The wicked challenge of the business environment

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Abstract: Today’s business environment has seen the emergence of ubiquitous and increasingly significant forces. Three such ‘mega-forces’ are the inevitability of globalisation, the imperative of innovation, and the importance of shared value. These forces are significant individually, but when they interact they generate powerful phenomena, namely, disruptive technologies, conflicted stakeholders and unknowable futures. The confluence of these phenomena gives rise to wicked problems. The mega-forces and the resulting wicked problems make traditional techniques of strategic analysis ineffective and require new approaches to strategy making. Recognising how the phenomena generated by the mega-forces give rise to wicked problems provides firms with guidelines for dealing with the distinctive and daunting challenge posed by these wicked problems.

Keywords: business environment; business strategy; disruptive technologies; globalisation; innovation; shared value; stakeholders; wicked problems


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1 Introduction

There are developments in today’s business environment that pose unprecedented challenges to decision makers. These developments are contributing to an increase in strategic issues that are fundamentally different, and not readily addressed using conventional tools of strategy analysis and development. These emerging strategic issues often appear to be wicked problems. Wicked problems were identified by Rittel and Webber in their 1973 article in *Policy Sciences*. The impact of wicked problems on strategy development was discussed by Camillus in a 2008 *Harvard Business Review* article.

The fundamental challenge facing managers is the uncertainty and complexity that characterise business environments. If uncertainty and complexity were not present there
would be no need for managers. In today’s business environment, there are powerful forces in play that exacerbate complexity and accentuate uncertainty. These include:

- arbitrage possibilities (especially across national boundaries)
- technological disruptions
- regulatory changes that restructure industries
- political transformations
- demographic shifts
- increasingly active stakeholders and NGOs
- changing models of value creation and appropriation.

2 Three mega-forces

While there are many such factors, there are three that appear to be ubiquitous and that, individually and in combination, create extremes of complexity and uncertainty that managers have to face. In learning to respond to these three forces, businesses will find themselves equipped to manage other significant environmental forces. These three forces are dominant aspects and drivers of the business environment, deserving to be labelled mega-forces. They are:

1. the inevitability and growing importance of globalisation
2. the necessity and disruptive nature of innovation
3. the increasing expectation and societal pressure for shared value.

Each of these mega-forces is individually important and their interactions also contribute to greater complexity and uncertainty in the environment. We will examine each of the mega-forces – globalisation, innovation, and shared value – individually before exploring their interactions.

2.1 The inevitability of globalisation

Globalisation is an inevitable and accelerating trend. It is ubiquitous because even organisations that make a deliberate choice to limit the geographic scope of their target markets will inevitably encounter issues of globalisation because of the ever-increasing importance of global sourcing, global competition, global standards, global quality expectations, global partnerships, and global financing. The global connections between firms, in material, human and competitive terms are growing in both diversity and intensity.

This growing interconnectedness between firms is reflected in the relationships between national economies. Accelerating the trend toward increasing global connections are the attractions of cost arbitrage and the pull of vast and growing markets in the emerging economies. The global electronics contract manufacturing industry, for instance, which was an estimated $360 billion of revenue in 2011, was projected, by the Center for American Progress, to grow to $426 billion by 2015. While the outsourcing
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phenomenon was initially motivated by lower manufacturing costs, the reasons supporting outsourcing have gone way beyond just lower costs. Today manufacturing capabilities and skills available in some of the emerging countries exceed those of the developed countries. For advanced digital timing chips Solectron Centum in Bangalore, India, is one of the best sources. For automotive forgings, Bharat Forge, a large Indian company offers both the most advanced capabilities and the highest quality.

In 2008, Mr. M.M. Murugappan (Vice Chairman of the Murugappa Corporate Board, and Chairman of Tube Investments of India Ltd, Carborundum Universal Ltd, Wendt India Ltd, and Murugappa Morgan Thermal Ceramics Ltd.) speaking about his operations in other countries, said that he would never consider off-shoring just to reduce costs. He said the difficulties and downsides of seeking cost reduction through outsourcing are substantial and the benefits are ephemeral. He emphatically asserted that the only reason he would offshore operations was to access knowledge and skills or markets. This leads to perhaps the most powerful force making increasing globalisation inevitable – the pull of large and growing markets outside the developed economies.

