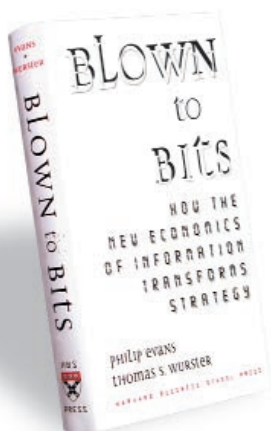




Executive Book Summaries®



By Philip Evans and
Thomas S. Wurster

How the New Economics of Information Transforms Strategy

BLOWN TO BITS

THE SUMMARY IN BRIEF

Organizations have historically approached the dissemination of information with a single, dichotomous assumption. One could focus either on *richness* (developing information on customized products or services, tailored for and sold to a small, devoted audience) or *reach* (watered down information and products that sacrificed richness in favor of reaching a larger, more general audience), but never both simultaneously.

In *Blown to Bits*, Philip Evans and Thomas S. Wurster note that that trade-off has been eliminated by the advent of the Internet. The central tenets of traditional business strategy have been “blown up” by a tool that has both eliminated borders and barriers long taken for granted as part of doing business, as well as hastened the development of standards and common connectivity that will affect companies for many years to come.

In this summary, Evans and Wurster focus on several key pieces of what they call “the new economics of information”:

- **Information and Things.** The embedded compromises inherent to linking the economics of information and the economics of physical things make organizations vulnerable to faster, more efficient competitors.

- **Richness and Reach.** If you unbundle information from its physical carrier, the traditional trade-offs of richness and reach likewise become unbundled. The result: a wealth of new opportunities for business.

- **Deconstruction.** Once information and things are treated as separate economies, thus eliminating the trade-off between richness and reach, companies can dismantle and reformulate themselves, to great competitive advantage.

- **Disintermediation.** The deconstruction of businesses results in direct communication between suppliers and buyers, reducing or eliminating the need for middlemen; these intermediaries must find new reasons for existence in order to stay in the game.

- **Supply Chains and Organizations.** With reach and richness no longer “either/or” propositions, supply chains — indeed, entire organizations — can be deconstructed and reconstituted to meet new competitive challenges.

The traditional modes and processes you’ve used to disseminate information are no longer as powerful or valid as they once were. What that means to the future of your company is the topic of this summary.



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BLOWN TO BITS

by Philip Evans and Thomas S. Wurster

— THE COMPLETE SUMMARY

Information and Things

Every business is an information business. Information plays a critical role in any business endeavor, regardless of whether that endeavor is viewed as being explicitly based on information. The health care industry in the United States, for example, is a \$350 billion business that, at its core, consists of dealing with information — patient records, cost accounting, insurance claims and the like. The physical world of manufacturing is also shaped by information, rewarding those companies who successfully leverage the benefits of market research, logistics and advertising. Even inventory is a physical manifestation of one's ability to properly use information.

The formal organizational structure of any company is fundamentally a set of channels for the rich exchange of information among employees. In this context, "information" does not merely mean "data." Qualitative judgments, affiliation and emotion are all inextricably linked with the sharing of numbers and facts; denotation and connotation are inseparable.

Information is the glue that holds together value and supply chains, consumer franchises and organizations. That glue is now melting; the explosion in connectivity and in information standards are enabling open, nearly cost-free exchange of rich information across a wide array of communications channels. The Internet, obviously, has spurred this change, but the phenomenon will grow exponentially in the coming years, as broadband connections (such as cable modems and DSL technologies) become more affordable and Web-enabled devices and appliances become more widely used. By 2010, in fact, these devices (such as digital assistants, intelligent automobiles and the like) are expected to outsell PCs by a factor of 10 to 1.

The New Economics

The economics of information is quite different from the economics of physical things. In the majority of businesses, the two are tied together like participants in a three-legged race. Consider, for example, shelf space in a shop. First, it serves as both the billboard (*information*) for products, telling customers what they need to know to make a purchase. It is also *inventory* (a thing) — the stock of goods residing between a factory and consumer. To maximize the potential for the information purpose of the shelf, the retailer would make the size of the display

larger; to focus on physical economics — placing as much stock as possible out for sale — the retailer must minimize the size of the display. The compromise between the economics of information and things is a daunting one.

