



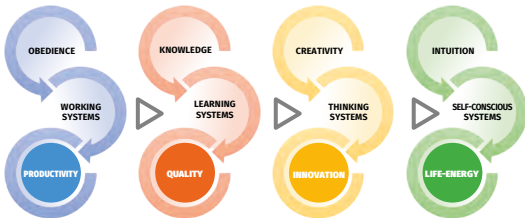
RHYTHMS OF BUSINESS EVOLUTION

TOOLS FOR
PROGRESSIVE THINKING

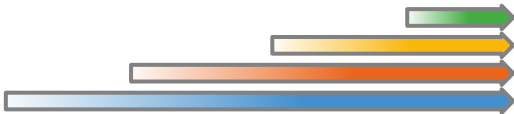
By VIOLETA BULC



SYSTEM EVOLUTION



The zero basis is upgraded from one evolutionary phase to another. Manifestations of leadership, however, change from phase to phase and require a high degree of flexibility and flexibility of the System, as they change the basic values of business.



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A word from the author

The inspiration for the book in front of you has been emerging again and again as a fresh message from the depths of my awareness, travelling back to the ocean of my consciousness and through my business practice into a wider social environment, whispering into my ears that everything within us and around us is integrated.

Personally, I feel integrated and connected with natural flows, I feel vibrations of the inner and outer worlds, I feel integrated with stories that accompany me with every step I make, as they strengthen and develop me even further. They shape my intellectual, physical, and spiritual development.

The people and challenges I encounter while creating business development stories, increasingly confirm that for most business environments **the motives for development are longevity, stability, gradual progression and organic growth**. The reasons can be found in their family values, the historical development of the space around them, a relationship with the quality of life and/or the ability to adapt prudently. Can we, with the above-mentioned set of values and capabilities, position ourselves successfully within the global economic streams? Yes, I strongly believe we can! But, first, **we need efficient leadership tools**; tools which provide a fresh perspective beyond the limits of what is known today, and which are based on new insight, and new paradigms. Enriching the treasure trove of such tools is the purpose of the book in front of you.

It is true that we can learn a lot from the treasure chest of knowledge and experience in the global market. If we want to participate in it successfully, we must, to a certain degree, adapt to it and understand it. However, to ensure long-term development by the state, region, local community, company,

family and the individual, **each environment needs to develop its own tools** to utilize to the optimum its core competences, values and its creative resources. These tools will actively shape or uncover markets that will take into account these unique competences, as well as appreciate and pay for them.

This book includes many of my private thoughts and personal experiences. You will find in it comments and cases from Slovene business practice.

While writing, I was filled with enthusiasm by conversing with various people: businessmen, artists, entrepreneurs and domestic and foreign visionaries. They have become an integral part of this story. A special emphasis is given to the tools which I have developed or adopted and efficiently improved during my consultancy work. These tools reflect recognized market needs and my own understanding of business rules in the given time and space.

During my intensive analytical contemplations of the subject I have made an effort to look beyond the existing dogmas. I have introduced new words which are not used in everyday business practice. I explain these as they appear in the book. All of them are listed in the Glossary.

I try to challenge reflections on **the strength and the mission of our society** and about the need for our **own path to global recognition and success**. I try to answer questions such as: **'Who controls economic development?'** Are there only stock markets and risk capital? Or are there **alternative models** for stable and successful growth? Is there a future for long-term sustainable growth in a world of constant change? Is **a business system a living being**, an independent organism with its own mission and vision? In the longer term perspective, does the global economy only give room for

multinationals? Does the future of small enterprises lie only in the increasingly shorter life cycles of the “product/service development and its sale”? For me at least, some answers are clear. For other questions, I am still looking for solutions. Many questions which have remained unanswered challenge you to search for your own answers. This is their purpose.

The basic business evolution model has matured and has been enriched with the vast experience of the Vibacom team. As it was being created, it found its place in the Institute for Business Growth and Creativity (IPRK), where, with the help of my partners, the model has been strengthened and improved with various leadership subsystems. This is where it will continue to grow in the future.

The book does not include any recipes. Yet, I sincerely hope that it offers the right platform for reflection and action to all leaders who, because of their own character and position, **constantly push the boundaries of what is possible**. It is dedicated to those who follow their intuition, respond to a call for action, to rhythm and to development, with a wish to give business systems, regardless of their size, their timely transformation, valuable progression and long-term growth.

May you never lose your curiosity, a wish to travel, the joy of achievement and the courage to confront whatever may come your way.

Special note: In this book, whilst I follow the shorthand convention of using the male form to refer to both male and female genders, I strongly have in mind female leaders, female individuals and female owners at all times.

Evolution of the Idea

Evolution of Business Systems

Evolution and Creating Added Value

Evolution and Leadership

It is Time for Thinking Systems

Pathway into the Conscious System

New Times Call for New Leadership Styles

Evolution Continues

From its very start, this book is characterized by its uniqueness. I have not written it according to a plan determined in advance, but instead, the book was created in a process which was strongly influenced by my professional colleagues. Their constructive comments directed my creative flow and their energies intertwined so intensely with mine, that in the common spirit the book itself also experienced its own transformation. The book received a special drive and became a living organism. May the co-creators' comments encourage you to build your own perspective while reading this book. The wealth lies in the diversity, and the more vivid the responses to this writing, the more alive will the thoughts presented in this book be. **As you are reading, the story continues – the story is being improved, developed and enriched. Its evolution continues.** May the story continue its illumination!

Innovative, challenging and provoking debate. Each reader will probably find something for himself in Violeta Bulc's first literary work; just as in any good book.

Dušan Snoj, Journalist

Evolution of the Idea

The global market is becoming more and more diverse. The development stage of an individual geographic or virtual space is determined by its needs, its openness to creativity, innovation, diversity. It determines stories, relations and energy flows. Geographical characteristics are surpassed by the needs of an individual which are increasingly more tied to an affinity with interest groups and their values. Thus, there are more and more opportunities for innovative approaches. New market niches are linked to the creativity of those who want to have a broad vision. The same is true for business models, for products and services. A physical space is supplemented with a virtual space bringing new rules to the game, as well as new contents.

Business is people. People are part of the ecosystem. I challenge you to reflect on new opportunities and models for natural behaviour in business environments. For business systems, where key creators and operators are people, the natural laws still apply, in spite of the level of their automation and computerization, regardless of their form or appearance.

It has long been known that evolution is not determined by the strongest in the physical sense, but by those who adapt most successfully. We also know that the majority of the great-

est changes in evolution have occurred because of “unforeseen” genetic alterations. These are influenced by apparent coincidences and messages which always redirect the flow of evolution to take new pathways. Yet, as a result, the simple evolutionary process is neither denied nor endangered; it is only supplemented with meaningful content.

People take an active role in this evolution: sometimes aggressively, sometimes amicably. Being a component part of it, we co-create and improve it. Our continual development constantly confirms it. Perhaps it is time to stop seeing business systems as something artificial and separate. We might want to start accepting them as another natural form of co-existence and development. Viewed as something natural, a wider horizon of possibilities suddenly opens up in the sphere of business models, for leadership styles, for networking, for growth, for transformation, for life cycles. **Consequently, we feel that the business system is a living being that has its own development dynamics and its own history, present, and future.** The system is an independent organism with its own feelings, fears and dreams, each of which is unique in its own way. Each needs its own approach to leadership and development. Each has its own mission, goals, and life span. It becomes logical that for efficient leadership we have to go beyond business functions and processes and focus on people and natural behaviours. We need to observe intently and develop **relationships**, with each and every individual.

The idea of the business systems evolution model has developed and matured within the realm of described findings. It has infiltrated into the environment and started to grow as the book was being created. Its journey continues as you read.

Stories from the environment

Do we pay attention to the wisdom around us?
Do we respect it?
Do we allow it to permeate our contemplations?

During my creative work and my operational work, I continually search for inspiration in nature, in history and in the environment; even groups and individuals inspire me. I transfer the models and recognition of inter-connectedness in a given space and time to business systems, to its leadership, to its formation and transformation.

Every one of my business and private experiences contribute profoundly to my understanding that each incident and each living and non-living being in itself carries its own story. These stories carry important messages to all of us who are present in this space and time; to all who are connected regardless of the scope and the depth of observation.

In my energy flows I feel deeply the tendency to be aware of everything around me, of each and every being, of its mission, connection and co-dependence. **I feel that evolution affects every part of our activity and ourselves¹.** This causes the learning platform for business performance and success to be broadened. Observation is necessary, however, it is vital to stir up this need within ourselves to recognize various behaviours and thinking patterns, as well as the wish for understanding and knowledge. The wisdom that surrounds us is available in many different forms of life.

¹ Food, clothes, games, sports, technology, architecture, materials, vehicles, socializing, medicine, organizational structures of enterprises, etc.

A Butterfly Story

An eloquent story of wisdom, offered by nature, is **the story of the butterfly's life cycle**. For humanity, especially for the business world, the butterfly carries a particularly important message. Right in front of our eyes, the butterfly uncovers the essence and the rhythm of change. It shows us that in life, dramatic metamorphosis is imperative for further (evolutionary) development. It tells us that changes are a way of life. That each phase has its own purpose and characteristics which cannot be omitted even though it appears that the results of each individual phase have nothing in common. The caterpillar and chrysalis are visually different, and yet both of them represent an evolutionary phase in the development of the butterfly. The butterfly neither visually nor functionally resembles either of its previous phases. Obviously, **without the caterpillar and chrysalis there would never be a butterfly²**.

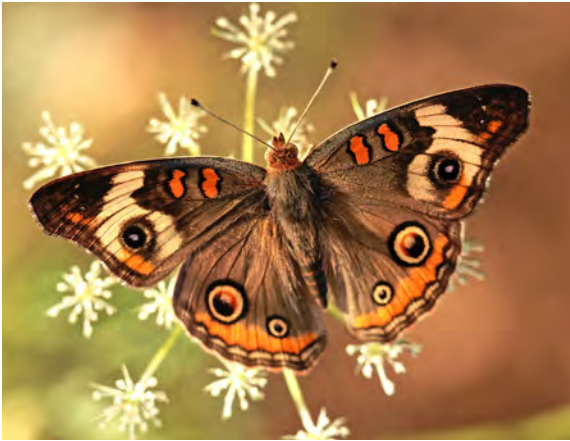


Photo: Shawn Kenessey, Unsplash

The story of the butterfly also teaches us that apparently the dormant phase (chrysalis) of resting is a very productive phase, during which we strengthen and gradually transform ourselves. When we reach the top of our development, we enter a new phase where once again we are at the beginning of further development. Perhaps it is this apparently dormant

2 Sue Monk Kids, »When The Heart Waits«.

phase that is the one which has not yet been given proper value in a business system. Experience shows that many systems fail because of the **lack of “maturation”**, drowning themselves in their own success or taking too many new steps.

In your environment, do you know how to establish periods of active rest, maturation and gather strength for new action?

Do you dare to consciously enter this phase?

Do you allow its existence in your own personal development?

“Inaction” is, at least in the business world, too often perceived as being connected with stagnation and regression. I remember a particular situation when we were defending the business efficiency aspect of the Innovation Model. As an argument for our lack of success, one member of the Innovation Evaluation Group stated that in the year when the innovation was developed and implemented in the field, the total revenue of the company increased by only a few percent. I tried to explain to him the concept of the phase required for maturation and stabilization and which has given birth to quite a few excellent business innovations. The truth is that the revenue did relatively decrease in comparison to previous periods, however, the company had at the same time strengthened itself as far as intellectual capital and vital forces were concerned. My argument fell on deaf ears. Even to this day, I do not understand the logic behind the argument of the person I spoke to. But I do know that the particular year in question, together with some other shorter periods of inaction, have contributed the most to the growth of the inner strength and self-confidence of my company, Vibacom³.

3 www.vibacom.si

The Self-management Socialism Story

Important stories are told from the history of our mutual relationships, social organization, and co-existence. One of these stories is **self-management socialism** which occurred in Slovenia while co-existing with other republics in the Socialist Federal Republic of Yugoslavia. I belong to the generation who grew up and was actively working in the socialist era. Considering the limited theoretical knowledge and experience of its consequences, I formed the opinion that self-management socialism is an interesting invention. It shows a direction of economic development that is socially sustainable. At the same time, I know that the model was implemented long before its time, therefore it never became an innovation. Individuals were not aware enough of its potential. The system did not have the basic tools to ensure quality and productivity. This is why neither the social nor the business environment were able to deliver results to enrich the capital invested (material, financial and intellectual).

For its success, self-management socialism needs a highly developed base that is able to provide vital development forces, since its bedrock is based on the core competences of individuals and groups, as well as on a high level of development of value systems such as social ownership, self-motivation, trust, respect and the common good. The common good can only be developed when the responsibility towards quality and productivity is an integral part of society, i.e. it is obvious on all levels of leadership and operation. The social and economic changes and quality of life in Nordic countries only confirm what is described above, as these countries have been constantly transforming themselves in the direction of general social

welfare. This, however, is only possible through evolution⁴ and not revolution. Evolution maintains the historical memory of the good and bad, of mistakes and successes. Evolution permits us to learn from our mistakes. In healthy cores⁵ where there is openness for self-criticism and a spirit for development, we improve and strengthen ourselves for the benefit of life itself.

The Steklarna Hrastnik Opal Story⁶

The third story which has contributed an important experience to the development of the evolution model is **the Steklarna Hrastnik Opal Story**. When Steklarna Hrastnik was undergoing an uncertain development phase, the management hived off one part of the operation which was linked to opal glass production and made it an independent unit. The director of the new company had the opportunity to employ all workers who he believed would work actively to position the new company successfully in the global market. On paper, the story was logical and feasible. The problems began in practice; not because of unprofessionalism, lack of knowledge, outdated technology or lack of support from the owners - which are the usual challenges in labour intensive business systems - but because of weaknesses in human relationships. The outlined strategy was not feasible by applying the “old rules of the game” and pursuing traditional relationships.

Fortunately, the management recognized the challenge at the right time and, with the help of external consultants, efficiently integrated the Cyclical Participative Model⁷ into the

4 I do not claim that revolutions do not have their own historical meaning; evolutionary approach towards understanding business systems development only shows that with a higher level of consciousness we can perhaps avoid a revolution.

5 A healthy core is an individual and/or a group exerting a positive influence on the development of other individuals, groups, and business systems.

6 www.opal-hrastnik.si

7 Cyclical Participative Model is a tool, an approach and a way of functioning when the shaping

company's every-day operation and function. In the process of creative reflection, more than 16% of all employees were included, first, at the operational level and then at the strategic level. The walls of mistrust and fear began to break down. In their working environment, this project group took on the role of facilitators of change and began to spread a new method of working, thinking, ideas about new types of relationships and the new spirit towards other co-workers.

After a year of systematic collective approach to face the challenges and form new ways of development, all business statistics turned upward, pursuing the right direction: orders increased, productivity improved, initiatives for improvements increased, innovation was higher, absences from work decreased, etc. This does not mean that the company was saved from future business challenges. Absolutely not. But the truth is that they made contact with their vital forces⁸. The company understands that every challenge can be solved by a systematic approach and involvement of a broader circle of people (internal and/or external). The collective consciousness overcame the fear of losing the company's identity. Individuals' self-awareness improved because their core competences were highlighted in the Participative Model. The company entered the flow of evolution development. Or, as the director of the company says⁹: “/.../ the steps were not simple and I know that the biggest challenges are still before us. But with a constant implementation of small innovations and with constant changes we become fitter every day. We believe more in ourselves and others are more willing to try harder to achieve success and actively participate in the creative thinking processes.” At the end of 2006, the company became the leading opal glass production facility in the EU.

and the development of business systems includes as large a number of people as possible and, by means of their thinking processes, shifting the flow of business developments into creating and improving added value.

⁸ Vital forces: business elements, business decisions, success criteria, leverage and/or sources arising from healthy cores providing stable development.

⁹ Franci Zajc, Engineer, Steklarna Hrastnik Opal, d.o.o.

Design of the Evolution Model

Maybe it was the understanding of the butterfly's story, the opportunity to experience and evaluate critically the advantages and disadvantages of self-management socialism, or the brave actions of the management of Steklarna Hrastnik, that finally made me see the direction of **the evolution of business systems** and record the definition of **the system as a living organism**. Through this, all the rules of business began to be shown in a new light. With the help of history, messages from nature, clients and work in the field, I realized that, besides functions and processes, there is another structure that gives rhythm to systems, in particular to business, and this is: business relationships.

It is because of the quality and the content of relationships that deals are made, new services are formed, changes are introduced, new technological solutions are looked at, new markets are opened up and new boundaries of what is possible are set. It is because of the content, the spirit and the dynamics of the relationships that the horizon of usefulness and need is broadened. The horizon of opportunity is being extended and partnerships are made to enable long-term stability.

This is how the idea of the evolution of business environments began to develop. I see it in **four key phases: working, learning, thinking and conscious systems**. All four phases have their own business cycles. If they are looked at more deeply, it appears that they are connected and dependent on one another. By understanding the essence of each phase and what is needed to embark upon each phase, it was realized that skipping a phase is not an option. For such an innovative environment to have long-term stability, quality and productivity are key. *The Evolution Model* has been improved from two previously developed models, i.e. the *Business Skeleton* and the *8+1 of Key Relationships of the Business Ecosystem*.

The ***Business Skeleton*** is a solid tool for leaders and executives of companies, providing a clear definition and perspective of “the key rules of the game” of the business system. It includes the definition of the strategic elements of operations and understanding of their co-dependence. It is an excellent foundation to develop a clear message for the target public in regard to what the company is and where it is going. The **Key Relationships of the Business Ecosystem Model (8+1)** is also derived directly from the real business world. Today it is a basis for efficient diagnosis of a business situation, enabling the discovery of potential opportunities by directly communicating with people. It is the backbone of “*the thinking system*”. It is used as a basis for efficient assessment, treatment and diagnosis of business systems.

The models, tools, statements and thoughts included in this book have therefore first been tested in the real business world. It was only when it had been proven over and over again in various (business) environments that I, through the creative crystallization of thoughts in dynamic professional teams, transformed them into a methodology¹⁰ and then into a theory based on the “Living Philosophy”¹¹. The methodology, models and philosophical environment of business evolution are open and invite everyone who is challenged by them, to react and thus contribute to their further (evolutionary) growth. They are currently being improved in the Institute for Business Growth and Creativity (IPRK)¹², tomorrow they will be advanced by the broader community, for our benefit and for the benefit of future generations.

10 MABS® (*Methodology for Acceleration of Business Systems*)

11 See Appendix 5

12 IPRK was established in February 2006 with the mission to develop progressive leadership tools for business systems, placing an emphasis on sustainable development and creativity. The Institute's founders are: Dr Andrej Bertoneclj, Violeta Bulc, MSc., Ladeja Godina Košir, MSc. and Darko Kovač, MBA.

Evolution of the Idea

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It is Time for Thinking Systems

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New Times Call for New Leadership Styles

Evolution Continues

“Business is people and people are part of the ecosystem,” says the author. We grow by evolution but more so dynamically and organically. These are also the characteristics of today’s business systems, which the author was able to clearly reveal to us. The book has a dynamic spirit and is full of growth – appealing to reader. It stresses an important element of modern business advantages – these are tacit resources that allow people to grow and develop.

This book is the right message for a progressive business ecosystem.”

*Dr Maja Makovec Brenčič,
Economist*

Labour, knowledge, creativity, intuition... The four rhythmic phases of development described in the book, *Rhythms of Business Evolution*. The business model in the book goes beyond the boundaries of business and (if I want to, I can become part of it and establish an honest dialogue with my inner self) influences the personal growth of an individual. It extends and defines the scope of contemplation and operation, it provides answers to eternal questions: Who am I? Where am I? Where am I going? Business evolution in its own clarity and energy measures and determines the rhythm of business system development and creates a foundation of harmony between the individual and the business world.

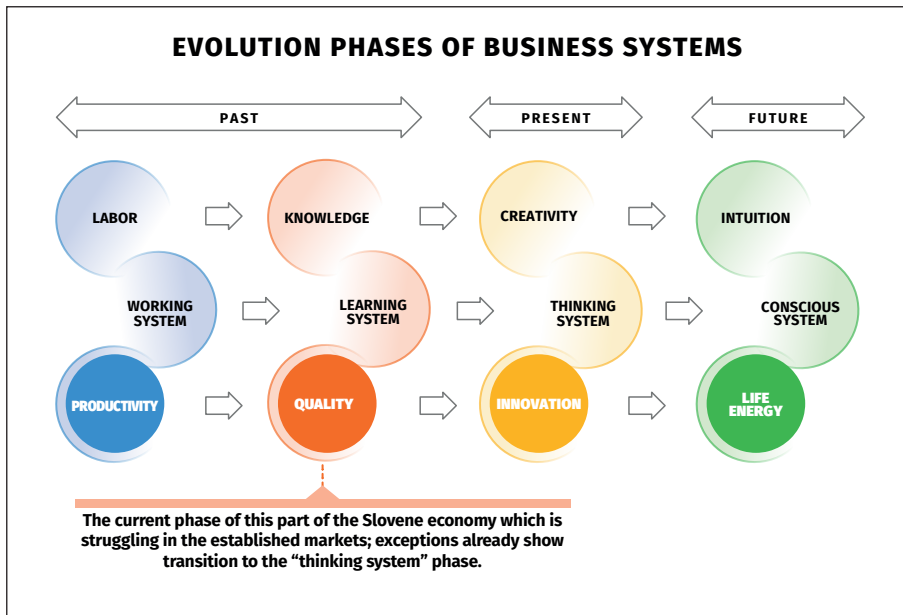
*Mojca Jan Zoran,
MSc., Designer*

Evolution of Business Systems

I have always been interested in systems; their operations and functions have aroused my curiosity. I am interested in the reasons and conditions for their failure, but more importantly, in the drive and source for their fresh beginnings. Through observation, I have given particular attention to the elements of the supporting environment and the “rules of the game” that enable the (business) systems’ optimal development and transformations, and which trigger their reactions.

