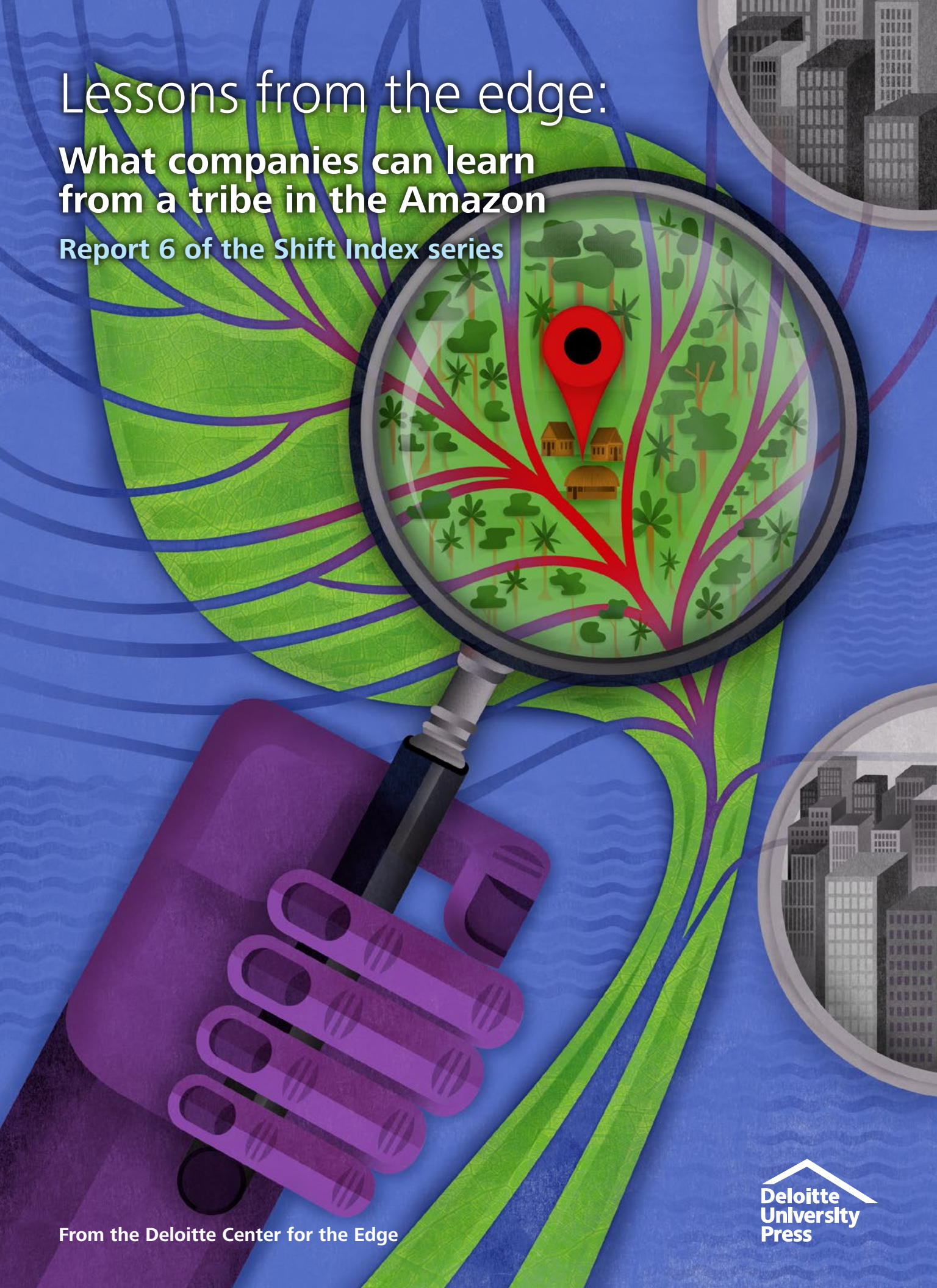


Lessons from the edge:

What companies can learn from a tribe in the Amazon

Report 6 of the Shift Index series



About the Shift Index

We developed the Shift Index to help executives understand and take advantage of the long-term forces of change shaping the US economy. The Shift Index tracks 25 metrics across more than 40 years. These metrics fall into three areas: 1) the developments in the technological and political foundations underlying market changes, 2) the flows of capital, information, and talent changing the business landscape, and 3) the impacts of these changes on competition, volatility, and performance across industries. Combined, these factors reflect what we call the Big Shift in the global business environment.

For more information, please go to www.deloitte.com/us/shiftindex.

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Introduction

Connecting to Google and beyond

IN 1969, road engineers in Brazil broke ground through a swath of Amazonian rainforest that was home to the Paiter-Surui, an indigenous community of over 5,000 people. Over the next three years, Western diseases decimated the Surui population to below 300, and land grabs cost them 75 percent of their land. In the coming decades, the tribe would struggle to sustain their indigenous way of life and defend their remaining forest against a world driven by rapid industrial and technological advances.¹

Over time, some tribe members began to collude with loggers to feed their families, and for decades, it seemed like the Surui would become lost to the history books, studied by anthropologists and lamented as a casualty to technocratic progress.

That began to change in 2005 when Chief Almir Surui, then leader of his clan, began to develop a 50-year plan based on sustainable agriculture and ecotourism. He teamed up with Kanindé Ethno-Environmental Defence Association, a small local nongovernmental organization (NGO), and the Amazon Conservation Team (Equipe de Conservacao da Amazonia, ECAM), an international NGO, to begin mapping the Surui territory. Then, in 2007, in an Internet café in a small town outside his territory, Chief Almir stumbled across Google Earth. Immediately, he saw its potential to transform the future of his community. He turned to his small network of non-profit connections for an introduction and by fall was traveling with other Surui leaders to Mountain View, California, to meet with Google Earth's executives.²

While Google put them on the map—literally, by including their territory in Google Earth—Almir still needed to find a way to feed his people that didn't involve destroying the forest. Almir contacted Forest Trends, an international non-profit, for advice on capturing market value for preserving the forest, and that's when he learned about REDD, a new financing mechanism for forest preservation that would allow the Surui to earn credits for keeping illegal loggers out.³ The tribe began building relationships with an array of other entities and attracted resources from around the world to launch the REDD project and advance other key initiatives to both preserve and integrate the Surui culture into the modern, global world.⁴

Since 2009, the results have been staggering. Using mobile devices to map rates of deforestation and smartphones to document logging intrusions into their territory, the Surui Forest Carbon Project has halted deforestation in the territory, and recently sold credits to Brazil's largest cosmetic manufacturer, Natura, to abate 120,000 tons of greenhouse gas over 30 years. This brought a needed influx of capital into Surui coffers, which is being used to fund education programs, while an indigenous women's empowerment initiative is helping women earn income from artisanal works.⁵

Chief Almir and the Paiter-Surui tribe have faced significant challenges in a dramatically altered world. By cultivating talent within their community and building a robust ecosystem of external partners, the tribe has accelerated its ability to learn, adapt, and grow stronger. Through a broad, long-range vision, they

have identified and scaled initiatives to build capabilities and develop resources in the near term, transforming their future from one of likely desolation to one of hope, perseverance, and prosperity.

A world of mounting pressures

Today, companies face challenges that are less literally life-threatening than those of the Surui but nonetheless jeopardize their existence. The business environment is changing rapidly, and so are the roles that companies and organizations play. Now, in the early stages of the Big Shift—the large-scale transformation of the global business environment driven by advances in digital infrastructure and changing public policies—individuals are becoming the center of economic activity. Powerful consumers demand more value at a lower price, while creative talent is seeking increased compensation. At the same time, technologies and skills become obsolete more quickly. The impact on companies is significant: the corporate return on assets (ROA) for the US economy has declined for the past 47 years, and the longevity of a company on the S&P 500 is less than 30 percent of what it was in 1958.⁶

Organizations today will find it increasingly difficult to improve or even sustain performance. To win new markets or gain new customers will likely require companies to develop new products and services, improve operational efficiency, and fundamentally shift their management practices and systems.

