



cutting through complexity

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Nano-corporate

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#02

Part 2 of 8

#02

POP-UPS AND THEIR NANO-CORPORATE CORES

CFIO – FAST FORWARD 2035

INTRODUCTION

Business today is facing what is perhaps the greatest combination of challenges seen in a century. Capitalism is under attack, with confidence in the current economic system at an all-time low, and new laws and regulations on the horizon. Geopolitical changes, falling personal wealth, volatile resource markets, climate change and shifts in the centres of economic power will exert tremendous pressure on the future business environment.

While these international factors shape the global market, organisations also need to keep ahead of the increasingly fast pace of change in operating conditions. They are doing this by innovating at ever increasing rates – the average number of patent applications in the US rose five-fold between 1985 and 2009.¹ Adoption of these new technologies means the amount of data is exploding, with the number of servers expected to grow 10 times and number of

files by 75 times over the current decade.² And the impacts of some technologies, such as social media, are only just starting to be understood.

What does the way the world is turning mean for today's CFOs? How can they prepare for this cacophony of change?

To start with, we think the CFO of the future will need to combine finance and information skills to become an executive who delivers valuable business intelligence. This new role will evolve into the chief finance and intelligence officer, or CFiO.

But the future for business is not so much about what the CFO will be called as about the external pressures that will impact their role – and how they will change their role.

¹ US Patent Office

² <http://www.emc.com/collateral/about/news/idc-emc-digital-universe-2011-infographic.pdf>

Tomorrow's CFiOs will need to be ready for the real game changers – what we see as the main pressure points that will shape the world of business in 2035.

Partly this is so they can ensure they are ready for the challenge; that they're suitably equipped to be able to engage with the brave new world that the coming decades will bring.

But it is also because we believe the mega trends we have identified will have a fundamental impact in shaping the role of the CFiO of the future.

Engaging with these trends can help build a better idea of how the business world will look in 2035, and how the changes between now and then will shape the CFiO's role.

Forecasting is a dangerous game. You may agree with our ideas; you may not. That's not relevant here. Our purpose is to get everyone thinking about the main ideas and issues that will create the global market of 2035, and to open the debate and encourage discussion around these topics.

We want you, our clients, to be involved in this debate. We want to be alongside you as you consider the areas your businesses will need to focus on in order to continue to be global leaders in 2035 – to consider how to negotiate the obstacles and make the most of the opportunities in order to guide your organisations to greater growth and prosperity over the coming decades.

In this, essay #2 in our Fast Forward series, we now look at another of those emerging trends; the concept of nano-corporate and pop-up structures.

The recent financial crisis has demonstrated the dire need for a revised operating model; a model that can cope with relentless flux.

Fast-moving technological developments, dramatic shifts in world power and constantly evolving consumer behaviour, triggered by the increasing need to differentiate, are pushing the world towards a new capitalist framework.

I believe that pop-up structures will provide the agile 'flash retailing' opportunity that will be fit for the next generation and beyond.

By 2035 the pop-up will be the dominant organisational structure.

This new model will encourage dynamic interrelationships between individuals and organisations in such a way that customer needs will be met by organisations that continually revolutionise. Changes in approach, changes in structure, changes in leadership, changes in employees – everything will be temporary.

Organisations will adapt to meet the next opportunity by working with the right mix of organisations and people for that moment in time. This level of transitory business will demand absolute transparency and trust.

Managing such structures will feel alien to CFOs of today who believe that long-term organisational survival is king. The new regime will mean CFiOs will be responsible not only for meeting customer needs but for endlessly remaining relevant and for constantly re-imagining the future.

Decision-making will be rapid and reliant on employee empowerment. There will be a much greater level of individual responsibility with limited or no control. Technology will underpin this need for speed and everything that pop-up organisations do, will require ultimate connectivity.

These pop-ups will have nano-corporate centres – minimal, practically non-existent corporate cores – and their ability to constantly reform their structures will be the envy of today's developed organisations.

With these highly responsive nano-corporate centres, pop-ups will dominate global market indices. The dynamic emerging economies of today, because of their youthful population who are technology savvy and uninhabited, will be the primary advocates of this organisational model.

