

Video transcript

Michael Maness, Co-founder – Subculture

The ‘Universal Arc’

The ‘Universal Arc’ is something that I found, it's a pattern that repeats across history, across businesses – it's cultures, cities, civilizations. And what I found by doing that is there's a spark, an origin, that happens. It's a divergent idea that is the beginning of the arc. And it's just, maybe, a person or a few people's idea of the future - that could be different. And they build a team around them, and they find different people from all walks of life, to build that new thing.

And what happens is, if they're successful and it grows, then they become an organization. And they have to do everything organizations do, which are smart, which is: I've got to structure everything now, I've got lawyers, I have HR departments, I have accounting – I have to do all those things that make a business run. And if you're successful with that, then you reach the pinnacle (the top of the top of the arc), which is what we call the ‘sustain and defend’ period – and that's because you've won.

So now you just got to keep doing what you've done, better, and defend against possible competitors that come in. And that's really where your growth would happen and that has been a 60 or 70 year run for a lot of companies for a long time. That run is not happening that long anymore. What happens in that moment is, you become complacent and you start forming what we call successful stagnation where, from the outside it looks like you're doing pretty well. Your balance sheet actually might look like you're doing well, but what you're missing is top line growth. And so, the thing that got you there the thing you've grown to, you can't do anymore. So, what you have to do is acquisition, you might be laying off people. You might be moving to other markets around the world and it feels like you're doing something at first, but really, you're just expanding what you've done all the time.

The reason that's dangerous is those people at the beginning of the arc – that were divergent and emergent, that had ideas about how to build it – are all gone. They don't want to work in a place that's that structured any more, or that they can't get ideas through. And what happens is a disruption will occur, and disruptions always happen. Eventually, every market will be disrupted in some way. When that happens, you don't have the talent, or personnel, or even mindshare to make a difference happen. When that happens ... I talk about the arc – I call it the arc because it looks nice and symmetrical – but really it's a cliff. And once that disruption happens, it's really driving off and it happens so fast that you can't recover.

It's important to businesses to realise because the way you're managing depends on where you're at on the arc. For example, when you're at the beginning of the arc, it's all about trying to grow. I've got to hire talent, I've got to get the right people, I've got to get this up – it's all about speed. We've got to develop processes and structures and have those things going. And that's very important in the divergent, and then you switch to a convergent mindset, which is like: “Okay, now how do we maximize this, how do we create efficiencies and resources and do those things that make the business really sing.” You know how to do it, let's do it often and with more fervour.



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The problem with it is that you're starting to sacrifice your divergence for it. So, for businesses, what they have to realize is: being calibrated about where they sit. So, when you're on the left-hand side of the arc, the danger is that when you get to 'sustain and defend' that you become complacent. So, what we always try to tell people is: don't say complacent, you have to look back and start things, you have to start that arc all the time. So, it's really about having a portfolio and there's two types of portfolios: there's a portfolio of goods and services that people are familiar with. But there's also a portfolio of innovation, which is: what kind of businesses do I have and where are they at on the arc? So what you want to look at, is step back and look at the catalogue of what you have and say: "some of these things are fading, some of them are still growing, and then we have things that we have to be starting". And if you don't have anything in the "things that we're starting", you'll be in trouble. So that's where you want to create that calibration and portfolio approach, to keep you from being eliminated.