Not going global was never an option for companies such as Philips from its inception, or Nokia when it began manufacturing cell phones. Philips, originating in the (really) small town of Eindhoven in the Netherlands would not have survived long if it had limited itself to the Dutch boundaries. The Dutch heritage of exploration and centuries of colonial experience no doubt contributed to its becoming global. For four decades until the 1980s, Philips was the largest and most successful consumer electronics company in the world. Similarly, if Nokia had limited itself to and operated within the boundaries of Finland, there is no way it could have become the dominant cell phone producer in the world. The name Nokia became synonymous with cell phones in the 1990s and continued as such until Apple stunned the world with its iPhone in 2007.

Globalisation was a key to success in the case of both Philips and of Nokia. But the challenges of globalisation also brought about their falls from grace. Philips’s story post the mid-1980s is particularly instructive. Founded in 1891, it became the largest consumer electronics company in the world after World War II, and continued as such until the early 1980s when Matsushita took over as the largest. Philips’s saga of struggle for viability and growth over the last three decades is a result of its inability to cope with the challenges of globalisation. Going international contributed to its dominance in consumer electronics, but paradoxically also became its Achilles heel.

One critical incident tipped Philips from dominance to an also-ran. Globalisation was the backdrop to and the not-so-invisible hand in this story. Philips’s national organisations (NOs) rather than its global product-line divisions (PDs) had become its powerhouses in terms of strategy. The best managers sought NO assignments to the glamorous capitals of the world, away from their rainy, small, placid, company town of Eindhoven, where the PD’s top managers and Philips’s headquarters were located. NO managers had direct links with the board of directors. They had command and control over the entire value chains in their countries, from R&D to sales and service. Their autonomous decision-making and responsiveness to local markets propelled Philips to dominance in its industry. But, this autonomy led to the critical incident that made Matsushita #1.

The head of North American Philips made a fateful decision relating to videocassette recorders (VCRs) that flipped the positions of Philips and Matsushita. Soon after they were developed, VCRs became, by far, the biggest revenue and the biggest profit generating product in the consumer electronics industry. At the beginning of the product
life cycle, competition amongst VCR manufacturers was totally intense. There were multiple incompatible formats jockeying for dominance. It was critically important that the format employed by a manufacturer become the biggest seller because the choice of format by videotape content (mostly movies) producers, the sharing of videotapes among owners of VCRs, and other benefits of owning a VCR with a particular format were dependent on the installed-base – the number of units with the same format in use. Manufacturers who succeeded in gaining market share would be assured of a further boost to sales as it benefited customers to own VCRs with a format many others were using. The battle of formats to become the standard was a matter of life or death.

There were four formats that relate to this story. In order of reputed quality, these four were developed, respectively, by:

1. Philips
2. Sony (Betamax)
3. JVC a small Japanese company (VHS)
4. Matsushita.

The Japanese Ministry of International Trade and Industry (MITI) in a surprise move mandated that Matsushita adopt JVC’s VHS standard. With Matsushita’s huge domestic distribution network, sales of VHS format VCRs soared in Japan.

And then the unthinkable happened. In the midst of this global competitive struggle, where manufacturers fought to ensure that their format became the standard, the head of North American Philips chose to adopt Matsushita’s VHS format rather than Philips’s own format. Remember, North America then was and still is the largest market in the world for consumer electronics. And the rest, as they say, is history.

Think of the tangled causes and think of the irony! MITI forces Matsushita to adopt VHS rather than their own format. North American Philips chooses to sell their arch-rivals’ format rather than their own, catapulting Matsushita to #1. Betamax lost the battle with VHS, despite being of higher quality, because VHS was better suited to movie-length content. And it turned out that the viewing of ‘adult’ movies was the primary reason why consumers bought VCRs.