To further complicate the outlook for companies, technology has lowered barriers to entry and blurred industry lines. Competition is emerging from new and unconventional sources, often outside the industry. College students might build a better analytics algorithm to mitigate the bullwhip effect in supply chains, a synthetic fabric startup might build a nano-material as flexible as lycra and stronger than titanium, a bio-medical engineer might create a laboratory the size of a credit card, and a car manufacturer's modular design process might

enable it to produce twice as many vehicles in half the time as industry leaders.

Many of these new competitors are accessing or creating better technology. They are attracting and developing the best talent, and some are even refusing lucrative buyout offers and launching IPOs twice the size of many legacy firms' market capitalization. They're passionate, adaptive, and growing, *and* they're not just thinking about quarterly profits. Instead, they're deciding which steps they'll take today to shape the world for decades to come.

In this competitive, rapidly changing environment, what can business leaders learn from a tribe in the Amazon? Hopefully, quite a lot.

A learning enterprise to navigate the Big Shift

For decades, firms have developed processes and practices, which, in line with Ronald Coase's seminal paper *The nature of the firm*, increase efficiency at scale.⁷ Operations were designed to mitigate variance and ensure predictability. Organizational structures were built on the premise of control, hierarchy, and tightly defined roles and processes. Strategies promoted the status quo and discouraged experimentation.

But what happens to these businesses when we move from the slower pace and relative stability of the 20th century to the fluid 21st century, where interconnected technologies and economies create constant tension and rapid change?

In this world of the Big Shift, learning, rather than efficiency, can be a key to success. Organizations need to learn and evolve as rapidly as the world around them. By creating environments, processes, and structures focused on enabling workers to learn faster, true learning enterprises can accelerate performance improvement.

A learning enterprise engages workers' passions, relaxes control, and embraces experimentation. In so doing, firms may develop *resilience*, defined by Joshua Cooper Ramo as

the ability to learn and get stronger from each unexpected challenge instead of crumbling under pressure from the rapidly changing environment.⁸ With each market or competitive threat, learning enterprises develop a new basis of knowledge and capabilities that are quickly shared. A learning enterprise constantly evolves with the environment and even shapes these environments instead of focusing on tightening efficiencies and controls to harvest value from legacy conditions.

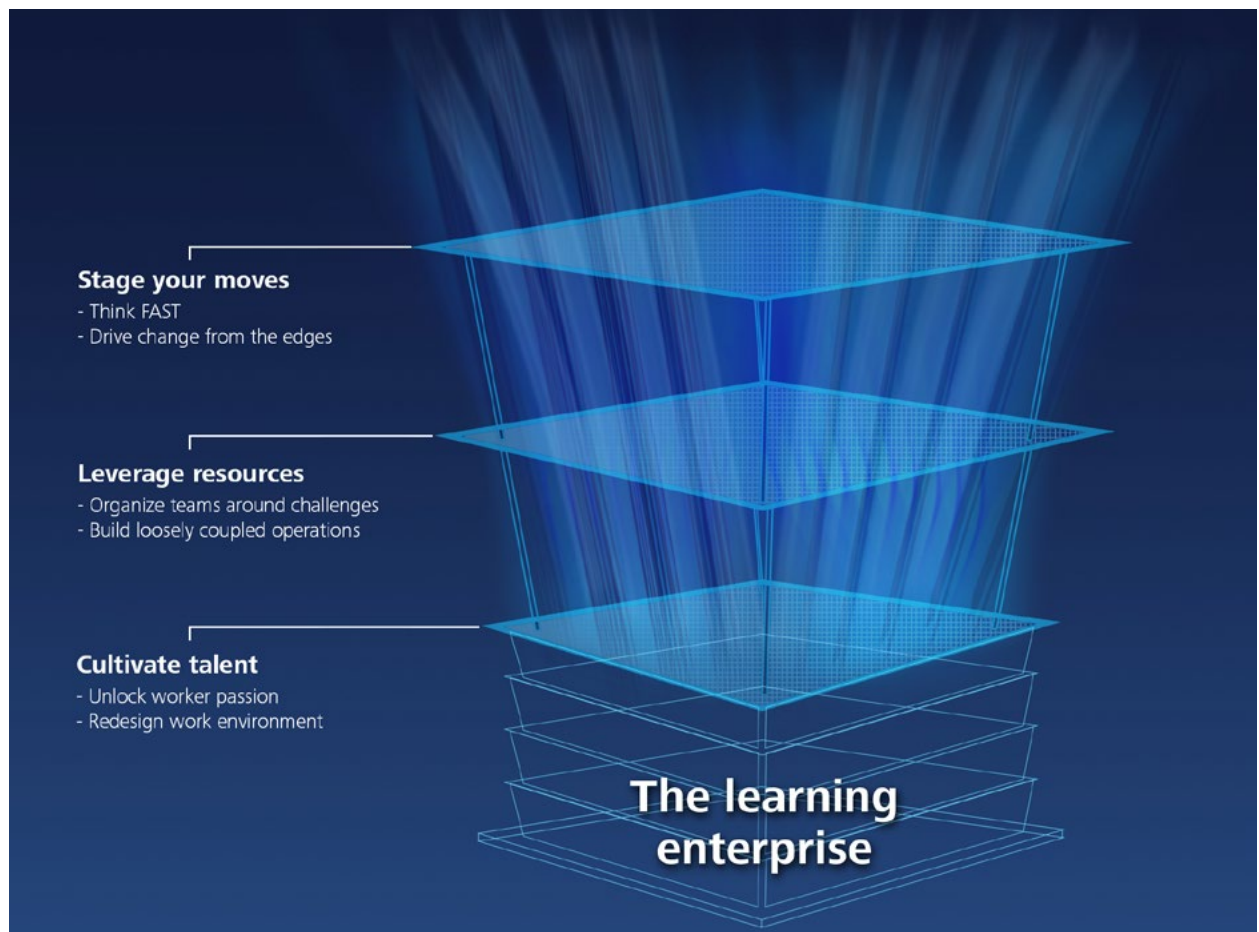
Resilient organizations will be able to better turn the challenges brought about by the Big Shift into new opportunities. They will access new knowledge and passionate individuals, connect with resources and capabilities as needed, and test solutions before committing to large-scale transformation.

Like the Surui, many companies today are faced with a choice: rethink the way you

learn from and adapt to the world, or risk vanishing forever. The following three lessons are designed to help organizations create an environment that cultivates learning and accelerated performance improvement to turn the threats of the rapidly changing world into new opportunities:

1. **Cultivate talent** to drive sustained performance improvements.
2. **Leverage resources** to deliver greater impact with fewer resources.
3. **Stage your moves** to reduce upfront investments and accelerate returns.

We will review each of these ideas in more detail and discuss tactical steps that can help organizations take advantage of the deep forces shaping our world.



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Lesson 1: Cultivate talent

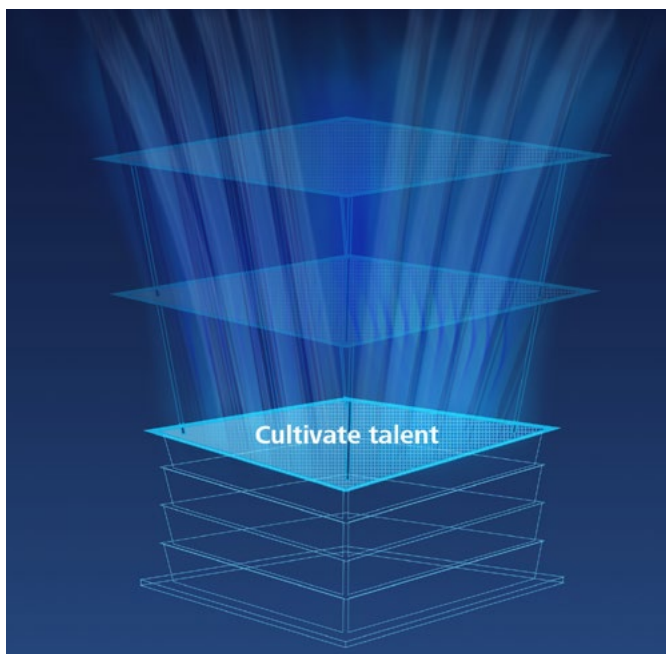
WITH today's rapid technological advances, assets and processes quickly become obsolete. As a result, many companies turn to talent as the only resource that has unlimited potential to improve performance. These companies often focus on attracting and retaining top talent, but they do not recognize the importance of talent development or they equate it with training programs.⁹

Skills also become obsolete more quickly, however, so neither hiring for specific

capabilities nor developing training programs are sustainable talent strategies. Training programs are useful, but they have many limitations: the content becomes outdated quickly; training programs often focus on standardized processes rather than on the time- and effort-consuming work that doesn't fit standard processes; finally, the programs often take place outside of employees' unique work context. Only deep understanding of a specific context allows for innovative problem solving and performance improvement.

