



Talking About Transformation

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DI's Dave Gilmore, Bob Fisher, and Michael LeFevre discuss 5 Tiers of Change and the principles of reinventing businesses.

Michael LeFevre (ML): Our theme for this issue of Design Quarterly is reinventing. Dave, you suggested the three of us come together for a discussion on transformation, as opposed to more gradual incremental change. I'm thrilled to be a part of it and to be here with you. Why is transformation so important?

Dave Gilmore (DG): I believe it's more than transformation. In my recent podcast, I talk about the five tiers of change. I'm most concerned with the last two in this COVID period. The first tier of change occurs through the natural passage of time. It's what we experience in our bodies, growing year over year, decade over decade. Our bodies change through the natural passage of time.

The second tier is marked by event-based, adjustment-oriented change. An event occurs, we adjust to it, and that creates a change. That is also incremental over time. The third tier is planned incremental change. Think of the discipline of project management. It's planned incremental change from a current state to a future state. The fourth tier is transformative change, and the fifth tier is change driven through intentional re-invention.

That last type is volitional re-invention and intention to do something. I've laid out this hierarchy or taxonomy of change for us to consider, because as I noted in the podcast, Heraclitus is attributed as saying, "The only constant is change." I think he meant simply the natural-passage-of-time kind of

change, that things change on their own, but he disconnected us from having autonomy in our choices to determine change. That's where we find ourselves now in this series of crises. They are forcing us to a new posture around change.

ML: I wasn't familiar with that structure. I'm assuming it's original to you.

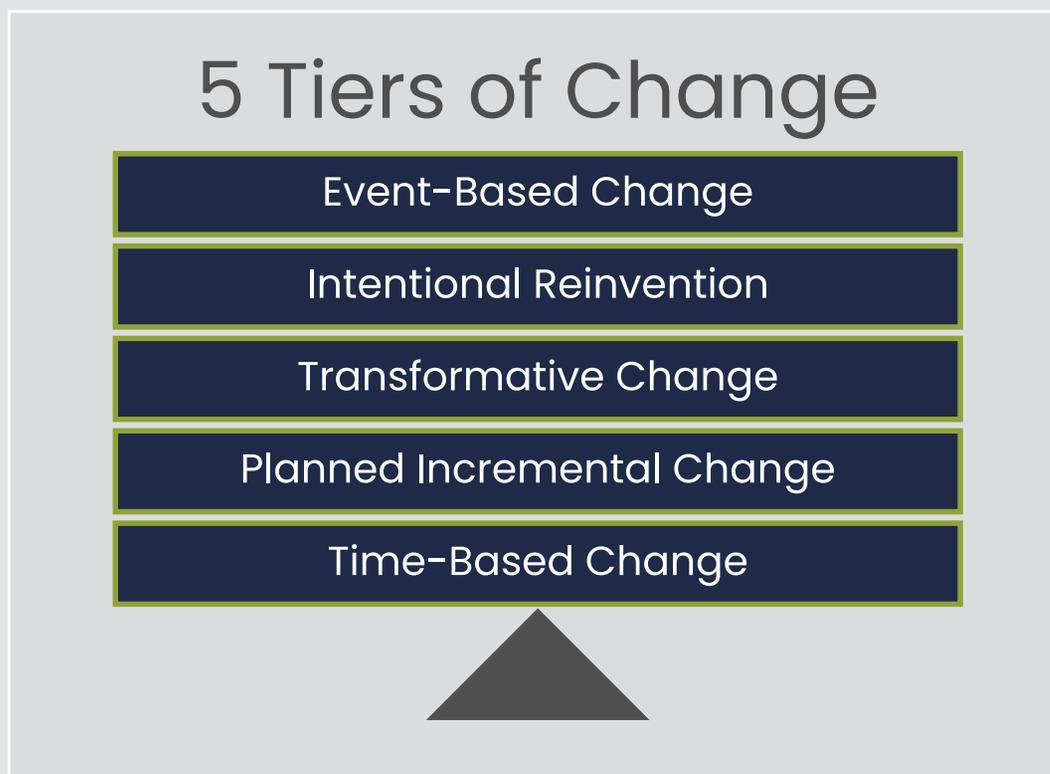
DG: Each aspect has had volumes written about it, but I assembled the five tiers into a taxonomy. That's how I think about it.