Twenty-five years of business experience, personal transformations and reshaping thought patterns have allowed me, with the help of sociological, technical and business knowledge as well as natural talents, to see and describe abstract models of co-dependence, development and forethought.

I have been taught by experience that in the business world there are flows of energy which direct its life rhythm. Even more, because of changing market conditions which are co-dependent on changing habits and society’s values, we are witnesses to the need for continually shorter business cycles (product development, introduction of new technology, reshaping of market strategy, etc.)



**Intellectual property of Vibacom d. o. o.*

The fieldwork with various (business) systems¹³ has consistently confirmed that, regardless of the increase in the time dynamics of cycles, all changes follow social and economic logic. This, in its essence, mirrors the sociological development of the individual, his level of freedom, self-awareness and self-realization. **Business is people. Evolution is a basic mechanism through which we function.**

Nature teaches us that evolution is mainly triggered by coincidences or unforeseen changes. “Coincidences” play the role of catalyst and promoter of evolution. For further continual development, there are **key (evolutionary) rhythms** which enable changes to be strengthened and built into the basis of business, enabling the improvement of a (business) system. It is important to understand that “coincidences” occur in time and space, that is, with the development of the general environment.

13 SMEs and large enterprises, high-tech companies, innovative and traditional undertakings, craftsmen, entrepreneurs, cooperatives, local communities

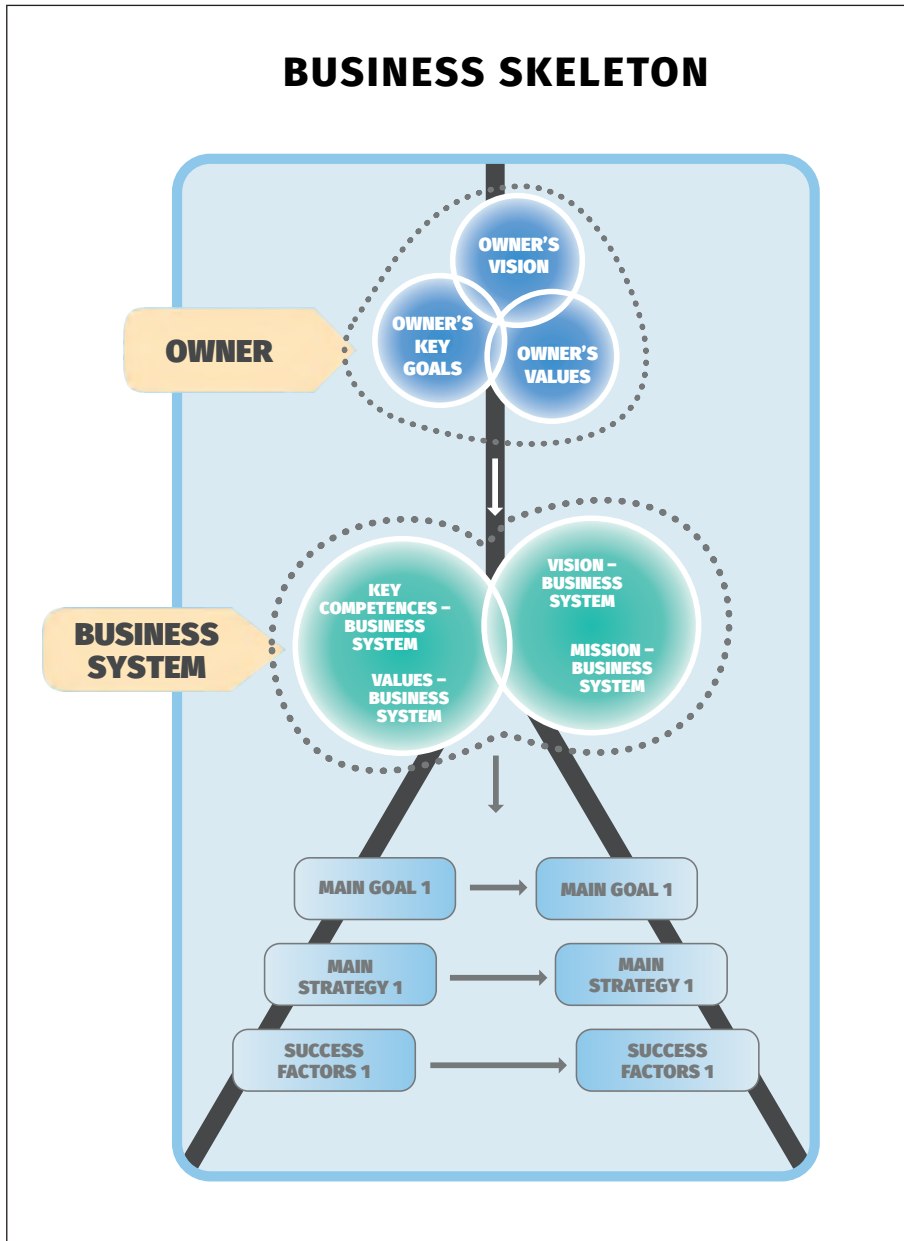
When leading business systems, are we open to impulses, messages, hints and behaviour patterns from the environment?
Do we notice, hear and feel them?
Do we take them into account?

Basic Characteristics of Evolutionary Phases

In the development of business systems, there are four key evolutionary phases: *working system*, *learning system*, *thinking system* and *conscious system*. The phases evolve in a logical sequence. Each phase has specific rules of conduct. It engages different resources, corporate governance types and different management tools. Our experience suggests that these elements should not be overlooked or skipped. Each succeeding step is dependent on the previous one, improving and upgrading it. **Each new phase requires the vital forces of its predecessor.**

During the transition from one phase to another, there are periods of transformation which destroy and take apart the old system and establish a new “order”. Often, a combination and sometimes even conflict among the sources of corporate governance types and other elements of the two phases can be observed. The new challenges the old. The old fights against change and proves its own purpose and existence. **Each transition phase is demanding and very often disturbs the business system so much that it loses its ties with its own vitality and mission.**

Business Skeleton



The leaders play a key role in resolving chaos. Their conduct and example influence the other members' level of trust and security and help everyone in the business system to focus on their work and understand their role in the story. The *Business Skeleton* can be a useful leadership tool as it clearly defines (for everyone involved) the working environment and the rules of the game in the business system. The *Business Skeleton* binds the story of the owner with the story of the company. It links core competences and values with its vision and mission; key goals with key strategies and success factors. It is simple, transparent and concise.

It is particularly important that in the transition periods both the employees and leaders understand **why the business system was actually established**. Questions include: What do the owners want to achieve? Are they interested in long-term stability and increasing the company's value? Or are they using the business system as a source of financial capital for other investments? The answers to these questions outline the vision and mission. They shape leadership strategies and strengthen the sources of growth and development.

When we talk about added value, the main stress is on growth, expansion to new markets and development of new products and services. When we talk of profits and dividends, the emphasis is on operational efficiency and effectiveness.

The next important element is core competencies and company values which significantly influence the dynamics for achieving strategic goals (strategies). The values and core competencies define "who and what". These are vital for the business system and the basis for determining the success of an individual or a group. In the business world there is a rule: everything that is not the company's core competence can be outsourced from the business system. The experience from the 1980s and 1990s is interesting; the business world

was captured by the belief that IT had to be outsourced, remote from the business system, to enable faster development and reduce operational costs. For some, this move was highly successful, whereas for others it was fatal. The outsourcing was catastrophic for those where IT formed the company's core competence, i.e. where IT was the source of innovation, constant improvement and differentiation. In cases where IT represented only a support to operational processes, the move to reorganize made sense and was successful.

In your business environment, are the building blocks of the Business Skeleton known?
Are your daily activities and decisions supported by the Business Skeleton?

The key goals and strategies defined in *the Business Skeleton* enable everyone who participates in the business system to define his or her role and expectations, as well as to form strategic and operational plans. They are linked to performance criteria which, at least up until now, at the leadership level include growth, asset turnover, financial leverage efficiency and profitability. Today these are supplemented with the evaluation of intellectual capital (patents, innovation, brand, etc).

In evolutionary shifts, the building blocks of *the Business Skeleton* are often challenged and subject to adaptation or even fundamental changes. However, their presence is of vital importance because of the additional role they have. Once they are defined, they form a basis for critical reflection. When we realize that “this does not work anymore”, we have a basis for change, transition and evolution. We have measurable milestones that demonstrate our efficiency and validity of the decisions selected.

Dynamics of Evolutionary Phases

Evidence in the real business world reveals that evolutionary phases do not evolve in a predetermined time sequence. On the contrary, **each (business) system has its own dynamics** and needs a different time span to transfer from one phase to another. The new evolutionary phase is also subject to social and economic development. It occurs only when relevant conditions are met in a limited business circle (industry) or in a wider social environment (state, region). These conditions are self-awareness, the relationship to the environment and the development level of business knowledge. This means that **with each new phase, specific characteristics of the previous phase merge into the new system and, in time, are either improved or abolished.**

In evolutionary positioning, success factors play a leading role. More information about evolutionary success factors will be discussed later on in the book but, for now, it is important to understand that these factors are predictable, co-dependent, necessary and measurable. For example, in the market economy long-term results cannot be provided by quality products alone, without having productivity in place. This also applies to innovation, which itself cannot build a “*thinking system*” without quality and productivity.

Real world evidence confirms the characteristics of evolutionary phases which include market maturity, competitive dynamics of individual industries and client segments, value systems. They confirm that the individual segments of business environments, for example an industry, or a geographical environment, have different expectations and development

dynamics. Some industries are currently still in the phase of the “*working system*”, while others are firmly in the “*learning system*” phase. What is above or below the average in the evolutionary business development reveals which industries are developing and which maturing. In the case of an industry that is maturing, there is a high probability that it will be absorbed by another more advanced industry. The same is true for a business system within an industry that is in the process of forming and positioning itself at the edge of the existing business system. Inter-branch connectors are often the “coincidences” of business evolution that define the evolutionary shifts. Evolution is also at work at industry level. Therefore, it is important to observe and understand the development phase of the business system and the business environment (industry) in which a company operates.

Every Business System is Unique

As in nature, there is also great diversity in the business world, which is only intensified by globalization. This makes us understand the business system’s uniqueness. The people in the business system can learn from others, but few solutions can travel freely from one system to the other. The independent development of a business system will encounter many barriers. Self-confidence in the environment, i.e. valuing one’s own differences and knowing how to apply them quickly and efficiently, is just one example. During one project, when brainstorming, we attempted to define new business opportunities which could be developed virtually. One

of the group members strongly protested, suggesting that we would be much more efficient if we browsed the Internet, copied the verified and established ideas and transposed them into the Slovene environment. I would not have been surprised by this comment had it not been made by a younger member of the team. “Why would somebody on the other side of the world be more creative than their group?”, I thought. “Why did they not believe in their own uniqueness and why did they not dare to position themselves in the global market?”, I wondered. We analysed the issues and boldly dived into exploring new possibilities founded on our own competences, knowledge and past experience. This time, the wish for creativity overcame the wish for convention. Self-trust and self-confidence surpassed the fear of responsibility and the fear of being different. In this case, the team leader played a crucial role.

This is why innovative thinking is increasingly expected from leaders. The analysis of successful business systems shows that there are only a few business systems (mainly small) which have succeeded because of product innovation. It can be noticed that in most cases it was business innovation¹⁴ that led to market success. However, it is true that the innovation process is often triggered by the product or technical invention.

In the Slovene environment there are business systems which are still in transition from the first¹⁵ to the second evolutionary phase¹⁶, systems which are already firmly positioned in the second evolutionary phase and business systems

14 *A business model, a newly defined business process, an innovative market niche, etc.*

15 *Steklarna Hrastnik Opal d.o.o., a leading company for the production of opal glass products in Europe was successful in differentiating itself with strategies typical for transition from working into thinking system. The company is creating the expected added value and is providing the winning success factors both in the relationships with its clients and its suppliers. It is at the forefront of its industry.*

16 *Adria Modil d.o.o., a leading company in Europe, produces motorhome vehicles; it is creating new dimensions, new possibilities in enjoying leisure time; it is setting the trend and leading the development of its industry.*

which courageously lead the way to the *thinking system*¹⁷. The advanced representatives of the industry exploit the understanding of business evolution in order to raise the systems above the average. There are many cases, both globally and at home, which warn us that if the characteristics of evolutionary development are neglected, systems will fall into trouble; in extreme situations they will even end up bankrupt¹⁸. However, if the leaders react to the challenges given and face them at the right time, they can, along with their employees, re-build an efficient and successful business system¹⁹ **on the condition that the laws of evolution are taken into account.**

Perhaps you are asking yourself: how do I recognize problems and challenges before they get out of control? I would like to challenge you now to reflect on this, using the fundamental development motive of each and every company, which is the creation of added value. Without added value, business environments are not able to provide necessary resources for growth, for development, for transformation and for success factors. I strongly believe that key elements of inter-evolutionary differentiation are **the sources of added value** creation and the catalyst that provides success factors. During phase transitions, it is necessary to **manage all the building blocks of the previous evolutionary periods systematically and efficiently.**

Let me give you another example which took place during a lecture on entrepreneurship. While I was presenting the evolutionary model and pointing out the potential drawbacks of development and growth, especially in cases of small business systems (up to twelve employees), a member of the au-

17 Trimio d.d., Oria Computers d.o.o, leading companies in their own industries, are distinguished by innovativeness, dynamism, market success. They are "ahead of their time", and internally harmonious; they are half a phase ahead of their sector.

18 KMart, Digital, TAM

19 Hermes Softlab, Elan, Apple

dience stood up and said: “Now I know why the company that I managed fell apart. We were very innovative, clients were satisfied with the quality we provided but I, as the manager, forget to manage our productivity. This was fatal.”

Evolution of the Idea

Evolution of Business Systems

Evolution and Creating Added Value

Evolution and Leadership

It is Time for Thinking Systems

Pathway into the Conscious System

New Times Call for New Leadership Styles

Evolution Continues

I have always been interested in everything that is new and different.

The book in front of you is something new: it gives a completely different perspective on the development of business systems as considered up until now. It opens up a new dimension which many modern leaders have not yet recognized.

I believe that the responses to Violeta Bulc's thinking on the evolution of business systems will not be lukewarm - because they just cannot be. Supporters' and critics' opinions will be strongly debated. Regardless, the book will bring a new outlook to everyone: it will provide much more than just knowledge and business models. This is a framework for responsible individuals who will lead modern business systems towards further development through critical thought and self-awareness.

*Tatjana Fink,
Innovative Leader*

The book challenges the ideas of new business models which enable sustainable company development and create higher added value in a wider environment. It enhances new business relationships and activates better intellectual capital. Innovation is becoming a success factor in the global market and is leading to a change which has become constant and fixed in our lives. A part of this change includes mergers and acquisitions. Let it be those companies which are innovative and capable of harmoniously managing diversity with a good number of individuals who think strategically and build on their key competences and values to make and instigate such change. Our human capital is our best resource, which enables us to place ourselves in the global market. The book reveals the path and suggests how to make the right decisions.

*Dr Andrej Bertoncej,
Specialist in mergers and acquisitions*

Evolution and Creating Added Value

Working System

If we look back to the end of the 19th century and the beginning of the 20th century, we see that companies created added value through **hard work**, provided by a good work force. Automated manufacturing processes²⁰ started to merge and computerization was introduced. At the same time, systematic cost optimization methods were developed in an attempt to make resource management²¹ more efficient. These methods covered manufacturing, procurement, sales operations and support functions. Auditing was also introduced²².

20 An important step in managing productivity was the introduction of the assembly line; the next biggest milestone was the automated business process.

21 Material, financial, human resources

22 Controlling.

The improved efficiency of operations enabled business systems to achieve key factors to succeed in the market, i.e. sufficient **productivity**. This ever-increasing productivity led to competitive prices and thus to the desired position in the market. “Working hard and a good work ethic” was key in creating added value. This evolutionary phase is called ***the working system***. Leadership was focused on managing the price of the product/service.

Learning System

A more high-level education curriculum, flexibility of the work force, the development of IKT and more sophisticated knowledge and skills helped leaders in their struggle for higher efficiency. The differences between individual business systems started to diminish. Work ethics, i.e. hard work, no longer ensured added value²³: “efficiency” was no longer a decisive success factor. New business resources and management tools were needed. It turned out that “**knowledge**” was the prevailing source for creating added value. As a result, **quality** started to take over the role of the success factor. Productivity was no longer sought but expected and turned into a “commodity” factor, a necessity to enter the market. Foundations were laid for another phase in the evolution of business systems: ***the learning system***.

When quality becomes the success factor in *the learning system*, the central focus is placed on “products/services” and the

²³ The term “added value” as used in this book refers to a contribution margin: it represents the incremental money generated for each product/unit sold after deducting the variable portion of the firm’s costs and used to cover the company’s fixed costs. Any remaining revenue left results in profit. Contribution margin = sales revenue – variable costs.

central point of attention in *the working system* shifts to the “**customer**”. Everybody understands that technology is that element of the business system which is available to everyone. At the same time, it becomes clear that due to higher competition and maturity of markets, the first question that needs to be addressed is: “who will buy the product/service?”. Only after this is known can production/operation start.

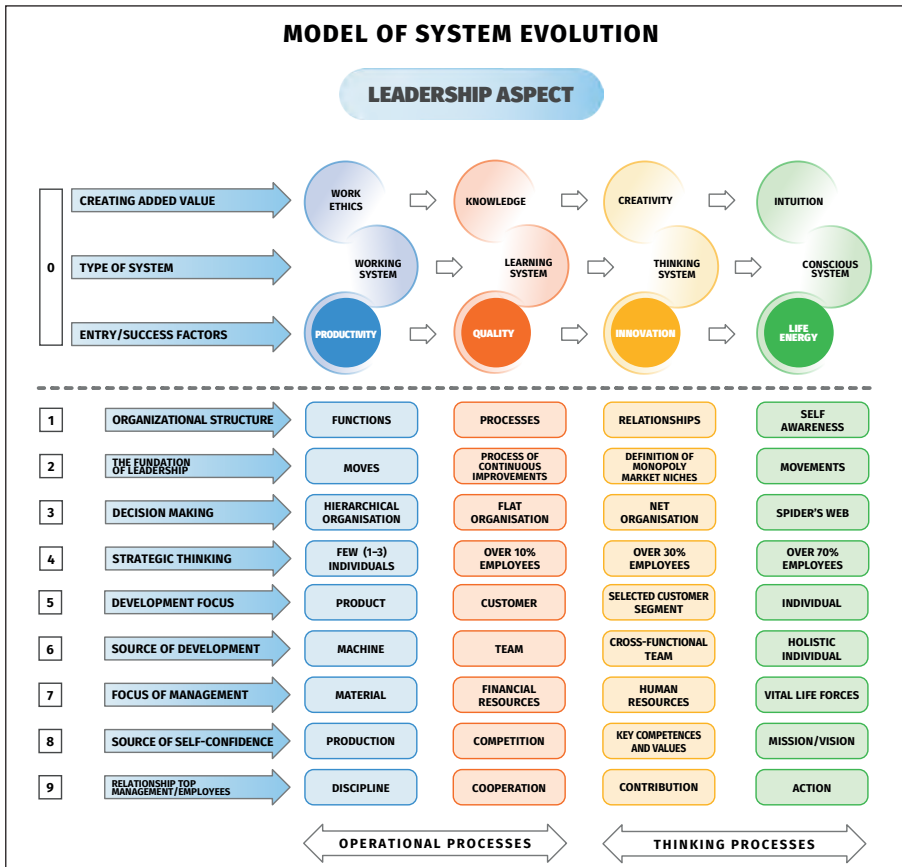
The transition from a product-oriented business system to a customer-oriented business system is certainly not an easy one. Employees and the management are accustomed to talk and think about the results of their work: about their products or their services. They like to discuss their function and operation and this is the main focus of their work. Many have an emotional bond with the products/services they manufacture, produce or render (cars, clothes, furniture, ads, books, for example). Yet, suddenly, market success no longer depends on what the employees and the management think of their products/services; what only matters is what a customer thinks and wants²⁴ and whether there is a market for these products/services.

Quality is expected and begins to play an ever-increasing role in creating market success. It generates customer loyalty and ensures long-term business stability. What becomes important is who will notice the product, value it and be willing to pay for it. **A greater emphasis is placed on processes**; this new situation calls for a new type of management and governance tools.

In transition from *the working system* to *the learning system*, we observe another important change: **the human being** comes into the spotlight. Knowledgeable employees, leaders and managers create new foundations for future development, and this is what ensures how a business system differentiates

²⁴ Surprisingly, often still quite a challenge in many companies (not only Slovene).

itself in the market. Knowledge as a source of creating added value triggers the **process of continuous improvement**. Such a **process** becomes the central topic of discussion for managers and leaders. Existing organizational structures, leadership styles and communication techniques are challenged.



**Intellectual property of Vibacom d. o. o.*

The improved model is the intellectual property of IPRK, d. o. o.

