasingly sophisticated office technologies 71%
- 2: The advance of mobile communications technologies 65%
- 3: Increasingly sophisticated home technologies 61%
- 4: The growing knowledge and sophistication of customers 61%
- 5: The rise of a female workforce 59%
- 6: Ethical practices within organisations 57%

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## 4: In touch with the public

Furthermore, over half of senior leaders (57%) believe ethical practice within an organisation presents an opportunity today. In fact, decision makers ranked ethical practices as the seventh most important challenge to be harnessed in the next decade over and above the need to be environmentally friendly, which came in at 15th place. True to this, Nike is investing up to \$650k (£430k) in grants across the US to unlock the potential of young people to contribute to or change their community via sport. In the UK, brands including The Body Shop, Boots, Waitrose and the Co-operative Bank are all seen by consumers as brands that do good, or take an ethical or civic stance on issues. Marks & Spencer's 'Plan A' mantra is even going a step further by shifting from being a corporate strategy to a consumer lifestyle roadmap.

Indeed, an organisation must have a philosophy as well as a personality driving it. That philosophy must embrace the notion of community in its widest sense. Organisations must act within their communities and behave in a community-minded way. They can no longer be fence sitters: they are locked into a world that is social and communal, and they have to demonstrate these values.

'The priorities of young people have always been at the heart of our business, but our customers told us that they wanted to see us doing more to support them,' says Bill Eyres, head of CSR at O2. 'We listened and responded by launching Think Big, a unique scheme that will see us putting £300 directly into the hands of 13-25-year-olds to empower them to make a difference to their local communities.'

Knowing about the changing nature of social, cultural and political trends is increasingly important for organisations. Many see the growing knowledge and sophistication of consumers as an opportunity now (61%) and in the future (76%), and they too appreciate that their own knowledge capital is a must-have rather than nice-to-have function within an organisation.

*'Patients' expectations have risen dramatically because of access to the internet. It hasn't impacted that much until the last couple of years, but now patients are very knowledgeable consumers, and sometimes basing their knowledge on wrong information, which adds to the challenge.'*

Lynne Maher of the NHS Institute for Innovation and Improvement

Interestingly, being closer to the public and the customer isn't just about identifying trends and targeting them to sell more product. Being an intelligent organisation is about having a partnering stance with the outside, which involves 'coaching' the public to be better at what they think and do. For instance, an organisation might help people be better at using the product they have bought, as Apple does with its Genius Bars, where owners can drop in to learn faster and more creative ways of using their Apple hardware or software. The same is true for the eBay University, where super-auctioneers are groomed.

The focus now is on knowledge, according to William Halal, professor of business at George Washington University. 'But in the future we need to move beyond knowledge into consciousness to rethink the outmoded values, ideologies and political slogans. The world needs creative leaders to move the world into a new way of thinking, a global consciousness. This is the next great frontier we are discovering.'

Organisations say they would actually turn to the public first and foremost, then to consultants and finally the government for future advice and support when faced with change. This supports the new 'trialogue' appearing between public and private sectors, and the general public, where sharing intelligence is key to tackling change. Interestingly, these three sources supercede the need to turn to business networks and advisory groups (27%), banks (25%) and even lawyers (12%). With trust in these institutions at ground zero, this further demonstrates a shift from the traditional reference points to more useful, 'social' alternatives.

## Post-recession lessons: fostering positive organisational attitudes

### Guaranteeing future success

There are a number of imperatives that British organisations believe must be tackled in order to guarantee future success.

Organisations believe that listening to customers (92%), lateral thinking (91%) and robustness to weather the storm (89%) are the three most important things to put into action. Adaptive, flexible ways of working (88%), operational agility to shift resources (88%) and creative, innovative thinking (88%) must also be at the heart of an organisation.

*‘There are an enormous amount of opportunities in globalisation and sustainability: opportunities for companies to play on a global stage; for UK companies to build green jobs; connect to the green economy; and innovate around product and service innovation. But the only way you are going to do that is if you have got the adaptive capacity.’*

Grahame Broadbelt of Tomorrow’s Company

## The cost of not evolving: the social and financial bottom line

### High stakes

Not being adaptive, insightful and flexible will trigger a sequence of problems for organisations in the future. Organisations believe the main costs start with a decline in customer trust (49%), followed by a decline in profit margins (47%) resulting in a loss in competitive advantage and market share (45%). Naturally, low employee retention (40%) and a decline in sales (38%) follow shortly afterwards.

