

Editorial: *Observing and Accepting the Challenge of Managing Continuous Disruption, Focusing on Resilience, Adaptation, Innovation and Entrepreneurship*



In July 2020 we made reference to “*these times of interminable unpredictability*” (Purcarea, 2020). In August 2021 two distinguished representatives of the National Institute for Economic Research, Romanian Academy wrote about “*the sea of uncertainties impossible to discern*”, underlining that “*The big changes we have to face are big challenges rather than opportunities. In this equation there is no equality of terms, because it will always be said that for challenges there is not enough money to meet them, and for opportunities we do not have the skills to value them when they deserve it*” (Pop and Ioan-Franc, 2021).

Last year we wrote about “*From Overcoming Adaptability Paradox to A New Dimension of Performance*” (Purcarea a, 2022), and “*Lessons to Learn in Adapting to Market Uncertainty. Limitation of Perspective, Balance of Feedback, and Experimenting Along the Way*” (Purcarea b, 2022). As we reminded at the end of 2017 (Purcarea, 2017): in September 2011 we raised the question (Purcarea, 2011) if we are really ready to create the “thick value” (as described by Umair Haque in his book “The New Capitalist Manifesto: Building a Disruptively Better Business”) and to use this source of next-level advantage which is “loss advantage”; a month later, in October 2011, W. Brian Arthur an economist and technology thinker and a pioneer in the science of complexity, brought to our attention in McKinsey Quarterly the evolution of the vast, automatic, and invisible “second economy” created by the digitization (an economy of the digitized business processes, an economy being silently formed alongside the physical economy and surpassing the physical economy in size in two to three decades), arguing that the main challenge of the economy within this context is shifting from producing prosperity to distributing prosperity, also confessing his surprise in relation with the accuracy of the predictions made by Keynes in his famous essay from 1930 - “Economic possibilities for our grandchildren”. Very recently, W. Brian Arthur made again reference to Keynes.

On August 1, 2023, McKinsey Quarterly challenged the readers with a new episode of “Provocations to Ponder”, bringing to our attention an interview (Tetzeli a, 2023) with the above-mentioned influential economist in Silicon Valley, W. Brian Arthur, the reputed author of two books: “The Nature of Technology: What It Is and How It Evolves” (Free Press, 2009, 246 pp.), and “Increasing Returns and Path Dependence in the Economy” (The University of Michigan Press, 15 Dec. 1994). The discussion between McKinsey Quarterly editorial director Rick Tetzeli and W. Brian Arthur covered a large area, starting from the emphasis made by Tetzeli regarding the general feeling of being already entered a period of great uncertainty.

And as “*fundamental uncertainty is an expression economists use*” – the interviewee showing that this was described by Keynes already in 1937 – W. Brian Arthur underlined from the very beginning that resilience (understood as “*the capacity to respond, the ability to react appropriately, to deal with things, and even to do quite well*”) it is needed when you really do not know what will follow as the consequence of this uncertainty, having no trust in a stable and solid foundation, stability being all that matters in such an uncertain world where “*the disruptions are coming thick and fast, and we don’t know what will show up next...*” Speaking about major disruptions W. Brian Arthur highlighted among other aspects that: “*Generative AI will alter how the economy itself works: it will alter existing industries and bring in new ones. But how that will happen is uncertain... In an uncertain world, optimization is even more iffy... Adaptation means having a tool kit of backup preparedness: people, plans, responses, ideas, possibilities, attitudes, and equipment that allow you to construct solutions quickly... Tech companies are always operating under uncertainty. Working with the unknown is standard in tech... Adaptation requires a mindset that deals with uncertainty. That’s not a mindset so much of seeking ever-increasing profits and growth; it’s a mindset, at least in the extreme, of survival. And it’s a mindset of being prepared to let go of dearly held, constricting beliefs... Confusion forces you to think of a new version of your project or of your organization or even of yourself. Often, confusion remakes things or even remakes us.*”

