Graduation Remarks – March 30, 2012  
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In his remarks about the Graduate Alumni Association, Duri Campell said that this year’s theme for the GAA is Disruption. Peter Lorange has just spoken about Turbulent Times.

Uncertainty and Change are also in common usage. I think we need a stronger word – I’m going to use CHAOS.

Chaotic disruption is rampant, and not simply from the likes of Apple, Facebook, and Google.

Let me use weather as an analogy. There are some times when you can predict weather well for the next 15 days. Other times you are able to forecast for only a few days. Sometimes you can’t predict the next two hours. If we could, why would dozens of Americans die in the Midwest each year during the hurricane season?

The business climate is a lot like the weather, and I want to convince you that we’ve entered a next-two-hours era. Uncertainty is holding in boardrooms and cubicles in the U.S. and Europe and elsewhere, and we are all asking: How can you weigh risk and opportunity when the fundamentals of the business may change overnight?

Let me cite a few quick statistics: We are all familiar with the statistic that 1 out of every 8 people on the planet is now on Facebook. That is almost 900 million – three times the entire population of the U.S. Less than eight years ago the founder of Facebook was working in his dormitory room at Harvard on the predecessor of Facebook. This astounding explosion of interconnectedness around the world will profoundly change the way you think about advertising and communicating with customers, employees and many other groups. If you haven’t already started to change in response to this phenomenon, you will very soon.

In the U.S., we tend to view The Americas and China as our major export markets. Canada is our largest trading partner. Central and South American countries, with several notable exceptions, are developing nicely and China, of course, is on everyone’s radar.

In Europe, the U.S., simply because of its size and purchasing power, has been on your export target, and China is coming up rapidly. But you have more work to do to export to the rest of Europe. Until the Common Market is Common and is a real Market, you have a lot of work to do.

None of us think much about Africa. But consider this: In 2005 there were 134 million mobile phone users in Africa. In 2011, only six years later, there were 660 million – an average growth rate of more than 30 percent per year. Impoverished residents of refugee camps would rather go without food than without their cell phones. This explosive growth has been good for cell phone manufacturers, but what does it mean for your company? Such explosive growth in such a chaotic area of the works spells opportunity for those who can spell correctly.

Speaking of cell phone companies, just five years ago, three companies controlled 64% of the Smartphone market: Nokia, Research in Motion which makes the Blackberry, and Motorola. Today Samsung leads the market with a 20 percent share; Apple and Nokia follow with 14 percent each, Motorola is not even on the top 10 list. Samsung’s growth in the third quarter of 2011 was 233 percent over the year before, Nokia’s minus 14 percent, and Nokia continues to be beset by declining sales, even in low-end phones, and alarmingly high losses. This sudden and chaotic complete swap in the pecking order of a global multibillion-dollar industry is unprecedented.

The cell phone, particularly the smart phones introduced by Blackberry and Apple, are changing the world of retail at a chaotic pace. Sales on eBay conducted over mobile phones rather than
computers amounted to $600 million in 2009 and over $5 Billion in 2011. More than an 8 times increase in two years! And eBay expects the percentage of sales over mobile phones to grow 100 percent more in the next few years. Customers continue to go to bricks and mortar stores that sell consumer electronics, but often just to scan bar codes with their smart phones to check the prices of Internet sellers which are often (usually?) lower. This changes the business model for a traditional retailer dramatically. Many will not be able to respond fast enough to survive.

And look at what the cell phone and Japanese and then Korean digital cameras did to Kodak, now knocking on liquidation’s door. Indeed, it was a Kodak engineer, Stephen Sasson, who invented the digital camera in 1975. He graduated from the same engineering school that I did, only 14 years after me. Even the Germany company Leica was impressed. Leica developed small format 35 mm cameras which created a revolution in photography in 1925. They honored the inventor who put the 35mm camera out of business in 2009 by giving Mr. Sasson the 4-millionth Leica camera manufactured. Revolutions can’t be relied on to last forever. But today the trend is to shorter- and shorter-lasting revolutions.

Other electronic devices are causing chaos. e-Book sales as a percentage of total U.S. book sales were 0.6 percent in 2005, practically nothing. In 2011 the figure was 18 percent.

The Palm Pilot, introduced in 1996, was the among the first PDAs, or Personal Digital Assistants. My kids gave me one in 1997 and I used it for several years to track my appointments and to keep my address book. It had touch screen entry using a stylus and recognized an alphabet vocabulary called Graffiti. It took Palm 18 months to sell their first 1 million units. Fourteen years later, it took Apple 24 HOURS to sell the first 1 million of the iPhone 4s, the latest model.

Are you beginning to see why I use the word chaos? Organizations have to deal with this chaos – fortunately they have people like you to do so.

But look at these statistics: U.S. workers tenure in their current job is 4.4 years. The average number of jobs in a lifetime: 11.4 for men, 10.7 for women, not three as for me.

Of course these are U.S. statistics – Swiss and Germans are much more stable. I would argue that perhaps that is true now, but is not likely to be in the future. So you must also face a chaotic business frontier with a much more fluid workforce – some call it Generation Flux.

The next statistics present compounding issues. The age at which earnings peak in real terms is 45-54 years old. The percentage of men aged 35 to 64 in their job for more than 10 years was 51 percent in 1989. That percentage had dropped to 39 percent by 2005.¹

Shorter job tenure is associated with risk, insecurity, volatility. It is part of the same employment picture as the increase in part-time, freelance, and contract work; mass layoffs and buyouts; and the creative destruction that we observe in industries in the developed world. All these changes put more pressure on the individual. Financial commitments like homeownership or starting a family are a much tougher proposition when you can’t expect to stay in a place for long and you can’t expect to ever earn more in real terms than you will at age 50.