For the CFiO managing these pop-ups, business as usual will become a case of scanning the horizon and constantly identifying new opportunities whilst defending current – yet temporary – constructs.

The reign of pop

The current rise in so-called 'pop-up' will not have escaped your notice. Distinct from 'start-ups', in that they are not intended to have staying power, these businesses temporarily occupy a vacant space on your high-street.

Clothes shops, arts spaces and restaurants are common examples of businesses that pop-up, taking the opportunity of filling vacant retail space for competitively priced short bursts. They temporarily meet the needs of consumers via a new, innovative

and time bound delivery channel. Over the next 20 years I believe we will see this one-off way of engaging with consumers become the dominant modus operandi. Pop-up organisations will be the only way of differentiating; the only way of igniting interest in something new, something exclusive.

I believe pop-ups will be THE dominant way in which companies do business in the future; everything from entertainment, construction and travel businesses to real estate, insurance and media will pop-up. There will be no need for long-term survival and asset accumulation will be frowned upon. But what is it about today that makes the pop-up organisation the 2035 contender?

Lifestyle choices rather than rational economics already define demand today but by 2035 this will extend into all areas of our lives, making the notion of pop-up irresistible to consumers. The concept of the pop-up structure will stretch far beyond the fragments you can see today and current market behaviours give us a glimpse of this future trajectory...

CONSUMERS IN 2035 WILL DEMAND PRODUCTS AND SERVICES THAT CAPTURE A MOMENT IN TIME. THEY WILL SEEK OUT EXPERIENCES THAT CANNOT BE REPEATED.

I believe consumers in 2035 will demand products and services that capture a moment in time. They will seek out experiences that cannot be repeated. Pop-up organisations that are here one minute and gone the next will provide these 'one-off' encounters; evoking a magic and mystery which consumers have already started to look for. Our eagerness to differentiate ourselves through social events is already apparent; it is no longer good enough to meet friends at the local bar but meeting at the latest pop-up restaurant gives the organiser a sense of 'being different' and having their finger on the pulse.

Fashion retailers already continually ensure new stock is available in line with new trends. Stock turn happens so quickly there is little chance of the same garment being available on the customers' next visit; projecting a sense of limited availability. Pop-up will not only accommodate consumers' insatiable appetite for constant change and exclusivity – it will also satisfy demands for increased democratisation in the workplace.

The pop up structure requires far greater interaction and trust between individuals; it will encourage open, honest and flexible relationships, something which future generations will insist upon. The bond between an individual and 'their' organisation will be short, sharp, focused and deep.

Nimble pop-ups will be staffed by individuals who will be quite used to the transient, instantly gratifying way of life, because this is all they know.

The importance and reliance on technology will not faze them in the slightest.

Nano-corporate cores

Today, the concept of continuous change is a reality. In 2035, constant change will be considered a stabilising foundation.

Growing from nowhere and then dissipating into thin air almost as quickly as they arrive but with no less impact, pop-up organisations require a level of agility that is simply not possible in organisations today. I believe that future pop-ups will operate with a corporate centre that is miniscule, enabling them to operate in this constant flux.

Each pop-up structure will be co-ordinated and operated by a nano-sized core team. The nano-corporate core will manage and specify the precise mix of organisations and individuals for market success; focusing all their efforts on a particular point in time.

The nano-corporate exists only for as long as the pop-up but the structural underpinning will be essential for constant and dynamic transition from one pop-up to the next.

The very concept of a 'corporate centre', heavy with the burden of overheads, will not exist in the future and departments such as the finance function will become virtual nodes within a constantly reforming network. In fact, the nano-corporate form will be the only option to remain competitive.

With Gen Z at the helm, the leaders of business are not going to be as reliant as our generation on 'big planet' organisations that are proving impossible to control and manage. In fact, the big planet organisations of today will be somewhat of

an embarrassment and will simply not be able to compete in an operational environment in which small is both beautiful – and smart.

A CFiO's success will lie in understanding this very different world and being able to react to it at lightning speed.

