

3 Worlds: The White Paper

Introduction

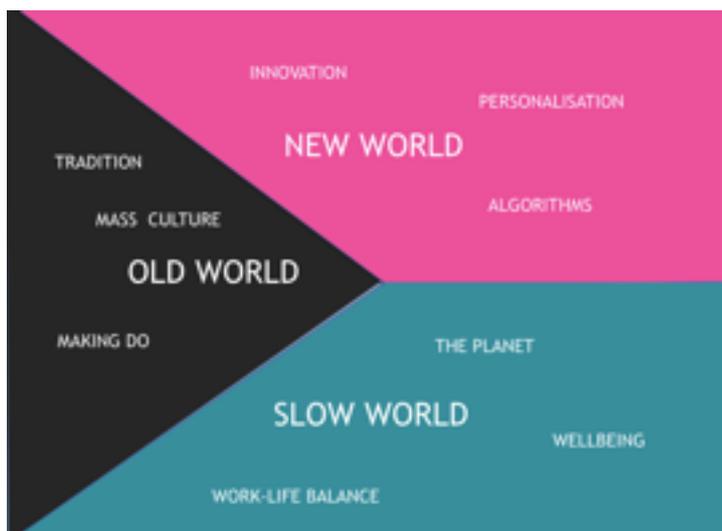
Do you understand what's really changing in people's lives today? Or are you, like most of us, just going with the flow, living in the moment, keeping it simple and hoping for the best?

Does it seem like you could dramatically change the focus or effectiveness of the way you work or the way your business operates or do you feel as if there's very little scope for major improvement?

Do things seem clear to you or are there a lot of unknowns? Conversely are you so swamped with contradictory information that you no longer know what to think?

Welcome to 2015.

My view of life and business became a lot clearer a year ago when I came up with a new way of thinking about the world we live in. The image below represents the first time I tried to put it into words and give it a shape. Over time the boundaries have changed and my 3 Worlds model is more sophisticated now, but this was where it all began.



I realised that we no longer live in one world, we live in three worlds — each with its own rules, and its own ethos.

It's like living at the intersection of three different neighbourhoods, each with unique ways of operating.

Every day we flit between these worlds, not really aware how different and contradictory they are. We know things are changing but we don't really see how or why.

Three Worlds in One

In what I called the Old World — the **Consumer Industrial World** — we are part of the industrial machine — as creators, makers, supporters or buyers. In this world we are quite programmed - we do pretty much the same things each day, buy pretty much the same products and clothes and cars and have pretty much the same lifestyles and aspirations as our neighbours. It's all quite predictable — and profitable. We are in Consumer Industrial mode at the supermarket or when we watch TV with ads.

In the New World — the world of **Global Techno-culture** — we are at our most individualistic — we spend a lot of time doing whatever we want, however we want— exploring new possibilities and amazing new opportunities — most of which don't pan out. Most — but not all — of the things we do online or on our smartphones engage us in the Techno-culture.



In the Slow World — the world of **Sustainable Wellbeing** — we focus on what connects us and what matters — health, happiness and the meaning of life. The emphasis is on our relationships, our bodies, how way we live, and the planet we live on. We enter Sustainable Wellbeing mode when we read food labels, pare down our possessions, make healthy choices, grow our own food, or go to farmers markets.

For the past decade really we've been obsessed with technology. In my recent online survey of New Zealanders I found 71% of people have a smartphone. And as for tablets - more people in the 65+ demographic [47%] have a tablet than most other age groups. As teenagers abandon Facebook in search of something less 'parental', their grand-parents are joining.

Using lots of digital technology changes people - whatever their age and stage of life. Their expectations of ease and simplicity rise. They become super sensitive to delays. They feel empowered. As these kind of expectations spread to a wider slice of society, the society changes too. We fully enter the techno-culture.

But the world of Sustainable Wellbeing has also been gaining sway. More and more people believe sustainability is necessary and right, more and more seek healthy free range food. There's greater use of eco-friendly products. The groups most likely to focus on this are tertiary educated people - and women. Wellbeing has become mainstream.

Only the Consumer-Industrial world is failing to thrive. Many mainstream brands are in a holding pattern, or actively declining. Hyper-competition and a dog-eat-dog distribution system suck the life blood from many FMCG companies. Most of the good news, high-growth stories feature bold newcomers or innovative product offerings.

Tensions between the Worlds

These three worlds don't gently meld together into one, they collide!

World One – the Consumer Industrial world – has been with us for about 150 years in the western world. But it's under attack from Worlds Two and Three and it's losing – slowly and inexorably. We're spending more and more time and money elsewhere. World One often responds to this reality in ways that heighten people's alienation or indifference.