In addition to pursuing top talent with hefty compensation packages and attempting to renew skills with limited training programs, firms should create work environments where workers can learn directly on the job. The right tools, processes, and platforms can support and encourage workers to take on new and meaningful challenges, connect with others inside and outside of a company's four walls, experiment with new solutions, and share their practices and lessons across the work environment.

These activities are not common in organizations today. Moreover, workers who are comfortable within the defined tasks and constraints imposed by scalable efficiency models may struggle with the uncertainty associated with questing and experimentation. However, some individuals do thrive in such



HOW THE SURUI CREATED ENVIRONMENTS TO CULTIVATE TALENT

In 2007, the Surui invited Google to the Amazon to train tribe members to use mobile phones and Google Earth to record illegal logging for the entire world to see. To extend this effort, the Surui worked with partners to launch internal education initiatives and a bio-monitoring program, build workspaces, and construct a computer lab to allow tribe members to continue to develop the skills and capabilities to push projects forward.¹²

Originally designed to curtail deforestation, the project soon developed a new element that would connect the Surui with their forest and culture in a way they'd not envisioned. Beginning in 2008, the Surui started to map their sites of cultural importance—where they grew certain crops, where certain animals lived, even where they held spiritual ceremonies and had contact with other tribes. Over time, the ethnographic mapping project became a way for the Surui to cultivate new skills, such as how to use computers, the Internet, and mobile devices, while sharing their cultural heritage with the world, thus accelerating goals to preserve their native land.

Passionate tribe members started to take on new initiatives. By 2010, the tribe had built the internal capabilities to begin management of the Surui Carbon Finance Project. Others, working with NGO partners, have launched healthcare programs, scholarship funds, a women's empowerment initiative, and a project to build a high-tech indigenous university within the rainforest itself.¹³

The Surui unleashed the passions of individual tribe members by sharing tools and knowledge across the community and building spaces conducive to collaboration and learning. As a result, the Surui were able to amplify their efforts and begin to have success with initiatives, which seemed impractical just a few years before.

environments. These workers have the passion of the Explorer.¹⁰

Learning enterprises need workers with this type of passion: individuals committed to making an impact, seeking new challenges, and connecting with others. As such, who else will be able to learn and improve faster than the passionate Explorers? Unfortunately, only 11 percent of the US workforce is truly passionate. The good news is that 45 percent of the US workforce possesses at least one of the attributes of worker passion.¹¹ Companies can cultivate the missing attributes in workers, and through them, become resilient and adaptable learning enterprises.

1. Unlock worker passion

If passion is a key to learning, how can companies cultivate the right type of passion?

Many organizations today focus on worker engagement and measure it through structured assessments of workers' commitment to organizational goals, rewards and recognition systems, and work-life balance. Indeed,

research by Gallup has demonstrated a positive link between worker engagement and company performance in areas such as profitability growth, customer ratings, turnover and absenteeism, and safety.¹⁴ Engagement might be sufficient when the world is relatively predictable; however, the world of the Big Shift isn't "predictable."

While engaged workers are content with the status quo, passionate workers test boundaries in order to learn and improve. Their behavior is fueled by two dispositions that define the passion of the Explorer: Questing and Connecting.

A Questing disposition is a tendency to seek out new challenges that help Explorers learn and improve performance. Instead of worrying about failure, those with the Questing disposition are excited to take on new projects that will broaden their experience. The Connecting disposition helps Explorers gain tacit knowledge by finding and building meaningful relationships with others that share their interests. These two dispositions, when focused by Commitment

to Domain—the desire to make a long-lasting and increasing impact on a chosen industry or function—create the potential for accelerated learning and performance improvement.¹⁵

This type of passion likely exists in all organizations, but it might be hidden, isolated, and discouraged by the rigid practices of a scalable, efficiency-driven organization. The Explorers hidden within the four walls of an organization have stories and knowledge to share and the potential to inspire the rest of the organization if they are supported in pursuing their “passion.” Today, while most organizations identify and reward “high performers,” they often measure the wrong attributes.

Think back to the performance metrics and goals that you have set with your employees. Do they encourage questing or connecting? Do they show how an individual’s performance affects the broader organizational goals? Are they aligned around the challenges faced by the entire ecosystem? For many US firms, the answer is no.

In fact, many common organizational performance metrics, such as utilization, project completion, and willingness to work overtime, will not identify Explorers as top performers. Relentless questing will result in some failures as the Explorer experiments with solutions. The desire to connect and participate in a broader community of learners may run afoul of company social media policies or IT constraints. The Explorer’s willingness to ask tough questions

and challenge the status quo may be perceived as “making trouble” in certain environments.

These perceptions can isolate Explorers. Some become outsiders within the organization. Others save their questing and connecting tendencies for their free time. Some gravitate to those edges of the company where they can quest and connect with minimal corporate interference. Others will leave.

In the long term, that passionate employee could have been the company’s next leader.

In the short term, passionate employees bring in outside trends and learnings, advancing the organization’s knowledge, sensing capabilities, and ability to evolve. Companies can begin to identify the passion that already exists internally by incorporating the attributes of worker passion into their performance-assessment processes.

Passionate Explorers can inspire others and begin to shift toward a culture of learning—if they are celebrated and allowed to connect and share their stories across the company. Companies

can find ways to give workers at all levels the time, space, and even resources to pursue initiatives they are passionate about. For example, Google is well-known for encouraging employees to pursue “20 percent projects” outside their main job responsibilities. The practice is so essential that, according to a spokesperson, “Googlers running with their own ideas is core to the company’s culture.” This type of encouragement creates an environment where passionate teams can form around a common

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goal and improve their entire organizations. At Google, “passion projects” resulted in products such as Google News, Google’s autocomplete system, Gmail, and AdSense. Initially believed to be too far outside the company’s core, Gmail arose from the persistence of developer Paul Buchheit who worked on Gmail for 2.5 years during his 20 percent time.¹⁶ In 2013, Gmail ranked among the top 10 most visited websites in the United States¹⁷ and was the No. 1 email service in the world.¹⁸

Other companies such as Twitter, Facebook, Yahoo, LinkedIn, AT&T,¹⁹ and eBay are now adopting similar policies, processes, and platforms (such as hackathons and programming marathons) to allow their own employees to come together to attack challenges facing the company. Apple also launched a “Blue Sky” initiative that allows small teams to dedicate a few weeks to a pet engineering product.²⁰

While Google allows its employees to pursue passion projects on the side, Valve, a gaming company with 300+ employees, staffs its core work based on each employee’s passions. Neither job titles nor permanent teams exist. As such, each employee selects a project by marrying personal interests and goals with the potential for customer impact. “We do have a founder/president, but even he isn’t your manager,” Valve states in its handbook for new employees. The company outlines a list of questions employees should consider as they find a project, but it’s the responsibility of each individual to find a team and get to work.²¹

In addition to identifying, supporting, and rewarding Explorers within a company, hiring practices should also target Explorers. Instead of hiring for skills (that are likely to become obsolete) and credentials, look for individuals whose actions (not resume) exemplify the attributes of Explorers. For example, a hiring manager might look into an engineer’s presence in the SAP Community Network and her status within the community. Candidates’ ratings could be a signal of their Connecting and Questing dispositions and also demonstrate

their Commitment to the Domain.²² It can also serve as a tacit representation of their skills.