Bollywood glamour

By 2035, organisations will have evolved to continually meet specific customer needs to such an extent that such short-lived constructs will end the reign of the long-standing and rigid business models of today.

To get an idea of how this model will work, we can look to one of the oldest, most successful and glamorous industries of our time – the film industry.

Film-making organisations, for reasons of enabling innovation and due to funding structures, have applied pop-up principles for years. The complex infrastructure and sheer volume of people involved in making a film demonstrates the pop-up concepts perfectly.

Employing more than 6 million people³, the Indian film industry functions through the use of pop-up; writing, development, production, post-production and marketing activities involve hundreds of combinations of people and independent organisations.

A typical film will shoot for 48 days⁴ and for this short period, self-employed actors and runners come together alongside catering companies, accommodation providers, power generation companies, facilities and security firms, for one common purpose.

3 Idiots, the highest-grossing Indian film (released in 2009) scored over \$70 million at the worldwide box-office⁵. A quick scan of the full casting and crew list shows credits for around 500 people, all now working on other films, other projects.

As one film is completed, one pop-up structure is dismantled but work begins on the next. This is the way business is done in the film industry today. By 2035 this continuous forming and reforming will be the normal way of organising business affairs.

Ultimate interconnectivity

By 2035 technology will become so sophisticated that it will be the great enabler for the pop-up, easily ensuring that nano-corporates can operate at low cost yet still be the extraordinarily flexible structures pop-ups require.

I believe that the notion of a world with borders will disappear; destroyed by technology to the extent that geography, politics, legislation and economics no longer act as constraints.

In the future, pop-up funds will allow individuals to come together and invest in an opportunity and disperse once the investment delivers the return. Health organisations will bring together the right mix of health professionals to work with communities and deal with current and localised health issues. Accounting professionals will form a one-off audit team that is truly independent, advisory services will be delivered by professional consultants who are uniquely formed for one specific job.

³ <http://www.indiaonestop.com/film>

⁴ <http://www3.northern.edu/wild/th100/filmprod.htm>

⁵ <http://www.boxofficeindia.com/arounddetail.php?page=shownews&articleid=3997&nCat=>

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Today employees don't even need to go into work anymore as being your own boss is a reality for around 1 in 5 workers across the globe⁶ who work remotely on anything from design and coding to translations and administrative assistance.

Imagine what the technology of the future could enable! Combine these new delivery models with the power of social media and world-wide connectivity and you realise that the impact of technology is only just being understood.

High profile citizen causes that have been brought to public attention and resolved through use of social media and mediums such as Twitter have catalysed fundamental social change; the Occupy movements during 2011 quickly spread to over 900 cities in a matter of weeks through the use of social media and the internet⁷.

Technology has encouraged attitudes to change and will continue to do so. Relying on our fellow global citizens to make family holiday, hotel and restaurant choices has become the norm as TripAdvisor enables decision-making via crowd-sourcing, with 20 million

plus members already helping us to find solutions for every day life.

The use of highly networked and instantaneous media to spread information quickly and to get real-time reactions, then, will be the only way in which the nano-corporate centre of pop-ups can support the ever-changing nature of organisations.

In short, the way we operate as individuals has already changed fundamentally and the way we interact across groups and geographical boundaries will develop to become inseparable from technology. All this points to the fact that big planet organisations of today will need to evolve or they will become extinct. They are too costly, too difficult to change and unable to cope with increasingly specific consumer demands.

The interconnected CFiO

There will be seemingly endless places to look for new pop-up opportunities as virtual organisations will appear anywhere and everywhere. I believe CFiOs will spend much of their time and energy seeking time-limited market opportunities and utilising the vast

⁶ Patricia Reaney (24 January 2012). <http://www.reuters.com/article/2012/01/24/us-telecommuting-idUSTRE80N11L20120124>

⁷ <http://occupytogether.org/>

array of data and information which will be at their fingertips. Being the first-mover will be even more important than today as hyper competition will exist for opportunities which are available. The fastest to react will win and the CFiO will need to 'sense' the opportunities, before they are even available.