ML: You called it a hierarchy or taxonomy. It brings to mind Maslow's Hierarchy of Needs, although, I'm not sure it's hierarchical, where one tier builds on the last in importance, on a path

from base level survival to self-realization. In your model, the five types could be concurrent. Would you agree?

DG: They could be. There is a difference between transformative change and intentional reinvention. I talk about those differently, because I think of transformative change, like the transformation in a Chrysalis from the larva to the butterfly. What is so interesting in that transformation is that a gooey little thing inside a cocoon morphs to the unbelievable beauty we see in a butterfly or a moth. The interesting thing here is the DNA is the same. It's a change from one state to another, but the essence is the same.

Reinvention is dramatic. Several years ago, at the Design Futures Council in La Jolla, Billy Sorrentino, the former executive creative director and head of creative at WIRED magazine, challenged the audience to make sharp left turns. There wasn't the obsession with political lefts and rights we have today. He was simply saying: you get to this place and simply make a sharp turn. What



you're doing is radically changing direction, which changes the trajectory and the outcomes. You're reinventing altogether and saying, "The old is not satisfactory. We must create something new. Both transformation and reinvention are challenging us as an industry. The challenges have probably been in place for a while, but they've come to the fore now, forcing firms to make choices. Intentional reinvention is usually triggered by the question of relevance. When we realize what we've been doing and offering to the market might no longer be relevant, we are confronted with the choice to deny this irrelevance or reinvent our doings and offerings towards relevance. This is where the built environment industry is poised today.

ML: What a great framework to begin the discussion. Bob, through DI Strategic Advisors, you help firms with their business transformations. Why do you have a job? Why is it important for firms to transform themselves?

Bob Fisher (BF): The reason I have a job, and why that degree of change is important, has to do with what Dave just referred to: the characteristics of change in the time we're in. We're all experiencing a broader global environment and an industry changing more rapidly and fundamentally. These changes are coming at us quicker, more deeply, and with more lasting impacts. Those not prone to change or who want to stay the same are going to become irrelevant in the new context.

We're being challenged in new ways. Change is difficult, but that's not necessarily a bad thing. It's a clarion call for us to use our imaginations, to figure out how to respond to all this change happening, and how to be more proactively adaptive to stay ahead of it. Firms that recognize that are why I have a job.

ML: I think about Darwin and the sigmoid, S-curves, life cycle curves discussed in Jonathan Salk's book, *A New Reality*. Transformation is important because change, conflict, and these kinds of external events

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are inevitable. Those who deny them will decline more quickly or come to the end of their life cycle curves. We may not like change while it's happening, but it is inevitable.

Dave, during this COVID period, you've been insistent on the demand — and the opportunity — for transformation or radical change, almost to the exclusion of more gradual change. In your five tiers of change, a couple stand out that you're steering people towards. Why, and why now?

DG: Economic health did not wholly return to the Nation until 2012. From 2012, until early 2020, we have been on a radical expansion and prosperity trajectory. It's been unbelievable. As a matter of fact, it grew our economy at record levels, to become exceptional as the largest economy in the world, at close to 21 and a half trillion dollars during that period. In prosperity, revenue covers a multitude of sins. We get obsessed with the idea of revenue and prosperity, and we put up with inconveniences. When we're doing well, we don't take the time to fix the things that need to be fixed.

In some cases, the squeaky door that irritates us in other times just becomes acceptable, and we keep putting up with the squeaky door. In our prosperity over the last eight years, very few firms have taken the time to reconsider what transformation or reinvention might look like. Why? We're doing well. We're making money. As the old saying goes, if it ain't broke, don't fix it. But now we're in dire straits with backlogs atrophying. Most firms' backlogs are a third of what they were a year ago, and we'll be into 2021 soon.

