

BACKGROUND BRIEFING

# The Differences Between First, Second, Third and Fourth Generation Business Systems

**Our Mission**

We exist to help set people free.

**Our Values**

- Integrity
- Intelligence
- Information
- Insight
- Integration
- Inspiration
- Innovation

**Our Standards**

Do only the right things for only the right reasons.

Relationships before results.

People before profit.

Cause before effect, always.

**Disclaimer**

The information in this report is intended for educational purposes only.

Readers should seek competent professional advice before taking any action based on the contents of this document.

**What are Fourth Generation Systems?**

In most fields of human performance we are either at, or rapidly approaching, what we call the Fourth Generation of achievement.

The First, Second and Third Generations are the result of a logical progression toward improving our performance. But as the results become more complex at each stage, and we travel further and further from our objective, it becomes very easy to lose sight of what we originally wanted to achieve. On top of all this, improvements in results tend to be incremental only — there’s little or no exponential growth.

The Fourth Generation is the result of *lateral thinking*, where we realise that, although progress is being made, it’s getting slower and we seem to have lost sight of our goal. We’re often so busy dealing with the extra problems created by our “improvements” that we lose direction altogether. There’s an old saying that sums this up well:

“When you’re up to your — in alligators, it’s easy to forget that you’re here to drain the swamp!”

Looking back to where we began, it can be hard to see clearly because of all the clutter along the way.

We need to step sideways to get a clearer view, by-passing all the generations of progress and their increasingly complex solutions that obscure our view.

When we do, the breakthrough to “The BIG Picture” usually occurs. We can see it all from a higher, broader perspective — the cause-and-effect relationships at work, where we became lost, and how to fix it.

T. S. Eliot captures the experience eloquently in his 1942 poem, *Little Gidding*.

We shall not cease from exploration,  
And the end of all our exploring  
Will be to arrive where we started  
And know the place for the first time.

The reason why so few people are willing to make this sideways step is simple — we’re returning to where we started. Most of us see that as failure. It’s not. It’s the “Bow and Arrow” Principle at work:

“If you want to hit your target with maximum speed, power and accuracy, the first thing you have to do is *pull back*.”

**How to Identify First, Second, Third and Fourth Generation Business Systems**

**Briefly...**

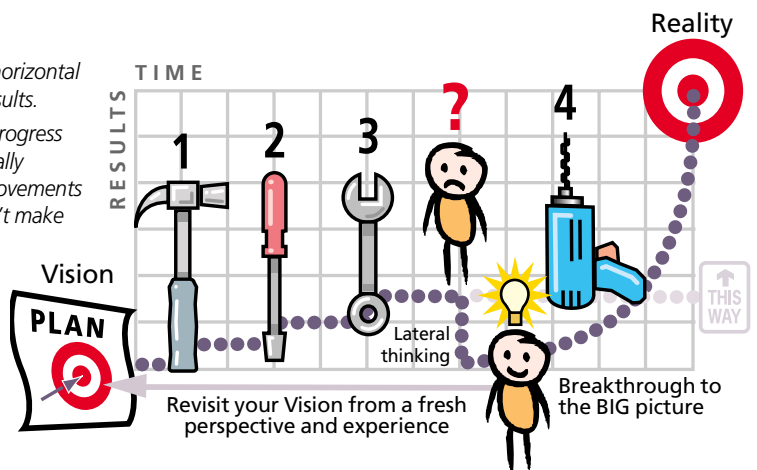
- Fourth Generation systems of any kind will only operate successfully on Fourth Generation principles — and it’s those unseen principles that make Fourth Generation systems so profoundly different to other systems.
- Fourth Generation systems cannot operate on First, Second or Third Generation principles or practices. *They revert — automatically — to the same Generation as the principles or practices being used.* It’s no longer Fourth Generation.
- Network Marketing is different from conventional First, Second and Third Generation business systems precisely because it’s the only Fourth Generation business system ever to evolve.
- It’s not necessarily different in its structures or methods. These are, in fact, where *the similarities* to other systems are usually found. But, because we’re so often misled and distracted by similarities,

**From Vision to Reality**

In this graph, our vision is represented by our plan. The horizontal axis represents time, while the vertical axis represents results.