However, even if companies find their Explorers and begin hiring for passion, if they do not move the work environment away from tightly scripted activities and toward an environment that embraces learning, neither workers nor firms will likely realize the potential of a learning enterprise.

2. Redesign work environments

Learning enterprises have unique work environments that are designed to cultivate passion and thus accelerate learning and performance improvement. Work environments can either foster or extinguish passion. For example, if a technology company reprimands failures, engineers may avoid accountability and shy away from making decisions, and the company’s responsiveness to market opportunities might suffer. On the other hand, if the company treats failures as learning opportunities and encourages experimentation, it is more likely to unlock the Questing disposition.

The work environment is comprised of physical, virtual, and management practices. It is not only how the office layout can encourage more collaboration and serendipity, but also how the physical and virtual settings connect so that the transition is seamless and the benefits of one flow into the other. It is not whether or not companies should allow employees to work remotely but instead how management practices and systems can be structured to ensure learning and performance improvement, regardless of location. The modern work environment also has to encompass the skills and resources that exist outside a company—in the ecosystem of talented individuals, enthusiastic customers, and dynamic business partners—that a company needs to access and learn from to pursue emerging opportunities.

Design thinking, which has been used successfully in developing innovative products and processes, can be used to rethink how work is done. Starting with a clearly outlined

objective to unleash workers' commitment and foster Questing and Connecting dispositions, the principals of design thinking can be applied to each facet of the work environment to develop a holistic solution.

Individuals feel more commitment when they understand how their individual and team performance affect a company's overall goals and objectives and know where they can make the most impact on key challenges. For example, if the key challenges are quality and safety, front-line workers like those on the Toyota Production System (TPS) can stop production if a quality or safety concern emerges. Once the assembly line is stopped or slowed, employees and managers swarm toward an issue and work together to address it. The worker who noticed it is celebrated.²³ By understanding how their work impacts the company and being able to choose to get involved in addressing challenges that will have an impact, workers see the value of their work. Acknowledging and celebrating what they've made, built, or shared, and making it visible when others build upon it helps workers shape their identities as well.

Permission to experiment, real-time feedback, and space for reflection help workers engage their Questing dispositions. The work environment can be designed to include experimentation platforms that combine processes, tools, and management practices to bring together employees and other ecosystem participants in joint experimentation and problem solving. For example, Intuit's Design for Delight (D4D) acts as an experimentation platform that engages customers in the design and development process by defining problems, prototyping, and providing rapid feedback. Started as a way to develop new product offerings, D4D became essential to the way work was done at Intuit—from product development to back-office support.²⁴

Through experimentation platforms, workers across a company can tinker, rapidly prototype new ideas, and learn. Context-specific and timely feedback supports robust learning and accelerated performance improvement.

New tools such as sensors, data analytics, and even wearable computing technology can be used to provide feedback. The goal of feedback is not to punish unsuccessful experiments, but instead, to encourage and celebrate behaviors such as embracing challenges and attempting new tasks. Workers also need space, operational capacity, and tools to reflect on feedback, as reflection and acknowledgement are critical to solidifying new knowledge.

Experimentation platforms, even robust ones, will have limited value if the products and processes are too tightly specified to allow new ideas. Although many companies already embrace modular product design, modular process design is less common. Modular processes are comprised of discrete parts, and only the hand-off points between modules are specified. This structure allows for experimentation within each module without compromising the integrity of the entire process. Such modularity allows for learning to be more readily scaled as each team develops tacit knowledge through experimenting on a part of the process. Common interfaces allow teams to connect with others and further scale learning across the entire process.

Tools and policies that help workers build and strengthen connections inside and outside a company can help them get better at what they do. Technologies such as social media and communities of practice can serve as collaboration platforms that connect workers with peers, customers, partners, and other ecosystem players. Robust information flows and action-based reputation profiles can help establish trust to make the platform more useful and, ultimately, more successful. Imagine a system where, based on your past projects, you could receive a badge such as "finance guru," "Excel expert," "innovation advisor," or "Android whisperer." This badge could be visible to others—within the company or even to partners and customers—so that they could reach out for questions and collaboration. This process could help identify best practices,

saving time and effort and allowing companies to rapidly resolve issues.

Today, many companies try to protect against open knowledge flows, especially external ones. Regulatory requirements such as HIPAA, Sarbanes Oxley, and Basel II and fear of losing control over intellectual property drive many data policies. However, the value of knowledge stocks is diminishing as assets and technologies become obsolete more quickly, and value comes from participating in the right knowledge flows. Companies may still have absolute “crown jewels” that they must protect in order to maintain competitive advantage or comply with the law, but they should consider what other information could be shared to derive more value.

Serendipitous encounters are critical when building high-impact connections. Serendipity can be facilitated. For example, when the Center for the Edge independent co-chairman John Seely Brown (JSB) led Xerox PARC, he had floor-to-ceiling whiteboards installed by the coffee machines. When fresh coffee was brewed, an email alerted the entire floor at the same time. Everyone rushed to get a cup of coffee and “luckily” ran into others they had not met yet or had not seen in a while. These encounters often resulted in conversations that turned into white board discussion that attracted other participants. An electronic image of the white board was sent out to others



Credit: Beto Borges

across the organization to stimulate connections and serendipity in the virtual setting as well.

Managers play an essential role in rethinking the work environment and building a learning enterprise. Passionate managers can serve as accelerators by encouraging employees to experiment and expand their boundaries. Managers can also block initiatives if they

perceive challenges as distraction or fear decline in productivity. Even at Google, managers can either approve or discourage a 20 percent project and performance assessment policies, explicit or implicit, shape both the managers’ and employees’ behaviors related to 20 percent projects.²⁵ But more than just encouraging or blocking, a good manager can help employees understand how to attract others to their passion project and turn them into

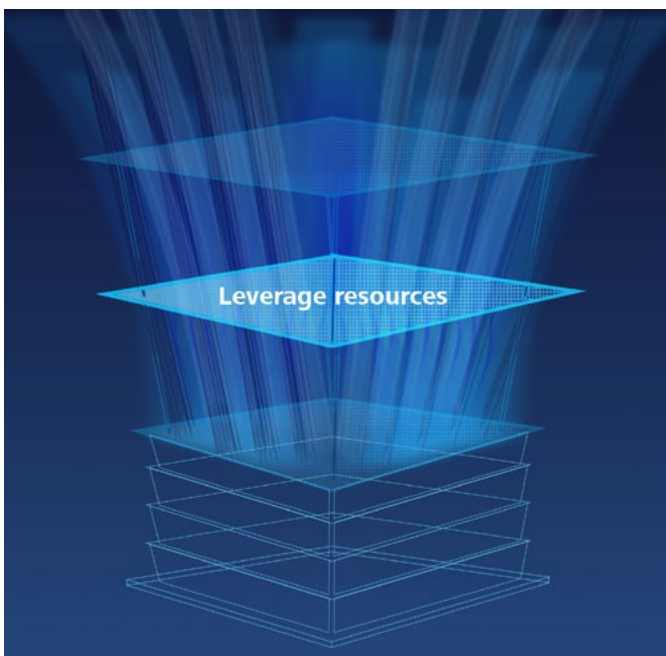
something viable so that “20 percent” becomes 100 percent for an entire team. In a redesigned work environment, the role of manager will change from enforcer to facilitator or connector. This may be uncomfortable, but finding passionate managers and letting them apply design principles of the learning enterprise to drive change is a key to getting the rest of the organization on board.

