

Fractal future: What a difference a year makes



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It's been 12 months since we launched Deloitte Debates to explore critical business issues facing our clients. We've covered everything from offshoring and outsourcing to merger strategy, innovation, cloud services and more. We've explored topics from multiple angles, with a focus on different industries and executive roles. We've looked for patterns and pitfalls and uncovered plenty of both.

And if there's one overarching theme we've seen along the way, it is this: The new normal is anything but.

Working through the details of 50 Debates, it's clear that today's business battles are unfolding in a unique series of complex layers, each shaped by market opportunities, innovations, technology platforms, talent challenges, regulatory shifts and good, old-fashioned financial acumen. If business leaders don't find a way to embrace all the moving parts at the right level of granularity – all at the same time – they'll end up with a blurred view of their options and incomplete decisions. That's what I mean by "fractal future."

In years gone by, it was enough to look at the big picture and see paths forward. You could map your strategy at a high level and execute with discipline, confident there would be ample time to change course as needed. Things are different now – largely driven by three big trends.

First came a significant shift toward the practice of mass product customization. Whether it's customizing a pair of designer blue jeans or a new hybrid car, the ability to scale up on-demand production has changed the nature of managing almost everything. Vendor relationships, customer experiences, financial portfolios, career paths, risk and more. In terms of business strategy, the advent of mass customization means that scenario planning has to be done at the individual or micro-segment level. One-size fits all is becoming a thing of the past.

A second big trend, of course, is cloud computing – where the possibility of everything and anything as a service is turning business models on their heads worldwide. In an operating environment where you can charge and get paid for services as they're used in real time, customers, internal and external alike, truly do become markets of one.

Companies that can master the convergence of these two trends are in a strong position to take advantage of a third – today's pervasive culture of cost-consciousness. If you've been leading a business over the past two years, you know full well cost pressures are all but forcing companies to seek and exploit innovations. Not only are mass customization and **cloud computing** changing business models and customer experiences, they're allowing that to happen while also driving down costs.

You don't need a crystal ball to see where this is going. Throw in trends like globalization and the talent crunch, and you have a competitive environment unlike any in recent history. Customization means reconfigurable services that can turn on a dime. The continuing evolution of distributed computing means that anybody can get any kind of information and process any kind of transaction at any time from any place. Barriers to entry melt in the face of new, technology-enabled business models. It's a fractal future – and I think it's here to stay.

If you're not familiar with the term "fractal," it is a very neat mathematical concept discovered in the 1970s. It refers to a pattern that is repeated at ever smaller scales to produce shapes that can't be represented by classical geometry.

In business, the meaning is similar. From a distance you see one kind of picture. And as you zoom in, you see smaller versions of that same picture repeated again and again and again. That means you can take advantage of common patterns at each and every level of analysis – enterprise, business unit, geographies, product portfolios, individual SKUs, individual customers, individual transactions, all the way down to individual pieces of data. You just have to be able to see them.

For many, this future is an exciting world of new opportunity. That's certainly how I look at things. But it also comes with risk. With every big upside, there's a potential downside. It's important to be doubly smart as we move forward toward what's next. That means embracing complexity when it's real, simplifying where we can and having the insight to recognize the difference.

You can expect that and more from Deloitte Debates in the year ahead as we examine the complex layers and choices that organizations must navigate to grow and create value.

I have the privilege of being surrounded by some of the world's most accomplished professionals – in strategy, technology, talent, tax, finance and risk management. We have the capabilities and experience to help clients in their efforts to examine the many levels of opportunities and risk. We can help them as they make sure they leave no stone unturned in the pursuit of profitable growth in these uncertain times.

For more information, please visit: www.deloitte.com/us/debates/fractal.

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