*‘Because the recession didn’t turn into a depression, because we still live in a rich society, and because the finance sector has bounced back, there is a risk that the window of enlightenment will close. Organisations must continually monitor their external environments from a broad perspective and think about things laterally. Very few organisations do systematic horizon scanning. They don’t think about the risks and opportunities on a regular basis.’*

James Goodman, head of futures, Forum for the Future

## The personality of the future organisation:

- |                |                    |
|----------------|--------------------|
| 1: Flexible    | 6: Agile           |
| 2: Insightful  | 7: Lateral minded  |
| 3: Adaptive    | 8: Prudent         |
| 4: Imaginative | 9: Entrepreneurial |
| 5: Empathic    | 10: Steadfast      |

## New decade, new priorities: value redefined

What we are witnessing is a redefinition of why organisations exist altogether, and a realisation (almost awakening) that ‘social profit’ as much as ‘financial profit’ is the key to future success.

The shifting perception of ‘value’ (the thing that organisations must report on to investors, shareholders, officials and the public) is increasingly becoming the talking point. Value underpins how an organisation thinks and behaves, and how the public and consumers benefit from an organisation.

When asked about their perception of ‘value’ over the coming decade, senior executives felt it would come to mean delivering quality products first and foremost (45%), then prioritising customer interests (40%), and delivering more meaningful products (35%). This represents a major shift in what future organisations will stand for, as public and employee interests overshadow those of the government, shareholders and legislators.

*‘The world is at a crucial juncture in terms of economics and corporate governance. The financial meltdown shattered confidence in the old, profit-centred model of corporate governance. This is not just about social responsibility and doing good. This model also creates value by integrating the interests of employees, customers, and shareholders into a more productive whole.’*

William E. Halal, professor of business at George Washington University

In future, being an organisation will be all about people. Adaptive capacity and adaptive thinking comes down to harnessing change, being opportunistic and making sure there is an open ‘trialogue’ between organisations, the public and the government.

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## Summary

Change has forced organisations to rethink their mission statements. Why does the organisation exist? What does it stand for? What could, and should, it do better?

Going deeper than that, it is about asking not what organisations can do for themselves, but what organisations can do for their country.

Change is inevitable, and organisations are realising change is an opportunity for greater growth and value in the form of social satisfaction. The key imperatives are:

- 1: Be more transparent, agile and connected by using the right technology.
- 2: Be more in touch, open and satisfying by integrating and investing with local communities (and this doesn’t just mean financially).
- 3: Be more aware, anticipatory and astute by researching trends, and asking yourself ‘what does all that data mean?’
- 4: Be more collaborative, communicative, conversational and democratic by either employing more women, or nurturing lateral mindedness in men.
- 5: This will challenge many, but the nature of a turbulent future, full of change and tension, will enforce this new organisational makeup.

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# Part 2: Organisational Fitness

The recession has had a cataclysmic effect on organisations, with the winners and losers clearly differentiated by those who see change as a good thing (the more agile, efficient, lateral organisations); and those who are structurally, financially and culturally wary (the more rigid, inefficient, linear organisations).

The temptation over the coming years will be to settle back to business as usual, and with this will come many of the habits that triggered the downturn in the first place: flabby, sluggish and wasteful operations. In the future, it is crucial that organisations find better ways to spend their time, money and energy, and efficiency lies at the heart of this.

*‘Twenty years ago when an organisation did its planning, there was a lot of stability. M&S would know exactly what its customers would be doing in two or three years, IBM would know what machines its customers would upgrade to in four years. But in 2010 and beyond there is a huge amount of ambiguity about what will happen. And there’s no time to stop and wait too long.’*

Nicholas Bate, author and consultant at Strategic Edge

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## The new breed of organisation:

### Hive Organisations

These organisations deliver efficiency by ensuring employees are allowed to make autonomous decisions. The key is to work together across teams, share information seamlessly and all strive for a common efficiency target.

### Live Organisations

These organisations deliver efficiency by harnessing the power of embedded ICT across all departments. This ensures they are able to swiftly adapt their operations, and make decisions during times of change to exploit opportunities.

### Clean Organisations

These organisations deliver efficiency by consistently making the ‘right’ decisions. This means selecting the right ingredients and materials in production, having the right environmental impact, using the right transportation systems, and instilling the right thinking throughout teams.

### Open Organisations

These organisations deliver efficiency by being collaborative and transparent, internally and externally, between teams, the public, legislators, competitors and the government. The net result is greater ideation, innovation and reactivity to change.

## Exercising operations: becoming fitter in body, mind and bank balance

The recession caused organisations to pay greater care and attention to operational efficiency (clarity of vision, augmentation of work forces and higher trustworthiness). A primary theme emerging from the recession is that it has made the majority of organisations more efficient (78%).