Lesson 2: Leverage resources and capabilities

THE 2013 Shift Index revealed that ROA for US companies was a quarter of its 1965 level, continuing a long, downward trend. Despite growth in earnings, American firms are struggling to generate better returns from their asset base. They may be winning the battle against quarterly earnings expectations, but they are losing the war against the Big Shift trends that will force them to reconsider how they create and capture value.²⁶

As assets, processes, and skills are made obsolete by accelerating technological advances, owning resources and capabilities may create burdens while failing to address needs. Instead, companies can gain flexibility and access to new and in-demand skills by leveraging resources from outside their organizations. In contrast to financial leverage, capability leverage reduces risk and has the potential for increasing rewards over time. It can enhance learning and performance through diversity of thoughts and ideas and reduce costs by building on existing platforms instead of reinventing them.

Outsourcing is a response to the burden of keeping assets in-house. Capabilities that are not part of a company's competitive positioning or its core business can often be developed more effectively by someone else. However, when outsourcing is done just to reduce the asset base and cut costs, it is a missed opportunity. Outsourcing should free a company to focus on its core operations. When a focused company establishes trust-based, deep relationships with other focused ecosystem partners, each can use their knowledge and expertise and become better at what they do. In this way, entire ecosystems can become more adaptable and resilient.



For example, fixed costs, insurance requirements, and need for capacity management might make owning a private fleet uneconomical for mid-size companies. A dedicated third-party trucking-services provider might better be able to meet a company's need to move product from its factory to its warehouse. These providers can dedicate drivers and trucks to each company, building relationships and collecting valuable insights (e.g., about service levels) from the sending and receiving parties to share with their partners to help them improve. In fact, many companies find their service levels improving dramatically after conversion away from a private fleet.²⁷ The reason: joint learning through focus and collaboration.

Companies should assess what they do best and find others within their ecosystems to do the non-core activities. Imagine a company that has to innovate quickly to provide top-level customer support and manage the logistics and distribution of its product at the same time. To stay at the cutting edge of each of these activities requires tremendous resources. These activities potentially have conflicting cultures, priorities, and organizational politics that require additional resources and attention to negotiate. Such distractions can prevent learning and resilience.

The development of trust-based relationships with a variety of focused participants within an ecosystem is becoming essential to navigate the Big Shift. Luckily, the rapid advances in the core technologies that are putting pressure on today's companies are also opening up new opportunities. Emerging tools and platforms—building on APIs, big data, and social media—can make it easy and affordable to connect within and outside of an organization and allow multiple partners to share data, conduct analysis, and collaborate.

These tools are only as effective as the organizational structures around them. Companies that prioritize risk management and predictability by tightening controls on their partners and limiting data sharing will likely constrain

HOW THE SURUI LEVERAGED RESOURCES TO MAKE AND AMPLIFY IMPACT

When Chief Almir first saw his tribe in the context of the rest of the world on Google Earth in 2007, the tribe had only a handful of partnerships. By 2013, the tribe had over 50 partnerships—with NGOs, government agencies, private sector companies, universities, and external indigenous communities.²⁸

But what's impressive isn't just the scale of their partnerships for a community of just over 1,200; it's the way in which the Surui have built the organizational and operational capacity to leverage such resources across a broad ecosystem from the ground up, not just for the near term but, in many cases, for decades to come.

Consider the Surui Carbon Project. What began as a conversation between friends, Beto Borges, director at DC-based Forest Trends, and Almir Surui, has, in less than five years, turned into an international endeavor that's become a blueprint to preserve rainforests throughout Latin America. To develop the internal capabilities to manage such a complex project, the Surui had to build a coalition of partners, ranging from bankers to cattle ranchers, government agencies to financial regulators. The Surui began to develop the operational and organizational pieces while at the same time, learning the complex econometric and management skills needed to bring the project to scale.

Building partnerships that were focused on creating both immediate and long-term value, the Surui rapidly built their own capabilities and amplified those of each partner, accelerating learning for the entire ecosystem. As knowledge moved quickly from partner to partner, projects that were related but ancillary to the Surui Carbon Project—such as reforestation in Indonesia—benefited from the learning generated by the resources and energies that partners put into the Surui projects.

At the same time, by drawing on the partner network, the Surui launched and scaled the carbon project more rapidly than anyone imagined. The Surui and their partners—including USAID and cosmetic giant Natura—hope to prevent 5 million tons of carbon dioxide from being released over the next 30 years.²⁹

knowledge flows and fail to become adaptable and resilient regardless of tools and technologies. With the right organizational structures and loosely coupled operating processes, however, companies can access the diverse knowledge flows and resources that can accelerate learning and performance improvement.

1. Organize teams around challenges

Teams and ecosystems may be the structures best suited to achieve accelerated learning and performance improvement. Through collaboration, diversity of perspectives, tacit knowledge sharing, and robust feedback loops, teams can enhance the capabilities and performance of individual members. Ecosystems, then, can orient multiple teams around a performance goal or challenging problem. As such, learning enterprises organize themselves to maximize the effectiveness of teams working on performance challenges.

Teams improve their ability to learn when they can come together to pursue pressing challenges that have the highest payoff, regardless of where participants reside in the ecosystem. In fact, entire ecosystems can be developed and mobilized around challenges. In 2000, Rob McEwen, CEO of Goldcorp, published over 400 megabytes of previously guarded data for an area that the mining company was struggling with, challenging the world to start prospecting on its behalf. Within weeks, over 1,000 prospectors from 50 countries had formed teams that would identify over 110 targets, more than 80 percent of which yielded gold. Challenge-based teaming let Goldcorp leverage the skills and capabilities of an ecosystem of prospectors to turn a modest initial investment of \$575,000 in prize money into an estimated \$3 billion return.³⁰

One-time challenges like Goldcorp's can help companies learn fast. They allow companies to achieve results with minimal investments, tap into the passion that exists both internally and externally, and uncover novel

ways to solving a pressing issue. However, once a competition is completed, the team typically dissolves, and members move on to new challenges. There is an opportunity to create communities where teams can operate together over time to extend learning.

For example, SAP Community Network (SCN) is an online platform that attracts over 2 million technical and non-technical visitors each month to solve problems through crowd-sourced expertise. Rather than coming together to address a single challenge, the community is an ongoing resource for SAP professionals. SAP uses information derived from the community throughout the entire product lifecycle: product development, sales, and customer support.³¹ The typical time to receive a response is 17 minutes, and over 85 percent of issues are resolved.³²

Goldcorp and SAP Community Network demonstrate the power of organizing around challenges. Sadly, many organizations don't operate that way today. Instead, they organize around efficiency, predictability, and variance management, focusing on planning, monitoring, and measuring individuals, departments, and business units. They tend to protect their knowledge stocks and are wary of any collaboration with external ecosystem players.

As Roger L. Martin noted in *Rethinking the Decision Factory*, many US companies are organized around full-time job descriptions that are developed to fit top-down forecasts and targets. Performance is measured by how well individuals address the activities in their job descriptions, not how well they learn and improve the performance of their company and its ecosystem.

When the activities outlined in a job description become obsolete relative to new issues faced by a company, inefficient use of resources can inflate the ROA base. A marketing manager's job, for example, is more demanding during a new product release and less busy when the release is over and before the next campaign begins. The manager, like many employees, may try to appear "busy"

during the slow period since in corporate environments, busy often means good.³³

While the marketing manager awaits “real” work, the engineering department may be struggling to deliver a new project because it does not understand certain market trends. However, due to a lack of knowledge flows between the departments, the marketing manager may never know about the pressing need in engineering. Imagine if, instead, the marketing manager and the engineering team were organized around a challenge, such as improving a current customer offering, where both marketing and engineering could learn from rapid experimentation and customer feedback.

However, to effectively team around challenges and unleash the power of the ecosystem, companies should build deep and trust-based relationships with their ecosystem partners through mutually beneficial, loosely coupled networks.