The vulnerability of a business is proportional to the extent of its embedded compromises — compromises between different activities tied together by information flows, and compromises between its economics of information and its economics of things. Information may be the end product of a minority of businesses, but it glues together important entities across the entire economy. As that glue melts and the compromises between information and things are broken, tremendous economic value can be released. Indeed, "businesses" may no longer exist — their component pieces may separate as the informational glue bonding them together melts. ■

Britannica: A Cautionary Tale

By 1990, sales of the multi-volume Encyclopedia Britannica had reached an all-time high of \$650 million. Its direct sales force — one of the most aggressive and successful in the world — had carried the stalwart educational tool to a high-water mark in a market in which it had dominated since its inception in the late 1700s. Since 1990, though, Britannica's sales have fallen off 80 percent, blown away by a product of the late-twentieth-century information revolution — the CD-ROM.

Britannica's executives, at first, did not take the revolution seriously and, at least initially, no one could blame them. The most popular CD-ROM encyclopedia, Microsoft's Encarta, contained nothing that encyclopedia enthusiasts would have found interesting in their original medium: text licensed from the third-rate Funk and Wagnall's encyclopedia (a pale Britannica imitator), a bevy of public-domain illustrations and scratchy

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Britannica: A Cautionary Tale

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Yet Britannica’s revenues plunged; regardless of the comparative quality of the content, Encarta was an enormous hit, and produced a quandary for Britannica — to produce a competing CD-ROM, the company would have to cut its content from roughly 40 million words to just under seven million. Britannica also faced a revolt from its sales force, who guessed, correctly, that even a high-priced CD-ROM could not generate the \$500 to \$600 commission of the printed product.

Lessons from Britannica

Britannica did eventually produce a CD-ROM, but by then it was too late. In May, 1995, the company was sold at a significant loss against book value. The lessons to be learned from Britannica’s downfall are many:

- **The most venerable can prove to be the most vulnerable.** Even the most established brands can be demolished by new information technologies.
- **A strong corporate culture can blind business leaders to events that do not fit into their collective mental framework.**
- **Britannica’s status as the historical leader in its market placed it at a natural disadvantage, since it still had to contend with the trappings of “legacy assets” — old sales and distribution systems, brands, core competencies, etc. ■**

Richness and Reach

To the extent that information is embedded in physical modes of delivery, a basic law governs its economics: There is a universal trade-off between richness and reach. If you unbundle information from its physical carrier, though, the trade-off can blow up.

Until recently, it has been possible to share very rich information with a very small number of people and less

What are Richness and Reach?

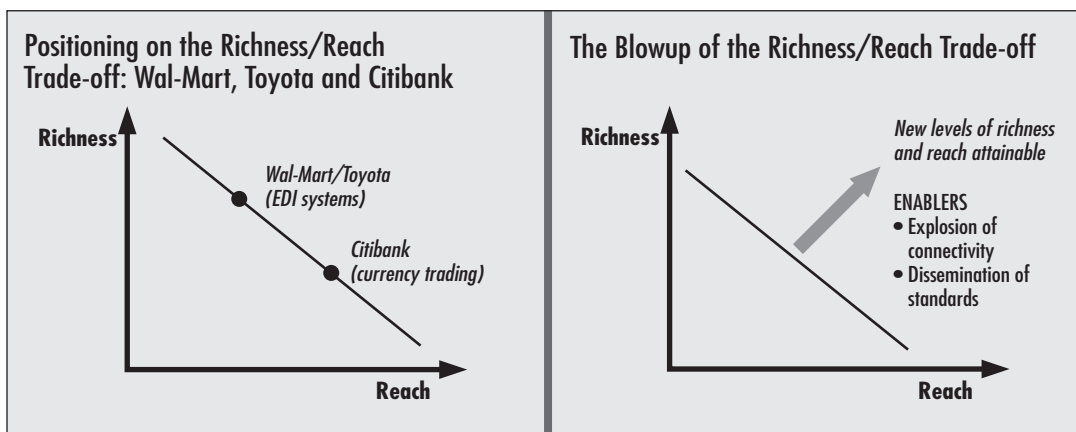
Reach is simple to understand — it is the number of people (at home or work) exchanging information. The definition of richness is more complex; at its essence, it is the quality of information, as defined by the user. Richness concerns six aspects of information:

