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Jonas Ridderstråle
Kjell Nordström

Funky Business

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Funky Business

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CONTENTS

	Introduction	11
	Foreword to the original edition	22
1 FUNKY TIMES		28
	The battle of brains	32
	The third knowledge revolution	
	Revolutions revisited	37
	Funky business is truly global	
	Funky business means more competition for everything everywhere	
	Funky business requires a constant search for differentiation	
	Funky business requires organizational innovation	
	Funky business puts management and leadership center stage	
	Funky business gives us the power	
	Into the funky future	49
2 FORCES OF FUNK		54
	Technology: the endless riff	57
	Digital data	
	Digital dreams	
	Institutions: remaking the mausoleums	67
	The institution of capitalism	
	The nation state	
	Political parties	
	The eternal enterprise	
	The family	
	Values: from telescopes to kaleidoscopes	80
	Working values	
	Fusion in the global village	
	Spiritual emptiness	
	Deregulating life: condemned to freedom	86
	Coping with chaos	
3 FUNKY VILLAGE		94
	The surplus society	96
	Market mania	

Senseless supply	
Costless communication	
The return of the demanding customer	
Competing for attention	
Now: the real-time society	105
The age of auctions	
Softwhere: the brain-based society	110
Competence-based competition	
Everywhere: the globally linked society	118
The Far West	
The Far East	
The Close(d) East	
Near Here	
Etc.	
Leaders and laggards	
The blurred society	132
The fragmented society	136
Polarization	
Tribalization	
Individualization	
The hy-phe-na-ted society	143
Winner takes all	146
Recipe-based competition	
4 FUNKY INC.	152
Funky Inc. is focused	155
Narrow focus	
Hollow focus	
Targeted focus	
Funky Inc. is leveraged	167
Internal leverage	
Industrial leverage	
International leverage	
Funky Inc. is innovative	177
Innovate through reinventing strategy	
Innovate through speed	

	Innovate through smartness	
	Ignoring and listening to customers	
	Combining heterogeneity and homogeneity	
	Funky Inc. is heterarchical	194
	The funky model	
	Seven features of the funky firm	
	A recipe for success?	206
5 FUNKY U		210
	Meaningful leadership	214
	Direction – spin me	
	Experimentation – forgive me	
	Education – develop me	
	Personalization – see me	
	Coming out	236
	Be <i>unique</i>	
	Incorporate	
	Get connected	
	Dreammanagement	244
6 FEELING FUNKY		248
	Wet dreams are made of this	250
	From location to organization	253
	Economies of soul	258
	Infinite innovation	264
	Sensational strategies	
	Building the emotional enterprise	271
	The average never wins	277
	Notes	279
	Credits for photos and illustrations	288

Introduction

Management for Mankind

Things just got personal. Freedom is the new unstoppable virus. More and more of us are loosening the mental shackles. Choice rules. The old ways of living have been abandoned – in Europe, Asia and the Americas. Traditional institutions no longer accept responsibility for us. Welfare institutions are being dismantled through neglect or through political dogma. Their decline is a fact of life – which even higher taxes could not put right.

More freedom equals more responsibility. If you do not make choices, someone else, somewhere else, will make them for you. And you can be sure that they will not care too much about your well-being.

We are alone

The new Welfare Society – because this time it is a society rather than a state – is designed by IKEA. It comes in self-assembly flat packs and, as you may have noticed, there are no assembly instructions.

To survive and thrive you need to arm yourself with the most lethal of weapons: knowledge.

Funky Business is about the loneliness of the long-distance thinker

Funky Business is a self-help book, but a very different one. Rather than telling people what to think, it is an invitation to think about the changes that are currently reshaping our societies, industries, companies, jobs and, indeed, our personal lives. Rather than harvesting a single crop from a single field, we went in search of patterns crossing many different disciplines and levels of analysis. Hopefully, this guide to our times will help a few of you to make smarter choices, or at least to understand that not making a choice is also a choice. You just cannot avoid choosing. So, choose wisely.

Some readers of *Funky Business* have expressed surprise that the book was written by two Swedish academics. Indeed, some people have not read the book precisely for that reason! But there are some good reasons why *Funky Business* was written by Swedes. Sweden in general, and perhaps Stockholm in particular, is the most modern place on planet earth. Sweden probably went further than any other part of the Western world in embracing the very concept of being, feeling, seeing, sensing modernness. The underlying big idea which has driven Sweden over the last few decades has been the intent to destroy the manuscript of the past – deregulating life by giving people the freedom to know, go and do whatever they wanted, regardless of gender, social class, etc.

This brought great emphasis on education and personal freedom but also a lack of stability that has made young Swedes experienced in surviving and thriving under conditions of high uncertainty. For better and worse, we are not at all familiar with the concept of life-long loyalty – to a country, company, husband or wife – because we have never experienced it. Sweden was preparing for our

uncertain times even when it had no idea they were destined to be uncertain.