The VHS-standard VCR was the reason for Matsushita’s overtaking Philips and becoming the leading company in consumer electronics. But, a few years later Matsushita fell victim to the Winner’s Curse. And, curiously, the travails of Matsushita over the last decade can also be attributed to the VCR. At one time, over 30% of Matsushita’s revenues and 40% of its profits were generated by VCR sales! The sales of VCRs were arguably the main reason for Matsushita’s ascendance. But, when DVD’s took over from videotapes, Matsushita’s fortunes plummeted along with its VCR sales, as they had nothing to replace their once-dominant product that they had come to rely on unquestioningly. Matsushita, today, is still struggling to recover.

Classic strategy development, with its linear problem-solving approach and touching faith in the possibility of predicting the future, could not possibly have dealt with the unprecedented, unpredictable, complex, and idiosyncratic developments; the wicked challenges that transpired throughout this global drama.

Globalisation can become an imperative even for companies operating in countries with large markets, like the US. Ultimately, companies have to think and act globally when they – like McDonalds, Walmart and Harley Davidson – have saturated the vast
American market. But there is yet another and even more powerful reason why globalisation is going to intensify in the foreseeable future. The economic centre of gravity is shifting toward the East. The famed Goldman Sachs paper (Wilson and Purushothaman, 2003) identifying the BRIC (Brazil, Russia, India and China) economies as the giants of the future alerted us to this elemental shift.

Managers, who seek counsel from the writings and sayings of Niccolò Machiavelli, Sun Tzu, Yogi Berra, and Edward Murphy, might want to draw upon the wisdom of Willie Sutton when considering the BRIC countries. Mr. Sutton, one of the more notorious bank robbers in the 20th century, when asked why he robbed banks is reputed to have said that he did so because ‘that’s where the money is’. This has led to Sutton’s Law, which is formally recognised in medical education, that ‘when diagnosing, one should first consider the obvious’. It is obvious that the emerging economies, the BRICS (BRIC countries plus South Africa), are where the action is, where there is growth to be had and profits to be made. The BRICS have themselves recognised this and the leadership of these countries have started meeting regularly, with the intent of making their economies even more significant players on the global stage.

What is important for us to recognise about globalisation is that:

1. Globalisation is all-pervasive. Even a company with no global aspirations has to take into account global forces, developments and opportunities to remain viable in its geographically constrained market. Global sourcing, global competition, global standards, global quality expectations, global partnerships, and global financing are important, even if the markets and customers are local.

2. Globalisation is inevitably going to intensify. The BRICS are just one reason why this will happen – Sutton’s Law.

3. Globalisation brings with it incomprehensible complexity and impenetrable uncertainty. The complex differences across countries, cultures, ideologies, mores, and political, educational and commercial institutions are enormous. And to make the point about uncertainty, just consider the volatile and ever-changing geopolitical situation – especially the Mideast, South Asia, and Eastern Europe.

2.2 The imperative of innovation

Innovation is an imperative for organisations. It is essential in order to respond to or evade competitive developments, anticipate customer expectations, cope with change, support growth and enable sustainability. The maturity of markets in developed countries and the relatively slow growth rate in these markets place a premium on innovation by firms as an accelerant. In the emerging economies too, innovation is what enables firms to catch up with or leapfrog firms in the developed economies. So innovation is a universal imperative for firms.

At the macroeconomic level too, innovation is an imperative. Economic growth results from two possibilities (Rosenberg, 2004). First, an increase in inputs would result in greater output or growth. But an increase in inputs, such as foreign direct investment (FDI), or investment from within the economy by firms, individuals and the government may not always be a possibility. So the second route to growth of a national economy becomes very important. The second route is innovation. Such innovation could take two forms. Processes and functions could be improved and this includes infrastructure.
Efficiency in regulation is another form of governmental process innovation. Or outputs could be improved or differentiated. Champagne from France, single malts from Scotland, coffee from Colombia, chemicals from Germany, solar panels from China, advanced weaponry from the US, and satellite launches from India, all boost their countries’ economies through innovation. The recent Mars mission launched by India – called ‘Mangalyaan’ – is a striking example. Because of their scientists’ and engineers’ innovations, as Prime Minister Narendra Modi pointed out, the Indian Mars mission cost the government less than it cost Hollywood to produce the space movie Gravity; in fact 30% less! These innovations and capabilities, displayed in dramatic fashion by Mangalyaan, position India as a powerful competitor in the space launch business.