- **Bandwidth:** The amount of information that can be moved from sender to receiver in a given time.
- **Customization:** The degree to which the information can be personalized.
- **Interactivity:** Dialogue is possible for a small group; messages to millions must be delivered as a monologue.
- **Reliability:** Information is reliable when exchanged in small groups, but not in large ones.
- **Security:** Sensitive information is kept behind closed doors; less sensitive information is disseminated to a wider audience.
- **Currency:** On Wall Street, some market makers receive instantaneous quotes; some on a 3- to 15-minute delay. Most retail investors receive quotes on at least a 15-minute delay.

rich information with a larger number, but it has been impossible to share simultaneously as much richness *and* reach as one would like. Communicating information has required either proximity (people working in the same location) or dedicated channels (proprietary computer networks, for example). Costs and physical constraints of these channels have historically limited the number of people who could access the information. Conversely, communicating information to a large audience has required compromises in the quality of that information; technologies have not allowed the simultaneous achievement of extensive reach and deep, resounding richness.

Some Examples

Supply chains exhibit this trade-off. When companies conduct business with one another, the number of parties they deal with is inversely proportional to the richness of the information they need to exchange. A good example of this trade-off can be seen with Citibank, where currency traders source euros and yen from hundreds of institutions, due to the fact that the infor-



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Richness and Reach

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mational richness needed to support currency trading amounts to two numbers: quantity and price. The information requirements of the business put a higher premium on reach than they do on richness.

Toyota and Wal-Mart, on the other hand, have narrowed their reach by moving to fewer and larger long-term supplier contacts. Narrowing their reach allows for a richer coordination of marketing and logistics. They built extensive networks for electronic data interchange, but the cost of the system forced them each to narrow their sourcing to the largest, most capable vendors.

In both cases (Citibank on one side, Toyota and Wal-Mart on the other), we see the extremes of the trade-off between richness and reach. This trade-off is the informational foundation on which relationships, consumer franchises, vertical integration, horizontal integration and asymmetries of information — differences in knowledge among people or companies that affect their bargaining power — are largely based. (An example of asymmetries of information is the case of the sale of a used car, in which the seller knows much more than the buyer.)

The Power of Standards

Once information can travel by itself and there are standards that allow everyone to share that information, it becomes possible to have both richness and reach. This blowup of the richness/reach trade-off is creating a new economics of information; it is driven by connectivity, by the triumph of communication standards and by the migration of those standards into the organization and presentation of content.

For example, OFX is a standard (developed by Microsoft, Intuit and others) for the presentation of personal financial information. As it evolves into a comprehensive standard, it will allow an individual to specify a financial need, receive and compare bids, incorporate data or advice from any source, and accomplish a number of additional tasks, all while dealing with an essentially unlimited number of institutions. Ordinary individuals can exercise the purchasing sophistication of finance professionals; the customer enjoys both richness and reach.

Shifting the trade-off between richness and reach melts the informational glue that bonds traditional business relationships. The result: Business structures, such as value chains, supply chains, franchises and organizations, are “deconstructed.”

Over the next 5 to 10 years, this deconstruction — this exchange of rich information without constraints on reach — will change many relationships in the business world. In fact, it is already happening. ■

Deconstruction

“Deconstruction” is the dismantling and reformulation of traditional business structures. It results from two forces:

- **The separation of the economics of information from the economics of things.**
- **The blowup (within the economics of information) of the trade-off between richness and reach.**

When the trade-off between richness and reach is blown up, there is no longer a need for the components of these business structures to be integrated. The new economics of information blows these structures to bits and then recombines them, based on the separate economics of information and of things.