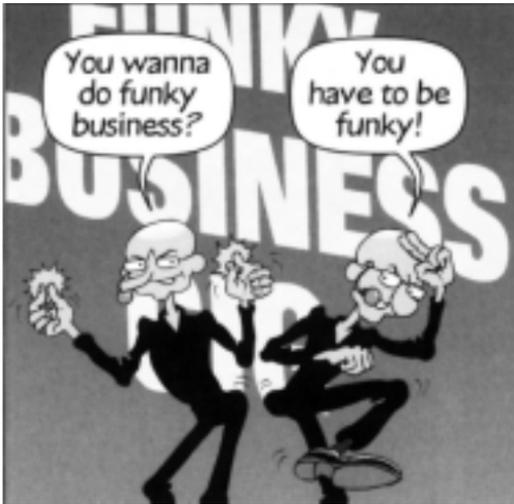
Funky Feedback

Funky Business has now been translated into more than 25 languages – three more languages than our combined doctoral dissertations sold copies. The reactions have been over-whelmingly positive, but they have also differed from place to place. In the Northern European countries and the US, people tend to inquire about how to build companies that thrive in times of uncertainty and the traits of successful leaders.

Further south, and in the newly industrialized countries, questions focus on the societal level – questions on the future of democracy, government, etc., tend to dominate.

While some people in Scandinavia have deemed the book “neo-liberal” – a pejorative term apparently – some commentators in the US have focused on our argument that the author of the Communist Manifesto, Karl Marx, was right. A number even refused to show up at our release party in New York because they did not want to be associated with communists. We would like to thank them for exercising their freedom of choice. Another source of controversy has been our placing of the individual at center stage. People in Anglo-Saxon cultures tend to see this as something positive, others have their doubts. What becomes of society when the individual rules?

Comments and reactions are good, but sometimes messengers are confused with the message. In *Funky Business*, we describe the world as we see it, not as we would like to see it – inviting people to think, rather than telling them what to think.



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Some of the trends that we describe are frightening. Shaven-headed Swedish academics also experience fear. In general, however, we are optimists. The opportunities for leading a richer life, creating companies that are inspiring to work for, and societies in which more people have a

genuine chance of realizing their dreams, have never been greater. But in order to get rid of that human shadow called poverty we have to make up our minds as to what a good life really is.

We sometimes forget that more freedom also implies more responsibilities for taking care of those around us. As Charles Handy has noted, the market – the dominant institution of our times – is not a substitute for responsibility, merely a mechanism for sorting the efficient from the inefficient. A number of current bestsellers heavily criticize market capitalism and global brands. The recent anti-capitalist protests indicate a growing frustration with the institutional arrangements currently in place. They also, largely, miss the point. Global market capitalism is not a political ideology. It is neither good nor bad, right nor wrong – it just is.

Market capitalism is a machine. But a machine does not have a soul. We have to develop the soulful

accompaniments to global capitalism as we go along. We need to realize that technological development necessitates changes in our institutions and in our values. If there are no such changes, technological progress will not produce the financial, emotional and human value we anticipated. The so-called digital divide is not a consequence of the technology as such, but rather of our inability to create a world where more people are given an opportunity to develop their talents.

The American artist Barbara Kruger may be capturing the gist of our super-capitalist society with the slogan “I shop – therefore I am”. But we refuse to believe that everyone is a slave under the dictatorial rule of shopping and fucking (see Funky U). We all need a reason to be. Our greatest fear is that the lack of discussion on what values and institutions will form the base of our new society opens up the door for dangerous extremists, such as Jean-Marie Le Pen in France and Jurg Haider in Austria. In Europe, instead of a Eurovision Song Contest, maybe we should have a EuroVision Contest to come up with ideas on how to use the diversity of Europe – cultural, ethnic, etc. – to our advantage and to the advantage of our neighbors in other parts of the world.

Bubbles Burst

Changes in technology, institutions and values have pushed us into a weird, wild, wired e-economy. Ronan Keating may cheerfully sing that life is a roller coaster, but during 2000 and 2001, for many VCs and entrepreneurs involved in Internet-related ventures this metaphor took on scary proportions – BOO! Information technology opens up many new opportunities for wealth creation. However, basking under the bright lights of

hindsight, IT in general, and the Net in particular, is often best thought of as profit enemy No. 1.

In this book we claim that the current trends of digitization, globalization and deregulation are altering the balance of power between those who sell and those who buy, on the one hand, and between capital investors and competence investors, on the other. In a world of customer and “competent” control, it will be increasingly difficult for firms to show a profit. Indeed, one plausible hypothesis is that the more web-based and knowledge intensive the business, the less the chance that any of the profits will end up in the pockets of the purely financial investors of the company.