The way in which suppliers are selected will change – small elements of a job can be bid for online and undertaken by anyone, anywhere, provided they have the right skills and online user references. CFiOs will need to become experienced at selecting from virtual resource pools which will be far wider and diverse than today.

Individuals will work for organisations on an extraordinarily flexible basis or as a one-off, without any ties, yet without compromising the contribution they provide. Solutions will be found through the use of social media and by ignoring current boundaries and rules.

Technology in 2035 will support pop-up organisations to become better at hosting these numerous relationships, allowing for extraordinary flexibility between service providers and organisations.

The leaders of pop

So, why Bollywood and not Hollywood to demonstrate the nano-corporate principles of the future operating model?

Emerging markets of today will dominate the global economy by 2035 and it is these economies that will grip the pop-up concept like no other. Economies with growing populations and comparably larger proportions of young people, will produce the next generation of leaders; Indonesia or South Korea may well be contenders. They will not just be technologically savvy – their technological aptitude will be innate, and life without crowd-sourcing, cloud computing, mobile apps and meta-data will be unimaginable.

The motivation of these leaders to understand and apply the pop-up principle will not only be their technical competence but also their upbringing. As part of a generation that has received everything from education to entertainment in short, sharp bursts, they will expect the same of their employment.

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Informative years having been spent living in emerging economies which are unconstrained by established business models will give these new leaders the innate capacity to think beyond the here and now.

The lack of rigidity, lack of infrastructure and lack of subconscious business rules will be precisely the reason why these economies will be ripe for innovation in 2035 – innovation will naturally permeate all areas of business and life.

As for the developed world, our rivers of experience and consciousness run so deep that the 'right answer' is part of our DNA.

To survive in a world where pop is king, developed economies and those with long-term business models, such as natural resources industries, will need to emulate the discord and chaos of undeveloped countries. Established business will either need to deconstruct and operate in a completely different way (pop-up), or they will need to seek out and imitate this friction.

To keep up with the pop-ups, unlikely alliances will be forged with a multitude of individuals and organisations in an effort to innovate. Taking the unpredictable and untrodden path whilst fiercely working to encourage conflict, will be required in order to bring forward innovation.

Working with competitors and seemingly unrelated organisations will be the only defence against the pop-up and developing intentional discord will prove a continuous and difficult struggle.

New alliances will happen to such an extent that big planet organisations will become almost unrecognisable from today. However, no matter how hard they try – efforts in forming and developing these alliances still may not be sufficient to compete with the pop-ups.

By 2035, the emerging and yet to emerge economies will be at the forefront of the rise in the pop-up; leaving the rigid organisations of today behind. The close down of organisations will no longer be seen as failure, rather organisations that do not alter from one month to the next will seem tired and outmoded.

Mega-mergers will come to be seen as clumsy and irrelevant whilst driving up discord will become a necessity for those organisations that cannot move to the pop-up formation. By 2035, I believe that breaking down current structures into pop-up networks will be the only reliable choice for survival.

The pop-up CFiO

I believe that the challenge facing the CFiO will be successfully managing the array of relationships required for 2035 structures; identifying the important ones and nurturing them for a different, unpredictable, future. They will need to be skilled at making decisions at lightning speed, truly capturing the intellectual capital of self-autonomous employees and continuously developing their expertise in running organisations that never look the same for long.

Decisions in a pop-up organisation will never be based on instinct alone. By 2035 the CFiO's innovative use of technology and the constant stream of data and information available through real-time sources will support this quick-time and robust decision-making.

With so many concurrent relationships, sharing information will become prolific and the desire for such intangibles will be unquenchable. The CFiO will need to become an expert at recognising the information and data which is essential for success and at the same time, give up trying to protect this unguardable asset.

If the CFiO is at the helm of an organisation that is developing non-lateral partnerships in order to remain relevant, the CFiO will not only require the skill to identify 'other worlds' solutions, they will also need an ability to work with competitors and unrelated organisations with very different outlooks and to work within inharmonious relationships. Learning not to avoid, but to encourage conflict will require the CFiO to invest extraordinary purpose and passion.