Much of the chaotic disruption that I have talked about thus far is personal and social, but these forces are business and management phenomena as well. What is business to do about it?

Here is a quote from Andrew Liveris, CEO of Dow Chemical whose European Headquarters are right here in Horgen:

¹ Search for Generation Flux and The Four-Year Career on FastCompany.com – that is where these statistics and many of these ideas and quotes came from.
I've been with Dow my whole career. Many people would think that I've had 36 years at this company as a deliberate thing, but I did not. I had a career one or two years at a time, and every one or two years, Dow recruited me again.

He understands that the workplace he creates has to be attractive to Generation Flux.

Here is another story from the retail industry with a Generation Fluxer who is embarking on his fourth career and has perhaps a few more to go. Ben Johnson came to national attention by transforming Target stores, turning them into the world's tenth largest retailer. 10 years ago Steve Jobs hired him to create Apple Stores.

Today Apple Stores is the 21st largest retailer in the U.S. with $18 billion in sales generating $3.1 billion in profit from 233 stores, growing at 8 percent per year. Not quite Wal-Mart’s $308 billion in sales, but respectable nonetheless.

Despite many offers to leave, Johnson stayed with Apples Stores and iTunes until Steve Jobs died and then took over the leadership of department store chain J.C. Penny, the 22nd largest U.S. retailer with almost the same $18 billion in sales as Apple Stores, not from 233 stores but from 1100 stores, shrinking at 2 percentage per year and, as you might imagine, with a loss of $152 million.

At J.C. Penny just 0.2 percent of sales were made at full price. 72 percent of sales were at a discount of 50 percent or more. Clearly Generation Flux had abandoned Penny’s and had gone across the street to the Apple store.

The new CEO of J.C. Penny knows that he is risking his reputation by proclaiming transformation rather than incremental change. But he won’t admit even the possibility that his plan will fail.

The only things that haven’t worked out for me are when I’ve held back. There is no reason to sell an idea short. The only risk would be to not fulfill the dream.

Let me end by returning to Facebook for one final example.

Mark Zuckerberg, the founder of Facebook is the ultimate Generation Flux member. He created a hard-charging, engineering-driven culture with himself at the center. What began eight years ago as a half-dozen over-caffeinated coders, has morphed into a giant with 3,200 workers on a campus built to house 10,000.

The Hacker Way is at the center of the company’s culture – posters all over the company’s campus reinforce the culture: DONE IS BETTER THAN PERFECT and MOVE FAST. BREAK THINGS. Employees from the lowest intern to the most senior programmer can post code directly to Facebook with improvements – imagine that at Swisscom or Deutsche Post!

Facebook, in fact, contains two cultures – a coffee-crazed, coder-led culture that develops the Facebook site led by Zuckerberg; the other charged with making money out of the site. Clearly the second is subordinate, and occupies practically none of Zuckerberg’s or the engineers’ attention.

Very soon Facebook will offer shares to the public in an initial public offering. At that time, several hundred multi-millionaires will be created overnight – not millionaires, multi-millionaires. Not a few, perhaps as many as 500.

The importance of Zuckerberg and his Hacker Way will certainly diminish as the business side will dominate as shareholders require profits and Wall Street imposes its own discipline. How will the millionaire stockholder/employees respond? Will they still code all night long, or will they join the church of Lamborghini and the 70-meter yacht like so many ex-Apple and Microsoft millionaire employees?
When conditions are chaotic, you must apply different techniques. Old command-and-control hierarchical structures won't work, but neither will the chaotic Facebook approach over the long term.

This then is YOUR challenge. There is no credible road map or model that will define the next era. There is one certainty, however. The next decade or two will be defined more by fluidity than by any new, settled paradigm; if there is a pattern to all this, it is that there is no pattern. The most valuable insight is that we are, in a critical sense, in a time of chaos.

What defines Generation Flux is a mind-set that embraces instability that tolerates and even enjoys recalibrating careers, business models, and assumptions.

Not everyone will embrace chaos and deal with it, not will everyone join Generation Flux, but to be successful, businesses and individuals will have to work at it. This is no simple task. The vast bulk of our institutions -- educational, corporate, and political are not built for chaos. Few traditional career tactics train us for an era where the most important skill is the ability to acquire new skills.

Acquiring your degree is a very good start. What will you do next? The future of your company and even your country is counting on you.

I leave you with a final thought that I heard at a conference on social entrepreneurship in Virginia two weeks ago:

>You are a human Barometer – do I have this right? ‘Sie sind ein menschliches Barometer.’<br>
>What you do every day can cause the mood of the people around you to go up or go down. Don’t cause it to go down!<br>

As I often end my e-mails, “Audrey joins me in extending our very best wishes for your success.”

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Prof. Holstein received his Ph.D. in Mathematical Economics at Purdue University and was assistant then associate professor at the Harvard Business School. He was Dean of the School of Business Administration and Distinguished professor at the University at Albany, State University of New York and served as a visiting professor at IMD in the 1980s. He is an associate Partner at Crystal Partners AG, Zürich and Senior Advisor at Lat-Link Partnership in Change Consultancy, Buenos Aires, Argentina. He is the author of three books and numerous articles and cases on Operations Management, Information Technology and Strategic Management. One of his recent publications is Efficient and Effective Strategy Implementation co-authored with Duri Campell, the president of the Graduate Alumni Association.