2. Build loosely coupled operations

Focus lets companies accumulate knowledge and build upon it. When organizations focus on the activity they do best—whether it is providing support infrastructure, developing and commercializing products, or advising customers—and let others within their ecosystem provide other activities, they can accelerate learning and improve performance. In order to scale learning, these relationships with the ecosystem partners should be loosely coupled rather than predefined and tightly scripted.

Traditionally, companies have worked hard to ensure control over a small set of partners.

They try to script interactions and processes to minimize perceived risk. However, as the network of business partners grows, handling complexities can become time consuming and inefficient, and these companies are stuck with the overhead required to maintain control over transactions and processes.

Outsourcing infrastructure support activities is not new. Many companies already rely on others that can deliver faster and better

quality results and lower costs; the global outsourcing market has doubled over the last decade.³⁴ However, many companies don’t use outsourcing relationships to learn more about their core activities or to maximize learning across their ecosystems. If companies develop a foundation of deep, trust-based relationships with ecosystem partners, they can then

allow partners freedom to experiment and learn within the outsourced activities.

The outsourcing partner is typically more knowledgeable about the activity than the customer and can deliver better results, if the partner is free to decide how best to achieve the specified outcomes, experimenting with options instead of following scripted requirements. In a loosely coupled network, the company specifies the requirements for each handoff point and lets the ecosystem partners—based on the depth of trust developed in the relationship—experiment with the activities in between the handoff points.

With loosely coupled relationships, companies can increase the number of partners they work with and establish teams as needed, in order to achieve the best results as the business environment or customer needs change. For example, Hong Kong-based Li & Fung Limited

There is an opportunity to create communities where teams can operate together over time to extend learning.

is a leader in apparel design, development, sourcing, and distribution. The company operates a loosely coupled, modular supply chain across a network of 15,000 supply partners, generating about \$20 billion in revenue. Li & Fung breaks down supply chain processes into small modules and only specifies the requirements for hand-offs between these modules. Each supplier is responsible for determining the best way to achieve the specifications for the process step assigned to it. Li & Fung is



Credit: Metareila Association

only concerned with whether the outcomes meet specifications for the next step in the chain. This loosely coupled system allows each partner to innovate without impacting other players in the supply chain.³⁵

Li & Fung acts as an orchestrator, assembling and overseeing a unique set of suppliers to fulfill each order. Suppliers are constantly forced to innovate to deliver better results

more and more efficiently. Li & Fung is also motivated to innovate how suppliers are brought together and how requirements are communicated through an ecosystem of 15,000 partners. When asked why they choose to participate in Li & Fung's network, suppliers overwhelmingly answer, "Because we learn faster than anywhere else."

Orchestrating such a vast network is not without risk. Relinquishing control is uncomfortable for many organizations and also potentially risky. For example, when companies like Li & Fung specify only the requirements for the final product and not how the product is manufactured and the safety requirements of the manufacturing process, they are more exposed to the negative consequences of incidents. But if safety and quality is incorporated into the outcomes requirements, suppliers will likely be encouraged to develop new and innovative ways of delivering value safely and efficiently.

Loosely coupled relationships don't manage themselves. Well-designed platforms—sets of standards that allow multiple partners to come together—can reduce investment costs and risks and enable experimentation, collaboration, and resource sharing to accelerate performance improvement and innovation. Platforms create value through the connections they allow instead of specific content that they have to offer.³⁶ They can be digital (e.g., eBay or YouTube) or physical (e.g., AirBnB); Li & Fung's system of connecting multiple suppliers into an ad hoc supply chain is a type of platform. Firms should identify platforms that can allow them to become more focused around their core activities. Focus is a prerequisite for learning.

Lesson 3: Stage your moves

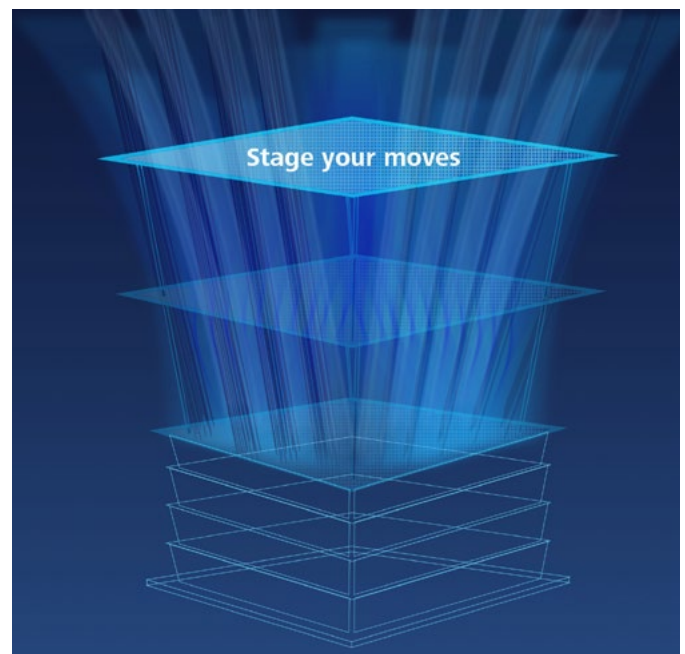
CULTIVATING talent and leveraging resources can help a firm navigate the turbulence of the Big Shift, but alone, they don't provide the input critical for navigation: direction. As competition emerges from unexpected places and industry lines blur, currently successful strategies may become obsolete. Over the past 55 years, the rate at which companies lose their leadership position within an industry has risen 39 percent.³⁷

Faced with such turbulence, companies tend to take a defensive position. They focus on improving short-term performance (e.g., quarterly earnings) or on protecting barriers to entry. Some companies invest in new products or services, but industry peers wait to copy the strategies that prove successful. The long trend of declining ROA shows this isn't working. Approaches based on exploiting current assets and businesses are losing potency. As technology erodes barriers to entry and shortens product lifecycles, companies may generate more value by exploring and learning from new opportunities.

Instead of focusing on protecting what they have, companies can stay relevant by rethinking the way they operate with and create value for their customers and partners in a business ecosystem. This type of reinvention requires constant experimentation and learning. A

broader goal or narrative can help tie these efforts together, draw in collaborators, and maintain alignment with underlying macro trends—not short-term industry turbulence.

This type of approach can help companies develop the capabilities to learn and get stronger from each new market challenge. By understanding how technology and public policy liberalization are reshaping markets, companies can avoid short-term market distractions and align with these broader trends.



HOW THE SURUI STAGED MOVES

In 2007, the Surui embarked on a 50-year plan to integrate their indigenous culture with the modern world. Having experienced some of the harshest effects of contact with Western civilization, they knew the journey would not be easy. Calling for an end to the unsustainable logging that was the financial lifeline for much of rural Brazil, the Surui set out to build a series of initiatives to demonstrate the economic, social, and environmental value that the rainforest and their indigenous way of life create for the rest of the world.

This meant the Surui had to launch a range of projects that would help the tribe adapt to changes and pressures from their external environment, strengthen their tribe's resilience, and effectively connect their indigenous heritage to a hyper-connected society. They try to launch short-term actions in a way that is currently effective and has the potential to be transformational over time.

An indigenous women's empowerment initiative, formed in partnership with the Yawanawa tribe of Brazil, Forest Trends, and the IKEA Foundation, demonstrates this strategy in action. Recognizing the growing need for women leaders not only in their own tribe, but elsewhere around the world, the Surui project began as a very small internal program led by a handful of female Surui to educate their community on the importance of gender equality. As more of the community got involved, the project grew, and so did a sense of ownership over its success. The Surui soon realized the program could enhance their other long-term ambitions, including supporting the future success of indigenous communities around the world, if they expanded to include a larger cohort of indigenous communities and other partners.

By using a long-term focus to clarify short-term actions, the Surui quickly scaled a small initiative into a multi-national program that is deeply connected to their long-term success as well as paying tremendous dividends in the immediate future.³⁸

These organizations access the knowledge and passion of workers at all levels—from management to front line—and even across the ecosystem. In fact, the ecosystem perspective becomes part of the organizational strategy. Companies that master this type of approach can become learning enterprises.