Core values gradually shift from “work” towards “knowledge”. This requires a broader engagement of employees, the management and leaders. It calls for continuous learning and greater empowerment of employees. In other words, more information, changed rules of conduct and new values occur. Success in the mar-

ket depends on the scope, the depth and the diversity of knowledge. Leadership becomes more and more important for the success of a company when **knowledge** is the source of creating added value.

In this new paradigm it is necessary to include knowledgeable employees in the process of strategic planning. Through experience I found that if in the *working system*, a company (regardless of the size) can be managed and led by up to three people only, in the *learning system* at least 10%²⁵ of employees need to participate in the strategic thinking process. These employees play an important role promoting and facilitating knowledge and quality, and they indirectly feel responsible for creating added value.

Leaders face challenges in connecting and applying knowledge. “The secret lies in open and efficient communication among all who participate in the business process,” stresses Možina²⁶. Therefore, what is needed in such a business environment is a great amount of the manager’s energy, constant professional development and an awareness of change.

The learning system flourished in the 1980s and is still strongly present today. In Slovenia, the majority of large business systems have systematically begun promoting the principles of *the learning system* by establishing a special institute²⁷. This has played an important role in pointing out the significance and importance of knowledge in the business world and for the broader community. In the beginning, members of the institute mainly dealt with processes, the management and the transfer of knowledge within the business system. In time, they realized that without efficiently transforming the broader public into a “*learning society*”, the business system would not be successful in the longer term. This is an important message that demonstrates how **inter-dependent various systems** are within time and space.

25 When defining the necessary percentage of the employees and the management, the percentage of people actively involved on the basis of key competences and values is taken into account.

26 Dr Stane Možina, Faculty of Economics, University in Ljubljana

27 IUSP – Inštitut za razvoj učečega se podjetja (Institute for the Development of the Learning Company).

The challenges posed by quality and knowledge have been discussed both in the academic arena as well as in the business world²⁸. Many books have been written describing various approaches, systems and models to ensure that knowledge is of suitable quality and is applied efficiently. Increasingly more business systems master leverage and sources - a competitive advantage and the creation of added value which is characteristic of *the learning system* - or have had the possibility to learn about them. This is why **this system has given rise to a need for new resources and factors that would lead the most successful and daring beyond what is considered average.**

Thinking System

In *the thinking system*, the resource for creating added value is replaced by **creativity** and the winning success factor becomes **innovation**²⁹. With quality as a success factor, the focus is placed on improving existing products and services. On the other hand, with innovation and creativity functioning as the key success factor, the focus is on the unknown and on the different. Creativity demands a relaxed and dynamic environment and needs time and freedom of the soul to find inspiration. Creative thinking drives innovation. In the innovation process, creative ideas are critically examined to be systematically introduced and implemented in a business system in a unique and adequate manner that suits it best.

²⁸ ISO standard, 20 keys, Six Sigma, etc.

²⁹ Invention: something new; innovation: in the real business world confirmed invention (somebody has noticed it, has valued it and has paid for it).

Creativity and innovation differ from the previous success factors and lead to the next phase in business evolution, i.e. ***the thinking system***. With this, quality and productivity become the expected entry factors to succeed in the market. Knowledge along with good work ethic provide a solid base for developing creative and innovative processes. The value ethos of *the learning system*, for example the willingness to learn, undergoing training and nurturing professional development, merges with creativity and innovation. The notion of *the thinking system* has already been established and is present, representing both a challenge and an opportunity for today's business practice.

Increasing the Significance of the Human Being

When discussing the *learning system*, I stressed the significance of a human being who becomes increasingly more important in the sphere of *the thinking system*. The transition from the second to the third phase of business evolution causes an important change to occur: managing the operation process is replaced by managing the thinking process. The main focus is not placed on the sequence of events and tasks any more, but rather on creating an environment and rules of the game that ensure free flow of thoughts, ideas and initiatives, which will consequently lead to innovation. New transition is imminent: from a material to an intuitive world, from an external to an inner world. While managing processes in *the learning system*, describing a process was clear and evident, the process of creative thinking becomes invisible when coordinating teams in the *thinking system*. Everything takes place in the mind and in the inner world of each team member. Creativity can be felt,

sensed and challenged, but the result of the process is unpredictable both time-wise and content-wise. Therefore, it is up to leaders to provide appropriate working conditions and not to worry about each process and each of its phases. This task is left to the creators and innovators, to the employees and their managers.

What shall we teach the younger generations? Shall we teach them how to manage tools or how to understand the thinking process and how to develop their own thinking patterns?

An important question arises: what are the (young) people who are going to enter the thinking-based business system like? How long does it take for an individual to adapt to *the thinking system* and to participate actively in it? How will it be in the future, I wonder, when leaders of business systems in their *learning system* phase focus on knowledge as the key success factor and argue that schools do not teach anything useful to young people. I can still hear my colleague Miklavc's³⁰ comment in my head. When we were discussing upbringing, differences and values of the environment we live in, he pointed out that the younger generations have a different perspective on knowledge. Since young people are accustomed to information technology, they ask many questions, challenge what is said and based on the answers to these questions build their own perspectives according to their own experience in an interactive way. They are not passive listeners any more, accepting the knowledge given. They are in fact becoming lateral thinkers.

The “creativity” phase is even more critical in this regard. This phase needs people on all levels to be self-confident and

30 Martin Miklavc, Architect, Entrepreneur

independent individuals who are emotionally stable. It would be ideal if the social environment follows the development and the needs of the business environments. But this is, sadly, very rare³¹. That is why innovative business environments look for “random/independent” individuals and groups all over the world and connect them more or less efficiently with the business system by means of virtual tools and by placing these business systems in attractive locations. **This is a huge opportunity for local communities, regions and connected geographical areas.** Amongst themselves, they can ensure sustainable development by creating attractive conditions for progressive companies and, through this, acquire a special place in the global market economy.

A Business Case – Litija Development Centre

An illustrative example of building a private-public partnership is the Litija Development Centre. The company was founded by the Litija Municipality with the aim of developing entrepreneurship, tourism and other related activities influencing the broader development of the local community. The key players approached the task very seriously and with a strong sense of responsibility, focusing on constantly improving professional knowledge and expertise of the key facilitators of change; not only in the local environment, but also at regional level. They pushed for the personal growth of individuals, for developing entrepreneurship networks, for facilitating formal and informal networking and encouraging innovative projects underpinning local characteristics. Today, the Litija Devel-

31 “Silicon Valley” in California, Bangalore in India, Dresden in Germany, Dublin in Ireland, “Hsinchu Science Park” in Taiwan, “Wireless Valley” in Sweden, “Zhong Guan Cun” in China, “Smart Village” in Egypt, to name but a few.

opment Centre is leading in Slovenia on various criteria: the number of self-employed people, partnerships formed, educational programmes executed and citizens active in the community. In their community, they constantly promote values such as knowledge, innovation, openness, differences and cooperation. This is not at all simple. It demands a lot of positive energy and determination of all the employees at the Centre. As the director, Mrs. Gradišek³², says: “In the beginning, a lot of effort was needed to attract the attention of citizens and to motivate them to participate in our programmes. Today, they are the ones approaching us with ideas and initiatives. Local companies have noticed a positive change in (prospective) employees and in partners as far as entrepreneurship, knowledge, cooperation and success are concerned.” May there be more success stories such as this.

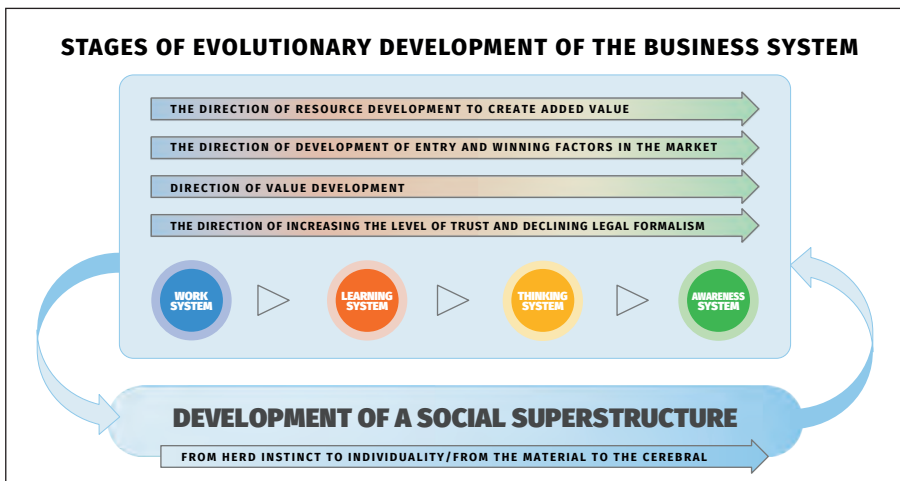
Changes in the Family

A similar lag is noticeable in the evolutionary development of the family, the root of an individual’s development. Patterns show that old models are too narrow and too weak when using the intellectual and emotional potential of each family member (for example women and the elderly). Change may be facilitated through greater awareness and better use of intellectual capital, which in turn will decrease the impact of physical strength. For evolution to occur, it is vital that an individual feels free to function in an independent, responsible and confident manner. Has the family system opened up and is it flexible enough to adopt the behaviour patterns and values of *the thinking system*?

32 Saša Gradišek, Economist, Director of the Litija Development Center

Business systems have realized that often the first thing they have to do with the younger generation entering their system is to develop their sense of responsibility, their self-initiative, teamwork and cooperation skills before they can efficiently use their intellectual capital. For efficient socialization of young people in the business systems, leaders have to take over the role of parents. Before leading, they have to mentor: they can take a proactive approach and have open discussions, as well as constantly test and verify the process of young people's own transformation and development. For some time to come, this *thinking system* will be an interesting social and economic challenge. Here the challenges and solutions with regard to inter-generation cooperation, gender balance and participation of the less active population in creative activities will play a crucial role.

Change in the Behaviour of Business Systems



As a result, the transition from *the learning* to *the thinking system* highlights **many delicate changes in the behaviour of business systems that occur in management and the operation at all levels**. More and more dilemmas arise: How can one govern the thinking process? How can one ensure the development of innovation? How can one trigger creativity? How can one create an appropriate environment and the relevant rules of the game?

The lack in understanding the foundations of *the thinking system* offers opportunities for business innovation. Very little has been written and analysed about this subject from the point of view of *the thinking systems*. This is true both for business and for the academic arena. As true business practice shows, theoretical tools will enable leaders to verify and challenge their views and allow them to form new business models. This will strongly influence the development of consulting services: their main aim will be to clearly identify a large set of potential business elements so that in the creative thinking process, the company in partnership with its consultants will search for new creative paths in the company's development. In addition, new paths, new opportunities and new models cannot be developed by merely analysing the old models and tools and improving them. Instead, **new models will be developed through understanding the future**. New elements and new perspectives will be formed. This is where the essential difference between improvement and innovation lies.

Role of the Media

The media will play an important role in the transformation process and in the implementation of *the thinking system*. Through well written and in-depth analysed articles, the me-

dia can ensure a higher level of general social consciousness, as well as an elevated awareness and understanding of long-term influences on development and progress. This has been clearly pointed out by David Nordfors,³³ who says that today “traditional journalism deals mainly with the past. Writing on innovation is, however, linked with things that will happen in the future.” The Swedes were first to notice the importance of writing on innovation, followed shortly by the University of Stanford. Today, Innovation Journalism represents an independent project led by the Institute for Innovations in Learning, which connects many states in the development of the modern competitive environment that rely on the Innovation Society.

For some time to come, creativity and innovation will be the prevailing source and factor for successful differentiation in the market. Understanding the dynamics of development of business environments, I anticipate that this will hold true at least for another generation. In order to fully realize creativity and innovation, it is necessary that all members of society cooperate: the business world, academic institutions, state, the media and, finally, the general public.

Innovation is a Process that Needs to be Managed

The need to encourage creativity and innovation brings us even closer to a human being. It drives us to seek methods to shape up and maximize human potential. Only when triggering the creative process can we hope that it will lead to innovation,

33 David Nordfors is a physicist who leads the global movement fostering better reporting on innovation, supported by Stanford University, Palo Alto, California and in cooperation with national institutions, such as, Vinnova from Sweden. The “father” of Innovation Journalism. www.innovationjournalism.org

which will then provide a success factor to be realized in the market. It is not enough anymore to connect simply within the company. Teams are becoming **intra-functional** and include all the stakeholders in the thinking process (strategic clients, suppliers and the general public). **The relationship** between all stakeholders³⁴ of the business environment becomes the centre of attention.

It is clear for leaders that innovation must be accepted as one of the basic business processes that needs to be managed and developed, similarly to other operational processes. But innovation, unlike other matters, is not based on the method of work, but rather on thinking patterns. **Innovation is a thinking process linked to a human being, his talents, behaviour and knowledge.**

In essence, the innovative process can be divided into three key phases: **inventiveness, crystallization of thoughts and implementation.** Experience shows that business systems are challenged by all three phases: there is a lack of critical mass of ideas, the critical breakdown of prioritized initiatives is missing and there is little understanding of the potential influence of innovation for the company's performance results. In addition, selected initiatives with enough market potential are often not implemented at the right time. The reasons for these challenges can be found in the evolution model. Because it is trendy and because of the wish to be the first in the market, business systems are rushing into the third development phase without building a solid foundation created in the first and second phases. No evolution phase can be skipped. Also, if we establish a new business system on the basis of an innovative and successful idea, we get into serious trouble if we do not take care of **the vital forces for long-term growth.** These forces are based on a suitable atti-

³⁴ *Employees, management, owners, public, customers, suppliers, business partners, nature, an individual.*

tude towards work and knowledge³⁵. Exceptions here are the business systems established to develop an innovative idea which is to be sold fast.

These challenges are confirmed in the real Slovene business practice. In Slovenia, the first phase of the innovation process is promoted. The systems for selecting and rewarding initiatives are introduced, but their implementation is handed over to line managers and their subjective judgement: critical analysis of ideas from the point of view of the company's development story is still lacking. Field experience shows that not enough employees are included in the generation and crystallization of new ideas. Companies find the participation models for systematic intra-functional cooperation of employees rather strange or, at best, only a temporary business tool.

In order to change the behaviour of the business system towards *the thinking system*, at least 30% of employees must be actively involved in the strategic thinking process. They must be able to clearly communicate new values to others, such as creativity and innovation. Communication of strategic and operational directions must take place both verbally and through body language. How ambassadors for change behave in implementing tasks and responsibilities is more important than what they say. It needs to be stressed once again that everyone can be innovative, as we all have creativity in us. It is our vital force. We all have talents. We only need to find them and use them fruitfully in the thinking process which, in the business system, must be systematically moderated towards innovation.

³⁵ This does not hold true for systems which have been founded to be sold fast, as for example: high-tech companies established to develop an innovative idea into a prototype only.

Conscious System

Because the success factors have changed and are now more linked to the human being, human resources need to be managed efficiently and strategically in *the thinking system*. As a result, along with financial capital, an important role is given to the intellectual capital in strategic decision making. We can freely say that **the business world is becoming more humanized**.

This has an increasingly important role in the fourth phase of business evolution. I call it ***the conscious system***. The first signs can already be seen at present, but more time is needed before this new paradigm can turn into business practice. The reason for this is its strong connection to the personal growth and self-awareness of the individual; it is linked to the development of techniques used to manage fear of the different and of the unknown. In *the thinking system phase*, constant change is more strongly present than in the first two phases of evolution and in the fourth phase, *the conscious system phase*, change has become a way of being and the essence of life.

From Intuition to Being

I believe that in the fourth phase, creating added value is characterized by **intuition** and spirituality. Or, as my colleague Seme³⁶ pointed out in one of our discussions: "Considering the foundations of the evolution as presented, the essence of *the conscious system* is awareness". Intuition and the awareness of one's own power are interesting concepts, leading in my belief to integration with the whole, which strengthens the power of

³⁶ Bogo Seme, *Economist, Business Coach*

both connectedness and creation. In *the conscious system*, success factors are driven by **the vitality** of an individual, a group and a company. We see new forms of cooperation emerge, which are definitely more informal, connected through intellectual capital and a common value system. New forms of cooperation are reaching towards natural forms of co-existence and development. While in the preceding phases of business evolution, leadership styles have to consider various types of teams as the source of development, in this evolutionary phase, the key goal of leadership is a holistic human being³⁷. The primary challenge of leadership becomes how to develop a holistic human being's true self³⁸ and how to include the self into the business system's mission and vision.

The winning strategy for success in the market is the capability to fulfil individual needs. Innovation is thus added to productivity and quality in forming the vital forces of the business system. Along with work ethics and knowledge, innovation then becomes the entry factor and creativity the component part of the business system's basic existence. Intuition and vital life force become key sources and leverage to differentiate *the conscious systems* from others. Their values are expressed as positive approaches to life, understanding one's own strengths and weaknesses, openness, respect, trust and diversity.

From the Network to Forming the Web

The conscious system works only if 70% of the members of the business system consciously participate in the strategic

³⁷ *The holistic individual is a person who is open to continuous learning, to creative cooperation both within the business system and in the surrounding environment (in hierarchical and horizontal relations), and strives to obtain progress, has a positive attitude to life and is implementing his life mission.*

³⁸ *True self is a sociological term indicating global awareness: "I am"; every object, person, concept wishes to become aware of the mission, the goals and the vision of development.*

thinking process. This clearly demonstrates evolutionary inter-dependence; **the upper echelons cannot function without the vital base.** When taking part in business relationships and various forms of cooperation, an individual is limited by his knowledge gained, the level of creativity awakened and his readiness for active participation (working habits). The individual is limited or enhanced by his holistic development. Leaders, on the other hand, are challenged on how to use relevant tools to ensure productivity, quality and innovation in newly created conditions of cooperation and coexistence. Their own creativity and openness to notice and develop new sources of life energy³⁹ are also challenged. The holistic development of both the team and the business system is stressed. The connection with the social environment becomes important and can be realized both in the physical and in the virtual form⁴⁰. The method of operating is key. In *the conscious system*, the stress is again placed on the “how”. The answers to these questions are found in creativity and innovation. Intuition and life energy⁴¹ create tools and new working conditions. This was foreseen by Peter Drucker when, from the perspective of *the learning system*, he claimed that society has developed enough tools. In order to progress we have to question once again what the content is, and what direction to take in the next step. In the evolution model this is the phase of *the thinking system*. It seems as if “what” and “how” are exchanged from one to the other evolutionary phase, creating a cycle and rhythm as the basis for motion.

Therefore, in *the conscious system* the emphasis is on the ability to create conditions and rules of the game that will de-

39 Life energy is a continuous ability to fulfil what has been agreed with a positive attitude to one's self and the environment. It is a part of an individual and is expressed by his communication and body language.

40 Virtual forms are various environments formed on the web.

41 Will, power, ability to realize the mission, goals, tasks set for the benefit of oneself and the broader society.

velop awareness and activate and improve it. Values such as positive energy, healthy business cores⁴², self-worth and development of natural capabilities all influence **creative networks and webs**⁴³ that include clients and suppliers.

The Conscious System is Close at Hand

The concept of *the conscious system* may sound a little futuristic. But if we are honest with ourselves, we will agree that, both in business and in private life, we have long been experiencing the fourth phase. The social movement has been transformed from gregarious instinct to a more individual approach, followed by consciousness, key competences and values. To understand a person's integration and connectivity with the whole, *the conscious system* then becomes a reality. We are not only talking about an individual's linear development. The holistic approach shows that there is a link, horizontally and vertically, on all three levels of our being: the physical, the mental and the spiritual level. What is needed is to create awareness and equip people with the relevant tools. **Conscious awareness depends on the development of the previous phases which provide the necessary vital forces for continual development.**

How do we as a society really attune to the success factors presented? How are these findings realized in the world and in Slovenia? An interesting view of these questions is found

42 Healthy business cores are those individuals, groups, organization units who provide resources for the implementation of the mission and vision of the business system; they are known for their positive attitude, constructive approach, healthy criticism and praise.

43 The concept of the web will be described later in the book. It is a form of relationship between stakeholders which is much more informal than the network structure of the thinking system. It constantly adapts, changes, transforms in line with the environment and according to the holistic development of an individual (metamorphosis).

when one searches the web for the success factors of each phase (productivity, quality, innovation and life energy). The results, as presented in the table below, show that “quality” has the greatest number of sites found both in Slovenia and globally.

<i>Word searched</i>	<i>Number of hits: global view: www.google.com; 8th February, 2006</i>	<i>Number of hits: local view: www.google.com 8th February, 2006</i>
productivity	161,000,000	83,400
quality	1,010,000,000	293,000
innovation	342,000,000	56,100
life energy	1,120,000	193

Statistics confirm that *the learning system* phase is analysed, developed and implemented the most. That is why I believe that today’s business systems are tired of implementing new practices and new approaches, models and leadership styles. An individual is tired when he is not fit enough, has a poor diet, is unloved and lacks other positive vibrations from the environment. This is similar in the case of business systems. It makes sense therefore that we, as leaders, think about ways to improve the well-being of the business system, create a positive atmosphere and good will among employees and approach successes and failures constructively. At this point a question arises: How many development phases can the same management team implement? This is another topic to think through and research.

Can the same management team successfully lead the business system through various evolutionary phases?

Evolution of the Idea

Evolution of Business Systems

Evolution and Creating Added Value

Evolution and Leadership

It is Time for Thinking Systems

Pathway into the Conscious System

New Times Call for New Leadership Styles

Evolution Continues

It happens somewhere very close to you – and finally it influences you. For me, this book is ingenious, since the ideas are what we all have but cannot put into words. Ideas which seem so obvious that when you see them in front of you, you think “Of course, how could it be otherwise!” The book clearly outlines the life of business systems in the past and the present, and whispers about them in the future. I can hardly wait to see the outcome!