In a previous episode of McKinsey Quarterly Interview, the same editorial director (Tetzeli b, 2023) interviewed another renowned economist, the Dean of Haas School of Business (University of California, Berkeley), Ann Harrison (a former Director of Development policy at the World Bank). To Tetzeli question about students’ preparation taking into consideration the global uncertainty – at the same time as a combination of short-term events (COVID-19 pandemic, for instance), and long-term shifts (climate change, for example) – Harrison answered as follows: “*In part, through a focus on innovation and entrepreneurship. Entrepreneurs are constantly failing and picking themselves up and starting all over again—refocusing their products, constantly shifting. That culture of living with uncertainty—of the need to continue to innovate until you find the right market fit, until you can scale—is something inherent to entrepreneurship culture.*”

According to Vaz (2023), it is critical for a business to develop its muscle of continuous change being digital in a very complete way, and enabled to identify and realize value by five

capabilities: *strategy* (in line with its purpose driving longevity, as shown in figure below), *product* (developing gradually new products and services – a single step in walking), *experience* (creating value for customers throughout their entire journey), *engineering* (delivering on its promise both at pace, and at scale, based on architecture, ways of working and talent) and *data* (validating its hypotheses and finding insights for constant iteration, based on: useful data, data science and AI, designing for data, and ethics). In case of data science and AI there is a four-step approach, as shown in next figure below.



Figure no. 1: Strategy (the capability that connects the business's purpose directly to the solutions it can create in customers' lives)

Source: Adaptation from Vaz, N., 2023. *How to Develop Your Business's Muscle of Continuous Change*, Publicis Sapient (work cited)



Figure no. 2: The data science team partners with other capabilities to take the understanding of the customer, in any given use case, from conscious incompetence to conscious competence. Then, AI will take this to unconscious competence, which creates a generative loop where each capability reinforces the other

Source: Vaz, N., 2023. *How to Develop Your Business's Muscle of Continuous Change*, Publicis Sapient (work cited)

As confirmed by Twilio Segment (2023), there is a clear need today to focus on data agility, as well as on omnichannel engagement (unifying customer's touchpoints across all platforms and channels), and data privacy (keeping up and ensuring compliance with the regulations), making on this basis more informed decisions and building high-quality personalized experiences. It is very important to take into account both the importance of digital agility (understood as “the ability of an organization to rapidly change, adapt, or pivot their teams and processes”), keeping up with and anticipate change (while driving innovation), and that mainly in a post-cookie world the future for customer relationships is given by first-party data.

On the other hand, it is very important to understand that in order to be successful digital transformation (which is considered critical to survive and compete, being seen as “the rewiring of an organization, with the goal of creating value by continuously deploying tech at scale”) organizational leaders need to align all organization around a program based on key performance indicators (targeting value creation, team health, and change-management progress), being clear about what they understand by digital and AI transformation, as shown in figure below by McKinsey & Company (2023).

What we mean by digital and AI transformation



Figure no. 3: What we mean by digital and AI transformation

Source: McKinsey & Company, 2023. What is digital transformation? [pdf] McKinsey Explainers, June 2023, p. 2 (work cited)

Recent research on digital transformation revealed that in driving digital transformation it is very important to consider the synergy of awareness, motivational, and capability drivers. Within this framework, Nguyen et al. (2023) demonstrating that: “the effect of organizational flexibility on digital transformation is highest when digital proactiveness and change commitment are both at a high level”.

Allow us finally to express the idea that in managing continuous disruption while driving digital transformation it is important to be proactive and a careful planner (paraphrasing Alexa Von Tobel, Founder and Managing partner of Inspired Capital), having a proactive agenda that contributes not only to problem solving, but also to the avoidance of problems (paraphrasing

OECD proactive agenda added as a new prospective dimension in the 2011 update – within responsible business conduct of multinational enterprises).

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