The incremental improvements in results gained as we progress through the First, Second and Third Generations eventually cease. At the Third Generation, where incremental improvements are often only marginal, it becomes clear that, if we don’t make some kind of breakthrough, we’ll never hit our target.

If we step sideways, back to where we first began, revisit our vision from the fresh perspective of lateral thinking, combined with the experience we’ve gained, we can make the critical breakthrough to the BIG picture, see the cause-and-effect relationships at work, and create ways to access the leverage and exponential growth available to us as our results sweep upward toward the realisation of our vision.





we fail to recognise the true differences. So we continue trying to make Network Marketing work like a more familiar First Generation system.

- By becoming independent, then teaching our people to master the knowledge, attitudes and skills that will make them independent, too, we create *synergy* through *interdependence* and acquire the freedom to create our own reality, based on integrity, trust and co-operation.
- The selfish, manipulative, competitive, Win-Lose, dog-eat-dog, deceptive, exploitative and ultimately self-defeating motives, attitudes and behaviour that typify First Generation business systems have no place in a successful Fourth Generation system.
- The truly successful Network Marketing leader understands that results are the product (or effect) of Win-Win relationships. Putting relationships first guarantees ongoing results. Putting results first ensures the end of the relationships — and the hope of any more results!

### It's all in the nature of the relationships

The same principles apply to systems — including business models — as apply to personal relationships. *Things are rarely what they seem to be.*

Distinguishing between the various generations is a simple matter of identifying the nature of the relationship involved, because the basis of that relationship reveals the true motive of the controlling party — which, consequently, determines the attitudes and behaviour of both sides. The important thing to remember, especially in Network Marketing, is this:

“Fourth Generation systems will only operate successfully on Fourth Generation principles.”

Trying to operate a Fourth Generation system on First Generation principles makes about as much sense as trying to launch a space shuttle by sitting in the cockpit and flapping your arms.

In other words, you cannot build a successful Network Marketing business on the self-defeating, “Win-Lose,” dog-eat-dog LACK of principles that's the classic hallmark of First Generation business practice... the Law of the Jungle.

And please... before you fire off an indignant letter, phone call or e-mail defending your First Generation organisation and practices, look beneath the thin veneer of civility at *the reality* involved.

If nothing else, the recent era of “downsizing” should have demonstrated clearly that there's no such thing as loyalty or security in business organisations, government departments or agencies. Not even for management. Ever heard the old saying “*the higher you rise, the closer you are to the door?*”

### First Generation Systems

These are defined by *master-servant* relationships, in which one party holds control over the other(s). This includes employment, bond-servitude and slavery (Employed people aren't referred to as “wage slaves” for no good reason.)

In a normal employment situation, this can become quite complex, with control exerted over individuals and groups by unions, government regulators, pressure groups, the management chain, employer bodies and other vested interests — including ambitious or defensive bureaucrats.

This can also include franchise and Network Marketing companies where the agreements impose one-sided, “Win-Lose” control. It also includes Network Marketing distributor organisations where leaders encourage people to become emotionally dependent on them.

(Agreements that confer reasonable protection of the strengths that give the parties their true value in an interdependent relationship should not be confused with contracts that impose control. This can include protection of intellectual property, such as trademarks, brands, patents, copyrights, etc. These agreements are, in reality, protection against parties who are deceitful — they're legitimate contingency strategies.)

### Second Generation Systems

These are systems based on *independence* or self-reliance. They include “self-employment” as a sole proprietor. When a master-servant relationship is entered into that imposes any degree of control over the other parties (for example, when you hire an employee), the system reverts to First Generation, automatically. Partnerships are rarely Second Generation. They are either First, Third or Fourth, depending on the reality of the relationship between partners, not just the appearance of those relationships.