World Two – the world of Global Techno-culture – is the great disruptor. Immensely powerful now, it can destroy World One's cherished institutions almost overnight if it wants. It empowers individuals and connects them, bypassing governments and changing the playing field for major institutions. But it often has an anarchic disregard for any negative impacts of its actions.

World Three – the world of Sustainable Wellbeing – is the healer. It tackles the issues that the other worlds don't, asks the awkward questions about the impacts of change and how people live. It seeks solutions that restore balance and preserve what's important. However, when it is too strongly theory-based, World Three's solutions may seem impractical and its methods may fail to hit the spot.



When Consumer Industrial business models like the music 'industry' are undermined by more successful models from other worlds, we call it disruption, but really it's a collision between fundamentally different ways of doing business, based on fundamentally different world views.

These differences are profound. Even when a representative of one world willingly enters the others, they bring their own preferences, prejudices and expectations with them. If there's any overlap at all it's likely to be partial.

However not all collisions are damaging - some are more like a collision of egg and sperm — they produce offspring. If there's enough of an overlap between worlds, hybridisation can occur. For instance - Napster's clash with the music industry may have ended in a full-blown train wreck, but the next major confrontation produced iTunes.

The New Hybrids

At this point in the evolution of the worlds, we can identify three major hybrid states that have taken hold and may well define the future.

Big Data: Where Consumer-Industrial meets Global Techno-culture. Drawn together by data and the value they place on information and control, they can also enable mass profiling and personalisation with clever algorithms. Amazon.com is the poster-child for the hybridisation of digitisation and product sales. In other arenas you find firms like Monsanto and the NSA. Facebook is here and a lot of Google's business is too.

Conscious Capitalism: Where Consumer-Industrial meets Sustainable Wellbeing. Business with a focus on people, wise use of resources and also a duty of care. Richard Branson is strongly associated with this movement and the Dove brand is a leading example of hybridisation in action.

The Sharing Economy: Global Techno-culture meets Sustainable Wellbeing. Communities of interest placing far greater freedom and power in the hands of users and participants. AirBnB and Uber are here but so are Etsy, Kickstarter, Wikipedia and a lot of modern charities.



Case Study: McDonalds

Meanwhile, I'd like to thank all the big Consumer-Industrial companies who had such a terrible time making a profit last year, for showing the 3 Worlds in action. **Like McDonalds, whose profits are down 30%.**

Companies like McDonalds are most vulnerable, not least because of the relative youth of their target market. Trying to retain the interest of the youth market nowadays is a little like chasing rainbows — especially for older brands. In the US, fresh newcomer Chipotle is [figuratively at least] eating them for lunch. At the time of writing, **Chipotle had made headlines for releasing the actual recipe for their guacamole to the public** as proof of their claim that their food could all be made at home.

A new generation that grew up with fast food everywhere is trying to break free and create their own reality. Maccas isn't new and fun anymore, it's old and tired. It's what your parents and grandparents did.

That's the same parents and grandparents who, [OK inadvertently, but still carelessly] amped up the process of destabilising the planet's climate and also participated in the greatest epidemic of obesity the world has ever seen. Not so aspirational.

Since they have such a clearly-defined industrial ethos, it will be harder for McDonalds to find an acceptable hybrid. Though they won't disappear overnight, they are increasingly at odds with the way the world is going.

In one response to changing times, **McDonalds is piloting a hipster cafe in Sydney, Australia**, but, according to the article's author, though the clinical uniforms have been replaced with hipster-ish garb ". . . it still looks like a McDonald's which is trying not to be a McDonald's".]

Rising Pressure

The Consumer-Industrial system gets its power from recurring profit — the gap between the cost of producing goods and the price they sell for. When the system is in balance, workers are paid enough to live on — and the products are both affordable and profitable.

But as this system comes under pressure, tensions between the needs of people and companies have become more apparent. In these cases the best interests of the buyer — or the staff — or society — or animals — or neighbourhoods for that matter, may be overlooked or undermined. Often because of the pressure the firms themselves feel, existing safety nets — like workers' rights or health standards — are cut away and their staff feel more vulnerable.

In response, more and more people seek to take charge of their own destiny — to whatever extent they can — eating healthier, trying to become financially independent, working smarter, focusing more on family etc. Their perceptions of companies and brands take a pounding. They become more sensitised to potential threats.

Now new providers step in to help. This new competition comes from firms that treat their customers better or give them exactly what they want, or offer a cheaper, better product.

There is a growing inclination on the part of the 'many' to stand up for other people's rights by using their power as buyers. In New Zealand the Unite union recently successfully 'encouraged' every major fast food

chain to abandon 'zero hour contracts' where workers are hired without being guaranteed any hours. [By the way, McDonalds was last to agree.]