Innovative firms have a major impact on the national economy. The prestigious automobile firms in Germany – Audi and Porsche (Volkswagen), BMW, and Mercedes Benz, all contribute significantly through innovation to the growth of Germany’s economy. Innovation has entered the global conversation as the way to make a country and firms from that country competitive globally. Witness President Obama’s efforts to boost innovation in renewable energy.

Innovation by other firms as well as one’s own firm creates pressures that impact the firm’s strategy. In order to understand the implications of this mega-force it is necessary to recognise two kinds of innovation. The first is ‘sustaining innovation’ and the second is ‘disruptive innovation’ (Christensen, 2013). Sustaining innovation enhances existing business models and responds to the needs of existing markets. Disruptive innovation creates new business models and, possibly, new markets.

While all innovation does not give rise to added complexity and uncertainty, disruptive innovations (Christensen and Overdorf, 2000) in technology and in business models pose a major strategic challenge. The trajectory and consequences of disruptive innovations are difficult if not impossible to predict, giving rise to extreme uncertainty and ambiguity.

2.3 The importance of shared value

Shared value is an important approach to managerial decision-making that is gaining traction. It views Friedman’s (1970) singular focus on shareholder value as leading managers to make decisions that may be suboptimal and perhaps even damaging to the bottom line. Economic value and societal good are often argued to be synergistic (Porter and Kramer, 2011). Engaging a variety of stakeholders – employees, the community, customers, government, creditors, social activists – and responding thoughtfully to their perceived interests is expected to enhance economic and shareholder value, possibly in the short run and certainly in the long run. As a consequence, there is a growing recognition that shared value can and should inform and inspire the raison d’être of firms.

Shared value requires innovative planning processes. Traditional strategic planning processes (Camillus, 1986) adopt a highly structured, linear approach to formulating strategy. Embracing a shared-value approach, which recognises the different aspirations and priorities of multiple stakeholders, demands more complex and inclusive planning processes.

Even if one does not subscribe to Porter and Kramer’s (2011) assertion that economic value and social value are synergistic, with each enhancing the other, it is increasingly
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necessary to recognise other stakeholders in addition to shareholders because of their increased activism and potentially adverse impact.

The growing power exerted by stakeholders other than shareholders is dramatically evident. For instance, Tata, India’s most significant and revered company had to abandon a new $300 million automobile assembly plant – for its breakthrough Nano model – built in an Indian State ruled by a communist government because of the protest of farmers, egged on by capitalist politicians, whose land had been acquired to build the plant; a plant which offered a golden promise of jobs and economic development.

In the US, activist organisations, including college endowments and pension funds, which have substantial investments, are pressuring companies to invest in green technologies and renewable energy, disinvest in Israel, support gay rights, invest domestically, and shun genetically modified organisms (GMOs). Socially conscious mutual funds attract investors even if their returns are below the returns of equity index funds. Communities do not allow big-box stores to locate in their towns. Religious leaders pressure companies to adhere to principles and practices espoused by their religions. And the list of stakeholders who have the intent and possibly the power to shape the destiny of organisations goes on.

The Porter and Kramer (2011) argument that strategies based on shared value will increase profits should be enough to motivate firms to embrace this approach to strategy making. But, even if managers do not buy in to the Porter and Kramer (2011) proposition, or if they are unclear about how to incorporate shared value in their strategy making, they may not have any option but to recognise the importance of and respond to powerful stakeholders whose priorities are likely to be different than those of the majority of their shareholders.