### Third Generation Systems

Definable as any system where genuinely independent people co-operate to add leverage and create synergy that produces greater results than they could achieve individually. This can apply to co-operatives, some franchise operations (rare), sub-contracting between independent professionals and trades people, and to the misunderstood and poorly managed concept of contract labour.

It also applies to “Network Marketing” businesses that are, in fact, just wholesale buying clubs. If the interdependent relationship breaks down, the arrangements revert to being *Second* Generation systems. If one party holds an unfair advantage over the others, the system reverts to *First* Generation.



## Fourth Generation Systems

Network Marketing is the ONLY Fourth Generation business system yet to evolve. Everyone is treated as independent (despite their initial dependence on the sponsoring relationship). Everyone can learn to become truly independent, then teach others to become independent people, with whom they can be interdependent in order to gain more free time and real financial freedom.

However, when “Network Marketing” companies impose Win-Lose control, either through their distributor agreements, codes of conduct, or through their structures and procedures, they do NOT qualify as Fourth Generation systems. They revert to First Generation systems. When they fail to create truly interdependent relationships — such as through recruiting purely for consumption — they can only ever be Second or Third Generation systems because of the absence of leverage and synergy.

A flawed compensation plan can also create this counterfeit reality.

The key to determining where any system falls on the Freedom Continuum is to examine the basis of the relationship — *and its implementation!*

For example: franchising has *the appearance* of a Third – perhaps even Fourth – Generation business system. It operates on *the illusion* of interdependence — a group of independent business owners who use their collective strength to create better buying power, market awareness, market share and profitability.

The reality is usually something else.

Mostly, they're just *branch managers* who assume total responsibility for the success or failure of their branch of the business, and put their personal and family assets at high risk to *buy their jobs*. Because that's what they do – they trade their freedom of choice for *the ILLUSION of security*, just like they had in their previous jobs. (It had to be an illusion... they no longer have those jobs!)

Their freedom of choice is now limited to what it was in their job: stay or leave.

The key, always, is *the basis of the relationship involved*.

In this case, it's the Franchise Agreements.

These contracts are usually so one-sided that they represent a “Win-Lose” approach on the part of the franchisor. They create *dependence*, despite the *illusion* of independence and interdependence. Franchising can be more frustrating and emotionally damaging than an undisguised master-servant relationship because of this illusion.

The relationships are often strained. The evidence of

this can be found by talking to franchisees. Most see franchising, at least initially, as offering unprecedented personal freedom. Before too long, though, the hidden, negative reality begins to emerge. Frustration and bewilderment increase to the point of eventual disillusionment, and many franchisees quit because they realise that they're truly in bondage to the franchisor.

This is not intended to be a condemnation of franchising or the people and companies involved in it. Compulsion is the only way that this particular system can work successfully. By removing freedom of choice, the system ensures that you achieve specific objectives. Whether or not your *personal* goals and values are compatible with this outcome is quite another matter. Get the right perspective before committing yourself.

In Network Marketing, a genuinely Fourth Generation system can revert to a First Generation system simply because of the motives, attitudes and behaviour of individuals. By imposing control through “Win-Lose” attitudes, a First Generation leader creates a First Generation relationship with his or her people.

Network Marketing companies tend to be reactive — they become a reflection of their distributor organisations. When those distributor organisations act in First Generation fashion the companies usually respond in First Generation ways. When the distributors become Fourth Generation people, the companies inevitably adopt Fourth Generation attitudes and practices. This is cause and effect at work. You *can* transform reality.

Abuses by distributors create abuses by companies in the form of imposed control (draconian rules of conduct, or discriminatory practices). “Win-Lose” attitudes destroy integrity and trust.

What has to be realised is that Network Marketing companies are usually First Generation simply because they employ people in master-servant relationships – in administration, research and development, production, packaging, warehousing, distribution, marketing, field relations, etc. The *real* Fourth Generation relationships in Network Marketing exist *only within the distributor networks and between those networks and their Network Marketing companies*.

Discover more about Fourth Generation Systems, Thinking and Performance at

[www.fourthgeneration.org](http://www.fourthgeneration.org)  
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