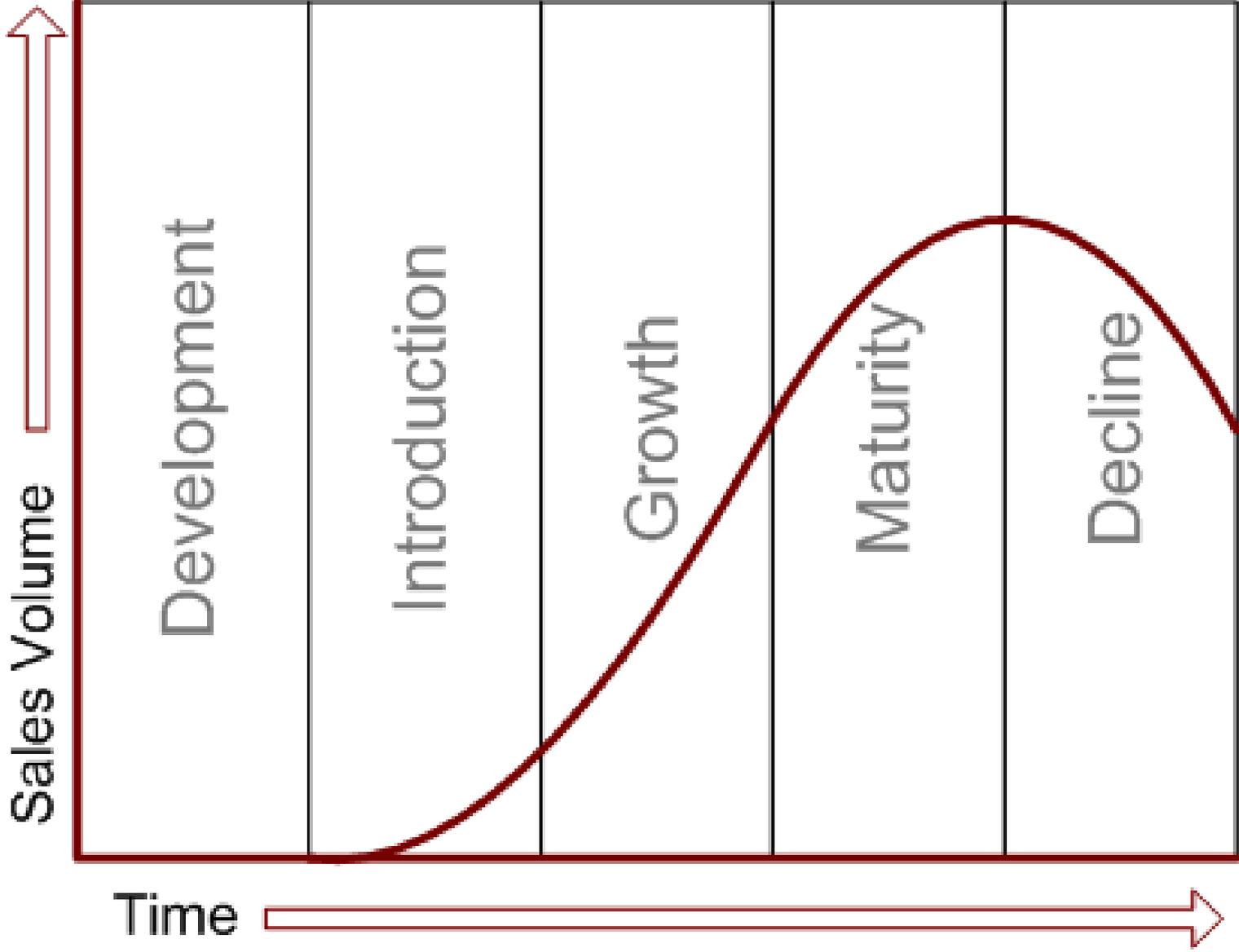


THE SECOND CYCLE

BY

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WHY THE FIRST CYCLE IS OFTEN THE LAST CYCLE

⦿ A variety of factors frequently turn the first cycle into the “death cycle”...

1. SIZE
2. AGE
3. SUCCESS
4. ABANDONING THE MENTAL MODEL
5. CONSERVATIVISM
6. LOSS OF INNOVATION

WHEN BUSINESSES DON'T KNOW THEY'RE DYING

- ⊙ Just because a company is showing profits doesn't mean it is necessarily healthy
- ⊙ Company could be:
 - Riding coat tails of a cash cow
 - Mergers and acquisitions
 - Downsizing

“DEAF” TO DEATH

- Hearing deteriorates for many years before you realize it’s going; once you do realize it, you likely reject you have a problem or blame others for not speaking loudly enough
- Early stage reaction to hearing loss is to guess what people probably said and answer accordingly
 - Listen less, talk more
 - Ask one question, answer another

THE FIRST STEP TOWARDS THE SECOND CYCLE

- Companies can avoid “circling the drain” by initiating this new paradigm
- First step towards Second Cycle is moving away from conventional mass production and towards knowledge work, customization, and innovation
 - Line-staff hierarchy cannot deliver innovation
 - The larger and more successful they become, the less likely they are to change

WHY COMPANIES NEED TO BE KNOWLEDGE-BASED

- ◉ Amount of knowledge continues to rapidly grow
- ◉ Many choices are available for the same product and price competition is steep, so real advantages come from providing innovative and radically different solutions
- ◉ Customers now look at emotional, ethical, esthetical, and other aspects of products
- ◉ One-time costs like R&D and marketing are playing more important roles than per-unit or transportation costs

FOUR FACTORS OF THE SECOND CYCLE

- Four foundations of a successful Second Cycle:
 1. Have a **meaning**
 2. Involve a fundamental **partnership**
 3. Be organized for **collaboration**
 4. Be led by those with **shared values**

MEANING

- Meaning is the key to all the rest- needs to be meaning behind actions if company wants true partnerships
- Essential part of mental model and must penetrate every part of the business
- Four specific functions:
 1. Provides overall guideline for company
 2. Determines direction of innovation
 3. Is the turning point for all internal and external communication
 4. Determines the relevance of organizational and other changes

PARTNERSHIPS

- Traditional companies assume company and employees on opposite sides; need to be partners
- Management and employees need to work together to recreate mental model
- Partnership with other companies to generate maximum value
- Partnerships with competitors
- Partnership with the community= corporate social responsibility

COLLABORATION

- Use leaders rather than managers
- “bowl of spaghetti” organization rather than hierarchical company
- When information and knowledge flow freely, output and motivation increase exponentially

LEADERS WITH SHARED VALUES

- ◉ Value-based leadership based on:
 - Assumptions
 - Norms
 - Obligations
- ◉ Invites objections and complaints
- ◉ NOT power-based leadership
- ◉ Great need for middle management
 - Project leaders
 - Motivators
 - Mentors