*Dr Žiga Bolta,
Chemist*

Old business models have brought us to the point where people and the environment are exhausted. Therefore, new ways need to be discovered and developed. In *Oria Computers*, we are paving the way with this evolution, including periods of maturation and time for deliberation. Just as with anything new, this journey is linked to insecurity and poses questions. This is why I have read the book with great interest and my thoughts were confirmed by its content. The book also opens up many new ideas which have not yet been researched; it reveals questions on development, it leads to inner reflection and it provides future motivation. I see its real value in the profoundly explained evolutionary path which needs to be taken by each company in order to reach a *conscious system* phase. If perhaps the reader doubts the existence of the *conscious system* and considers it a utopian idea, some critical reflection and the realization of where the existing model leads immediately extinguishes this doubt.

I am convinced that my colleagues and anyone else who wishes to develop a 'conscious system' will find this book extraordinary reading and an excellent guide. The journey will be long, but it is the way to the future.

*Sonja Klopčič,
M. Sc., Innovative Manager*

Evolution and Leadership

Leaders play a key role in the evolutionary process. Evidence from the real business world shows that it is the leader of the company who defines both the rhythm and the behaviour of the business system. Leaders are seldom aware of this fact and in practice this means that it is difficult for a project to be successful if it is not openly supported by these leaders and, of course, expressed by their personal body language. Employees, subconsciously, will not want to become involved in the project without proper support. The fact is that everyone wants to be successful. Hence, a person will try to become involved in projects that ensure recognition and success. Projects without support from leaders are rarely successful. This is a small observation that suggests the importance of leadership in the creation and development of business relationships⁴⁴. For a creative leader these relationships are a rich source of innovation in a company's development.

Another important aspect to ensure stable business growth is the leader's own vision, which needs to be at least one evolutionary cycle ahead of the business system it leads. This way a leader can efficiently create operational strategies for the current year and/or strategic period. My own experience

⁴⁴ Key business relationships are analyzed in details in the chapter »Conscious Companies«.

in implementing visionary projects⁴⁵ has led to the conclusion that **it is not wise to announce the vision too soon**. Ideas which are too new⁴⁶ for the operational environment can have a negative impact on employees and alienate them from the gradual construction of the main building blocks necessary for long-term success. It is smarter if the leader creates conditions and an atmosphere for ideas and by means of ambassadors for change starts shaping them up and implementing them within the system. If the gap between the vision of the leader and the business system in which it operates is greater than one evolutionary phase, the situation may lead to serious internal conflict for both organisms (business system and the leader). If in the short-term the conflict cannot be resolved, then it is better that the leader and the business system separate, otherwise a crises can occur (an illness and/or business crisis).

Designing Development Strategies

For the same reason as above, it is prudent that when designing development strategies - which these days are linked to a 3 or 5 year period - the company should be seen half a cycle ahead of its current evolutionary development. For example, if the company is in the *learning system phase*, the strategies should be directed towards the first steps of the transition from the *learning system* into the *thinking system phase*. The main activities (i.e. around 70%) should be di-

45 The experience with Telekom Slovenija and Telemach.

46 New visionary ideas are those which, as well as the subject of operation, also transcend the existing methods of work, the existing segments of clients and current know-how; they introduce ideas for different competences and additional professional knowledge.

rected to managing those phases which ensure the presence of vital evolutionary forces. In the above mentioned transition, this means that 70% of the resources still need to be engaged in ensuring the expected productivity and quality, e.g. adjusting business processes and developing and managing knowledge, and 30% should be put towards the development of creativity and innovation.

Yet, when we fully enter a new evolutionary phase we start to re-direct the primary focus to the major forces of that phase; in the *thinking system phase*, the main sources are focused on creativity and innovation in proportion of 60% to 40% for the benefit of creativity and innovation.

The mentioned recommendation is valid if the company sets the pace of the industry development or the customer segment. **If the gap between what is needed and what is available is too wide, development steps need to be accelerated and the vital forces need to be strengthened more quickly.** We also have to take a natural resistance to change into consideration, which is part of natural behaviour in all systems, life and business. It is very rare to find environments which are fit enough to make fast changes themselves. This is never true for companies in distress. That is why assistance from outside experts, who help independently to strike balance and stability, is highly advisable. It is also interesting to note that outside experts are more and more often present in successful and progressive companies, where they bring a critical outlook and different experiences ahead of time. This enriches the process of creative thinking and brings forth faster innovative solutions which help maintain or even improve the company's position in a selected market place.

Nine Elements of Leadership

Currently a great deal of literature, seminars and conferences are dedicated to the discussion of the characteristics of the individual phases and the leverage that strengthens these, especially those that have already happened and have become usual practice (*working, learning systems*). But there are not many tools that can help leaders to contemplate systematically how to move their business systems from one phase to another, e.g. “how to continue” and what needs to be changed, transformed, abandoned or set up anew to ensure sustainable growth and prosperity in the longer term.

The continuation of the discussion presents nine elements of the leadership model, which help to understand better the stage a business system might be at:

1. Organizational structure
2. The foundation of leadership
3. Decision making
4. Strategic thinking
5. Consciousness of research
6. The research focus
7. Research management focus
8. Self-confidence
9. The relationship in hierarchy

The analysis presents how these elements appear in various evolutionary phases, as well as the challenges usually encountered during each transformational period. Special attention must be given to the sequence of evolutionary phases and the balance between the leadership style and the corporate culture of the business system, i.e. its “state of being”. As a matter of fact, it is quite common that approaches, tools and techniques of the

third evolutionary phase are used in business environments that are still in the first and second evolutionary phase and vice versa. This often leads to business conflicts, especially in the relationship between management and employees, consequently causing a business crisis. The potential conflict is clearly described by Sumantra Ghoshal, a professor at the London Business School: **“You cannot lead successfully the organizations of the second generation with the strategies of third generation if you yourself are a leader of the first generation!”**

So what are the elements and tools that a leader must pay attention to while directing and developing the business system? If in *the working system phase*, the management of production capacities and material resources are the main focus, then in the second phase the financial resources will be highlighted. In the third and fourth phases, the emphasis is placed on the management of the inner resources of individuals and groups, for example on creativity, will power, behaviour and talent. The main driver of change, encouraging such development, shifts from financial capital to intellectual capital which, gradually, gets more and more linked to emotional and social capital.

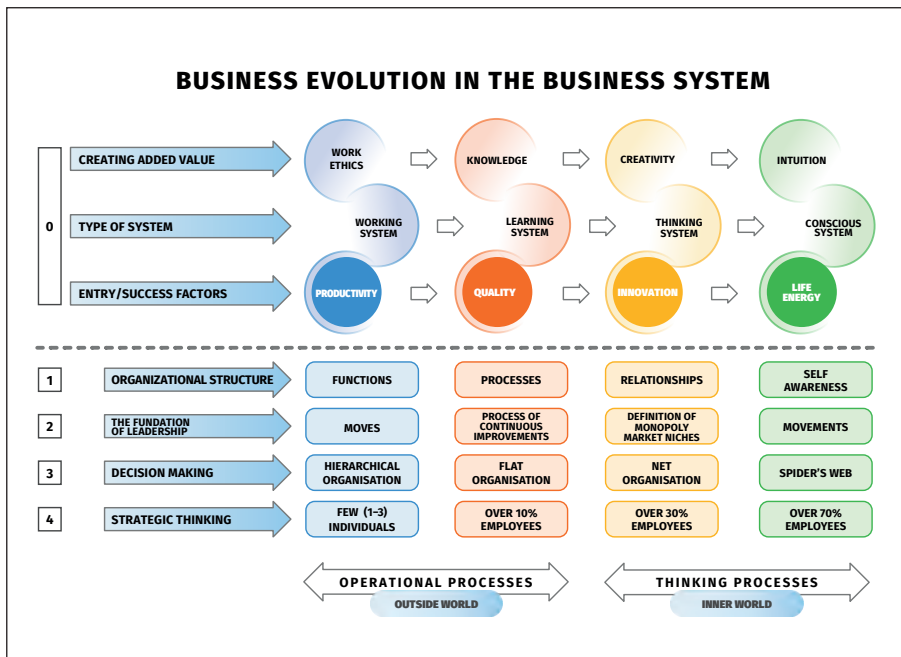
I would like to supplement *the Basic Evolution Model*⁴⁷ with the aforementioned nine elements or aspects of leadership, which change according to the maturation of the business system and its development from one evolutionary phase to the other. Some leadership aspects will be supplemented and improved, while others will be eliminated. I would also like to point out that, based on hands-on experience, the phase of business evolution in the model shows **the prevailing behaviour pattern** and code of conduct in the business system and/or the environment. There is a possibility that, for example, as regards the decision-making aspect in *the thinking system phase*, a business system has developed most of the characteristics of that phase, by applying a net organization ap-

⁴⁷ *Evolutionary phases, drivers and sources for creating added value and success factors in the marketplace.*

proach while still demonstrating a flat organization approach or some third, as yet to be identified approach. This could be readjusted while progressing towards *the conscious system phase*.

Organization, Leadership, Decision-Making, Strategic Thinking

The first four levels of *the Leadership Model* show the fundamental elements pertaining to duties and responsibilities of leaders, managers and executives in business systems.



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They set out the basic characteristics of the business system organization in all four evolutionary phases, the key leadership elements, the decision-making approaches and methods and the minimum number of employees, including the top management which participates in strategic thinking.

Working System

Considering the fact that in *the working system* the main focus is given to production, other areas are developed in accordance with production needs and functions for their management. The **functional organization** has been developed and is best suited for an autocratic, hierarchic leadership style. It is completely normal that only a few individuals run a company with more than 1000 employees and, in view of strategic thinking and decision-making in the *working system phase*, only one or few individuals are involved. **The hierarchic pyramid is high and narrow.** Changes are introduced slowly, mostly at the level of **activities** in production. In this phase, the significance of an individual is subordinated by the significance of the machine. Automation contributes to efficient cost management and provides price advantages, and as the main focus is placed on productivity⁴⁸, it ensures the winning factors to succeed in the market. But today, business environments where productivity guarantees the winning advantage in the market place are very rare.

Learning System

In the second evolutionary phase, where knowledge and quality are the main leverage, the importance of the human factor is increased, and leadership style undergoes certain

⁴⁸ A lucid presentation of the working system phase is pictured in the movie by Charlie Chaplin "Modern Times".

changes. In the organization, a **flatter hierarchy**⁴⁹ is introduced, encouraging team work and exchange of knowledge. In order to satisfy the needs of the market which call for faster adaptation and differentiation in quality, knowledge must be integrated and efficiently utilized so that vital forces, such as productivity, quality and creating new opportunities are well maintained. Consequently, more and more people are actively involved in strategic thinking (that is, at least 10% of employees to consider a company to be in *the learning system phase*). Instead of business functions, business processes become the focus of the observation and the management: **process organization** is established. Knowledge and its contribution to the business system becomes systematically organized and introduced efficiently and effectively into day-to-day operations through **continuous process improvement**.

Targeted educational and training programmes are crucial in this phase: systematically and in line with strategic goals, they improve and ensure knowledge and skills which a business system needs for its progress. Those learning initiatives which aim for internal exchange of know-how are particularly important, as they strengthen the collective awareness in the business system and enhance the information flow, ensure exchange of competences (hierarchical and horizontal) and construct the historical memory of the business system. Mentorship, as one of the forms of the internal transfer of knowledge, ensures that knowledge is transferred to a broader circle of employees; as such it increases the level of internal social capital and indirectly creates better conditions for the development of the intellectual capital (knowledge becomes value). **It is through the transfer of knowledge that the solid foundations for the next evolutionary phase with innovation as the main driving force are set.**

⁴⁹ Fewer hierarchic management levels and decision making; more democratic leadership.

Thinking System

From a leadership point of view, *the thinking system phase* represents a specific challenge: well-known operational processes are shifting to the realm of lesser known thinking processes. With this shift people are given an even more important role in value creation, as leadership must, primarily, provide for creativity and innovation. Why is this critical? Because in phases where productivity and quality are the driving forces, tasks and processes are clearly visible; they can be measured, verified and instantly adjusted to meet expectations. This is much harder with thinking processes: intermediate phases are almost impossible to be measured and broken down and when they are, creativity becomes limited and, consequently, the possibility for innovation decreases.

Creative ideas occur independently from the time rhythm. Sometimes they are born at night, at other times they need weeks or even months to be formed. Therefore, a systematic governance of innovative processes, which promotes creative thinking on all levels and in all forms of the business system's operation, is urgently needed. This is how the idea with the highest market potential can be crystallized and successfully implemented within a mass of ideas.

By encouraging and promoting creativity and innovation, the need for giving instruction diminishes. **The key responsibilities for the leadership team become direction, coordination, motivation and communication.** Hierarchical structures are slowly replaced by formal **networks**, where the sources of knowledge and creativity are equally represented in the business relationship on the basis of key competences and values and in line with strategic goals. Network structures allow more freedom, they require personal responsibility and accountability of an individual, as well as flexibility. The organizational structure is founded on **relationships**. **Market**

niches (monopolies) are opportunities for the foundation of leadership: they are based on key competences of the business system and its values, both at the supply level and at the sales part of the value chain.

The thinking processes should include a broader social environment. The significance of partnership and integrated strategic development becomes normal business practice. Systematic observation of the competition and of the new players and/or substitutes loses its importance. By creating true business relationships within the selected market niches, a long-term bond is guaranteed. These relationships are based on trust, mutual respect, the expected quality criteria and the satisfaction of the need to be different. Such relationships remain solid as long as the selected market segments, which are being nurtured with the best qualities of all parties involved, are constantly provided with products and services and/or solutions which correspond to the needs, habits and behaviours of that market segment. Especially in the case of cooperation with enterprises, this requires regular monitoring of the client's areas of work and an understanding of their strategic goals and their mission and vision; all this has to be incorporated in the overall service. This is how the relationship becomes mutual and fulfilling. Through the exchange of experiences gained and clearly defined objectives of mutual collaboration and especially through constant **dialogue**, both parties in this process (the producer and/or the retailer on one hand and the customer on the other hand) enable each other's growth and development.

Top management must therefore contribute greatly to developing self-confidence and the physiological and physical fitness of the business system they lead. When engaged in a dialogue, they need the assistance of professional experts who react fast, adapt quickly and constantly seek out more issues to be addressed. This is the only way for a business system to become capable of managing the needs and challenges of *the*

thinking system. Various forms of **the Participation Model**⁵⁰ have proven to be key and effective tools. They ensure high quality collaboration between knowledge and creativity in the operational business activities; they open up employees towards sharing, listening and hearing, stimulating active participation. At the same time, the participation models simultaneously establish the necessary awareness needed for a shift to the next evolution phase, i.e. *the conscious system*.

Conscious System

As regards *the conscious system phase*, I stress once again the importance of the shift that has already taken place in the previous phase, having changed the source of the creation of added value to creativity. For the first time, creativity has become an important element of business practice, raising awareness of the individual, the group and the company, enabling a further step towards discovering the inner strengths of the mentioned players, i.e. **intuition**.

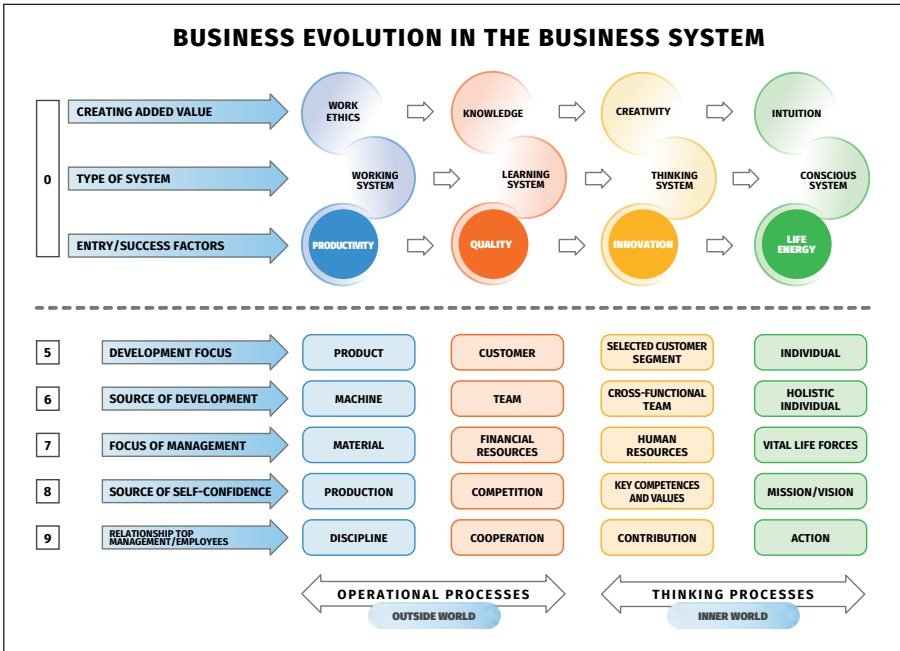
Intuition is still quite an unknown ability and would not normally have an important role in the business world. And yet, in discussions with successful managers and leaders we find that intuition is the primary reason for making the final and most important decisions. Today, the phenomenon of intuition⁵¹ is systematically researched in many serious studies. The first findings show that it is probably less coincidental than is generally presumed. It is based on experience, knowledge, talents, an openness to the vibrations of space and time, on our ability to learn and adapt, as well as on our own sensitivity to the characteristics of the business system and the environment⁵². Therefore, it is quite logical that intuition and

50 Discussed in more detail in the chapter “It is Time for the thinking system”.

51 The word intuition in the dictionary is explained as the power of attaining direct knowledge or cognition without evident rational thought and inference.

52 A more in-depth discussion on intuition is given in Appendix 5.

the life energy of an individual and/or group are placed together, creating a vital force for the fourth evolutionary phase – *the conscious system*. The first one (intuition) discovers, while the second (life energy) executes; the first feels and knows, whereas the second makes it a reality. Together they create conditions for a greater awareness of everything that exists, for a better understanding of its sense and rightness. That is why **individuality** is the main building block for organizational structure in this phase. With self-awareness, the concept of relationships - which has shifted to the attitude with the inner world in *the thinking system phase* - is enhanced in *the conscious system*. Individuality becomes more meaningful and is manifested as a **movement** (in the organizational form), where success greatly depends on the level of **co-existence** between systems, environments and individuals.



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In *the conscious system*, there are no strict, formal organizational structures. Collaboration is mainly goal-oriented and linked to business challenges. The projects become the main focus of work and are closely linked to the mission of the business system, the group and the individual. Individuals are united according to the principle of organic structures which, for the needs of the evolution model, are called **spiderwebs**⁵³. The spiderweb is an organizational form which enables very adaptable sources in the decision-making and manifestation processes. Decision making itself is a metamorphosis, moving across the business phases of system development according to the inner and outer impulses and the dynamics of business relationships. Consequently, the source of power is flexible. Even more so, the awareness of “leading and dominating” is replaced by the awareness of “a connection, a presence and interrelationship”. Respect for an individual, clear communication, the understanding of the value system and the level of trust all become of key importance.

The origins of *the conscious system* are already evident in highly creative spaces, for example, in architecture studios, advanced marketing agencies, high-tech companies, innovative business consulting firms, progressive globally oriented labs. Business environments which aim to develop the characteristics of *the conscious system* must, in order to be efficient and effective, include at least 70% of all active members in the process of strategic thinking.

53 In literature the term used is “a dynamic network”.

Consciousness of Research, Research Focus, Resource Management Focus of Management, Self-Confidence, Relationships in Hierarchy

The second five levels of *the Leadership Model* show basic sources that drive management and decision-making. These levels discuss the essence of business systems and the key sources for development strategies, for management, for building self-confidence and for the relationship between top management and employees. They show the evolution of the stakeholders' awareness of the essence of the business system, its dedication and the foundation for its mission.

Working System

In its development, *the working system* focuses on a **product**. Production, machines and raw materials are the main topic of top management discussions. The “what are we going to produce and sell?” philosophy prevails. This thought is possible in situations of non-saturated markets, low transparency levels and a relatively poorly developed market economy. In the dynamic and diversified world, the product approach is almost incapable of achieving success. Business systems in an advanced economy that still follow this approach are always in trouble because they do not have two way communication with the market and do not adapt fast enough to the change

in needs, values and behaviour. How do we recognize business systems operating based on the product approach? a) the business focus is still on production and technology; b) strategic discussions of top management are focused on statistical productivity data and pricing management; c) the management focuses on managing material resources; d) the key driving forces for development are machines and automation; e) in the relationship between top management and employees, the key values are discipline and “following orders”.

Learning System

With surplus production, more free time and a greater awareness of human needs are established. As a result, the focus is placed on the customer who, in *the learning system*, becomes the main target of strategic thinking. Slogans such as “The customer is king” or “The customer is always right”, “Every customer is a good customer” appear. We are faced with an increasing significance of the customer and his behavioural patterns; more focus is applied to ensure the expected quality of service and/or the product, as well as towards understanding the processes as the major organizational unit. The importance and the benefit of team-work are highlighted. An individual, a specialist, cannot independently solve strategic questions any longer, since multi-disciplinary knowledge is necessary. It is not a coincidence therefore, that teamwork becomes necessary in companies. Employees start communicating with each other in internal dialogues. However, in *the learning system* phase teamwork is still very much linked to the organizational units and projects: quality teams, development teams, product development teams and similar are formed.

