

Understanding paradigms and coping with paradigm shifts

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Introduction

On Jan 29, 2015, I had the opportunity to listen to futurist Joel Barker. Mr. Barker has studied several industries for more than 20 years. He has analyzed how business paradigms change, in the process uprooting established companies and allowing new companies to enter the industry and flourish. Recall the Swiss watch industry. World leaders in the 1970s, with an overwhelming market share, the Swiss watch makers could not make the shift when a new paradigm emerged- Quartz technology. In the face of new and unexpected competition from the Japanese, the Swiss saw their market share and profits shrink rapidly. Similarly, when the Japanese car makers caught on to the total quality management paradigm, the American auto makers lost market share rapidly and struggled to catch up.

Understanding paradigms

Mr Barker explained that companies succeed in a business by mastering a certain paradigm but if they are not careful enough and are too strongly wedded to the existing paradigm, they may be caught unawares when the paradigm shifts. Ultimately it is the mindset of the leaders involved that decides how companies cope when there is a change in paradigm. The right mindset can facilitate change while the wrong one can block it, sometimes leading to disastrous consequences.

What exactly is a paradigm? Mr. Barker defines it as a problem solving system. A paradigm provides the boundaries and rules to solve problems. Initially, a new paradigm solves only simple problems. Which is why companies who are already operating on the old paradigm tend to ignore it. But very rapidly, the trajectory changes and the new paradigm starts solving more complex problems. And at some point, the new paradigm may uproot the old paradigm.

Paradigms have the following characteristics:

- They are common.
- They define the rules of the business (and indeed our personal and social lives too).
- They help us to decide what is important and what is not, thereby helping us to prioritize and focus our attention.
- But if we embrace a paradigm too tightly, it may lead to paradigm paralysis with disastrous consequences.
- As humans, we can change and embrace a new paradigm when it appears, provided we have the right mindset and the right culture/eco system.

Paradigm pioneers

New paradigms are often introduced by people from outside the industry. So it is important for incumbents to look beyond the conventional boundaries of their industry.

Barker calls the people who introduce new paradigms, Paradigm Pioneers. These people need to be very courageous and must have faith in their intuitive judgment. Their views are often considered unconventional and contrarian and are likely to be met with cynicism, resistance or even outright hostility, as it happened in the case of the father of modern science, Galileo. Another way of looking at it is that incumbent leaders should be able to give space to the paradigm pioneers and provide an environment that is safe for them to express their ideas. Or to put it more bluntly, those who resist paradigm shifts must make way for the paradigm pioneers.

Barker mentioned that managers tend to be optimizers. They know how to operate efficiently within the existing paradigm. But it takes visionary leaders to move a business between paradigms.

To ensure that a company is not overwhelmed by a paradigm shift, it is important to have a diverse talent pool. According to Barker, such people fall in 4 broad categories:

- Young people who are new to the organization.
- Experienced people who are new to the organization but come from a different industry and have a different kind of experience.
- Maverick insiders within the organization.
- Complete outsiders.

The message from Barker is that out of the four categories mentioned above, three categories of paradigm pioneers are actually within the organization. Provided there is a way to tap their ideas, companies can cope with paradigm shifts.

Different parts of a company may be at different points in the paradigm lifecycle. Some may be in the early stages of the paradigm, some in the middle stages and some in the late stages. Which means the same approach cannot be applied everywhere in an organization. We will come back to this point a little later.

It is possible to create a paradigm shift by taking an existing paradigm from one industry to other industries. It is also possible to bring a new paradigm to an existing industry. Finally, it is possible to apply a new paradigm to a new industry.

Concluding notes

A key point in Barker's Paradigms framework is that when a paradigm shifts, it may erode all the competitive advantage of market leaders and put them back to zero. Unfortunately, current market leaders often do not get this. They are so much carried away by their past success that they do not acknowledge the possibility of a paradigm shift undermining their competitive position.