However, while the motive for this is usually cost saving, as the economy improves this won't be enough of an incentive to maintain efficiency. There is a need for organisations to be fitter and leaner to overcome the challenges of the coming decade. They will be expected to dodge, hurdle, sprint and leap when necessary.

The CBI, in its recent report on the shape of business in the next 10 years, predicts that companies will shed activities that they had accumulated during the 'nice decade'. This will create new organisational structures, built around a 'core' of permanent employees and unique business propositions, with a much larger group of activities and people located around the periphery of the organisation. A smarter, more agile, network-based model is set to rise.

*'Efficiency is a key trend that is driving what we are doing in IT.'*

Gary Hird, technical strategy manager for the John Lewis Partnership

The John Lewis Partnership is currently implementing server, storage and desktop virtualisation technologies and considering cloud computing, for example to bring in extra storage and processing power when it needs it.

*'Cloud computing gives us the ability to rapidly scale up and down. As a retailer we have seasonal peaks, so if we can use the cloud to cope with those peaks that would be a cheaper way of doing things. It is also about moving from a product view of the world to a services vision, and replacing capital expenditure with operational expenditure.'*

Gary Hird, technical strategy manager for the John Lewis Partnership

## Efficiency rationale: efficient means thriving, inefficient leads to failure

Greater efficiency can bring with it a number of social and financial advantages. The biggest benefit will be cost savings (67%), and higher staff retention by not having to make cuts and profits ahead of schedule. And there is no denying that feeling and looking fitter increases the chances of success in the future.

According to a recent report by Oracle, survival, efficiency and success go hand in hand. Creating a comprehensive, transparent view of an organisation's operations can become a significant intelligence tool to drive change in business practices. This creates new ways of operating that, in turn, reduce costs and enhance an organisation's chance of exceeding growth and performance targets.

*'What makes people happy at work is not money or community affiliation, but a sense of progress. They know where they are going, they make progress and make their contribution. Organisational design needs to support that. There need to be clear objectives, and lots of openness about how to achieve it.'*

Grahame Broadbelt of Tomorrow's Company

The primary consequence of being less efficient is not meeting performance targets (44%). Consequently, those who are inefficient are more likely to cut staff costs and services offered, see dwindling profits and a loss of market share. This demonstrates that, like the human body, being unfit can cause a whole range of secondary weaknesses.

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## Efficiency drivers: people are demanding that organisations get in shape

### Social pressure

As we saw in the first section, organisations are realising that they cannot continue to operate without considering the social and civic impacts of their actions. Similarly, working with the public and the government can ensure even greater success.

So, while four in 10 (43%) believe lowering costs is a key way of becoming more efficient as an organisation, nearly half (47%) feel that the need to be more efficient is due to pressure from customers and local councils/communities. Indeed, a quarter say a healthier work environment and workforce is a significant driver of greater efficiency.

*‘The NHS has taken a ‘lean’ approach from manufacturing industries, and applied it to better manage its wards. As a result, nurses have more time to care, safety errors have gone down, patients have got better quicker, and wards have reduced lengths of stay. But one unexpected outcome has been that sickness absence has gone down.’*

Lynne Maher of the NHS Institute for Innovation and Improvement

This is refining people’s sense of what an organisation is and how they engage with, work for, buy from and value it.

### Networked efficiency

Employee involvement is essential to this scenario. Increasingly, organisations believe decision-making should be unilateral, with employees allowed to make autonomous decisions (45%). Indeed, it is essential that future management styles allow employees to take part in decision-making to ensure great ideas and practices are shared and taken on board to enhance efficiency.

And interestingly, barriers to becoming more efficient are a lack of employee understanding of the issues facing organisations (32%) and large decisions only being made at a senior level (33%).

*‘Whereas in the past companies might have put money into solving problems internally, they are now using social networking tools to tap into wider sources of knowledge and expertise. We have spoken to numerous companies that are challenging younger members of staff to find solutions to problems via tools such as Facebook.’*

Tim Bradshaw, head of the CBI’s enterprise and innovation team

*‘Open innovation is about doing things better, faster, cheaper, reducing your core costs, and tapping into the best ideas wherever they may be. When managed well it can lead to efficiency savings. P&G estimated that the process of uncovering four \$100m ideas through open innovation with NESTA was four to six times more cost-effective than doing it all in-house.’*

Roland Harwood, director of open innovation at NESTA

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## Enabling efficiency: give people the tools and reap the rewards

### Empowered and enabled

Optimum efficiency is achieved when employees are not only empowered, but also enabled by being equipped with technology. Organisations agree it is important to allow staff to share information and knowledge better (47%) and use technology to allow staff to work from home (39%). Indeed, a third of organisations (32%) believe they will be more efficient if they trust staff to work remotely.