2.4 The rationale for focusing on these three mega-forces

The rationale for focusing on these three mega-forces is:

1. As the preceding discussion has demonstrated, each of these three mega-forces has a major impact on business strategies.

2. The impact that these mega-forces have is likely to cause wicked problems. Globalisation creates complexity and uncertainty; disruptive innovation creates unprecedented decision contexts; and shared value brings multiple stakeholders with different priorities into the decision process.

3. The likelihood that these three mega-forces are a major source of wicked problems is further increased by the fact that they interact and are entangled, compounding both complexity and uncertainty.

4. Considering additional forces may not meaningfully improve understanding or illuminate the origins of why and how wicked problems develop. Occam’s Razor should prevail. Adding another three or four forces will increase the complexity of the discussion immensely, but the added value may be miniscule; dramatically diminishing returns will be experienced. Three forces have three interactions. Seven forces would have 21 interactions, which are way beyond the ready comprehension (the limits of which are popularly assumed to be seven plus or minus two factors) of most human beings (Miller, 1956).
Finally, these three mega-forces subsume all the factors that are suggested by popular frameworks for guiding environmental analysis. It may be worthwhile demonstrating the last point in the foregoing list, that the factors that are included in the standard models of the environment are components of these three mega-forces. The elements of the standard PEST model – political, economic, social and technological factors – are endogenous to these three mega-forces. While the PEST (or STEP) model is widely accepted and powerful, and needs no explanation, it may be necessary to add three elements, at the minimum, to this model – namely:

1 regulatory
2 ecological
3 demographic factors.

Regulation, while connected to the political context, has a distinct and direct impact on industries transforming them in fundamental ways. In the US, health, energy, communications, and financial services are examples of industries that are powerfully affected by regulation. Ecological factors have taken on profound importance for businesses because of social pressure, regulation, and the spectre of climate change. And demographic characteristics – population, age distribution, income distribution – of countries substantially determine their ecological and economic challenges. Adding these three important factors to the PEST model creates a more comprehensive ‘REDPEST’ model.

Table 1  Illustrative linkages between the ‘REDPEST’ factors and the mega-forces

<table>
<thead>
<tr>
<th>REDPEST factors</th>
<th>Globalisation</th>
<th>Innovation</th>
<th>Shared value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory</td>
<td>Tariffs and trade agreements</td>
<td>Limitations (e.g., stem cell research; GMOs)</td>
<td>CSR mandates (e.g., in India; 2% of PAT)</td>
</tr>
<tr>
<td>Ecological</td>
<td>Carbon footprints</td>
<td>Sustainable technologies/products</td>
<td>Community health</td>
</tr>
<tr>
<td>Demographic</td>
<td>Population and markets</td>
<td>Size of low-income population/market</td>
<td>Diversity/homogeneity of the population</td>
</tr>
<tr>
<td>Political</td>
<td>Alliances and ideological differences</td>
<td>Government supported research</td>
<td>Form of government (oligarchy; liberal democracy)</td>
</tr>
<tr>
<td>Economic</td>
<td>Buying power of various countries</td>
<td>Resource availability</td>
<td>Income distribution</td>
</tr>
<tr>
<td>Social</td>
<td>Cultural mores of nations</td>
<td>Conceptions of success; individual freedom</td>
<td>Priorities accorded to various stakeholders</td>
</tr>
<tr>
<td>Technological</td>
<td>Off-shoring</td>
<td>Focus and source of innovation</td>
<td>New value propositions and business models</td>
</tr>
</tbody>
</table>

Table 1 presents a perspective on how the comprehensive list of REDPEST factors find expression in the mega-forces of globalisation, innovation, and shared value. The greater number of factors in the REDPEST model is not necessarily helpful or needed to enrich our analysis because, as Table 1 suggests, the three mega-forces incorporate the effects of the seven factors.
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Figure 1 The interactions of the mega-forces

The regulatory, ecological, and demographic (RED) factors that were added to the PEST model illustrate an important characteristic of the business environment that gives rise to wicked problems. The factors interact. It is difficult if not impossible to keep track of the 21 interactions between the seven factors in the REDPEST model. Our focus on the three mega-forces greatly simplifies the task of understanding the interactions, without entirely losing the advantages of the granularity of the REDPEST model, because as Table 1 suggests, the mega-forces incorporate the effects of the seven factors.

