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The Virtues of Near Death

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As we go to press General Motors seems to be on life support. We honestly don't know if it will survive into the New Year, or if it will go the way of Enron, WorldCom, Lehman Brothers, Washington Mutual, Tyco, and all those other recently-departed ghosts of corporate America.

Right now, when many organizations – and even sovereign states (like Pakistan and Iceland, for very different reasons of course) – seem on the verge of extinction, it feels like a good time to look at the potential benefits of these near-death experiences.

The benefits of near death? You heard us right; we may be hopeless optimists (when we're not being hard-core cynics), but we're actually convinced that near-death may be the only pathway to survival.

Here's why.

We've been whining for what seems like forever about why companies don't change and move towards more efficient and effective ways of doing business (see, for example, ["Fleeing the Cuckoo's Nest"](#) and ["Someone Hit the Reset Button – Please!"](#) from the [October newsletter](#), and ["How Come Distributed Work is Still the Next Big Thing"](#), from 2007. And there's lots more where those came from – check out our [Newsletter Archives](#) any time).

Well, in these dark days we've come to realize that organizations (and nation-states, for that matter) actually behave very similarly to human beings. They don't change until, and unless, the pain of staying where they are dramatically exceeds the pain of changing.

Put another way, we all avoid significant change until we really, *really* have to bite the bullet and do it. An addicted person; someone trapped in a horrible personal relationship; a person in spiritual crisis – they all move toward change only when their pain goes off the scale.

Consider this example. In the mid-1990's IBM actually came within two weeks of failing to make its payroll. You may remember that the company that once graced the cover of *Fortune Magazine* as the "best managed company in the world" fell on hard times as it failed to react quickly enough to the emergence of the personal computer, the microchip, the Internet, and open-source computing.

Interestingly, IBM today is once again a strong, healthy organization that is actually a global leader in open-source computing, and it's become known more for its innovative technology leadership and consulting/outsourcing service capabilities than for its "big

box” mainframe computers. It took a near-death experience to drive IBM’s executives to embrace the Information Age with actual enthusiasm. They literally had no choice; it was change or die.

And, yes, many organizations (and individuals) never reach that point; they end up self-destructing. Will GM self-destruct? Is its pain great enough to drive radical change in its business model? To shed its onerous cost structure? To get a brain transplant – er, we mean a new management team? We’ll see.

(Actually what often gets lost in all current hand-wringing about GM is that the “new GM” is actually already stretching its muscles – the 150 mpg Chevy Volt is just one example of what the company is capable of. The question is whether there’s enough time to get the Volt and its many young cousins to market before rigor mortis sets in. And the real question is, what took GM so damn long to wake up?)

To us this very basic psychological reality helps explain why most organizations don’t adopt alternative workplace programs when presented with the chance (and the business case). Most of the time the pain isn’t great enough to drive the needed changes in structures, processes, culture, accounting systems, and management roles (we discussed this challenge at some length, using different language, in our white paper, “How Come Distributed Work is *Still* the next Big Thing?” – available for free download from our website).

We hear all the same old objections all the time, like, “If I can’t see them, how do I know they’re working?” and “If they aren’t here, they’re goofing off,” and “I’ll have to invest money I don’t have.” All of those excuses are red herrings, to be perfectly blunt. They reflect situations where the pain gauge hasn’t hit the red zone yet. So if you’re an agent of change when you hear that kind of talk get back on the plane and go home. You are talking to people in denial about the severity of their situation.

In today’s economy a company that’s just been taken over by a private equity firm, or a company whose market cap has gone to near zero, may, just may, be having a near-death experience and thus may be at what we like to call a “teachable moment.”

The virtue of a near-death experience is that it may be the only way to create the genuine openness that is critical for achieving meaningful change. The difficulty is the first reaction to difficult challenges is to “hunker down” and focus even more on doing what’s always worked in the past. That’s precisely why we use the phrase “near death.” It’s got to hurt real bad to push people beyond the “hunker down/fight change” mode that is so common.

And by “achieving meaningful change” we’re talking about fundamental shifts in beliefs, in operational structures, in business processes, in definitions (and measures) of success, and in the relationship between the firm and its customers and employees. Even more important,(and usually far more difficult) is achieving real change in the role of senior management and leadership style.

In our very humble opinion, the next several years will bring a number of near-death experiences to many businesses, public agencies, and, yes, even sovereign nations. And we’re sorry to say that some of those near-deaths will result in actual extinctions.

Not every corporate dinosaur is going to survive the global cataclysm that we're facing today.

Being futurists at heart, then, we'd like to close with a few predictions.

We've already seen the meltdown in financial services. Look for similar events and patterns in:

- ◆ Health care (in the United States)
- ◆ Higher education – both public and private
- ◆ Transportation – both local and long-distance
- ◆ Local municipal governments

Some industries and organizations will survive, some will go away. Just think about it. How many business enterprises have “lived” even 100 years? How many governments have lasted more than 500 years?

For us this time in history means opportunity (there's that optimism shining through again). Finally, maybe firms will be in a state where they are willing to suffer the pain of change – a change toward agility, increased performance, and community responsibility. And a few firms and individuals – those with a clear vision and at least a little capital – will invest in the future and come out of this mess as the new captains of industry.

But here's the tough part. There will be many who won't survive. It's time to go beyond Keynesian economics to remember – and heed – another Austrian economist, Alfred Schumpeter, who first coined the term “creative destruction” – the recognition that capitalism is dynamic and essentially Darwinian. The fit and the adaptable survive, while the march of progress inevitably passes by those who don't, can't, or won't change.

We can't resist observing that one of the reasons for the size and scale of the current meltdown may just be that we as a nation have been too willing to keep too many dying organizations on artificial life support for way too long.

We believe we are truly at a “turning point” in history. It will have a personal, individual impact upon literally thousands, if not millions, of people. We are already seeing it happen here in the United States. How many people and their families are, and will be, directly impacted by the mortgage meltdown? By the deep economic recession we are currently riding out?

What's required to survive? We are asked that question all time. Our response is that individuals should start running their personal lives like a business. They need to take direct responsibility for their actions, their opportunities, and their personal capabilities – no more dependence on an “employer” who will somehow take care of you. Personal coaches and mentors of the world, here's your chance to shine.

So near-death isn't always a bad thing. It's the ultimate wake-up call. It's actually a necessary pre-condition for significant changes in behavior at both the organizational and the individual level. Look for the indicators and when you see them, view the

situation as a door opening, not a closing. But please don't wait too long; only a few of us are "too big to fail."

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