Thousands of people were let go from their jobs within the built environment industry. And we've been hurt less than many other industries. The question is, will we squander these crises, hold on and hope we get through it and go back to our old practices, or will we use this as the opportunity for authentic change, authentic transformation, or possibly intentional reinvention? I don't believe we have the luxury of gradual change, if we want to make it through. This is not just another recession. As big and awful as 2008 was, this is not a recession like in the

early 1990s or 2000s, this is a radical change occurring in so many dimensions, not just an economic downturn.

This is a perfect storm of destruction — or opportunity. It requires action that will be uncomfortable, disruptive, and at times, disorienting. We must distance ourselves from old, unhealthy paradigms and forge new ones. That will require a destructive force in parallel with a creative one.

ML: That call has been clear. Why is this perfect storm such an opportunity? That seems counter intuitive. The normal reaction for most humans would be to adopt a defensive posture and wait it out. Why does crisis present opportunity?

DG: I track volumes of economic data on multiple fronts. Since December of last year I've watched the dramatic — almost overnight — changes in attitudes and behaviors of the large asset managers, global pension funds, and large hedge funds who serve as the foundational investment vehicles globally for much of what we do in our space. In



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this ten-month period, I've watched them shift to becoming laser focused on climate change. They are actively withdrawing investment from companies not complying with the Paris Accord or the United Nation's sustainable development goals. News reports are highlighting an escalation of activist investment. You may have seen last week — Samsung is on the griddle because they put \$14 billion into supporting coal mining investments.

People are saying: "Hold on. We're not doing that anymore," and that's just one anecdote of how radically things have shifted. I use that example because we're seeing something happen right now that we've talked about for the last few years. That's the shift in demographic thinking, values and attitudes. There's a new set of thinkers in town. They come from the younger Gen X-ers, the Millennials, and the Gen Z-ers stepping up. They're speaking loudly about the things that matter to them. We've watched that come to the fore. For example, in the Black Lives Matter movement that has gained force this year, if you watch the audiences, they're not all black.

The crowds are filled with Hispanics, whites and Asians saying, "Enough is enough. Enough systemic racism and prejudice. We're not going to put up with that anymore." As a result, they have teeth. It's refreshing. The same thing is occurring with climate change. Momentum is building regarding how we spend our money as a nation and as a populace. 20th-century spending in an oil economy is fast moving towards irrelevance. Extraordinary spending towards traditional defense is swiftly shifting to new forms of engagement. Across multiple dimensions, values and attitudes are driving new behaviors. Things will not revert to "the good old days." Organizations operating in the old paradigm are going to be left behind within 12 months. It's moving that quickly, because this is not an economic crisis isolated into itself.

We are going through a health crisis, a social crisis, a political crisis, an economic crisis, a climate crisis, and a severe crisis of truth. I could go on. Six or seven crises have come together to re-shape how, in the case of the American mindset, we will reshape a new set of values and attitudes. That will result over the

next three to four years in a radically shifted culture. That's where we are. The industry must shift to accommodate, support, and lead in this, as opposed to enduring and being dragged along behind.

ML: Bob, in the early weeks of the COVID outbreak, you were the first to articulate this. Your comment stuck with me. You said, "In a crisis, the first thing to go is perspective." From your perspective, why is this crisis such an opportunity?

BF: Dave painted a wonderful picture of the perfect storm of change happening in the world today. We are hurting for predictability and clarity. We're in a highly fluid situation. Firm leaders don't have full information with which to make decisions. In many cases, they don't even have adequate information. But they have decisions to make — many of great consequence. One of the best opportunities for firms is to get clear very quickly on their deepest, truest, authentic values.

Not just their stated values, but those they're willing to back up with action.

Because operating from a solid set of core values is the best chance they have to make decisions that will be right for the long-term, when the short-term is throwing so much confusion at you.