While the individual impacts of globalisation, innovation and shared value are undoubtedly significant, it is the interaction and entanglement between these mega-forces that are the proximate sources of wicked problems. These interactions and entanglements are illustrated and described in Figure 1.

3 The interaction of globalisation and innovation

Globalisation and innovation interact in significant and complex ways. Multinational companies are shifting their R&D investment and activities to the emerging and rapidly growing economies, particularly China and India. Moreover, the vast, different and difficult to access markets in emerging economies require new business models – redesigned products and services at much lower price points, employing novel distribution methods. The interaction of R&D with these markets is a fertile ground for technological innovation, spurred by the price-point pressure of large low-income populations. The interaction between globalisation and innovation creates a new phenomenon – disruptive technologies.

The data indicating the shift of corporate R&D investment to the BRIC economies is dramatic and compelling. A 2006 study by Yves Doz and several others (Doz et al., 2006) found that research sites in foreign countries were 50% more in number than research sites in the firms’ countries of origin. At the time of the study, the investments of
US firms in R&D in China and India were on the verge of exceeding the firms’ investments in Western Europe.

This pronounced shift, to China and India in particular, is readily understood through the lens of traditional strategic analysis. Qualified and competent researchers are available in these countries at a fraction of the cost that would be incurred in the Triad (EU, Japan and the US). And there is a not so obvious but consequential reason for the shift – to position research to respond to and to place researchers in close proximity to the vast and vastly different markets in the BRIC countries and other emerging economies.

According to Hart and Christensen (2002), the gurus of disruptive innovation, combining;

1. the research, product development, manufacturing and marketing functions of a Triad-based firm with

2. millions of potential customers with relatively low incomes and different needs in the crucible of a BRIC location can be expected to result in spontaneous combustion and the emergence of disruptive technologies, products, and related new business models.

The economic motivation, of course, is the $5 (2005 international dollars) to $13 trillion (the latter estimate employing 2004 Purchasing Power Parity) of the purchasing power of the 4 billion people at the base of the pyramid (Hammond et al., 2007; Prahalad, 2004). But it is impractical and unreasonable to think of tapping into this immense reservoir of potential revenue and profits with the products and services offered to customers at the apex of the pyramid. It is the price point pressures that motivate and trigger disruptive technologies and products. Christensen (2013) points out that classic strategies are equipped to handle sustaining innovation and are inherently ill-suited to respond effectively to disruptive innovation.

However, firms that position themselves to embrace or even initiate disruptive technologies and employ them as a foundation of innovative business models can reasonably expect to secure future competitive advantage and enhance sustainability.

4 The interaction of innovation and shared value

The interaction of the imperative of innovation and the important commitment to shared value generates conflicted stakeholders. This is because innovation can enable and even require changes in the business model. New business models will generate value in novel ways, changing the relevance and importance of existing stakeholders; requiring a fresh and different understanding of how the value will be shared. Conflict between stakeholders can reasonably be expected to happen as a result. When discussing disruptive technologies, which result from the interaction of innovation and globalisation, the point, was made that though disruptive technologies may at first glance appear to threaten the firm’s viability they can, if embraced as the basis for innovative business models, prove to be a powerful source of competitive advantage and economic value. Conflicted stakeholders if motivated and enabled to co-create value can, similarly, serve as a source of competitive advantage and economic value.
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5 The interaction of shared value and globalisation

The interaction of globalisation and shared value creates a potent brew that has a formidable impact on organisations. Companies embarking on globalisation are thrust literally and metaphorically into a world of uncertainty and complexity. When the power and priorities of multiple and diverse stakeholders interact with the complexities and uncertainties of globalisation the result is a recipe for decision paralysis. The acute uncertainty that accompanies globalisation and the extreme complexity arising from the different perspectives and priorities of diverse stakeholders results in unknowable futures.