In the article, a union organiser explains the fundamental shift of perspective:

*"The support in this campaign just didn't come from the traditional left and other unions. It came from the right. It came from Middle New Zealand. It came from a lot of employers as well who were in contact with us, saying: 'Look, I don't normally agree with unions but you're dead right. There's a **reciprocal** [my highlight] responsibility on employers to provide enough hours for a worker to be able to pay the rent and live.' That's what we're talking about."*

Are you Trying to Hold back the Tide?

Jeffrey Pfeffer is not a stupid man – he's a professor at Stanford Graduate School of Business and the co-author of **one of my favourite business books – The Knowing-Doing Gap**. But he does a fairly good impression of King Canute in a recent article in Fortune magazine, when he takes aim at the business model behind much of the sharing economy, entitled **'How to make a fortune without 'doing' anything: the Uber, AirBnB story'**.

Unfortunately, even the title is likely to have the opposite effect to the one he intends.



Pfeffer claims – with plenty of justification, I might add, that companies that create platforms for peer-to-peer transactions are not only avoiding their corporate responsibilities, they are likely to undermine worker protections, the tax base and consumer standards that established firms might adhere to. He points to data that shows inequality is lessened when more people are employed by large firms.

His examples include not only Uber and AirBnB, but also eBay.

He concludes:

"Call me old-fashioned, but I actually like a company whose "terms of service" entails providing the product or service I am purchasing rather than stating all the things it is not responsible for. I prefer to buy from a company that stands behind its products, with management that cares enough about its customers to provide oversight of its employee workforce and quality assurance for its services."

Jeffrey, you're old-fashioned. But that doesn't mean you're not insightful.

Case Study: The Sharing Economy

The sharing economy moves responsibility from the corporate bodies of Consumer-Industrialism, that must legally do the right thing by the people they employ and serve, to individual users who rely mainly on the shared experiences of other users.

To establish quality standards for any of these services, some individual customers are going to experience bad service, in order to weed out the bad eggs and make it safe for others. [In AirBnB's case, Jeffrey Pfeffer was one of them.]

My own dominant impression of the Sharing Economy comes from my exploration of online small business communities, where there is a growing move towards helping others to succeed by both giving them information, and also selling them services, that in turn also helps the giver to achieve success. This is reciprocation in action.

Whether it's e-books and courses on how to launch online products, or free podcasts that build communities and lead to affiliate income, the level of co-operation and mutual support amongst these networked groups is palpable.

But the inescapable truth is that the Sharing Economy depends on people not only sharing, but also caring. Whether they are the business owner or the platform user, they need to care about complaints and bad reviews. They need to feel empathy for other people and to pay their bills and ensure they don't rip people off. Whether it's a pragmatic business decision or a personal moral/social decision, or both, it's an essential foundation.

Sharing platforms work because most people are reasonable and do care. And in the right circumstances, where the purchases are relatively low-risk – they will succeed. But it's not all Caring and Sharing out there.

Here's an example of some of the tensions that accompany hybridisation. It begins with an angry diatribe by Sam Bliss on grist.org who proclaims **The Sharing Economy is Bullsh!t: here's how we can take it back**. He says:

"Sharing" has been appropriated and stripped of all meaning by people trying to sell you things, much like sustainability was. Once "green" became hip and important about a decade ago, corporate bigwigs started preaching about sustainable profits and misleading eco-labels got slapped on single-use disposable plastic water bottles. These days, share-washing is the new greenwashing.

He then puts forward his own view of co-operation:

"Let's reclaim "sharing" by contrasting the real sharing economy with the bullshit sharing economy. A real sharing entity enables a group of people to collectively create a good or service and then share the results equitably. A real sharing enterprise isn't driven by profits for shareholders; it's driven by sharing resources, knowledge, and decision-making responsibilities."

The Sharing Economy represents the hybridisation of the anarchic and disruptive world of Global Techno-culture and the empowering participatory world of Sustainable Well-being. The tension between Sam's pure Sustainable Wellbeing perspective and Uber's somewhat sociopathic form of Global Techno-culture is profound – and it is likely to persist.

What Does it Take to Prosper and Grow?

In 2014 I ran a pilot survey in New Zealand amongst 200 private sector employees that revealed that a culture of experimentation and adaptability is linked to greater success. My work also showed that some sustainable wellbeing variables like community-building also breed greater business prosperity — but that classic consumer industrial company values, like being sales-focused, were not directly related to success.

In essence I found that companies with Global Techno-culture and Sustainable Wellbeing characteristics were doing much better than the rest.

In my original research I identified a range of descriptors of organisations and asked these employees whether each was typical of their organisation — things like adaptability and sustainability, focusing on KPIs etc — a whole lot of variables consistent with the three worlds.