ML: In your role at Design Intelligence Strategic Advisors, you've had the opportunity to coach many firms in their own reinventions, both before our current crises and during. In this current context, what prevalent issues stand out as people are coping?

BF: Three come to mind, and they're familiar, because they relate to what works in other contexts. Trust is a key ingredient. Firms able to change rapidly have a good foundation of trust among their people, especially senior leadership, because there are going to be times where you need to take chances. To take chances collectively and successfully navigate those situations, you have to trust the people around you, and yourself. Trust brings a certain grace, because people will make mistakes. Things will happen.

At times, decisions will be incorrect, and it's important for the quality of the relationship and the leadership teams to have the kind of trust where they can say, "I know you had the best intentions. Things didn't work out as we thought, but we're still a team. We're still in this together, and we're going to move forward together." The second characteristic is awareness. By awareness, I mean of self and of what's happening in the marketplace. Firms living in the "dumb, fat and happy" paradigm had the luxury of focusing on what was on the boards, what was coming to them, and getting that work done.

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In this highly fluid changing situation, awareness is critical. Looking outside and making that part of the way that you do business every day. Now, awareness of self is also important, because firm leadership can often sugarcoat or look through rose-colored glasses at their own current situation, and not understanding their own vulnerabilities. They miss understanding the strengths they can leverage to get past those vulnerabilities. Knowledge of the firm itself and knowledge of the environment, or awareness, is the second big one.

The third factor is what I call courageous commitment to change. This relates to what Dave was talking about with intentional reinvention. Those two words are important when you're talking about making change on that level. To do that, you need to be fully committed. Not only that, but you need to be willing to take

chances. A lot of courage is necessary to do that, because when leaders are making decisions about fundamental or radical changes, nobody knows how everything's going to work out. When things work out well, we can look back, and we can pat ourselves on the back for a degree of foresight we probably didn't have. But in the moment, it takes courageous commitment to change, to lead people through that kind of transformation or intentional reinvention.

ML: Dave, any follow up thoughts? You're talking to people all over the world. What are you seeing as people cope with this context?

DG: Interestingly, from a profit and loss standpoint, many firms have done very well in this current fiscal year of 2020. They built such a large backlog in 2019 that it flowed over to 2020. That backlog has sustained them this year. The problem is with the backlog they would be creating now for 2021. That's where the atrophy has occurred. The question, during a time of current prosperity based on last year's backlog, is: am I

using some of my time, effort, energy, and money to do what Bob just talked about, apply courage towards transformation or reinvention? Or am I floating along, thinking this is like another recession and it's all going to bounce back next year?

It takes intentionality to look deep into the future and make logical, common-sense projections of what it could mean for me and apply courage by investing toward reinvention. There's no either/or here. There's a this, and a that. You maintain where you are while, in parallel, moving toward a reinvention trajectory. If we can use the idea of two train tracks in parallel, there will be a time when we will shift over to the reinvention track from our status quo track, but we have to build the reinvention track concurrently.

I love how Bob mentioned courage. It takes courage during a time like this. We're seeing various levels of courage. We're seeing folks doing nothing. We're seeing folks using the term "reimagine," which is not reinvention. We're seeing people tweaking, but not truly changing in

the resilient fashion we've been speaking about. Then we're seeing some firms who have put everything on the table and are moving intentionally toward reinvention. It's exciting.

We've been in touch with firms in Australia, the United Kingdom, Canada and across the United States, so we have a good survey worldwide, at least in those countries. It will be an exciting time when the dust settles. It won't for another two years. That's when we'll know who's left standing, who reinvented themselves, and who is hanging on by fingernails.

ML: I love your parallel tracks analogy. Transformation, revolution, or rapid change of an entire organization is dramatic. Something I'm not sure I've experienced in my career. While I have been a constant change advocate, the opportunities for wholesale change have not materialized. I've been in two firm mergers, changed companies, even changed industries from design to construction, but never been a part of an organization-wide, dramatic

transformation over a short time.