The need for the discipline and order of the first evolutionary phase is upgraded by the need for collaboration. Some

markets become more and more stagnant and, for the first time, systematic attention is given to competition. Substitutes appear on the market, caused by shifts and reusability of various technologies, materials and products across branches. Increasingly new branch players appear from the outside, due to new business models breaking away from the set branch lines. These crossovers become important factors in the previously stable business environment.

The development of logistics, the transport industry and technologies make the material resources more easily accessible. Financial capital becomes the key source in providing a timely development and sufficient growth. **Information technologies** also contribute a great deal and **become one of the key supporting elements for establishing the conditions of the *thinking systems***. IT enables better availability of business information and the financial capital, which becomes an “every-day” business source that is easily accessible. In addition, IT enables better mobility of intellectual capital and contributes to the increase in its value and utilization in the global economy. Suddenly, there is a surplus of financial sources. The fight for projects which enable expected revenue begins. **The search for intellectual capital, innovation and life energy starts.**

Thinking System

The lack of projects of good quality and, consequently, a higher demand for intellectual capital sets the conditions for new business models. These are based on linking the sources of intellectual capital, i.e. **human resources**. Net structure becomes prominent as a form of business system organization. Business systems rely heavily on their **key competences and**

values to intensify development projects, searching for market segments that sit up and take notice, value and are willing to pay for them. Since each business system is unique and unrepeatable, the creation of market niches based on key competences contributes to the creation of monopoly markets. Their main characteristic is the advantage of the first player: the one who is the first to identify the gap in the marketplace and who, at least for some time, has the advantage, because he was the first to recognise such and developed the expertise to service it with his own key competences. If revenues do not bring extreme profits or when the entry factors are very high (in a sense of financial or intellectual means), the monopoly in a selected market niche may last for several years.

In strategic thinking, the general concept of the client is replaced by the concept of the **selected market niches**⁵⁴. The following slogans are commonly heard: “Your client is your worst enemy”, “The client is not a king but a partner”. In order to fulfil the newly created relationship with the market, creativity and innovation gain importance – more and more creative solutions for a specific client’s needs are addressed and adapted to the customer’s environment. Employees’ contribution is systematically encouraged and their performance is linked to their creativity and innovation. By means of partner networks, specialists of different fields are linked together at project level. **Teams become increasingly cross-functional**⁵⁵.

The development and implementation cycles are significantly shortened and more activities are simultaneously executed. The level of loyalty towards common goals and the efficient use of time and capacities are increased. The increased presence of the critical mass of intellectual capital and creative

⁵⁴ “Blue Ocean Strategy”, GV Založba, 2005

⁵⁵ The development teams consist of key representatives of all processes and/or business relations.

thinking are an excellent input for innovation. Completely new forms of company internationalization appear, independent of financial capital flow and more closely related to the sources of unique knowledge and expertise. Healthy cores capable of creativity and innovation are linked together and the concept of the uniform culture on the level of the whole business system is abandoned. Experience shows that if one business system merges with another, for example with a multinational, taking over its existing behaviour patterns and work methods, the source of creativity of the merged system is suppressed and, quite probably, the main reason for the acquisition, too. This is why an innovative leadership style emerges which emphasizes coordination, motivation, monitoring and directing.

Conscious System

The development of information technologies, changes in diverse life-style habits and value system transformation have all contributed to the formation of business models which are capable of following the needs of an individual, in the “one to one” relationship. This market relationship clearly defines conscious systems which emphasize the holistic development of an individual and position him as an active and independent **holistic node** in the spider web structure of the business system.

In understanding the role of the individual as a holistic node, the structure of the internet is very useful. Each computer, by means of its IP address, is an equal player on the world wide web, regardless of its size, hardware configuration, design and/or purchase price. By knowing its address, communication with any other node on the Net is possible (if the node itself allows it). The value of nodes is defined by the number of vis-

its, links, references and their content value⁵⁶, which is directly linked to current trends and the level of trust.

An additional, even higher level of complexity is present in the case of holistic individuals. As well as knowledge and information, the level of differentiation of a product and/or service and the demand for such are defined by creativity and social awareness, which in themselves enable new forms of connection on higher levels. A person with a wonderful mind, emotional dimension and spirituality is an unlimited source of progress and creation. The main obstacle to his blossoming is human fear⁵⁷. **Fear paralyzes and prevents the flow of thoughts, actions and active participation.** This is why in this phase leadership must provide the conditions for the vital life forces of an individual to flourish so that, indirectly, the business system as a whole will also flourish.

In this newly created condition, who will lead the development of the support environment: the state? The business system? Or a new form of co-existence, a new type of social organism?

When discussing holistic development, I also consider development that consequently can be transferred to the family and/or other forms of co-existence and self-realization.

Development of Self-Consciousness

In the changing conditions of today's business world, it is interesting to observe the **self-consciousness** of business systems. If, in the first phase, the top managers prided themselves

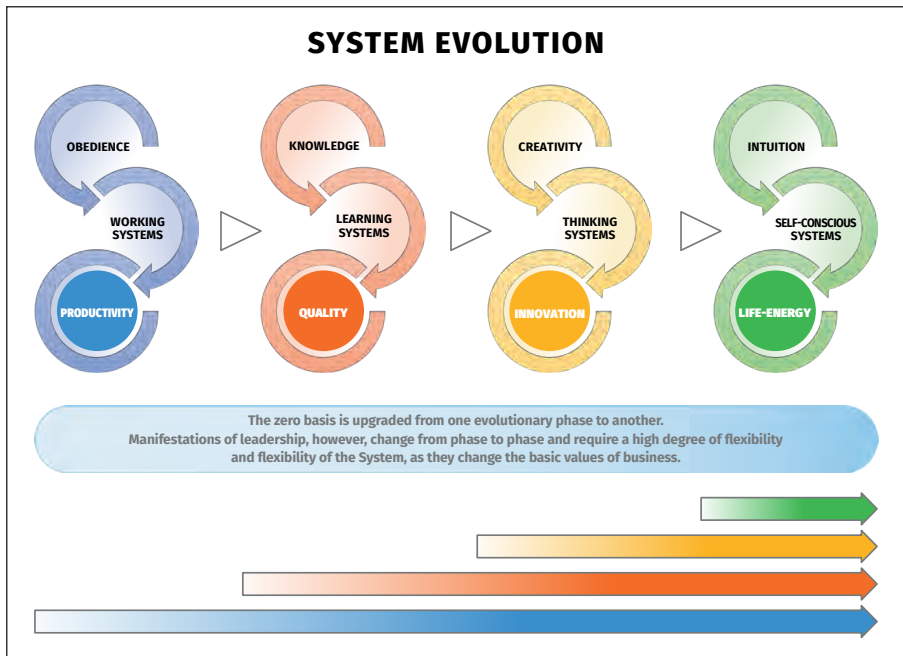
⁵⁶ On the world wide web it is increasingly important what level of trust is created in regard to information submitted.

⁵⁷ There are two basic feelings in life: love and fear. All others are a combination of the basic two.

on production, machines, furnaces and assembly lines, in the *learning system phase* the competition will take over this role. Employees and management constantly observe the competition and when they surpass them according to set performance criteria, they feel pride, happiness and a sense of accomplishment.

In the *thinking system phase*, the element which provides self-confidence is the notion that the potential of an individual, group or company is fully applied; that the relevant market niches based on core competences - which notice, value and pay for this - are found. The feeling of pride, happiness, satisfaction and accomplishment moves from the outer world to the inner sense of usefulness, purposefulness and self-realization. To be capable of finding something new, understanding the market or building the needs of selected segments in an effective way, gives a feeling of success. A greater focus is placed on the mission.

The business system as a living organism longs for a clear definition of its purpose, meaning, recognition and self-determination. Only clearly defined mission, vision and strategic goals enable efficient leadership and development of such a business system. If the company is founded only to fulfil a specific short-term task, the founders should communicate this message both to the management and to the employees, so that together they can select the right tools for the company's development. The differences in the methods and the context of operation in the case of a long-term or short-term vision and mission are considerable: the company is run in a different way when the goal is to generate profit than when its goal is the creation of long term, sustainable added value.



It is the **fulfilment of the purpose** of an individual, a business system, a team, a project that in **the conscious system** ultimately becomes the key source of self-awareness and purposefulness. An active role in the business system is no longer needed to satisfy the basic life needs and to provide free time, but becomes an essential part of a life journey. Decision making becomes more complex or, as my colleague Demšar⁵⁸ often stresses in our discussions: “The awareness of the mission helps create the awareness of the decision-making”.

The Trust and Attitude to One's Own Capability

In evolutionary transformation, the sources and the leverage are also accompanied by the level of **trust**, which keeps increasing among the stakeholders in each subsequent phase.

⁵⁸ Jožica Demšar, BA in Pedagogy and Sociology

Due to the increased role of humans and their creative contribution to added value, there is less room for strictly set rules of conduct. Trust obviously needs to be confirmed by actions and consistency, either within the framework of the new structures or within the framework of the existing networks.

A similar curve to the one held by trust may be noticed in ensuring the humanization of operations, which increases simultaneously with the shift towards *the conscious system*. Business decisions are also made for the benefit of humankind, nature and future generations. A respect for and productive co-existence with living and non-living things is developed and tolerance towards differences increases. Many times the shift from one evolutionary phase to another is painful and stressful. This is particularly true for all management levels and employees who are almost at retirement. It is equally stressful for all those whose process of personal transformation and maturity lags behind the development of the business system in which they operate.

A very eloquent example demonstrates our society's attitude to people on the verge of old age. Due to limited comprehension of various capabilities and the lack of progressive business and social models, a great deal of available human capital⁵⁹ is neglected. But **this segment of society is actually very active, full of rich life experience and wisdom. In the *conscious system*, I believe that more people will have a chance to participate actively in the productive process: the power of retired people will be used more wisely.** Probably even more so, because at the beginning of the conscious system era, the elderly/retired will be the dominant segment of the population, at least in the developed world.

⁵⁹ Human capital=intellectual+spiritual+physical+emotional capital of a man

During one of my presentations of the evolution model, my colleague Hansen⁶⁰ commented that while observing the level of trust, it is also interesting to observe the level of people's attitude to their own capability and self-respect. We agreed that in *the working system phase* it is typical that key competences are not even noticed as business leverage and that this phase therefore can also be called “**the unconscious incompetence**”.

Due to an increased role of knowledge in *the learning system* we are aware of the fact that we know very little. This situation can also be called “**the conscious incompetence**”. The concept of healthy cores and one's own awareness is put forward in *the thinking systems* and, in view of evolution, this phase can be called “**the conscious competence**”.

In *the conscious systems*, which are based on individuality and co-existence in the form of organic structures, we can speak about “**the subconscious competence**”. In other words: the conscious business system becomes fully alive the moment we know how to become aware of our key competences and how to make these function on the level of the subconscious, on the level of the life rhythm.

⁶⁰ Alec Hansen, Global Specialist for geographic and/or branch business networks and partnerships.

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New Times Call for New Leadership Styles

Evolution Continues

I devoured this book. This book is a treasure box filled with complex insights of our existing social environment, based on a solid understanding of the foundations (the past) and on intuitive perception of the future. I liked it because of its way of thinking, its style of expression and its dauntless courage that rises above the business world, even though it derives from it and explains it. I am convinced that when this book is published it will be ground-breaking. Therefore, this book must not only become alive and influence those in the business world, but must also reach other spheres of society and include representatives of the cultural and scientific world (environmentalists, scientists, artists), filling them with enthusiasm. This book has the power to create a movement. I am proud to have had the opportunity to journey in the creation of a classical piece of work by a modern business “guru”.

*Polona Pibernik,
Journalist*

.... They are like a solid hand offered to the child when crossing a moving footbridge. A direction for the experienced, a challenge for the daring. A form of thinking which dares to create new bridges for the future.

Congratulations, Violeta!

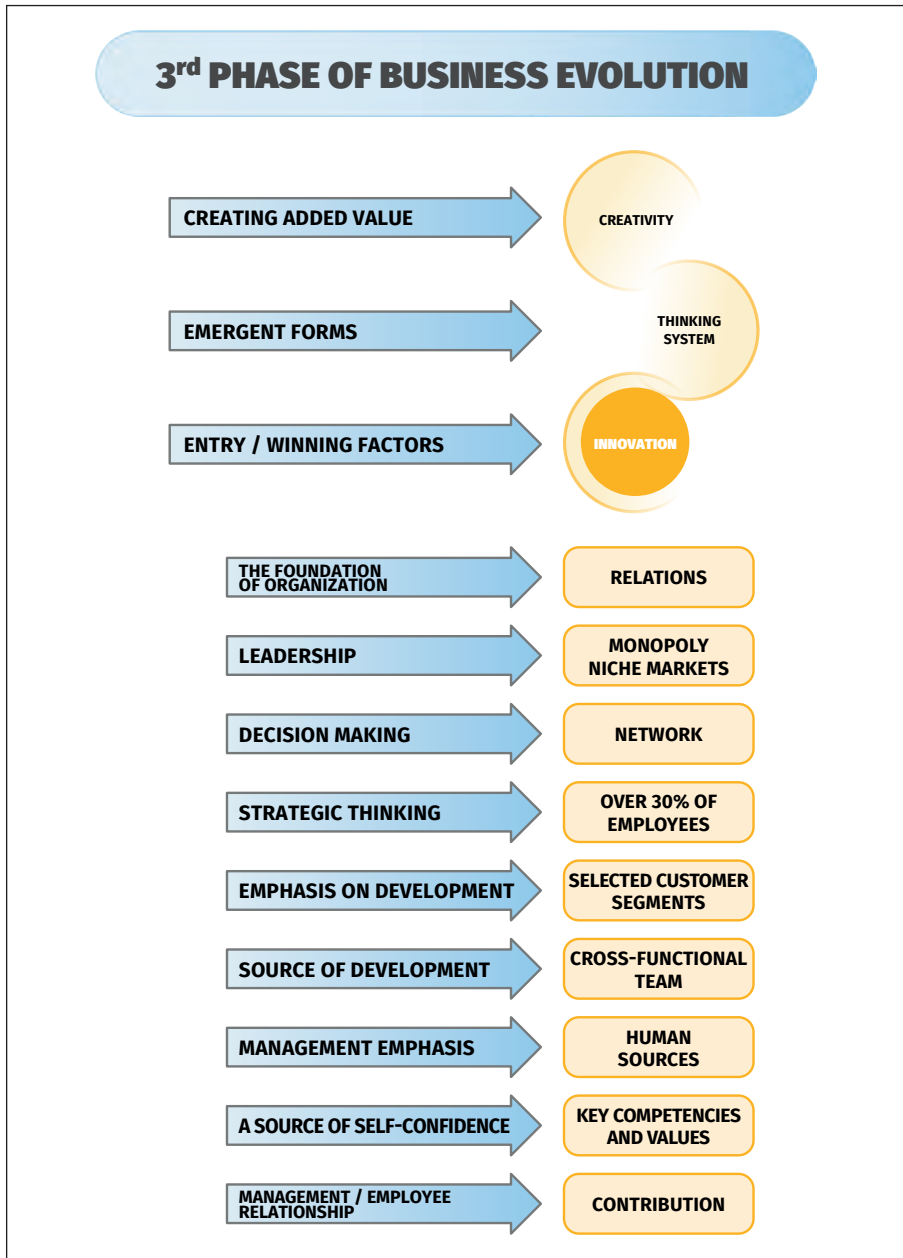
*Zmago Novak,
Manager of Innovative Deviations*

It is Time for Thinking Systems

The thinking systems is our immediate challenge, here and now and therefore it deserves special attention. In *the learning systems*, we still very much observe our surrounding environment. We systematically observe what our competition does, who the newcomers to our industry are, and who the substitutes⁶¹ are. In *the thinking systems*, our awareness focuses on the inside, on ourselves and on how we can lead business systems more determinedly “from the inside to the outside”. This means leading on the basis of key competences and in a proper relationship to the selected market niches. The development cycles of products and services are getting shorter, information flow and interdependencies between the supply and the sale chain closer, and the customer segments more and more specific. The business system must therefore find its strengths within itself. Following the competition to search for new business ideas makes us followers without long-term prosper-

⁶¹ A basis for effective leadership is provided in the Porter's Five Forces Model shaping the behaviour of a company: supplier power, buyer powers, threat of substitutes, threat of new entrants and industry rivalry.

ity. In *the thinking systems*, leaders take on an enhanced role as someone who encourages self-consciousness and improves the inner strength of a business system.



Relationships (business relationships) are brought forth. There are two tools which I found very helpful during my creative business work. They played a vital important role in breaking the mindset patterns and creating good conditions for introducing changes and new rhythms into the business systems. Firstly, the “***Eight + One Model of Key Business Relationships***” and secondly, the “***Cyclic Participation Model***”. These models help me in establishing the required shape of a business system. Simultaneously, I assist the business system by providing the business rhythm which is required for a shift from the recognized starting position into the direction of *the thinking systems*.

Goal-oriented Leadership

It is helpful, for an efficient use of the “***Eight + One***” model and ***the Participation Model***, if the business is in *the learning systems phase*, or at least in the process of a shift from one phase to the other. It is highly recommended to also use the ‘management by objective’ approach to encourage a broader view and transparency of obligations and responsibilities. This approach establishes clear links among certain strategies, the expected results and with their executors. Goal-oriented leadership provides transparency and clear rules of the game to the employees and managers, as well as a recognizable environment in which they work, create and develop. At the same time, it sets the foundation for evaluating success and the contribution of each individual. It assists in creating clear internal relationships, building the need in people and/or groups to question their own progress. This is an important breakthrough for further evolutionary development.

Goal-oriented leadership has brought positive business results for all our clients. Employees participated actively in business operations, brought forth more initiatives for im-

provements and innovation and, most importantly, they knew when and how to be successful. Challenges that needed to be overcome in this period were linked to the necessary change of the business culture. Organizations needed to be transformed into more open and tolerant environments, capable of listening and collaborating and a new leadership style was therefore necessary. This influenced better communication; the results were systematically followed and critically discussed. Where the organization used the hierarchic system in the past, it was turned into a flat organization⁶² and began the process for gradual transformation towards a network structure, which is the basic organizational structure of *the thinking systems*.

“Eight + One Business Relationships”

In my everyday work with clients, I discovered that tools like ISO standards are too static to provide the necessary business dynamics, for truly enabling the system of creativity. Even though they are designed on the process level, they are still too far removed from people. It is more effective if improvements, innovation and new business opportunities are solved on the level of human relationships. **I believe that these relationships in particular are the foundation of the leadership in *the thinking systems* and the inspiration for all other aspects** (See the Third Business Evolution Phase table). I divided business relationships into nine forms of appearance which link the inner and outer stakeholders. These forms also actively include the development of an individual as a key element in the next evolutionary phase. There are four inner relationships: 1) the relationship of the inner stakeholders to the vision and the mission

⁶² Flat organizational structures entail less hierarchical levels and transfer of authority and duties to lower levels.

of the business system, 2) the relationship among the employees, 3) the relationship between management and employees and 4) the relationship between managers and owners. Inner relationships provide the answer to the question “How?” (the system will operate, react, organize itself, produce, market, communicate, develop, etc) and represent the so called “Yin”⁶³, female energy. At the same time, they define the strength of the business system in its relationship to the outside world. They represent its ability to adapt, develop, respond, integrate and network.



*Intellectual property of Vibacom d. o. o.

63 The “Yin” and “Yang” concept has been borrowed from the Asian culture and represents the female and male energy which in their symbiosis form one whole.

The four outer relationships are: 1) relationship with the public⁶⁴ (potential customers, suppliers, employees, owners), 2) relationship with customers, 3) relationship with suppliers and 4) relationship with nature (at this point most strongly demonstrated through the global concern with a broad spectrum of environmental issues). These relationships answer the question “What?” (the market will notice, value and pay for) and they represent the so called “Yang”, male energy. The quality of the outer relationships shows the value that outside stakeholders give to key competences of the business system, show visionary thinking and sensibility to impulses from market niches and provide the capability for the direction of one’s own development.

The balance between the inner and the outer relationships is achieved at the level of the individual and therefore establishes the last, ninth business relationship: the relationship with oneself. The quality of this relationship revolves around one’s own self-respect, understanding of one’s strengths and weaknesses, potentials and talents. It also indirectly influences the type of relationship a person can develop inside or outside the system in relation to other business stakeholders. The “the chain is as strong as its weakest link” rule applies here. This ninth relationship is therefore critical and linked to the level of development of the social environment and its value system.

The systematic diagnostic of these business relationships brings challenges and opportunities closer to a more personal level. If in the past the business world was known to be impersonal, outside us, today we know that it is becoming an integral part of our life’s journey. **The fine line between the private and the public occurs at the level of intimate life, relative to seeing and experiencing the world.** The search

⁶⁴ Prospective employees, customers, suppliers, owners, leaders.

for opportunities, the discovery of mistakes and understanding challenges are far more effective if these occur at the level of the described nine relationships, where all people can see, feel and understand themselves in real life situations. When I use the “Eight + One” tool approach during my work, I immediately notice a positive difference in the quality and intensity of the employees’ and top managers’ cooperation and responses to the processes of strategic, tactical and operational thinking.