A CFiO in 2035 will be a very different person but beyond the changes in skill-set, the real challenge will be the fact that they themselves will only survive the duration of a pop-up.

Big planet break-ups

I believe that by 2035, the nano-corporate centre will not be optional; whether organisations become pop-ups or they try to meet the challenge of the pop-ups by creating unlikely alliances, the need to be unburdened by central departments will be indisputable.

Those that find it impossible to break down current structures and make way for the new way of operating will need to work out how discord brings competitive edge and not just seek out random disruption.

Building unlikely alliances will not bring about a market leader; it will merely allow the CFiO to keep pace.

Not becoming a pop-up will be a path fraught with danger; the constant need to emulate conflict will be hugely stressful and innovation will not come easily. To date, countries like India have been seen by the developed world as places to outsource or at best, seen as bigger markets to sell more goods.

In the future, they will be the envy of today's leading economies for their flexibility and innovation.

Breaking down the mega-structures that have been built in the developed world will be difficult and painful.

By 2035, I believe the constant pop-up forming and reforming will dominate global market indices and will be THE mode of operation. Pop-up will propel the speed of change and innovation beyond anything imaginable to even the boldest of today's economic theorists - pop-up, short-lived, constructs with nano-sized corporate centres will come together to build fleeting whispers of business opportunities into towering strengths of extraordinary capital force.

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ON THE RIGHT TRACK?

- How often have you thought to yourself – ‘it would be just easier to start again’ – why don’t you?
 - How many of your staff are **exactly** the right person for the job they hold? Why not go and find the precise mix of skills you need, regardless of how far you may need to go?
 - How much time have you spent thinking about the future today? How does this compare to how much time you have spent trying to fix the problems of today or the past?
 - When was the last time you turned to colleagues in the emerging markets to find out what they would do in your shoes?
 - Do you know what your emerging leaders consider to be the marks of organisational success? Are they the same as yours?
 - How did you and your family select your last holiday? Why not select staff for your next project in a similar way?
 - Is your finance department the nimble, slim-line and well-oiled machine you need? Or, is it affecting your bottom line and taking too much effort to keep energised?
 - Do you keep seeing the same faces? When was the last time you worked with a group of people that were all completely new to you?
 - Have you felt the excitement of a pop-up restaurant, cinema or shop yet? Your staff have been going to the latest pop-ups for months.
 - Is your organisation so busy with today’s problems that you have forgotten to innovate for tomorrow’s solutions?
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Biography

By Isobel Baylis

Today I work for KPMG in their consulting practice. I work closely with my clients on financial 'get well' programs – we focus on improving the efficiency and effectiveness of financial departments and operations. It can take ages to get things running like clockwork so I can work with the same client for years.

In 2035 I am the master of my own destiny! I move from client to client, project to project – applying my skills where they are most needed. Sometimes I contribute for as long as a few months, sometimes for only a day. I work in pop-up organisations that need me for their current venture – for that one moment in time. I love working for organisations that are constantly changing; they are always at the cutting edge of innovation.

Regardless of which pop-up I am working in, I always feel I am working for an organisation that is meeting genuine demand for that moment, rather than working for one that takes an eternity to change its course.

I am never part of an organisation that provides a product or service that isn't wanted – we are constantly innovating.

In one organisation I can be the junior, the next the senior (if I seek out the pop-up opportunity myself) and sometimes I am bought in as an SME – it is great to know that whatever part I play, it contributes to the short-term success of the pop-up.

Next week I am off to Brazil on an information gathering trip with someone I quite regularly work with in pop-up guises. We have noticed that the Brazilians are way ahead of us in terms of the pop-up way of working; they don't seem as constrained in how they do business and it looks like we have a lot to learn. Some of my ex-colleagues still work in those old-fashioned 'big planet' organisations – I feel sorry for them – trying to compete with the pop-ups is a constant struggle because they are still so bogged down in trying to 'get well' they have forgotten to search for their future opportunities.

Contact us:

For more information on the Fast Forward series, please email us at fastforward@kpmg.co.uk

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