Incumbents vs. Insurgents

Deconstruction typically results in competitive squabbles between incumbent companies trying to maintain old information paradigms and insurgent competitors that use new modes and methods of dissemination to gain competitive advantage. The insurgent’s greatest competitive advantage, however, tends to be the unwillingness of the incumbent to fight on a deconstructed definition of the business.

A good example is the retail banking industry, where the current business model is a vertically and horizontally integrated value chain. Multiple products are originated, packaged, sold and cross-sold through a common set of proprietary distribution channels. The fundamental unit of value is the customer relationship; high-cost channels and distribution systems are optimized around servicing that relationship.

At first glance, electronic home banking appears to be just another distribution channel, and, indeed, most

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How Vulnerable is Your Business to Deconstruction?

There are four steps to understanding how deconstruction will play out in individual industries:

1. **Examine how informational economics shape your industry.**
2. **Consider how new technologies can shift those existing structures.**
3. **Analyze how the various players in the business system could create economic value as a consequence of those changes.**
4. **Lead the transition from the old business to the new one.**

Deconstruction

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incumbent banks view it as such. Many even offer proprietary software to support home banking and electronic transactions. What they do not appear to recognize is the fact that customers can now access information and make transactions in a variety of fundamentally new ways, through proprietary software, mass market software (such as Quicken or Microsoft Money), and, especially, through Web sites maintained by major financial institutions.

Connectivity Eliminates the Trade-off

The Web sites of financial institutions initially presented the consumer with a trade-off between richness and reach (either rich services from one's own bank or limited offerings from the major institutions' sites), but the trade-off was entirely artificial. Once connectivity has been established, there are incentives for players to create standards that allow for increasing richness across an unlimited number of institutions. The comprehensive OFX standard, mentioned earlier, is one example of this type of standard. It will soon support presentation of bills, brokerage transactions and bid solicitations, bridging personal financial software with the Web sites of institutions and combining the best of both tools to support a full range of banking services.

When that happens, the trade-off between richness and reach in retail banking will be broken. Sedentary incumbents will be forced to address the resulting deconstruction of their existing value chain, or to be crushed by the weight of insurgents climbing over them to get to customers. When a value chain begins to deconstruct, almost any choice of focus is better than clinging to obsolete, integrated business definitions. If companies don't address the deconstruction of their businesses, or deconstruct them themselves, someone else will do it for them. ■

Disintermediation

Many intermediaries in business make their living from the richness/reach trade-off. Thus, if that trade-off is blown up, the intermediaries get blown up too, or at least must come up with new justifications for their existence. When the supplier of goods and the consumer of goods can deal directly with each other, there is a deconstruction of the old role of intermediary; that role evolves into one of a navigator.

This disintermediation, as it were, is nothing new. Bankers coined the term 30 years ago to describe the displacement of corporate and retail banking in the wake of securities and money market funds. Today's disintermediation is driven by the new economics of information, and the speed and impact of that economics on existing intermediaries.

Dell Adds Richness to PC Retailing

By selling computers directly to consumers, Dell Computer Corporation became one of the great examples of disintermediation done right, with phenomenal success, with \$16.7 billion per year in sales and an annual growth rate of 50 percent. The benefits to the company and consumers have been manifold:

- Dell holds down costs by maintaining a bare minimum inventory — eight days' worth of components and finished products, compared with rival Compaq's 35-day inventory.
- By selling over the Internet, Dell has blown up the richness/reach trade-off, allowing customers access to a wealth of information and a simple interface that allows them to use that information to build a product customized to their unique needs.
- By coordinating the electronic exchange of information with its suppliers, Dell has added a layer of richness, extending that quality back to its supply chain.

Traditional vs. New Disintermediation

There are two basic forms of disintermediation: traditional and new.

Traditional disintermediation happens when a new competitor attacks an established intermediary by offering greater reach and less richness. This is a different value proposition and not necessarily a superior one. It simply resegments a market rather than destroying an established intermediary. The disintermediation of local hardware and clothing stores in the late nineteenth century as a result of the Sears and Roebuck catalog is one example. The interface of the catalog was not as rich, but its reach (in selection and delivery) was far superior to local brick-and-mortar counterparts.