To make work more efficient, I developed a simple diagnostic tool which at the level of each of the relationships clearly shows the systems’ weaknesses and strengths, both on the receiving and the giving side. The tool also shows imbalances between employees and management on the level of content and goals. The first results indicate that in the Slovene business environment more obstacles are found in internal relationships. In addition, leaders and employees have challenges in designing strategies, processes and procedures. Employees also experience a lack of clear definition of time and space in which they operate, of understanding the sequence of roles they have to perform, of methodology used and of expected business rhythms. However, they are familiar with the goals and visions, which are usually clearly communicated. The challenges mentioned are characteristic of the second evolutionary phase, as they show an obstacle to searching for the answer to the question of “how”. In the established *learning systems*, the role of the obstacles is shifted to the level of the “what”, demonstrated by challenges such as business system positioning, business goals, priorities and quality standards.

How clearly can you, as leaders, answer the questions of “what” and “how”?
Do your collaborators, partners and other business stakeholders hear, understand and respect your understanding, your story?

The analysis also shows a lack of understanding in the manifestation of the business system’s mission, which contributes to the issues mentioned above. The mission gives rise to the most fundamental sources and provides messages on collaboration, contribution and action and also contributes to vision, key goals and business strategy. The mission defines the business system, its soul.

In a search for new opportunities, I always return to the relationships. Consider these thoroughly! Try to see and feel them, as they are the relationships that contribute to the business dynamics, the energy, emotions, and their value. Analyse what and when the challenges and opportunities are, for example, in relationships with the clients. Do you feel there is a lack in the information flow or rather in the communication about the phases in the implementation process? Are there challenges in understanding needs or in searching for solutions? When searching for answers, think like individuals who, on the customer’s side, endeavour to do their job with quality and successfully. A personal approach gives rise to creativity and raises it to a higher level. Try it with your people. Instead of processes, think about people. Instead of rules, think about vital forces which are necessary for the project, activity or strategy to move forward.

Middle Management is an Unused Intellectual Potential

Do you include middle management when looking for ideas, initiatives, and innovations?
Do you do this efficiently?
Which tools do you use?

Analysis shows that middle management contribution is lower than their personal potential (talents, behaviour and knowledge). Why? Is this normal or is it just an inefficiency of organizational structures, inconsistency in work organization or simply the result of a lack of an unawareness of its leaders? Most probably it is a combination of all of these. From the point of view of providing a company with a competitive advantage, unfortunately it becomes a missed opportunity.

Middle management staff sit between leaders and the majority of employees. They are expected to perform their tasks professionally and disturb their superiors as little as possible. Often, we forget about them, i.e. during the education and training process. More often than not, they are not included in the process of creative thinking. Business environments seldom enable them to present their ideas formally, for example to the top management. Frequently, and maybe due to a lack of understanding of their role, they are described as not useful, inherited from the past. The analysis challenges us to think differently and re-define the role of middle management. It points out the significance of connecting, mentoring and continuous communication in the field. Today, each unused HR potential is an irresponsible cost factor and demonstrates irre-

sponsible behaviour of the leaders. Middle management is, in fact, an important linking element, the integrator of strategic and tactical levels within the operational reality.

A descriptive example is the company Adria Mobil d.o.o.⁶⁵, which is one of the most successful Slovene global companies. The Board invited me to cooperate in the “Development Story Clearing” and “Business Idea Crystallization” project. A group of fifty-seven people, among them seventeen members of top management, were actively involved in a spiral-level process of critically analysing their current method of working and strategic directions. After a few months, both tasks were successfully completed and four newly identified development and operational projects were delivered, with a clear development story. Later, this was demonstrated in the form of simple and graphically designed posters, communicating with all employees and other outside stakeholders.

It became clear immediately after the early stages of our cooperation that one of the vital sources of the competitive advantage of the company, Adria Mobil d.o.o., was middle management. The top management trusted the middle management with the operational level and, as a result, the middle management assumed this responsibility and developed a high level of self-confidence. Decisions on the implementation level were made much faster and more efficiently and many times directly implemented in the field. A higher degree of responsibility and authority for the middle management contributed to faster development and implementation cycles in all areas of the founding business sub-systems. To introduce this type of management on lower levels, a balanced, self-confident and non-egocentric individual is needed as a leader, who is capable of creating trust and who understands individual areas as nodes and the business system as a balanced network of

65 www.adria-mobil.si

challenges and opportunities. Simultaneously, it is necessary to create conditions for efficient communication among employees and leaders and provide space for the crystallization of ideas and projects. It is important that a system also allows for reporting and the following up of results.

Cyclical Participation Model

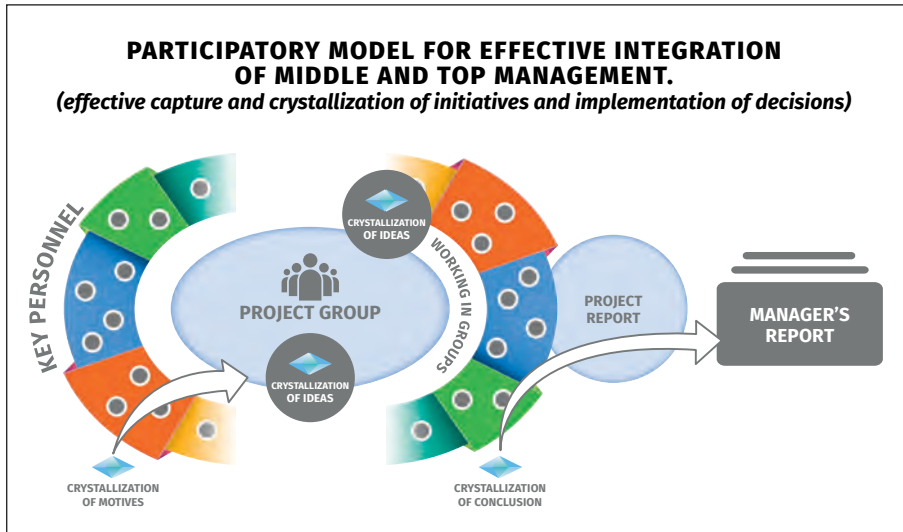
How do you connect and direct the entire sum of human potential in your business system fruitfully? During my work, I found the answer in the cyclical participation model⁶⁶. I have used the model for my work for some years now in *the learning systems* and in the transitional environments towards the thinking systems. Its power lies in the formation of the critical mass of the “ambassadors for change”. These are the people who constantly cooperate in creating development stories for a company and in daily practice assist in the systematic integration of its individual parts. Because they are the co-creators of the story and therefore familiar with all its elements, they act with self-confidence, persistence and conviction amongst their colleagues. The latter is very aptly described in the business case below.

The client, in this case the owner of BTC d.d.⁶⁷, wanted to achieve better cooperation of employees in the operational processes and in generating new initiatives, as well as obtain recommendations for new development strategies. Collaboration with individuals in the process of forming strategic propositions was contrary to their usual practice. It became clear that a broader group of employees needed to be involved in

⁶⁶ More on experiences with the participation model can be read in the book “Management znanja”, IUSP, Založba Pivec, 2000

⁶⁷ www.btc.si

addition to top management to ensure better dynamics and responsiveness from their employees.



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The question constantly brought forward was: ‘Which issue is interesting enough to motivate people on the path of transforming their usual, every-day work routine?’ As the business system before our collaboration did not include a broader group of employees in the formation of strategic guidelines and development stories, we came to realize that this in itself would be a great motivating factor for the start of a rich collaboration and incorporation of employees in the thinking processes. The employees’ response to the co-creation of the development story and the search for new key strategies was very positive. During moderated brainstorming sessions, analytical work in smaller intra-functional teams, mutual exchange of opinions, presentations and discussions naturally occurred. The project members supplied the theoretical background, an injection of life energy and a personal touch to the process.

Twelve key activities for the development of thinking systems:

1. establish mechanisms for productivity management;
2. establish mechanisms for quality management;
3. use knowledge as a value;
4. establish a basic system for encouraging, promoting and rewarding innovative ideas;
5. establish goal-oriented leadership to include at least 70% of employees and top management;
6. establish the participation model as a tool for strategic decision making with at least 30% of employees;
7. establish creativity and innovation as a value;
8. engage the leadership “from the inside out”;
9. establish relationships as basic elements of leadership and analyse business opportunities critically;
10. market the development story through selected “monopoly” niches;
11. make a gradual transition of business sub-systems in accordance with the power of healthy cores into the forms of thinking systems (e.g. method of collaboration, HR development, PR, leadership styles, etc);
12. establish awareness of innovation as a set business philosophy and therefore does not need a special reward system.

A development story which resulted from this collaboration of selected employees, was also approved by the Client (the owner). All employees who participated in the team for the formation of this development story obtained, after the project approval, enough critical knowledge to be able to implement the story simultaneously and systematically on various organizational levels and functions. In this manner, the cycle of implementation of changes was approved and shortened. The critical mass of common knowledge and awareness was created, key employees identified themselves with parts of the story that increased their personal touch along the way in view of the method of work and final business results. The key role in a successful realization of the project was played by the top management. They were actively involved in providing the definition of expectations, following up on phase results and giving constant moral support.

The Importance of Healthy Cores for Business Systems

The experience described above, constantly improved by the MABS®⁶⁸ methodology and gained during the consultancy work in the already mentioned business systems, has shown that a broader group of people from vertical and horizontal levels of the company is needed for a successful operation, i.e. all healthy cores need to be involved. Their potential should not only be engaged in the operational and tactical level, but it is wise in the longer term also to include them in solving strategic issues. A tool for efficient collaboration

⁶⁸ For more details see Appendix 6.

is the participation model, which enables the business system to breathe deeply (so that each individual identifies himself with his work). This is how we offer employees a safe environment, simultaneously helping them to improve their self-confidence and imparting a sense of belonging. This desired atmosphere is needed for the establishment of *the thinking systems*. We slowly establish an atmosphere where the active role is an advantage for individuals and thereby the system as a whole. When the latter is accepted and integrated as a value and a subconscious way of life, the reward system for the generation of initiatives and innovations will no longer be needed.

A lot of characteristics of the described *thinking system* are incorporated in the business system at Trimo d.d.⁶⁹. Their leadership style resembles the network structure or, as they call it themselves, the “cell model of leadership”; imitating natural forms of behaviour. They are present in more than eighty-four countries around the world. Without innovative leadership they would not have been able to stand up to their competition in an industry which is stagnant as a whole. In addition to their leadership style they have developed a lot of additional business elements, which ensure vital forces for their evolutionary development. Productivity and quality are well managed business drivers and knowledge and hard-work are prized values. Lately they have established efficient mechanisms for the promotion of creativity and innovation. This approach has brought advanced design and unique technological products which have found the right niche clients. The educational level of their employees in the system is remarkable; more than 40% of their employees hold Bachelor, MSc or PhD degrees. They stand out well above average within the industry they represent.

69 www.trimo.si

If you have noticed vibrations of thoughts, ideas or conceptual breakthroughs in your environment, then it is time to act. Try it! Look for healthy cores! Encourage those who are self-organized according to the principles of the *thinking systems*, so that their way of thinking and acting will be passed on to others. Healthy cores exist on various levels and in various groups. Sometimes they can be discovered in marketing, sometimes in R&D, sometimes in the Finance Department or in IT, occasionally even at strategic customers or suppliers. Sometimes the ambassadors for change are found among top management, sometimes among specialists or young promising individuals who strive for something more. Find them. They are there in every system. Start the process of transition into *the thinking system* and continue evolution.

Support Environment of the Thinking Systems

Is the desire to prosper tangible enough to bring together politicians, business people, the media, science, civil society and members of the remaining support system in supporting the harmonious development of the space surrounding to develop into a conscious social and economic unity?

Is it possible to succeed doing this on the basis of common good and not on the basis of political interests?

In the past twenty years in Slovenia we have, very systematically and persistently, built infrastructures that are necessary for transition into *the thinking systems*. A critical mass of companies has been established: they manage productivity and quality and, in the course of their activities, they have managed to establish hard work and knowledge as important values. Comments from leaders arouse the need for a broader social agreement in the promotion of an open, dynamic and inquisitive environment, which would support business systems with new people, modern social models and responsive and pro-active state administration. A critical point for flourishing creativity and innovation is an influx of fresh ideas, new knowledge-based models and modern social forms; the catalyst for business thinking and long-term stable growth will otherwise be exhausted too quickly.

Maybe it is because of this that only a few business systems have succeeded in the shift from the *learning* to *thinking systems*. For successful globalization and long-term growth of the Slovene environment, a critical mass of *thinking systems* at the level of society as a whole is necessary. How can Oria Computers d.o.o.⁷⁰, Svea d.d.⁷¹ or Ultra d.o.o.⁷² continue with their daring and innovation-oriented development paths if Zagorje Municipality will not follow? If there is no local support on the level of the community, region and state, companies will lose strength and move to environments which are more advanced, open and in line with modern innovative development. Or, as Ariel de Geus⁷³ says: “Each unit of the company is a living system on its own level. Each one is different, noticeable and self-defined. At the same time, each unit is included in the larger, complex whole.” This means

70 www.oria.si

71 www.svea.si

72 www.ultra.si

73 Ariel de Geus in his book: “*The Living Company*”, *Growth, Learning and Longevity in Business*.

that development of thinking business systems is interdependent on the development of the thinking society, which is a revelation indeed. This holds true for physical as well as virtual environments.

Sources for the dynamics of transformation can be found on the development level of fringe conditions: access to financial capital which wants to see its returns, systematic reporting of innovation as a social value, the establishment of active drivers for long-term growth of social capital, lawful administration that will provide simplicity, responsiveness and pro-action in relation to the business environment.

It makes sense to be aware of the fact that the solution does **not only lie in the sources of risk capital**. Risk capital has values which may not be suitable for the Slovene environment. Our culture is based on family tradition, longevity, gradualism and moderate growth. We are known for a gradual, sometimes even defensive adaptability, which on the surface may act as a barrier. However, if we allow ourselves to look at this from another perspective we can find a positive element in these characteristics, as they provide time for reflection, which in a period of rapid change is greatly needed.

Risk capital demands short-term, high level growth, which may have negative consequences for the business environment⁷⁴. I have noticed a similarity with the ratio between an excess of advertising of products and the systematic long-term communication of values. Striking short-term advertising may provoke complete chaos in the supply and distribution chain. If the advertiser wishes to fulfil the expectations of a successful campaign, he must extensively plan business resources (material, human and financial).

74 The strategy of sustainable long-term growth may have similar influences on the environment, such as in Silicon Valley where speed, high risks, "and do something new and sell" are the values of the environment and the foundation of the thinking of the majority who work in this environment; this is more proof that the beauty of the world lies in its diversity and the understanding of our role in it.

Immediately the effect of the campaign diminishes, these resources become redundant⁷⁵. The same holds true for risk capital. If in the short term the business system is not sold and incorporated into the usual rhythms of a bigger system, the consequences may be negative, as the risk capital changes the ratios the atmosphere and the relationships in the business system. Of course, there are also exceptions to this rule.

In light of what has been said, it makes sense to encourage the development of other (financial) sources to support longevity and perseverance and ensure stable and balanced development. These sources can create rich and **secure environments**, which positively influence general social development. The latter is probably not only the intuitive need of the Slovene, but also of the broader European space. It is based on values, culture and the content of human relationships.

75 A very good example of the latter is the “Barilla Business Case”. The company found that campaigns destroy the rhythm of its operations and they have therefore decided to focus on the development of long-term relationships with their customers.

Evolution of the Idea

Evolution of Business Systems

Evolution and Creating Added Value

Evolution and Leadership

It is Time for Thinking Systems

Pathway into the Conscious System

New Times Call for New Leadership Styles

Evolution Continues

Being different often scares people; you must have courage to take a step away from safely defined forms. The author dares to write down her thoughts and offers them to the public to judge by themselves. Her knowledge is enriched by successful collaboration with Slovene companies, which prove that trust and making a step into the unknown is worthwhile. This is how innovation is created and it shows the way to progress. The present book is alive – intertwined with life and business experience, open to the new and the different – and is extremely eloquent. It calls for new stories and cooperation on all levels. Therefore, it was with pleasure and pride that I could contribute my own spark to it – I believe that the ideas written will ignite creativity.

*Ladeja Košir Godina,
M.Sc., Communication Strategist*

You just have to read this book. It brings new energy, a new outlook on the development of business systems and embraces the entire business world. It is a visionary guide not only for business people, but also for every individual. It courageously links the hard managerial world with spirituality. This is the unique quality and challenge that this book offers.

*Darko Kovač,
MBA HRM Specialist*

Pathway into the Conscious System

The *conscious system* is a phase of business evolution that shows the direction of development for the new millennium. Its realization is not simple. It challenges today's known business models, methodologies and operations. It challenges the values, behaviour and existing forms of co-existence, it provokes the notion of integration and the understanding of the world. **It touches the transformation of the most personal parts of development of each individual and of leadership in particular.** It returns to the source of life and existence of civilization, to the basic unit of connection, to the human being. It leaves the areas of the 'known', where the streams of development are directed by material and financial capital. Instead, it identifies the human being as the core of growth. In searching for (business) solutions therefore, it relies more on the treasures of the inner world, of the invisible and the intangible. It sees the individual as the key factor for the development of *the conscious system*: the level of the individual's freedom from negative experiences, the willingness to change and the individual's flexibility and capability to adapt to constructive forms of co-existence.

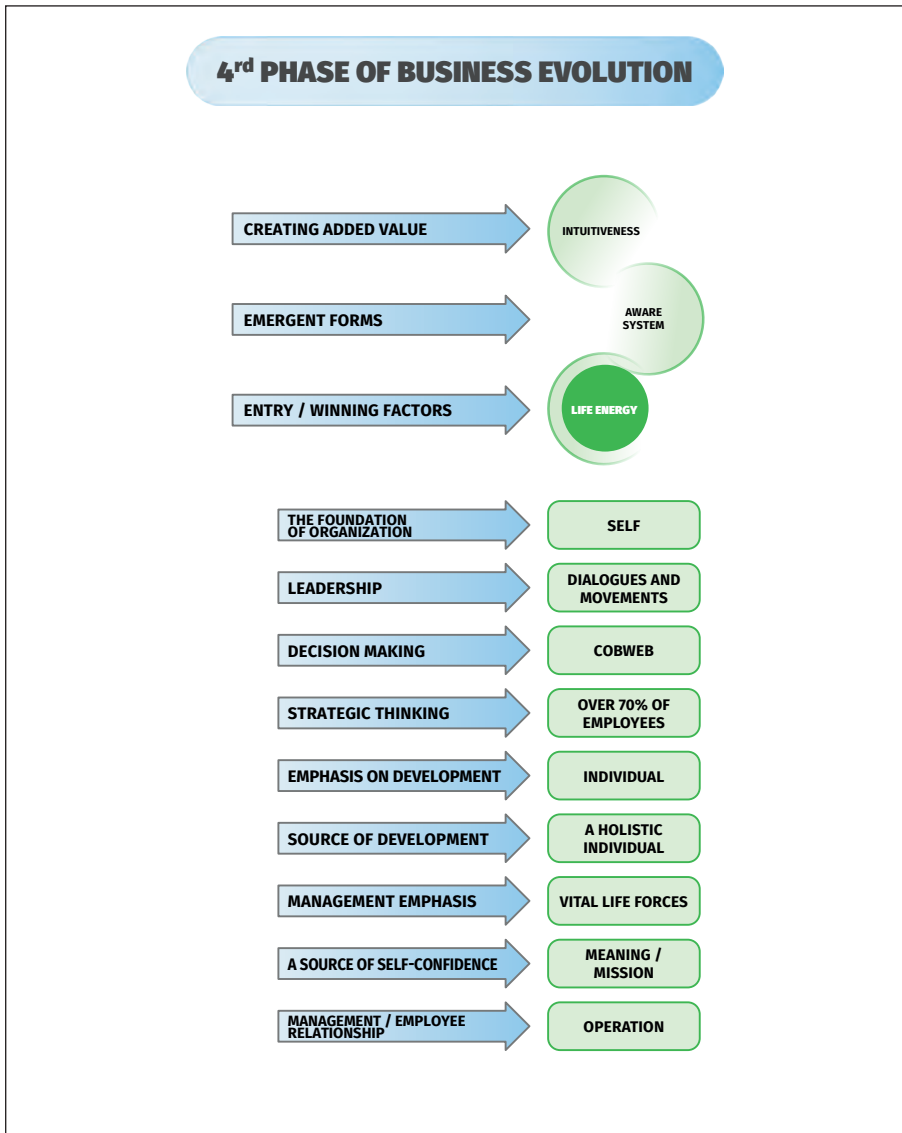
Contents of the Holistic Nodes

“I am” a self-conscious individual, as the founding organizational form of *the conscious systems* is based on knowledge, creativity and intuition. It is related to efficient communication and proliferation of thoughts and ideas. It is important that individuals develop respect for their own creativity, leading to the next step where they are able to accept it and improve it. At the same time, the individuals are linked to the creativity of the environment. This is how the holistic nodes are efficiently activated, looking for business challenges to realize their competences and provide further development.

In *thinking systems*, there is no need to constantly analyse and monitor the competition. **In *conscious systems*, we strengthen our intuition. Special elements in building the relationships are; sensitivity to aesthetics, along with sincerity and courage. These all derive from the business system’s mission, simultaneously feeding and fulfilling it.** This is why there is a greater need for conscious development of life energy. This calls for a removal of all barriers (fear, hatred, pain) which due to various life experiences are built up in our bodies, thinking patterns and spiritual flow.

The constant development of a person’s individuality is first and foremost an obligation as well as a task for each of us. The consciousness of a business system can be just as strong as the consciousness of individuals forming the system and interacting or developing from within. For an individual to identify himself of herself with the mission of the business system at the right level and time can be demanding, but it is also a creative part of the leadership role. **Lead-**

ership in the *conscious systems* is therefore not burdened with the goal or with the pathway, it is constantly in motion. It adapts to constant changes, both in content and in leadership style, being led by a strong intuition about the direction of the vision and mission.