As learning enterprises, companies should abandon the notion that corporate strategy is a sequential process that starts in a strategy department or C-suite and then rolls across a company.

They should also look to the edges for new opportunities. A company's future business may already be at the edge of its current business. By scaling the promising edges in a series of small moves, learning enterprises might reinvent themselves toward a long-term vision.

1. Think FAST

An iterative approach to corporate strategy can help organizations learn faster in order to develop the resilience and adaptability needed in the era of the Big Shift.

Today, many companies approach strategy development as a sequential process. Dedicated strategy departments evaluate trends and monitor the performance of others in the industry in order to help executives develop corporate strategy. After leadership develops a three- to five-year strategy, it is handed down to the operational leaders to execute.

This approach is not as effective in a rapidly changing world. A competitive threat can come from an unexpected direction, even from outside an industry's defined boundaries. In addition, the three- to five-year horizon may be both too long to accommodate experimentation and too short to attain a strategic advantage. As Amazon CEO Jeff Bezos points out, "If everything you do needs to work on a three-year time horizon, then you're competing against a lot of people. ... But if you're willing to invest on a seven-year time horizon, you're now competing against a fraction of those people because very few companies are

Although Focus is essential, the long-term view also has to be understood and embraced by employees and partners in the ecosystem.

willing to do that. Just by lengthening the time horizon, you can engage in endeavors that you could never otherwise pursue.”³⁹

The top-down, sequential approach also misses the valuable information held by the operational leaders and front-line workers who interact directly with the industry trends. They rarely have input into the strategic blueprints they are expected to implement.

Just because the current sequential approach to strategy isn't equal to the exponentially changing world doesn't mean companies should abandon strategic planning. Instead, they have an opportunity to rethink the time horizons for strategy development and open the process to more diverse participation. This is where a FAST (Focus, Accelerate, Strengthen, and Tie-it-all-together) strategy comes in.

The FAST approach to strategy simultaneously embraces two time horizons: a 5–10-year horizon and a short-term, 6–12-month horizon. Each horizon enables and informs the other, allowing for rapid iteration and learning over time. Lessons or insights learned from short-term activities can be translated into long-term plans. The FAST approach is designed to get executives to think about the forces shaping their customers, partners, and employees—ultimately, the long-term future of their firm—and take immediate actions that align with developing the skills and capabilities indicated by those future drivers.

Focus is the key activity for the 5–10-year horizon. To find Focus, organizations must answer two questions:

1. Based on the macro trends that are shaping the business landscape, what might the markets we participate in today look like in five to ten years? To answer this question, a company needs sensing capabilities to understand the trends shaping the market and segregate macro trends from short-term turbulence.
2. Given this potential future landscape, what type of business will we need to be in order to continue creating value? The long-term strategy should focus on serving the markets shaped by these macro forces.

Strategy departments cannot be solely responsible for answering these questions. Operations managers and front-line workers are often the first to notice changes in the business landscape or shifts in customer needs. For example, a call center agent could provide information about the most common types of customer issues or the “unusual” issues that are suddenly common from certain business partners.

The long-term vision of the business landscape should encompass the network of business partners and customers beyond the organization itself, but it does not have to be detailed. In the late 1970s, Bill Gates defined a focus for Microsoft that could be summarized in two statements. First, computing power is moving from centralized mainframes to desktop computers. Second, to be successful in the future, computer companies should “own” the desktop.⁴⁰ This vision was based on the trends observed by Microsoft and helped shape

the direction of the entire ecosystem. In fact, when IBM asked Microsoft to help develop an operating system for its new desktop computer, Focus helped Microsoft prioritize that initiative over many others and continued to guide the company through the advent of the Internet.

Although Focus is essential, the long-term view also has to be understood and embraced by employees and partners in the ecosystem. Too often, executives claim their industry's future is uncertain, underestimate the impact of the changes that are taking place, or fail to align internally around a common vision. However, by focusing on the macro trends impacting the business environment—even the trends that currently seem less relevant to the industry—companies can potentially overcome these obstacles. Tools such as scenario planning can help mitigate uncertainty by letting leaders define and explore multiple visions of the future.

With a 10-year view establishing the focus for a company, firms return to the short-term, 6–12 month horizon where the Accelerate and Strengthen components of FAST strategies guide a company's immediate actions. In this time span, companies identify a few key operating initiatives that have the potential to significantly “accelerate” them toward their long-term focus. Measurable operating objectives or metrics for the 6–12 month period flow from these initiatives.

Management then “strengthens” an organization's capabilities by removing barriers or bottlenecks that stand in the way of achieving operating-performance objectives in order to move even faster in the next 6–12 months. In this approach, the role of manager changes from someone who enforces the execution of strategic plans to someone who enables the execution of operating initiatives aligned with long-term goals.

For operating initiatives to effectively accelerate an organization toward a long-term vision, the entire workforce should understand how the initiatives feed into the broader strategic vision. In addition, there can be only a

few key initiatives. Companies that try to build “insurance” with a large number of projects may spread themselves too thin and never fully commit. Finally, companies should establish clear objectives or metrics to evaluate the initiatives and be ready to reassess the learnings if the metrics are not met. In this environment, failure is a learning opportunity. Initiative teams collect learnings and insights and use that feedback to inform a longer-term view.

FAST strategy allows for rapid testing and experimentation. However, without the long-term direction and robust feedback loops, these efforts may be wasteful. The last component of FAST, tie-it-all-together, creates feedback loops to connect short-term initiatives to long-term visions. This final component is a holistic framework that encompasses both long-term vision and near-term actions and integrates learnings gained from each horizon into the activities of the other. Failures or successes in a short-term initiative inform the long-term goals, while changes in the long-term vision require a company to develop different capabilities and drive different operational initiatives.

This FAST strategy approach draws heavily on a management practice called “zooming in, zooming out” that is widespread in Silicon Valley high-tech companies. Anyone who sits in on a management meeting in these companies will notice how rapidly the conversation iterates across two very different time horizons. At one point, the executives will be discussing what the company needs to look like five to ten years from now (zooming out) and then quickly shift to a conversation about what the company needs to do in the next six months to position itself most effectively for the long-term opportunity (zooming in). In the course of a single meeting there may be several rounds of zooming in and zooming out interspersed with reflection about how one horizon shapes choices and actions on the other. What is remarkable is how little time, if any, is spent on the traditional strategic planning horizon

of one to five years—all the action is at either extreme of the spectrum.

The FAST approach to strategy has great potential to transform a company into the learning enterprise we discussed above, but it can be hard to implement because it challenges the current paradigm for corporate strategy in larger, more traditional enterprises.

2. Driving change from the edge

To take advantage of new and emerging market trends, companies will likely need to challenge paradigms and reinvent themselves. The practices and processes that worked in the past may not be effective in the future.

Consider Borders: In 2005, just six years before its bankruptcy, Borders was the second-largest book retailer in the world. However, between 2001 and 2008, as the Internet was re-defining commerce, Borders turned over its online operations to a competitor and increased its investments in physical stores.

When it tried to catch up by releasing its own e-reader, the Kobo, in 2010, it was too late.⁴¹

The Big Shift is changing the way organizations create value. It is less about the resources you own and more about the capabilities, resources, and networks you can access and use to improve performance and learn faster. In this environment, the processes, tools, and networks of a learning enterprise enable them to not only sense but also respond to new opportunities in the market. However, this adaptability often requires a significant change from the status quo.

Traditionally, many companies have approached organizational transformations as large-scale, big-investment initiatives driven

from the top down by the leadership of the firm. So it is often surprising to find out that these traditional, big-bet approaches to organizational change have a success rate of less than 30 percent.⁴²

Changing the entire core of an organization is risky and intensely political. Large change typically requires many resources and large investments, awakening internal competition and resistance from the corporate “antibodies.” Change also can take so long to materialize that efforts do not generate returns soon enough for potential supporters.⁴³

In response to the challenges of the large-scale transformation, some companies take a portfolio approach and invest in many small

initiatives on the periphery. This approach attempts to hedge against uncertainty but rarely impacts core operations or the status quo. It spreads resources too thinly and does not demonstrate commitment. If an investment fails to meet expectations, a portfolio makes it

too easy for a company to shut down a project rather than refine the approach based on what has been learned from the experience so far to achieve a higher impact.