The new, more radical form of disintermediation occurs when technology allows for the richness/reach curve to be displaced, allowing new players to offer greater reach and greater richness *simultaneously*. It threatens not just to resegment a market, but rather to transform the business.

One good example is the brokerage business, which nurtured long-term relationships between customers and brokers, who served as intermediaries between the customer and the brokerage house. The advent of online trading has deconstructed the broker/customer relationship to the point where brokers are now addressing the deconstruction and disintermediation by going independent — offering their services and advice to investors in a consultant's capacity apart from brokerage houses.

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Disintermediation

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Eliminating Compromises

Disintermediation will take place wherever the richness/reach trade-off can be shifted and compromises in the current business can thereby be eliminated; both conditions are necessary. Disintermediation need not attack a whole business as conventionally defined — it can attack a small portion of a business and still unfold to maximum effect. How it unfolds depends on which player — insurgent or incumbent — precipitates the attack. Compromises are eliminated left and right — those brought about by the linking of the economics of information and the economics of things as well as those arising from the existence of the richness/reach trade-off. In fact, there may be a number of compromises embedded in current levels of richness that are only obvious to the customer once disintermediation proceeds.

The advantage of disintermediation is that the customer always wins. Customer needs, not conventional business definitions, define the shift from trading off richness and reach to enjoying the benefits of both. ■

Competing on Reach

The power balance between suppliers, physical retailers and the consumer is shaped in today's world by hierarchical structures of information. On the supply side, the bonding of information flows to physical flows implies a hierarchy among suppliers, wholesalers and retailers. On the demand side, constraints on richness and reach force the consumer into a hierarchical pattern of search and choice. The two hierarchical structures mirror and sustain each other.

For the consumer, the inefficiency of hierarchical search makes for difficult, often bad, choices. For the supplier, such hierarchy cuts off any opportunity for building a relationship with consumers, putting the supplier at the mercy of the retailer. A critical intermediary function arises from the costs and inefficiency of hierarchy — navigation.

Navigators provide shortcuts through the maze. In some instances, navigation may be a business in its own right (Yellow Pages, personal shoppers, etc.), or a function within a business (salespeople, stockbrokers). Sellers dominate the navigation process; they enjoy greater economies of scale in marketing than buyers do in searching. They employ push-based marketing techniques (sales pitches, shelf layouts, etc.) to grab the attention of consumers and influence their behavior.

A New World of Navigation

Once the economics of information and the economics of things are separate, the navigation process

becomes totally independent of the physical distribution and fulfillment of goods. The new navigators can help people find the things they are looking for without taking responsibility (as retailers do, for example) for delivering those things. These types of new navigators are varied. They might be businesses, such as Yahoo, software, such as Quicken, or electronic retailers, such as Amazon.com.

As informational functions, the new navigators can exploit the shifting trade-off between richness and reach. Because they are unconstrained by reach, they can offer all alternatives to all searchers. Because they are unconstrained by richness, they can offer as much detail as wished in whatever way the client prefers.

The new navigators can thus compete on both richness and reach. They also compete on a third dimension: agency affiliation. This refers to the closeness with which the navigator identifies with the interests of its clients (see next article for more details on affiliation).

Competing on Reach: Critical Mass

The competitive advantage over traditional navigators that the new navigators have in reach — as a direct result of the separation of the navigation function (the catalog) from the physical function (inventory) is clearly illustrated by Amazon.com. While most bookstores carry an average of 80,000 titles, Amazon.com can offer three million volumes. And while customers must visit physical bookstores at one physical address, customers can visit Amazon.com's bookstore at twenty-five million addresses (the twenty-five million computer screens that can access the Internet).

When it's not constrained by physical limitations, reach explodes. The question, however, is how do you compete against other new navigators? If reach explodes for everyone, what decides the winners? The answer: the first new navigator to reach the threshold of critical mass. Cut prices, give the product away, merge with competitors —

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Who Defines the Threshold?