The leader of *conscious systems* is able to evaluate, feel and detect those who are the right team members, thereby making dreams a reality. It is about openness, flexibility in thinking and behaviour. The leadership style is successful when it challenges, directs, links, sets value by example and clearly defines the rules of the game. Or as John Heider⁷⁶ implied: “The wise leader does not make a show of holiness or pass out grades for good performance. That would create a climate of success and failure, where competition and jealousy follow”. In *the conscious systems* there is no need to be the first, the best or to compete with others. **The conscious system is about the need to fulfil one’s own mission.**

Strong social capital⁷⁷ is needed to fulfil this individual purpose, providing the vital forces for the environment (physical and virtual) and delivering a reliable base for the business system. Social capital is measured at the level of integration, sincerity and ability to cooperate among the members of the community. It is measured by factors such as the level of experience community members exchange with each other (both positive and negative), the amount of knowledge they transfer to each other, the ability to learn together and on how much they can rely on one another. Clear indications of unhealthy social capital are: the number of suicides, the frequency of family violence, a small number of business connections within the community, various types of social activity and communication dynamics. This is the area where Slovenia clearly has a lot of opportunities for progress and positive changes.

76 John Heider: *The Tao of Leadership, Lao Tzu’s Tao Te Ching Adapted for a New Age*

77 Social capital is a term which refers to the relationships among people in an environment or within a group, meaning civil initiative and participation, exchange of experience, mutual trust, support and assistance.

Movement as the Basic Form of Existence

Another important shift worthy of our attention in *conscious systems* refers to the foundation of leadership. The focus on monopoly market niches, typical in *thinking systems*, is replaced by a focus on **movement**. Hopefully you are not instantly taken aback by a feeling of resistance due to experiences in today's world, where too many of the movements are associated with violence. These, unfortunately, are still strongly linked with the herd instinct, which is based on fear. As a result, these movements do not achieve their final goal and the manifestation of their mission. Conversely, they cause a considerable level of disturbance and barriers to global growth.

Have you felt the inner voice?
Have you felt the need to express your thoughts, views and reasonings?
Have you felt the purposefulness of movement?

The movements of the new millennium are based on the manifestation of consciousness as an efficient way of connecting the holistic nodes that are clearly and strongly transferred to the business world. They consist of conscious individuals who follow the request of their business challenge, project or idea, based on their own key competences and values. Their organizational structures are more like spider webs than formal networks and are based on partner relationships. They play an extremely important role in the development of business environments, as a tool in connecting and maintaining historical memory and allow quick adaptation to change. Applications

that support spider web-like forms of organizations will proceed even more in the direction of a modular approach (e.g. having building blocks available, while the process and the use will be the subject of innovative thinking in the holistic nodes). The ability to see and be aware of such complexity will be an important factor, that will ensure a balanced life rhythm of business systems, movements and individuals.

To understand the future of various spaces and models of the new millennium, it is necessary to understand the historical messages, the weak signals of the past which point to the future. History does not repeat itself, but it most surely (cyclically) improves itself and in accordance with evolutionary principles and, by means of experience, innovation, and unpredictable events, it also reshapes itself.

Slovenia has in this respect at least three very positive experiences from its distant and more recent past, which have rich messages for the world. The model of Carantania⁷⁸ as the first Slovene state in the 6th century was based on pure democratic principles⁷⁹ of peaceful co-existence. The Carantanian people elected a duke. During his reign, he sat on a stone chair (throne) and wore the clothes of a simple farmer so as not to be overcome by a haughtiness and/or other negative forces of power. He made decisions seeking agreement with a group of wise men, seated at a round table under a linden tree. The linden tree symbolises peace, collaboration and constructive solution to challenges. The concept was born before its time and did not survive in the historical conditions of that era. The memory however persists in the nation's consciousness which, with the right initiatives, can be rekindled. It demonstrates the innovative model of co-existence and teaches us that in order for a (business) movement to be successful,

⁷⁸ <http://sl.wikipedia.org/wiki/Carantania>

⁷⁹ Thomas Jefferson found the inspiration for the Constitution of the USA in the model of organization of the State of Carantania.

there needs to be more than the mere wishes of an isolated minority.

The second example is the “Liberation Army” (OF)⁸⁰ movement which during WWII linked all progressive forces regardless of their political or religious belief, their gender or level of education. Through self-organization and faith, they successfully resisted the strong Nazi and fascist occupation. The movement fulfilled its mission and was strongly preserved in the nation’s consciousness as being an efficient tool for progress and development. Unfortunately, it forgot about “after-sales” activities! For example, the creation of a critical mass of vital forces that would have been capable of implementing democracy and bringing together different views into successful coexistence during the cold war and the “East” and “West” polarization. However, the memory of how successful the people’s resistance movement was remained and, many years later, proved once again to be efficient and useful.

The movement for an “independent Slovenia”⁸¹ is the third story which teaches about the power of the movement on the basis of conscious values. In 1990, the movement once again connected everyone who believed that the Slovene nation had the right to decide upon its independence and those who believed that the future lay in openness and collaboration within the framework of the European story. There would be no movement without the collective awareness and the self-initiatives of individuals, both at home and abroad.

The first movement failed under pressure of that environment and sent a message into the future. The last two movements, immediately after fulfilling their mission, became one with predominant forms of the environment. One yielded under the pressure of the prevailing behaviour pattern (the de-

⁸⁰ <http://sl.wikipedia.org/wiki/OF>

⁸¹ http://sl.wikipedia.org/wiki/Dan_samostojnosti_in_enotnosti

sire to dominate), whilst the second gave in to the necessity to strengthen the vital forces of the prior phase (e.g. productivity and quality). However, we can say that the ability of self-organization in critical moments is present in the consciousness of the nation⁸². It is time for this to be transferred into the patterns of daily (business) behaviour as we become aware of it being a key competence in our environment. Maybe it is time to recognise this as our uniqueness. Perhaps it can be offered to the global community as a driver for the creation of a modern world. Finally, this characteristic can also be presented as a tool, methodology and approach for long-term, sustainable development.

The above mentioned cases can teach us about the connection between values, religion and readiness for action, about the models of co-existence and realization of our own values for the benefit of the broader community and the world as a whole. The fourth evolutionary phase understands the essence of the described movements as a working method; as an integral part of individuality and social capital. In *conscious systems*, movements do not take specific forms as we know them today, but are constantly developing according to the needs of the mission and current conditions. They adopt **the characteristics of metamorphosis**. It is therefore important that leaders believe in the mission and the vision of the (business) system they represent. Or, as my colleague Pevec⁸³ said: “The leader must have faith in what he does and by example, dedication and communication spread this faith among other members of the team. Without faith, there is no success.” The movement as a business term brings another dimension into the business world: it is associated with motion and indicates duration. Intuitive experience of a movement can be felt in

82 *The last proof for this statement is the activity and high level of support linked to the movement for a better world, in Slovenia established by President Drnovšek.*

83 *Metod Pevec, Film Director*

sports. The moment you stop, you lose the strength of focus on the game's rhythm. *Conscious systems* are managed by similar dynamics and logic.

Origin of Conscious Systems in Slovenia

Together with our partners in the project, The Power of Entrepreneurial Innovation at the Institute for Business Growth and Creativity, we try to make the first steps in the direction of *the conscious system*. The project's mission is to use the media to bring attention to the Slovene model of business thinking and innovation, both at home and in the global business world. The project is realized and developed through the collaboration between three companies⁸⁴. The main linking components in this project are trust and faith.

The mission of the Institute⁸⁵ is to **design leadership tools** for efficient solutions, prevention and diagnostics of business systems, aimed at achieving stable long-term growth. It breathes and thrives with four individuals who believe in the power of the Slovene environment. We wish to describe in detail the best practices in the global professional world. We work on the principles of professionalism and intuition. Our work is based on self-organization and a spider-web like structure. In the Institute, we test the tools' efficiency for shifts from learning to thinking systems and from thinking to conscious systems.

The first experiences have taught us that by leading and developing *conscious systems*, many challenges are linked both to

84 *Mediade d.o.o., TV PIKA d.o.o. and Vibacom d.o.o.*

85 *Darko Kovač, PMBA; Dr Andreh Bertoncej, Ladeja Godina Košir, MSc, Violeta Bulc, MSc.*

the existing thinking patterns of partners and the social capital of the society we live in. The challenge is the scope of time we are prepared to dedicate to a project, as well as our level of creativity, and mutual harmony. The challenges are our level of awareness, our openness to exchange knowledge and experience unselfishly for the common goal and our individual progress. These challenges can already be felt in the way a family is organized, and in our lack of knowledge and experience in view of a holistic approach. All these barriers are expected and call for new business models. However, they do make us think about another characteristic of *conscious systems*: business systems must test in practice and simultaneously adapt business models and operations. **This proves once again the concept of movement and the metamorphic approach towards the individuality of business systems and the understanding of the latter as living organisms.**

Conscious systems are more present among us than we are aware of. There are many businesses and other forms of integration and movements that are already formed around self-confident individuals working for the common good. Individual characteristics of *conscious systems* appear as ambassadors for change and give an indication of **what is new**. **However, a stable development of vital forces of previous evolutionary phases is needed for complete implementation.** The characteristics are usually seen in projects, sometimes in the movement. Often they are limited in time and linked to seeming failures. They are then called failed projects. But in *conscious systems* they are actually catalysts of rich experiences that broaden creativity and innovation. Without understanding failure there is no real progress.

We agree that a child must experience life to be prepared for it. We agree that a child needs positive and negative experiences which contribute to personal development. In the busi-

ness world, on the other hand, we are very intolerant. This is especially true for Slovenia: another social taboo with noticeable consequences for the development of business systems. This taboo however is ready to be quickly transformed into a new model with a positive approach to growth.

Has the time to discuss substantial changes of our co-existence arrived?

Do existing circumstances challenge us enough to act?

Are conscious systems a broad enough catalyst for constructive thinking?

I believe that new models and solutions for business growth are hidden in the connection of various worlds and various experiences (personal, social, business); in the complex understanding of oneself and everything that surrounds us and searching for new answers to everything that is known, fixed and routine. The key is an individual's desire to progress, create and develop in a complex way. I believe that we possess the right abilities to respond to the call. This will profoundly challenge the existing capitalist system as a social system, with profit as the prevailing value. This will prepare the way for new and balanced relationships, collaboration and realization. **Freeing the individual will enable the development of individuality and life vitality as drivers for growth. Methods will be created; not only for new forms of developing business systems but hopefully also for new forms of activity in society as a whole.**

Evolution of the Idea

Evolution of Business Systems

Evolution and Creating Added Value

Evolution and Leadership

It is Time for Thinking Systems

Pathway into the Conscious System

New Times Call for New Leadership Styles

Evolution Continues

This is a book of ideas that challenge not only the best business models, but also the most interesting and well-known ideas of world thinkers. Specialists will conclude that this book is of similar value. Its essence refers to the Slovene business world and includes stories of prosperous Slovene companies, their growth and development. The contribution of this book is therefore invaluable for Slovene professionals and academics. Each environment needs its own specific method of work, its own recipe for success: all others have already been utilized by somebody else, somewhere else.

The book is a unique opportunity for the Slovene business environment to grow to the highest level and, at the same time, create a balanced rhythm while pursuing sustainable growth within its own model of operation: its uniqueness and innovation, benefiting from having been tested in the field. As a matter of fact, all companies that have used this model have found a place among the market leaders.

The value of this book is not only in its content. Its intrinsic value lies in the number of companies and organizations which will use its approach in their business practice. I can say for myself that I strongly recommended this book, even before its completion.

*Edita Kuhelj Krajnovič,
Economist*

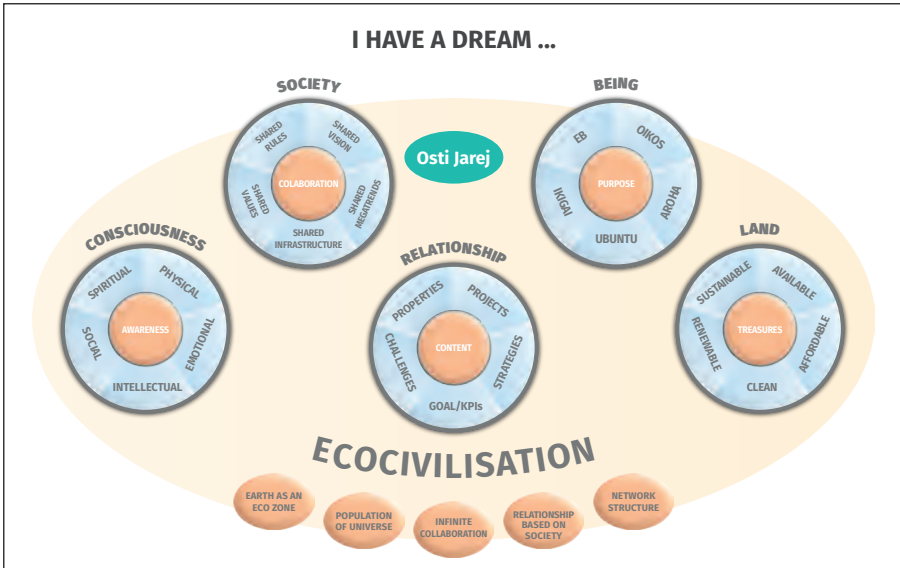
I read the book in several parts because I wanted to understand its content and its message. I found many answers to questions I have asked myself during my career. I have worked in public institutions that were partly financed from the state budget, partly from the municipal budget and partly from the market place. My greatest challenge was the question of how to motivate my colleagues to think about all aspects of success. In this book I found that the answer is that education is not enough, but that it is necessary to create an atmosphere of reflection and cooperation. I believe that the approach presented in the book is not only valid for the economy, but also for the public services. This book clearly shows the various phases of a company's growth in order to contribute to its successful presence in the domestic and global market. I am very proud of my daughter's achievement.

*Cvetko Bunc,
Veterinarian*

New Times Call for New Leadership Styles

The role of leadership in top management changes and requires a readiness to learn, adapt and develop on a personal level.

The main challenge in the shift from one development phase into the other is the leadership style, which needs to be changed with each phase. This also holds true for those drivers and success factors that were well managed with the tools of the previous phase of development. In other words, by entering into the phase of *thinking systems*, new leadership tools must not only cover the thinking processes of creativity, innovation and relationship management, they also need to cover the operational processes of quality and productivity with the same reliability and efficiency as was applied by the “old” tools in the previous phases.



It is interesting to mention that I tested the evolution model in various industries⁸⁶, in business systems of various sizes⁸⁷ and even in development agencies, local communities and other interest groups. In all these cases, the leaders identified themselves with the given drivers, sources and tools and found the answers to current operational challenges in this model. **The realization that the model is useful to search for business opportunities was of key importance. It challenges leaders' ideas and demands their development.** This model enables a clear and simple positioning of individual business space in the evolution. It shows leaders the elements that require systematic improvement and development for the progress of the system as a whole. Some business systems may never develop to *the conscious system phase* because they will be unable to develop sources and drivers of evolution. Reasons for their inability to grow long-term can include: lack of open and creative employees, old-fashioned methods of work, bad

⁸⁶ Retail, glass, automotive, food, high-tech, paper, wood, metal processing industries.

⁸⁷ Three employees, more than a hundred employees, more than 300 employees, more than 1000 employees.

management, inefficient development strategies and poorly developed business relationships, to name but a few. They may go bankrupt or may be integrated into other business systems. This also is a result of evolution.

Business Sub-Systems and Leadership

Surely, leadership is not the only aspect for successful business system development. It grows from sub-systems which also follow the evolution principles. The shift from one evolution phase to the other is possible only if the sub-systems also follow the same rhythm. For top management, an essential role in the shift is played by the financial, HR and communication sub-system. It makes sense to raise questions such as: what is the management of the supply-distribution chain like? How does quality improve? What type of IT is needed for *thinking system* companies? What type of IT is needed for *conscious system* companies? In view of leadership, the strategic significance of individual business sub-systems also changes.

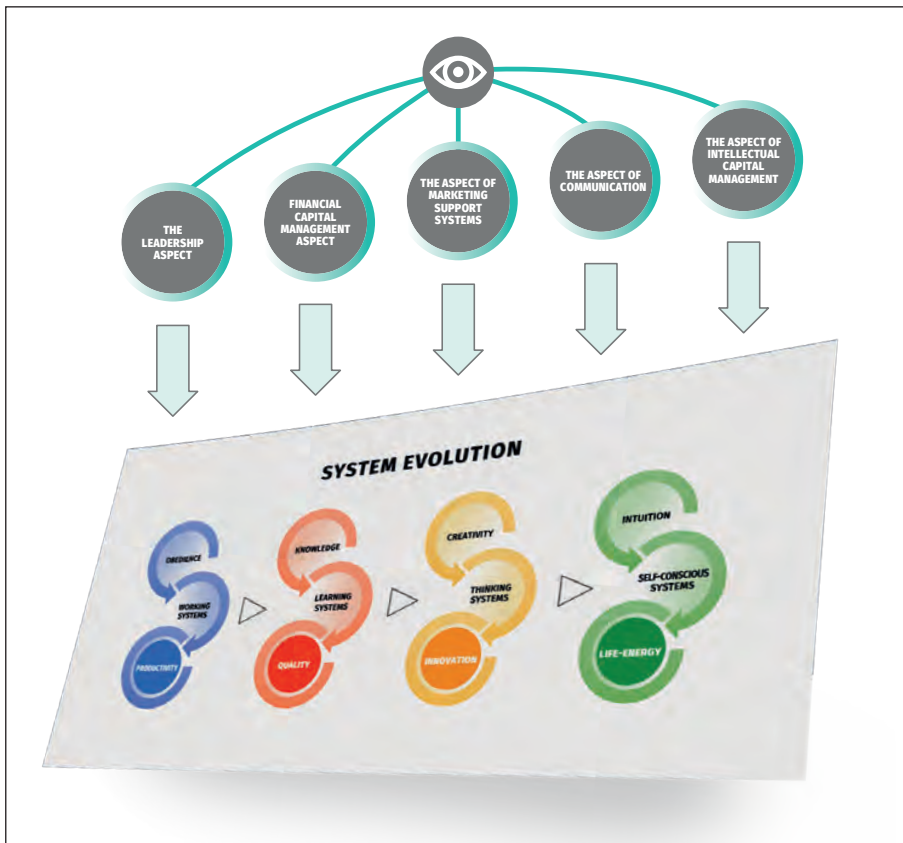
In *the working systems*, no sub-systems have a prevailing role. This role may have been given to the accounting sub-system which supplements the need to monitor and manage key business resources, in particular the material ones. In *learning systems*, this role is taken over by the financial sub-system. In *the thinking systems* phase, the financial sub-system is joined by communication and the HR sub-system. In the development of strategic thinking and realization of key strategic decisions, leaders cooperate with the strategists from the financial, communications and HR department. All three will be

discussed in detail later on. I definitely do not wish to diminish the importance of other sub-systems: IT, marketing, production, accounting, R&D, procurement, the legal sub-system. For a professional analysis of the three main areas mentioned, I worked together with my colleagues, specialists in the individual fields, who have been following the evolution model for some time. I challenged them to think on three professional areas: finance, HR and communication. At the end of the book, I will indicate the definition of marketing and IT sub-systems, presented in the view of the evolution model.

Evolution and Financial Sub-system

The financial sub-system is probably the hardest issue of the evolutionary transition. This may be because it neglects itself in the various phases. **Starting with its primary function when it takes care of increasing the wealth of financial capital, it is transformed into the sub-system of evaluation of human capital**, while in the final stage the need for it slowly diminishes. From the point of view of evolution, the changing role of business elements and/or sub-systems is absolutely acceptable, but also causes a lot of stress and conflict. Each system fights for its self-preservation and further development. If we take into account that the global economy's greatest power currently lies in financial capital, the answer is understandable. The breakdown of financial capital's power will most probably influence the diminution of the need for a central point of power. In all areas, business systems will come alive in the form of network structures.

Together with my colleague, Bertoncelj⁸⁸ we defined the behaviour of the growth aspect as seen from the evolution model in the remaining part of this Chapter. We found that it is not advisable for companies in the first development phase to carry out mergers and acquisitions during their period of growth. It is much more suitable for such companies to follow the development strategy based on organic growth. Only when the company enters into *the learning system phase* will it be ready for the first phase of globalization (e.g. to form first representative offices and take over (smaller) sub-systems).



*Intellectual property of Vibacom d. o. o.

88 Dr Andrej Bertoncelj, Specialist in mergers and acquisitions, see Appendix 1.

In the *thinking system phase*, it is advisable for companies to pursue an intensive policy in take-overs. In the *conscious systems phase*, business systems follow the strategic partnership policy, where financial capital as the base of integration is replaced by human capital. From the “capitalism” phase we slowly enter into the phase of “knowledgeism” or rather holistic management of the business world. A more accurate breakdown of the evolution development of the financial sub-system is shown in Appendix 1.

Evolution and Communication Sub-system

In the analysis of the communication sub-system, my colleague Godina Košir⁸⁹ and I identified the main shift that occurs in the evolution of the communication sub-system. In the *working and learning system phases*, the emphasis is placed on the operation processes and communication strategies try to ensure trade mark recognition (of a product or a system) by means of intensive advertising and positioning in the market (the “push” approach).