If neither large transformations nor portfolio plays are likely to succeed, how can an organization transform? A new approach might look for opportunities created by the same technological and social forces that are putting pressure on companies today. The Scaling Edges approach is based on identifying promising edges of a business and growing them to the point where they become the new core of a company.

Edges are growth opportunities that have the potential to scale, catalyze change, and

Edges are growth opportunities that have the potential to scale, catalyze change, and replace the core business.

replace the core business. Edges align with the long-term trends that are disrupting industries and demand fundamentally different approaches to business that are more consistent with the Big Shift. They can be iterated and scaled rapidly with minimal resources and support from the core as they tap into the passion and the resources of a broader ecosystem of third parties. The most promising edge initiatives can grow short-term, incremental revenue without cannibalizing the revenue generated by the core. However, in the long term, edges have the potential to generate enough revenue and profit to replace the core. In the world of the Big Shift, where assets, processes, and technologies rapidly become obsolete and customer preferences continue to change with increasing speed, the businesses many companies are in today will be marginal in 10 years. Companies should consider which edges they should scale in order to create a new core.

Given the business trends toward scale and fragmentation, edges can fall into three broad buckets. First is the infrastructure edge: the growth opportunity based on providing scale-intensive, high-volume processing activities as an outsourced service. For example, founded in 1792, State Street Bank started as a commercial lender. By the mid-1970s, State Street Corporation developed four major lines of business: commercial banking, financial services, investment management, and regional banking. The chief executive officer, William Edgerly, recognized shifts in the market were creating increasing pressure on traditional banking operations while at the same time increasing the demand for scale-intensive back-office processing operations that small banks found particularly challenging to operate. As a result, the company decided to build its back-office processing capability in diverse areas like investments, trusts, and securities processing and offer this capability on an outsourced basis to other banks and financial institutions. State Street pushed aggressively into the high-technology processing of asset

management, global custody, 401(k) retirements accounting, and trusteeship of debt securities based on securitized assets.⁴⁴ These business initiatives grew so rapidly and profitably that State Street ultimately made the decision to shut down its traditional commercial bank operations and focus exclusively on growing its infrastructure outsourcing business. Pursuing this infrastructural edge has paid off for the company, which as of June 2013 had \$25.7 trillion in assets under custody and administration and \$2.2 trillion of assets under management.⁴⁵

The second type of an edge is a platform that aggregates resources and vendors and connects them with appropriate users or customers. For example, Salesforce.com has transformed itself from an application to a platform business. Initially a customer relationship management (CRM) provider, the company was competing with a number of vendors in the same space. Then in 2006, the company launched the AppExchange platform, which provides hosted interface for developers to build and share their apps. Through AppExchange, customers in different sectors can access thousands of applications built by others in categories such as reporting, dashboards, finance and administration, IT, HR, and sales.⁴⁶ Salesforce's AppExchange had approximately 2,100 apps in December of 2013, and this number is growing rapidly.⁴⁷

The third type of an edge is a trusted advisor or agent that provides recommendations and helps customers to connect with relevant resources based on a deep knowledge of the evolving needs and context of individual customers. For example, Li & Fung brings together more than 15,000 specialized participants in various aspects of apparel production to help configure customized supply networks for apparel designers.⁴⁸ Li & Fung is actually a very old company—founded more than 100 years ago—that began as a traditional business broker in a deal-making culture. For a commission, it would introduce a Western apparel designer to a Chinese apparel manufacturer.

In the mid-1970s, two brothers took over the family business. They recognized that the classic broker business was under increasing margin pressure, but they also saw an opportunity to evolve into a trusted advisor who could help apparel designers orchestrate the range of specialized resources they needed to access in a complex global apparel market. Today, Li & Fung takes an active role with apparel designers, suggesting changes to designs or materials that might improve the appearance and wearability of their apparel, and then orchestrating the participants required from raw material sourcing to delivery of the finished products at retail distribution centers around the world. What began as a small edge initiative has evolved into a new core business for the company while the original deal-making core has largely disappeared.

In the examples above, the companies recognized shifting market trends and were able to identify and scale new edge opportunities aligned with the long-term macro trends brought about by the Big Shift. Today's technologies, such as social software and cloud computing, can help companies minimize investments as they scale new edge opportunities. In fact, companies should starve their edges by reducing the amount of resources dedicated to the edge initiative, forcing teams to be more creative and efficient and to look for greater leverage from resources in the ecosystem to become self-sufficient. Additionally, these new technologies also help identify and connect with passionate individuals in an ecosystem. In fact, deep, trust-based relationships should be developed with ecosystem players as a company works on scaling its edge so that the participants in the edge initiatives can accelerate their own learning and the learning of their ecosystem partners.

When scaling a promising edge, companies should staff for passion over skills.⁴⁹ A team of individuals, from various departments and job titles, who are passionate about the edge opportunity, should be designated as "change agents." This passion can help teams

learn faster—even if the right skill sets are not initially present.

Given that many new edge opportunities are not yet well defined, rapid experimentation and prototyping are critical for finding the right initiatives that could help a company evolve. Development cycles should be shortened to a few months after which feedback should be collected from a wide range of partners—including external ones. In this process, failure should be viewed as a learning opportunity. The team should have frequent reflection points where they conduct root cause analysis of why something worked or did not. These sessions should help organizations learn and improve performance rather than merely assigning blame.

Finally, edge initiative teams should find metrics that matter to the senior executives in the core of the business and carefully track performance improvement on these metrics. At the same time, leaders of edge initiatives should track their own metrics, too, ones that may mean little to executives in the core but that will help the edge participants measure progress in terms of doing business in the new way the edge represents. These edge metrics should be tracked to show the trajectory or growth of the edge initiative—not just a point in time. Additionally, these metrics should measure the performance of the ecosystem, not just a single company. For example, network development and involvement, technology usage, or joint cost savings could be tracked.

Promising edges will require new business practices. They are not simply growth or diversification plays. A successful edge can pull more and more people and resources from the core into the edge as it scales (instead of being pushed into the core), positively changing a firm in a way that radically enhances the bottom line. Companies that aspire to become learning enterprises should constantly work on identifying and scaling their edges and thus reinventing themselves as the world around them evolves.

Conclusion



TODAY, we live in the world of the Big Shift. While putting mounting performance pressure on companies, the macro forces shaping today's business landscape also offer new opportunities. However, to take advantage of these opportunities, many organizations will need to abandon the mindset of maximizing scalable efficiency and instead, shift toward developing processes, structures, and environments that accelerate learning and performance improvement. By cultivating passion in their workforce and even within the broader ecosystem, learning to leverage resources, and taking small but calculated moves, companies can develop adaptability and resilience—key characteristics of the learning enterprises. These efforts will certainly be challenging but the potential rewards are substantial. Companies that get this right may have the opportunity to shift from a diminishing returns world where each increment of performance improvement requires more and more effort to an increasing returns world where, the more participants that join in, the faster learning occurs and the more rapidly performance improves.

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Below the surface of current events, buried amid the latest headlines and competitive moves, executives are beginning to see the outlines of a new business landscape. Performance pressures are mounting. The old ways of doing things are generating diminishing returns. Companies are having harder time making money—and increasingly, their very survival is challenged. Executives must learn ways not only to do their jobs differently, but also to do them better. That, in part, requires understanding the broader changes to the operating environment:

- What is really driving intensifying competitive pressures?
- What long-term opportunities are available?
- What needs to be done today to change course?

Decoding the deep structure of this economic shift will allow executives to thrive in the face of intensifying competition and growing economic pressure. The good news is that the actions needed to address short-term economic conditions are also the best long-term measures to take advantage of the opportunities these challenges create.

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