A business competing on reach needs to know when it has reached the magic threshold of critical mass. That threshold is defined by the search domain, not the navigator. For example, if you are offering a database of unskilled jobs, the search domain should be specific to a locality but nonspecific with respect to job categories. Thus, newspapers are in an excellent position to be effective new navigators for non-skilled jobs. For high-skill jobs, the reverse is true. The search domain should be skill-specific but open to relocation options. The question is, who can achieve critical mass with those factors?

Competing on Reach

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whatever it takes to reach that critical mass has proven to be worth it. This explains why stock market valuation places greater value on reach than on profits.

The success of Amazon.com is explained by its ability to reach critical mass so quickly — starting with an offering of a million books — that traditional booksellers were already trying to catch-up by the time they recognized the online potential of bookselling. ■

Competing on Affiliation

New navigators derive their advantage (versus established players and one another) by affiliating as closely as possible with the interests of the consumer. This tilt toward consumers is a direct and fundamental consequence of the blowup of the richness/reach trade-off. The greater the reach of navigators across suppliers, and the more intense the competition among navigators for the loyalty and attention of the consumers, the weaker the navigator's bond to any one seller. As a result, there is greater pressure on them to serve as buyers' rather than sellers' agents.

Affiliation in Retail

In retail, the idea of affiliation is complex and ambiguous. Retailers by definition buy from suppliers and then resell to consumers. Thus, they represent consumer interests to product suppliers (negotiating for high quality and low price), as well as representing supplier interests to consumers (cooperative advertising and promotions), varying in their mix of the two roles.

There are any number of examples of the latter throughout the retail spectrum:

- Nike, for one, maintains a large sales force (called Ekins, or “Nike” spelled backward) to handle a number of navigation issues, including training retailers' salespeople to explain shoe technology to customers and guide them to the most appropriately designed Nike shoe.

- Apple Computers manages its value-added resellers as extensions of its own sales force.

- “Rack jobbers” from a variety of industries arrange products and displays in retail outlets to maximize the banner effect of shelf space and navigate customers toward the current promotion.

These close ties are tested by affiliations; indeed, the real test of affiliation is where the consumer's gain is the seller's loss. Navigators serving the interests of the consumer might be expected to provide a number of services, including informing the consumer of purchasing alternatives available from other suppliers, explaining why a premium feature is not worth the money and sharing unflattering information about product perform-

ance or customer satisfaction.

Consumers rarely get this service, however, because navigators typically jettison their responsibilities toward consumer affiliation in favor of affiliating with sellers. They do so for two essential reasons. First of all, rich navigation tends to be specific to suppliers; secondly, consumers are unwilling to pay for navigation in most circumstances. When the trade-off between richness and reach blows up, however, it becomes possible to shift affiliation away from the seller toward the consumer.

Who's Paying?

There are numerous examples of navigators covering the same domains (and, therefore, operating within the same reach) but behaving differently as a consequence of being paid differently. “Financial advisors,” for example, can be salespeople paid by brokerage houses to sell securities, or they can be independent counselors paid by customers for advice. The options that the navigator presents, and the quality and tone of the guidance that he/she/it provides, are influenced by the navigator's economics. Even if reach explodes and new navigation models become possible, the affiliation of the navigation function still critically depends on how it is paid for. ■

Deconstructing Supply Chains

Extranets, standards and market-making businesses start within industries, but they don't stay there. They follow the economics of information, not the economics of the things their industry manufactures. The very fact of this evolution will dramatically alter the bases of competitive advantage, diminishing the value of established business relationships. Greater reach will allow buyers who want to buy the best product to easily find suppliers who will sell it to them. Greater richness will allow companies with complex and intractable problems or tasks to get help from others who can bring with them the needed skills and technologies, on a worldwide scope.

Indeed, the change in competitive advantage and the intensification of competition across all levels of the supply chain will manifest themselves in three key ways:

- **Outsourcing.** Outsourcing will flourish because reach to the best product suppliers is greater, specifications are easier to agree upon and mutual dependency is minimized by the availability of alternatives.