In the *thinking and conscious systems* there is a shift in understanding information in the direction of the “pull” approach. Because of innovation and creativity, the results of the work call for greater recognition. The public looks for stories, information and sources from which it can learn. Greater emphasis lies on the generators of success and trust becomes a critical decision maker. Even more communication strategies now build on key competences: what the business system is

⁸⁹ Ladeja Godina Košir, MSc, specialist in marketing communications; see Appendix 2.

and/or who the vital people really are, what they stand for and what they can do.

In the evolution of communication strategies, the shift is from business systems which are based on image to systems which are based on **charisma**. In this definition we can find answers to the question why some marketing agencies are in trouble⁹⁰. A shift from one philosophy to the other is difficult because it requires different tools, working methods and approach. Clients intuitively demand this shift. Communication strategies which follow the old models are perceived to be alien and impersonal. A similar response is noticed in the customer segment that the company targets.

Communication strategies must therefore be based on key competences, values and their client's development stories. The communication needs to come from them and should enable identification with the outer and the inner stakeholders. In doing so, everyone can consciously and subconsciously contribute to the realization of the strategy. This is how the business systems can really create stories they have initiated. Consequently, one-sided communication is transformed into a dialogue between the company and the client, and even among clients themselves.

Typical examples of this shift are web pages, web blogs and sub-casts⁹¹ which are already changing the image of the media industry and the information media in particular. The content and form of communication strategy therefore must change. Authors of blogs create and develop their own segment of readers exclusively through trust, credibility, and charisma. "Sub-Casting" is based on changed client behaviour patterns, benefiting those who wish to create content and new forms of

⁹⁰ Not including those that function according to the rule of closed markets.

⁹¹ Sub-Casting is an automated mechanism which transmits multimedia computer files from the "server" to the "client". The mechanism pulls XML files which include web addresses of media files.

In general, these files include audio or video tapes, photos, texts, PDFs or any other form of a file.

Source: Aktualno 1.0, March 2006

messages. Additional aspects of the communication sub-system as observed from the evolution point of view are presented in Appendix 3.

Evolution and HR Sub-System

In the analysis of the HR system, my colleague Kovač⁹² and I undisputedly show the changes that occur in an individual's role, his attitude towards knowledge, to his job and to intellectual capital in the individual evolution phase. As a result, the tools and approaches change as well. Each phase of the evolution demands completely different approaches to education, HR development, team work and the reward system.

It is especially interesting to analyse the relationship that the individual stakeholders have with education and HR development. In the first two evolutionary phases, the approach is still very short-term and used mostly as a motivation tool. In the second two phases, education focuses on the actual needs of the strategic business goals and development stories where the important role is forged by the natural talents of key individuals. Systems that measure the efficiency of education are established. Here, education is not viewed as a cost factor, but rather as an investment.

In the second phase, the development of key people is brought to the fore and intensified in the next phases. This has a major influence on the creation of the business environment. **Business strategies and a search for new business opportunities start to adapt to employees' talents.** The business environment becomes more dynamic and flexible in accordance with the development of the outer and inner relation-

92 Darko Kovač, PMBA, HR specialist; See Appendix 2.

ships. **People are managed less and less; people develop more and more.** In *the conscious system* we dedicate considerable attention to creating conditions for the development of holistic spaces that people need for maximum contribution and development. Information is available by means of various information technologies.

The development of an HR sub-system is closely connected with the communication sub-system, as it is of great importance how the communication flows within the system. It is essential for the mission, vision, key goals, values, key competences and information about partial results and events in the environment which influence the business system to be clearly communicated. I would not be surprised if IT support, the communication systems and HR were to be linked under one leader. A more detailed analysis of the HR sub-system as viewed from the evolution point of view is presented in Appendix 2.

Other Business Sub-systems

Other business sub-systems show interesting elements of evolutionary transformation. A good example is the **Sales/Marketing sub-system**. If in *the working systems* there is still talk about the product as the main element in the observation of the sales/marketing strategies, then in the *learning systems* the focus lies on the customers who direct sales and consequently also the production flows. In *the thinking system*, a company's general and selective view of the market based on the demographic data is replaced by selected market niches, where categories of customers are segmented according to behaviour patterns and values.

In *learning systems*, the methods of marketing give rise to dramatic modifications (e.g. direct network marketing). These are additionally improved by techniques empowered by IT (telephone sale, e-commerce B2C and B2B). *Thinking systems* manage all the information about their customers and, by means of charismatic approaches, include and invite clients into their “business homes”.

Offers are even more **concentrated and connected electronically in the whole value chain of the individual’s needs**⁹³. On the other hand, the supply and the distribution value chain is shortened, and the connection between final consumer and producer is more direct. Marketing strategies depend on new leadership styles, such as leadership from “within to the external demeanour” based on key competences and values. Offers based on a “one-to-one” concept are formed, enabled by the CRM⁹⁴ system and other similar analytical tools. Marketing tools are closely linked to the development of ITK technologies which are one of the main drivers for the accelerated development of evolutionary phases. These tools enable faster establishment and maintenance of vital forces of business systems (productivity, quality). At the same time, by using the data bank, they enable richer thinking catalysts which in the business imagination of leaders can enable the creation of visionary business models and global approaches.

Conscious systems bring everything into a wider view, because we do not target community values anymore (belonging to the tribe), but instead focus on individual needs and values. **Marketing focuses on relationships similar to account management** and on the development potentials of the **individual**. It is closely linked to the role of the coach in the holistic development of the individual. We may be overwhelmed by

⁹³ “One stop shopping”.

⁹⁴ CRM=Customer Relationship Management = systems to manage customer relationships

a scary image of a helpless individual who is controlled by the system. In the “Star Trek – the Next Generation”⁹⁵ TV series, this image is very realistically represented in the collective conscience by the image of the self-sufficient “Borg”. As part of the “Borg” character, individual organisms are parts of the whole and they always act as an integral part of the collective consciousness without having an individual identity.

I personally believe that development will go in the direction of a consciousness that belongs to the whole. It will be defined, shaped and improved by individuals. This direction will enable creativity from a “bottom” to “top” approach and not “top-down” as is shown by “Borg”. The “bottom-up” approach needs the development of self-confident and free individuals who understand the significance of individuality, their own true self. Individuals who enjoy being different and have self-confidence based on their own visions and mission. They decide on their individual needs and development and the course of their life’s journey (part of which includes the business journey).

A noticeable role in the creation of these conditions for the development of conscious systems will be played by nurseries, schools, families and leisure-time activities. These support institutions need leaders who are knowledgeable and daring – leaders who believe in the individual, nature, growth, sustainable development and in the greater good in humans. Changes will have to be balanced on all levels of social and economic existence, or business systems will otherwise just be isolated oases that continually hit the barriers of the archaic models, approaches and thinking patterns. The creative energy of the business system will be lost in the coaching of potential business persons, who, outside the system, will feel alone and excluded.

95 <http://stng.36el.com/>

Evolution of the Idea

Evolution of Business Systems

Evolution and Creating Added Value

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Pathway into the Conscious System

New Times Call for New Leadership Styles

Evolution Continues

Lillian Smith said: “I have realized that no path in the outside world goes further than its distance in the inner world.” Have you ever felt the depth of this thought that takes us into the evolution of personal growth? In the outside world you work and gain knowledge until the moment arrives when you are finally standing on your own personal path. This is the path where you begin to become aware of your own thoughts and ideas, stemming from inside yourself. What Violeta has written about the processes here, the same holds true for each one of us in our development. On a personal level, you live in the outside world as a caterpillar, gaining experience through work and new knowledge. For some there comes a moment when they enter a chrysalis phase – where they start to think and, if they are lucky, develop and fly into the inner world of eternity as a butterfly does.

Thank you, Violeta, for a wonderful book and your trust in me so that I could work with you. The book strengthens a human’s innovativeness and creativity and spreads the horizons of business systems through realizations of the past, the present and the future.

*Bogo Seme,
Business Coach and Consultant*

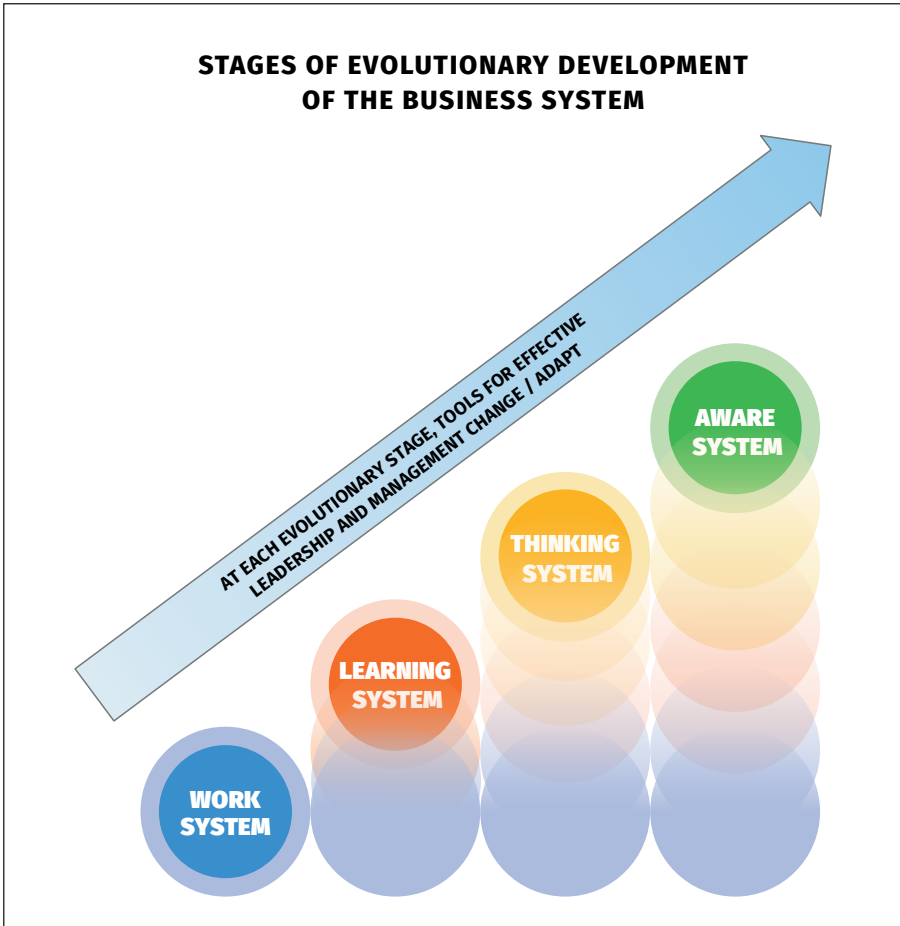
At first glance, Violeta's and my own perception of the world around us are quite contrary to each other. On the one side there is my world which is rational, "solid", material and uncompromising, whereas on her side it is emotional, "soft", spiritual, with a hand-in-hand approach. But when facing each other, we usually arrive at the same goal!

This type of comment does not do the book justice, since I could present this book as a temple of business spirituality and then describe it as unsuitable reading for the "hard-core" materialist. But in reality this is far from the truth! Almost the entire book is based on facts, models and experiences that have been used in practice. I believe this book is excellent reading and should be obligatory for any manager, student or person who wants more out of life.

*Siniša Jančić,
Student of Computer Science.*

Evolution Continues

The evolution potential of business systems does not end with the fourth phase. You probably have already noticed that the fourth phase is still a generic one. Soon we will have enough knowledge to break them into four new phases. We are sure to recognize the cyclical characteristics of the previous phases. Productivity, quality, innovation and life energies will once again come into focus, but on different foundations and/or with other vital forces, which we are not yet aware of today. Or, as the director of the company Vinakoper, d.o.o., Mr. Nevi-jo Pucer, said: “When we get to the fourth phase we will once again have arrived at the beginning.” This statement is a fact. I also believe however that in the meantime we will continue to go through the process of sublimation on a different base. This base will at a minimum respect the individual and his need to develop, create, contribute and be himself. This base will include tools for the realization of human capital, in harmony with nature and global values.



During the journey of business evolution the common thread that has accompanied us has been the following **key principles of modern leadership**:

1. constant development and transformation are the conditions for sustainable growth and development;
2. everything in line with our mission derives from our self and this is right, true and needed;
3. answers to the real need trigger real flow and open real opportunities (for example market niches);
4. during life-long development, it is necessary always to

- take care of the vital forces which are usually linked to the previous evolutionary phases;
5. maturation is the key for successful business development; to reach the holistic phase, a perceived “resting” phase with the most profound internal activity is also needed;
 6. relationships are the core of (business) activities and the base line for effective understanding and introduction of changes;
 7. movement is the essence of existence; it should never be finished.

The main idea is that we should never forget about the individual and his basic wish “to be useful” and “to answer one’s calling”, which (when the primary needs of survival are satisfied) become the key motivation drivers for progress and for an active co-existence. The same is true for business systems, as they have all the characteristics of human beings (after all, they do consist of people) and expect the same in their development. Consequently, this means that each company has its own purpose, its own mission and vision, which act as magnetic forces that attract the right stakeholders.

In efficient interactions with a business system, we should listen to ourselves, the world around us, nature, experiences and intuition. We should develop respect, sincerity, courage and faith. We need “the bigger picture” in front of us and must always return to our roots, to what is unique, different and just ours. We need to be accompanied by the silent flight of the butterfly and notice its transformation to the final realization.

We have seen several challenges in this book. I hope that I have answered at least some of your questions, doubts and thoughts. I do know that I have raised many more and I sincerely hope that it is for the benefit of new solutions and understanding. If you are ready to share your questions, ideas and thoughts, you are welcome to send them to my blog, i.e. www.vibacom.si/violeta. Let the movement begin.

The greatest value of a powerful theory comes from it being born in practice. It then grows in debates full of opposing views and, finally, shows its preciousness in successful stories implemented by progressive Slovene companies, challenging boldly the rhythms of evolution: systematically and step by step. Solid foundations have been settled and the thoughts have been grounded. Now we can all begin the journey, starting with ourselves. An exhilarating read which prompts one to immediate action.

*Mojca Kodrič,
Economist*

When reading the book, I was impressed, and I read it in one sitting. Before my maternity leave in 2004, I sensed the topics described in Violeta's book, they appear as flashes, and it made me think that companies have similar characteristics and behaviours as people do. Now the process of evolution is an integral part of the business world. I foresee two paths for the book: it may become "an American best-seller" or it may become a business classic. This is my sincere hope.

*Geni Arh,
Economist*

Glossary

A

ATL: above the line (TV, printed ads, radio ads, cinema advertising)

Added value: the term “added value” as used in this book refers to contribution margin: it represents the incremental money generated for each product/unit sold after deducting the variable portion of the firm’s costs and is used to cover the company’s fixed costs. Any remaining revenue left results in profit. Contribution margin = sales revenue – variable costs.

B

Basic business evolution model: the model which comprises evolutionary phases, drivers and sources for creating added value and for ensuring the winning success factors succeed in the market.

Belief: deriving from the verb “to believe”, it is the feeling of certainty, indicating that which we believe in, we feel it exists.

BTL: below the line (catalogues, prize games, direct mail, in-store promotions).

Business innovation: a business model, newly defined business process; innovative market niche.

Business system: SMEs and large enterprises, high-tech companies, innovative and traditional undertakings, craftsmen, entrepreneurs, cooperatives, local communities.

C

Communicators: key communication players.

Creativity: creating something new from nothing or from an undetermined base

CRM: “Customer Relationship Management” – tools for efficient relationship management.

D

Development team: key representatives of all processes and/or central business relationships.

Dynamic networks: invisible organisational structure, connecting individual experts, usually via computers.

E

E3HRM®: the methodology for strategic-oriented HR function for talent development and optimal employee engagement, as well as for creating conditions enabling the development of thinking systems.

F

Flat hierarchy: it entails less hierarchical levels and transfer of authority and duties to lower levels; more democratic leadership.

H

Healthy business cores: individuals, groups, organization who affect others, groups, a business system, and/or the environment as a whole, in a positive way. They are known for their positive attitude towards life and progress, their personality trait is reflected in their business success. Their activities ensure that the vision and the mission of a business system is achieved through positive attitude, a constructive approach, healthy criticism and praise.

Holistic individual: a person who is fully open to continuous learning, creative cooperation and integration, both with an organised group in which the person works and with the environment in hierarchical and horizontal relationships; such a person advocates progress, a positive attitude to life and to the world and is always active to fulfil his true purpose.

Human capital: intellectual + spiritual + physical + social + emotional capital of an individual.

I

Innovation: an invention confirmed in practice (somebody has noticed it, appreciated it and paid for it)

Intuition: a revelation which touches what is not directly assessable by the mind.

Invention: something new.

IPR K: Institute for Business Growth and Creativity, founded for shaping advanced leadership tools and for developing (business) systems focused on sustainable development and creativity.

L

Life energy: constant ability to realize what was agreed with a positive attitude to oneself and to the environment. It comes from an individual and is reflected in his communication, in gestures, in his eyes and in his body language.

M

Management innovation: innovation in managerial principles and processes which may create long-term advantages and significantly increase the competitive potential of a company. It represents new approaches to management.

MABS®: Methodology for Acceleration of Business Systems

P

Participation Model: is a tool, an approach and a way of functioning when the shaping and the development of business systems involves as large a number of people as possible. By means of their thinking processes, the flow of business developments is shifted into creating and improving added value.

S

Self, true self: a sociological term indicating global awareness: "I am"; every object, person, concept wishes to

become aware of the mission, the goals and the vision of development.

Social capital: relationships among people in a given space or within a group or a community, representing civil initiative and participation, characterised by exchange of experience, mutual trust and provision of help and support.

Spiderweb: is an organic form aimed at integrating business stakeholders; it is much more informal than the net organisational structure of the thinking systems as it constantly adapts, changes and reshapes in line with the dynamics of the environments and the holistic growth of an individual (metamorphosis); “dynamic network”.

Stakeholders: Employees, management, owners, public, customers, suppliers, business partners, nature, an individual.

Sub-casting: an automated mechanism for transmitting multimedia computer files from the server to the client. The mechanism drags XML files which include web addresses of media files. These files usually include audio and video footages, photographs, texts, PDF files or any other file format.

V

Virtual forms: various environments formed on the web.

Vital forces: business elements, business decisions, performance criteria, business leverage and/or sources arising from healthy cores and enabling stable development

Visionary idea: an idea which in addition to the subject matter surpasses the traditional method of work, the existing customer segments and current knowledge and skills; it introduces the need to apply different abilities and seek for additional professional knowledge.

Y

Yin and Yang principles: female and male energy, taken over from Asian philosophy.

RHYTHMS OF BUSINESS EVOLUTION

TOOLS FOR PROGRESSIVE THINKING

by Violeta Bulc

Translation of the book 'Ritmi poslovne evolucije'

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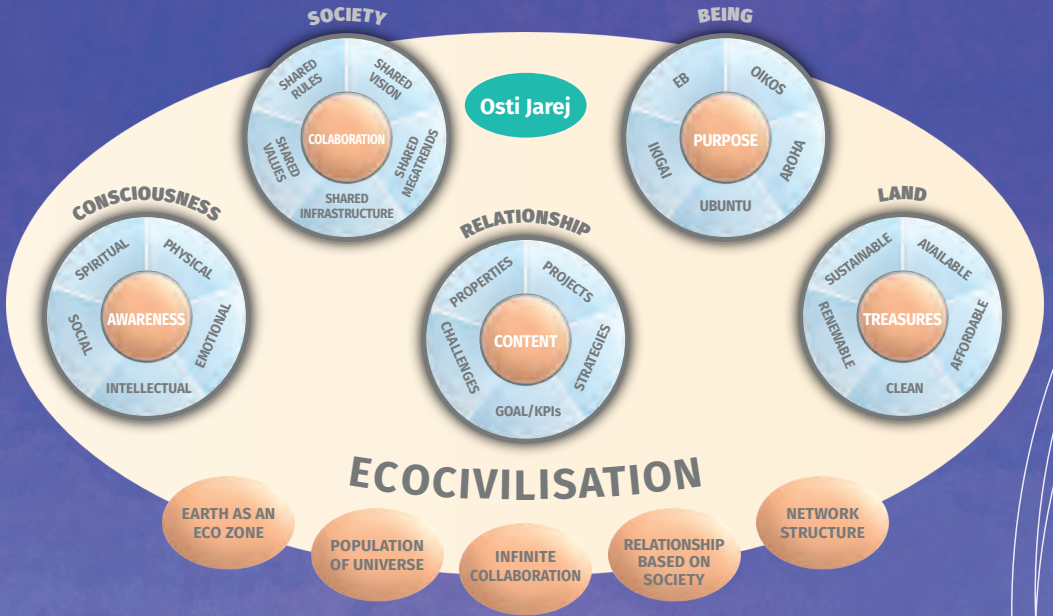
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I HAVE A DREAM ...



Dear colleagues, friends, the spiral system evolution continues and something exciting is emerging.

My next book is coming soon: "Ecocivilisation, our next destination". Join the webinars, discussions and be part of it. Visit www.ecocivilisation.eu and co-create. It is more than just a hope, more than just a dream, more than just you and I. It is just possibly a ticket for our existence.

*It is here,
The drums are calling,
let's awaken our senses, memories,
let's free our inner truths
and dare to go beyond.*

More and more of us are feeling it, sensing it, acting upon our inner calling. We know that it is time to live differently. To be more connected to the living world around us. To be in balance with the Planet, the Universe, with ourselves and our fellow humans.

**It is time we actively create our next destination -
ECOCIVILISATION.**