To cope, using your analogy, Dave, I've always adopted a two-pronged approach. I worked on one track with gradual, constant, incremental change, always on the lookout for those bigger opportunities where leadership was ready for that. It's rare to find, build, or nurture leadership that is ready for such top-down driven, full-on revolution. I'm sure people come to you asking for that help, but in other cases, you're there whispering and trying to change their minds. What have been your experiences in changing leadership mindsets top-down?

DG: Bob and I, and the rest of the DesignIntelligence advisors, operate from a set of principles. The first is, vision is a firm's ideal response to the future. Strategy is a response to vision. We begin with future, we then have vision, we then have strategy. We ask clients: what is the future telling us. We get such responses as, "I don't know, I wasn't given a crystal ball today," to, "How do we figure that out?" That's where we believe any kind of strategic planning begins

with research. It must begin with understanding what's happening in the greater world, and how the greater world dynamics impact markets. How will those market sectors respond to that greater set of global dynamics?

Then we need a vision of how we will respond to where those markets are going. When you do it in that structure, it starts to make sense to people. Suddenly they ask, "Okay, so what are you saying?" Well, you happen to be a healthcare design firm. My question to you is what's the future of healthcare? How are you going to figure that out? You do some research. Many firms come to DesignIntelligence and ask us to do the research for them or with them because we have such a pervasive reach and can access data and decision makers.

Together, we develop a future-state vision for that market. Then we ask firm leadership, "What's your response in a visionary way to this future?" That's where the challenge is. Because if you're a pure architecture firm today, and you're watching, in

my example of healthcare, radical changes occurring in American healthcare delivery — as well as in the economics of healthcare, an area radically challenged to stay buoyant during this time — you realize that’s probably going to translate to fewer hospitals being built. So, what do I, as a traditional healthcare design firm do in a context like that? That’s where vision starts to come into play. Bob, additional thoughts?

BF: Mike painted a picture of change focused on emerging opportunities. It’s possible, especially in a situation where a major change is happening, like a merger, to find opportunities to

create unexpected, positive change. In special circumstances, those changes may even stretch an organization beyond where it thought it could go. I’m a big believer in seizing opportunities when they arise. I’m also an advocate of trying to create positive change from any level in an organization. But it’s nearly impossible to create transformative change or intentional reinvention using an opportunistic, ad hoc approach.

Transformation or reinvention happens when organizations are fully committed and capture their deep intentions in a vision and a plan.

Those plans need to be supported and led by the executives and driven at all levels of the firm. Everyone needs to be all in on fulfilling a collectively held vision—especially the collectively held visionary response to the future Dave talked about.

ML: Were any of these transformations generated bottom up or middle out?

DG: Yes. One client had issues and came to us. People were leaving. They were saying, “We’re stuck. This isn’t going to work.” After exit interviews and confrontations senior leadership realized, “Oh my gosh, we have a hole in our boat. What are we going to do?” They finally woke up to the idea that something had to change. They didn’t call it transformation or reinvention. They just said, “Something has to change.” And we got called in to assist with that, to highlight what could that look like, and to diagnose why people were leaving. It ended up being led by senior leadership but was incited from the middle. Extraordinary things happen when that occurs,



because it's not top-down.

BF: My answer echoes what Dave was saying, but you presented a false dichotomy—the idea that change either comes from the middle or below, or from above. Truly effective change has to be supported by leadership and led in some way. That doesn't mean the roles in change are lesser for the people in the middle or toward the bottom of the organization. Nothing could be further from the truth. Because change will never be effective if it's not led, bought into, and earnestly carried within everyone in the

organization.

Organizations good at changing are often smart about communicating the need for change — a vision for how things can look at the end of a positive change path. They are intentional about how they include people in key parts of the organization in creating that change to bring everybody in the organization along through communication. These ideas apply to any firm that's going to successfully navigate the times we're in.

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