This third interaction between the mega-forces is very different than the other two interactions – conflicted stakeholders and disruptive technologies. The differences between conflicted stakeholders can spark creativity. Well managed co-creation offers the promise of encouraging interaction between important though conflicted stakeholders. Such interaction can be the path to identifying, acquiring or developing needed competencies to develop new products and enter new markets, which generate economic value that benefits and reconciles conflicted stakeholders. Disruptive technologies present more of a challenge, but still offer the potential for adding value. Traditional management processes and decision analyses are inclined to favour sustaining innovation over disruptive innovation, exposing the firm to the danger of staying with a business model that could become obsolete because of disruptive technologies and business models embraced and introduced by competitors. But, if embraced and thoughtfully managed, disruptive technologies can boost competitive advantage and economic sustainability.

Unknowable futures offer no such promise of a possible upside. Instead they offer an unvarnished, unequivocal challenge. This challenge raises the possibility that not only will the economic value generated by the firm be constrained or reduced, but that the firm’s viability may be threatened.

6 The emergence of wicked problems

At the centre of these three interactions —the incendiary mixture of disruptive technologies, conflicted stakeholders, and unknowable futures – is the incubator in which wicked problems are created. A wicked problem has many tangled causes, rather than a single, obvious cause. It often appears unprecedented, and its appearance is unpredictable, something ‘no one’ has anticipated – a condition created by disruptive innovations. The problem affects multiple parties, often with conflicting interests, and has no single, demonstrably correct answer – which is concomitant with conflicted stakeholders. Rather than appearing fixed, a wicked problem morphs constantly. Obeying something akin to the laws of quantum physics where the very act of observation affects the state and measurement of the phenomenon, the underlying nature of the problem itself changes depending on the solution being considered – a situation that is exacerbated by an unknowable future.

Wicked problems resulting from disruptive innovations, conflicted stakeholders and unknowable futures make traditional strategic planning processes ineffective and irrelevant. Wicked problems are why firms that employ the best of the traditional planning processes and analytical techniques are sometimes unable to gain any traction. To paraphrase Field Marshal Helmuth von Moltke’s famous dictum: “no strategic plan survives contact with a wicked problem!”
The mega-forces of globalisation, innovation and shared value fracture industry boundaries, disrupt technologies, create discontinuities and make the future unknowable. They create the context in which wicked problems emerge and flourish. Businesses would be well advised to rethink their approaches to strategy making in order to cope with the challenges of wicked problems that are ever more likely to be encountered because of the ubiquitous nature and increasing significance of mega-forces in the business environment.

7 Responding to the challenge of wicked problems

Acknowledging the pervasive presence and intrusive impact on firms of three mega-forces and recognising the resulting phenomena – disruptive technologies, conflicted stakeholders and unknowable futures – that spawn wicked problems enables organisations to deconstruct and respond to wicked problems. It is possible to take a martial-arts approach of appropriating the opponent’s energy and force to one’s own advantage when addressing the phenomena giving rise to wicked problems. For instance, firms can prepare to embrace or even initiate disruptive technologies as a potential source of competitive advantage as opposed to the natural instinct to invest in sustaining innovation rather than developing new business models based on the disruptive technology. Similarly, instead of being a cause for concern, conflicted stakeholders can be motivated and engaged to become a source of innovative ideas and programs that add economic value.

The third phenomenon, unknowable futures, unfortunately, does not readily lend itself to being a source of competitive advantage. However, analytical techniques such as the use of possibility scenarios to identify robust actions, and in general the adoption of the feed-forward approach to decisions based on an envisaged future as opposed to a carefully analysed past have proven to be effective (Camillus, 2008) in managing unknowable futures.

The interactions of mega-forces in the environment create wicked problems, but they also suggest the approaches that visionary leaders can adopt to effectively address these problems, and achieve competitive advantage, profitability and sustainability.

References

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