- **Market making.** Organizations that themselves are big purchasers will discover that their own volume can jump-start a stand-alone business to bring buyers and sellers together. As they follow the economics of information, these market-making businesses will quickly evolve past their original purchasing mix, carving a major route through which efficiencies achieved by the

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Deconstructing Supply Chains

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larger entity will quickly filter down to benefit the smaller entity.

● **Decentralized self-organization.** The ability of employees to group together, break apart, and regroup across unlimited corporate boundaries will flourish, as small companies exploit richness and reach to collaborate with each other. These groups will demonstrate the ability to complete complex projects that had previously been possible only through the hierarchical direction of the large corporation. ■

Deconstructing Organizations

While the traditional hierarchical organization can be slow, cumbersome and politicized, it remains (and, in many sectors, will continue to be) the basic model of how economic activity is organized. It supports higher richness, but lower reach. Because hierarchical organizations are built on severe constraints imposed by the trade-off of richness and reach, they are prime grounds for asymmetries of information: Senior executives have a grasp and control of the “big picture,” while subordinates have a more detailed, but departmentally constricted, knowledge base. These asymmetries of information result in asymmetries of power, manifested in the political games we all recognize as revolving around monopolizing various sources of knowledge.

Organizations Are Forced to Change

In order to respond to new competitive challenges, many organizations are staying in the game by mimicking many of the characteristics of deconstructed organizational environments. Internally, they exploit connectivity and standards to support the fluid, self-organizing flows of talent, technology and capital traditionally associated with markets. Externally, they exploit connectivity to support collaboration, shared competencies and common strategies traditionally associated with organizations. The traditional distinction between internal hierarchy and external markets becomes blurred.

The response by organizations to deconstruction lies in emerging cultural and managerial norms. These norms will be dominated by three characteristics:

● **Fluidity.** As information channels become less expensive to create and maintain, there will be a greater move toward “soft-wiring” organizations — increasing the opportunities for employees to group into teams, participate in multiple projects simultaneously, and work out roles within a team, without managerial intervention.

● **Flatness.** Spans of control are proportional to reach; double the span of control and you halve the

management layers required to run an organization. Authority is never eliminated (since strategy is still required), but the number of tiers in the organizational hierarchy can be radically reduced.

● **Trust.** Greater richness and reach imply greater symmetry of information. When information is richer and more free flowing, everyone’s actions become more transparent; disgruntled subordinates and poor performance are harder to hide. Reputation substitutes for formal mechanisms of review and control. ■

Guiding Principles

Much of management is geared toward concreteness and stepwise solutions to prioritized, practical problems. Deconstruction, in contrast, is all about fluidity, indeterminacy and instability. It is not a new set of rules about strategy; it is an argument that the old rules of strategy (market share, cost, innovation, competencies, etc.) still apply, but the objects of those strategies are different. The task is, therefore, one of identifying new objects and then rethinking and reapplying the same old tenets of competitive advantage.

There are 12 guiding principles that may help with the task of rethinking strategy in an era of deconstruction:

1. No business leader today can presume that today’s business definitions will still be valid a few years from now.
2. Deconstruction is most likely to strike in precisely those parts of the business where incumbents have the most to lose and are least willing to recognize it.
3. Waiting for someone else to demonstrate the feasibility of deconstruction offers the biggest advantage for which a competitor could possibly wish: time.
4. Leaders need to wrestle with the full range of possible patterns of deconstruction.
5. Strategy really matters.
6. The value of winning will escalate, as will the cost of losing.
7. The reconstructed business definitions will rarely correspond to the old.
8. The hardest step for an incumbent organization is the mental one of seeing the business through a different, deconstructed lens, then acting on this insight.
9. The subtler pitfall is co-option and passive resistance by a skeptical and self-preserving organization.
10. Strategy in a deconstructing world has to be generally right, but need not be specifically right as long as the organization maintains a capacity to learn from its mistakes.
11. The value of incumbents’ best assets is all too often destroyed by the organizational, behavioral and personal baggage that they insist on bringing to the new venture.
12. Incumbents can be insurgents, if they choose.