Technology also drives greater efficiency within organisations by enabling people to manage costs better (51%), centralise their knowledge sharing activities (47%), track their own productivity (43%), and be more aware of operations (42%). This overcomes some of the barriers people encounter when trying to be more efficient: internal teams not working together effectively, and complicated processes making it difficult to implement initiatives.

*'The film industry has been working to this model for years, bringing the producer, director, crew, and actors together for specific projects. That has inherent advantages: you don't have massive overheads, and no fixed costs in the quiet times. And by bringing a diverse range of people together, people get energised. More flexible, agile, Hollywood-film-style crack teams that come together to solve opportunities seems to be the way organisations are going.'*

Roland Harwood, director of open innovation at NESTA

Empowerment and enablement through technology will ensure higher levels of trust, transparency and traceability, which will place efficiency in the hands and minds of everyone, not just senior individuals. The next decade will certainly see many organisations upgrade ICT systems to ensure greater transparency, foresight and preparedness in their operations. Indeed, more than a third are already developing technologies to better orchestrate their supply chain.

Organisations believe other staff-related tactics will also be introduced to increase efficiency, including incentivising staff to produce less waste (38%) and to use less energy/resources (37%). A quarter even think greater efficiency will come from encouraging staff to be more carbon-neutral in their own lives. Advocacy to an extreme, it seems.

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## Efficiency rewards: nurture your social profit margin, or wither and die

### Social reward

Over the coming decade, there will be a move to nurturing the social aspect of an organisation; further proof that organisations realise maximising efficiency and profit isn't the only goal.

Building a more integrated and enabling environment in which to foster efficiency is crucial. Organisations say that the money saved from being more efficient will be reinvested into staff training (40%), better ICT infrastructure (35%), more R&D (26%) and a higher quality office environment (14%).

Writing on the Harvard Business Review blog, Umair Haque, director of the Havas Media Lab, says we are seeing the 'endgame' of a global economy that was built to create what he describes as 'thin value', or 'profit that is economically meaningless, because it leaves others worse off, or, at best, no one better off'. The challenge for businesses now, he says, is to create 'thick value', or 'profit that is sustainable, meaningful and that makes people better off'.

## Hidden costs

To not be efficient, and not realise the savings as social profit, will cost organisations in the future. The main costs will be lower employee retention, lower customer trust, lack of control and ineffective management structures. In fact, a lack of brand drive and vision will be a consequence of being inefficient, which is worrying when you consider the importance of clarity in times of turbulence.

*‘There needs to be a transition to a new model, or a new form of corporate governance that makes sense and doesn’t focus on money alone. This new type of organisation is a ‘collaborative enterprise’ that offers a more productive, innovative, creative, and socially responsive market system.*

*We need to see an organisation for what it is: a socio-economic system. Organisations depend on employees, customers, suppliers, distributors and the public to exist. The logical conclusion, therefore, is to have these constituencies working together for their collective whole.’*

William E. Halal, professor of business at George Washington University

This is where the greatest advantages can be found. In certain contexts, speed will be the differentiator that leads the public to have faith in an organisation. Bloomberg is already monitoring how fast it breaks the news, compared to Reuters, by measuring it in nanoseconds. News providers also increasingly need to show they are better at delivering information than Twitter is, and at the heart of this strategy is greater efficiency to bolster swift reactivity.

## Truly fit

Stumbling into the future is not an option. The next 10 years are set to be a turbulent time, filled with reassessment and refreshment. Revitalising an organisation, and preparing it for change, will mean being more agile, smart and fit, and efficiency is the key to this.

Becoming leaner is a must in the short term, and making an organisation fitter mentally and physically will ensure that it can spot, react and thrive in the face of adversity. But as Professor Carlos Cordón of the IMD says, leanness is just the beginning.

*‘We have reached the limit. This is not because lean is a bad thing, but because we have already lost the excess weight. Now we need to muscle up.’*

Professor Carlos Cordón of the IMD

Indeed, a post-lean era is approaching, and the true fitness of an organisation will be tested to the limit. Short-term speed and agility will be key, but long-term wellness within an organisation will ensure its longevity and sustainability.

In the next chapter, we will examine the rise of the sustainable organisation; one that goes beyond environmental friendliness.