I also asked them — as I've asked in many of my shared social research projects, whether the firm they worked for was prospering, stable or declining. This measure has served me well in the past as an indicator of the degree of growth - or otherwise - in the economy. People generally know if their firm is doing well or not — their livelihood depends on it.

In this study, the results were emphatic! Certain quite logical combinations of these descriptors were associated with far higher levels of perceived prosperity.

Later in the year I came across the best kind of confirmation - a hot-off-the-press Stanford University study.

In this clip a Stanford Graduate School of Business professor, Charles O'Reilly, is talking about a major 'ground-breaking' study they've done that shows how business culture influences success.

He says: *"What we found was that organisations that had strong norms for adaptability that were widely shared and strongly held, those organisations performed much better. They performed better in terms of net income growth . . . revenue growth . . . the market to book value of the company . . . employee ratings . . . and they performed better in terms of analyst recommendations to buy the stock".*



Buoyed by this corroboration, I plan to conduct a survey of 500 private sector employees to validate the 3 Worlds model. This will build on the successful elements of my 2014 pilot study and absorb any additional learnings from the published information on Professor O'Reilly's study.

Readers of the subsequent report or attendees at my presentations and seminars will discover what drives success or decline in New Zealand business as a whole. Subscribers to the study will gain an in-depth understanding of their company's own position in the 3 Worlds.

How to Have a More Prosperous Company

But how do you make use of these insights to re-orient your company towards success? Culture is one of the hardest things to change.

Professor O'Reilly's focus is on how managers can achieve this state of adaptability and he finds that it boils down to specific behaviours like experimentation and risk-taking - the same kind of variables I used in my own study.

In his video **O'Reilly identifies four ways in which organisation's cultures are signalled** and developed - what managers do and are seen to do - how engaged people are - the vivid examples that are held up - and the rewards and recognition people receive.

I like this kind of practical down-to-earth approach. Most attempts at culture change don't work — perhaps most often, because they are manufactured, not 'natural'. My own view is that culture follows the values and behaviour of staff — what is expected and rewarded over time becomes the focus of the organisation and people who like that sort of thing are more likely to join an organisation with those characteristics.

Rather than embark on some introduced system of culture and behaviour change, I think it's important to begin with a clear understanding of your organisation - and start where you are! Whatever other issues an organisation might need to explore, one of the main aims should be to discover which pathway to prosperity is easiest to achieve and which organisational qualities are easiest to do more of [if helpful], or reduce [if unhelpful].

For example, a business analyst I once interviewed explained the difference between his previous corporate job and his current position in a more entrepreneurial firm like this:

"There you used to have to wait until what you thought needed to be done had been approved higher up the chain. Here you just try it out and see if it works! . . . Here you rely on your commonsense a lot more. It's not perfect because some people don't think things through properly - but when it works things can change fast."

If you want adaptability — that's it in a nutshell.

Brands that are Right for the Times

In March/April 2015 I ran a study entitled 'How to be Right for the Times'. In it we asked 1000 people in an online survey to rate almost 150 brands as right for the times or not — whatever that meant to them. Google was top, Pak'n'Save was second, The Warehouse was third. Global Techno-culture narrowly beat out Consumer Industrialism.

That would make you think that maybe Consumer Industrialism wasn't in such bad trouble after all, except for the fact that the people who liked those kind of brands skewed strongly to the older end of the population.

We also gave research participants a list of over 20 different attributes that these brands could possibly have [derived from past qualitative research] and asked them to choose the ones that best described the set of brands they had chosen.

Then a colleague ran a factor analysis - an advanced multivariate technique - on the data for me, to discover the underlying patterns. Basically he was asking: if a person is drawn towards brands with particular characteristics [e.g. ethical firms or companies that care for their customers or companies with funny advertising] what other characteristics are they also more likely to admire.

And guess what? The results were highly compatible with my 3 Worlds model.

There was one frequently mentioned factor that reflected the kind of things Consumer Industrial firms try to achieve, like value for money.

Another factor clearly reflected the values of Global Techno-culture.

Another was all about wellbeing and ethics — representing people most at ease in the world of Sustainable Wellbeing,

The fourth was related to entertainment and social media and may be reflecting the mindset of the Sharing Economy.

That isn't incredibly surprising, but it is extremely useful — if we can study a business's culture and its brand, using the same model, it becomes so much easier to integrate the internal and external elements of a company's performance.



Conclusion

It's a joy to get an idea, develop it further, pilot a survey, gather corroborating evidence and ultimately emerge with a robust and useful concept that can really help organisations work out what they need to do to prosper in these very uncertain times.

If you wish to discuss the application of these concepts to your business or situation, please contact me, Jill Caldwell at contact@windshift.co.nz for further information.