First, IT opens up more markets and more things than ever before to total transparency and increased globalization. As entry barriers come down, overcapacity becomes the norm. Simultaneously, the search costs for finding the best deal are rapidly decreasing and the Internet also provides a platform that enables customers to use their collective bargaining power. In effect, power is transferred from those who sell to those who buy. Forget about kings and queens. The new customer is a demanding dictator. Companies will have to do business with the likes of Kim Il Sung Jr. And right now, he may very well be on the web, trying to link up with Muammar al-Qaddafi to use their joint bargaining power. The uniformed, humble, loyal customer is about to become history.

Second, economics and business is the science of scarce resources. The balance sheet is probably the only 500-year-old super-model still capable of arousing a few people. But despite its long-lasting allure, it often only manages to capture around 15–20 percent of the real value of many modern companies. Today, ideas and human imagination make all the difference. Deregulation and digitization means

that there is capital in abundance, reflected in low interest rates, travelling the world at the speed of light. For better or worse, knowledge is controlled by the single individual. In effect, as we point out in the book, Karl Marx was right. (We should add for outraged American readers that we are not, as yet, card carrying Communists.) We control the most critical resources of our times: our own brains. Power is transferred from the capital investors to the competence investors. The uneducated, humble, loyal employee is about to become a thing of the past.

If you combine the hypothesis that Kim the Customer is in business, with the proposition that Karl the Communist was right, the prospects for the typical business firm look pretty gloomy. Imagine selling stuff to Kim Il Sung Jnr and his buddies, then negotiating salaries and stock-option plans with the author of the Communist Manifesto representing Madonna and Tiger Woods. Any profits that can be made after having dealt with the demanding dictators must then pass through the hands of core competents.

Under these conditions, for most firms just being on the Internet is like having a toilet back at the office – necessary but not sufficient for the creation of a competitive edge. One hundred years ago electricity was the thing – a very efficient way of transporting energy. But how many contemporary organizations base their competitive advantages on having access to a couple of holes in the wall? Today, the Net provides a smart way for transporting information, but it is open for all companies in all industries and in all parts of the world. IT is infrastructure – nothing more, nothing less. Few executives claim that the 16 new restrooms that were installed last year will help them to kick ass in the future, but with Internet investments quite often that line of

reasoning seems to be the rule. Don't get us wrong – you need toilets. Otherwise you're in deep shit. But it is no longer e-nough.

Should this be regarded as the nemesis of the nerds? Perhaps not. Soon after we finished writing *Funky Business*, Jerry Hall finally left Mick Jagger and found a new boyfriend. The name of her new guy wasn't Rod Stewart or Eric Clapton. No, no! The name of the new boyfriend was Paul Allen – one of the co-founders of Microsoft; a man who, until the age of 40, lived with his mother; a man who at least a couple of years ago had a beard so scruffy it was difficult to tell the front of his face from the back. We are talking about quantum leaps when we move from Mick Jagger to Paul Allen – from Stones to Bits – from a guy who wrote *Sympathy for the Devil* to the best friend of Bill Gates. The nerds are doing just fine.

E-(motional) Business

Funky firms will succeed in creating new and imaginative temporary monopolies. In effect, and disregarding the fact that a more accurate description of the phenomenon is one of financial froth in the IT-sector, the metaphor of a bubble is greatly misleading – what we're looking at is soapsuds. A number of bubbles will burst whereas funky companies will surely bounce back. The key idea introduced in *Funky Business*, and one that we still firmly believe in, is that the way to trick the trap of the market is to appeal to the emotional human being – not the rational one.

Consider the case of Finnish company Nokia which has come from almost nowhere to become the leading maker of mobile phones in the world. Why is this firm so

successful? Nokia does not possess groundbreaking technology which its competitors cannot get hold of. Nor has its CEO, Jorma Ollila, stumbled upon a marketing book yet to be translated from Finnish. In fact, Nokia must have world-class, top-of the line technology. It must pioneer new organizational solutions. The company needs the best IT solutions that money can buy. It must work with the best suppliers in the world, not the closest. All this is necessary. But, it is not sufficient because Ericsson is also doing it. Motorola is doing it. They are all doing it. True competitiveness must instead be built around something we all know exists but which is seldom discussed in the business world: emotions and imagination. Steve Jobs of Apple was recently asked about what makes the new Mac OS X operating system so great. He replied: “We made the buttons on the screen look so good you’ll want to lick them.” Not a single word about megahertz and gigabytes. Our senses are working overtime.

So, the question most companies need to ask themselves today is: do we love – not like or fancy, LOVE – our products, colleagues and customers? Are they passionate about you? The real acid test: during the last two years how many of your customers have tattooed your brand on one of their biceps? If Harley Davidson can get its tribal followers to do it – why can’t everyone else? Sounds too fuzzy and touchy-feely? Well, research in neuroscience shows that the brain’s limbic system, which governs our feelings, is way more powerful than the neocortex that controls intellect. The traffic instructions that evolution provided our brains with are pretty clear: emotions have the right of way. Logic just has to wait.

IT merely provides the means to an end. The road to the future may end up in Silicon Valley, but it must start in