



Winnovation

BY ROWAN GIBSON

Strategies with a shelf-life

Many companies once believed – and some of them evidently still do – that business models were essentially immortal. The prevailing attitude was that while product portfolios might need to be refreshed every now and again, successful strategies would remain successful for the rest of time. Shell would suck oil out of the ground, General Motors would make cars, Xerox would make copiers, and that's the way it would always be.

In a world where nothing much changed – or where things changed very slowly – the assumption was that a company could pretty much do the same thing forever. Innovation therefore became a calm, unhurried exercise in developing “new and improved” versions of existing products, funding ongoing technical research and filing industry patents. How many firms thought there was ever going to be a need to innovate more deeply and more strategically – at the level of the business model itself? Or to fundamentally rethink and re-earn their company’s right to exist on a year by year basis?

Go back a few decades and the focus was generally on developing increasingly efficient processes for delivering more of the same. But, today, with the sheer underlying speed of change in the external world, “more of the same” can very quickly lead to strategic obsolescence.

For some companies, it’s a technological discontinuity that causes all the trouble. This is what happened to Wang in word processing, and to Atari and

later Sega in videogames, when the next wave of technology superseded the old. The same fate befell Schwinn, the original leaders in the U.S. bicycle market, when their business was destroyed by the disruptive advent of the mountain bike. Remember, too, that the venerated Encyclopedia Britannica was knocked off its proud pedestal almost overnight by something as banal as Microsoft Encarta, when a simple CD-ROM displaced a shelf-filling set of printed volumes.

For other firms, the disruption might come from a market discontinuity. Suddenly, they find themselves facing new and very aggressive competitors who have a more effective business model than they do. Remember Xerox in the early 80s, for example. The company didn't even notice the threat from the Japanese until its earnings dropped 50% in one year alone – 1982. Or it could just be a sudden shift in consumer tastes. In the U.S., for example, Krispy Kreme doughnuts were doing just fine until low-carb diets reshaped the food industry. That's how quickly and mercilessly the market can change.

These days, strategies can have a very short shelf life. Their underpinnings are being regularly shaken and they die much more quickly than in the past. "This company will be going strong 100 and even 500 years from now," said C. Jay Parkinson, president of U.S. based Anaconda Mines – just three years before Anaconda was bankrupt.

The bottom-line message here is that linear thinking is useless in a non-linear world. The things that got your firm where it is today are seldom going to be the things that will keep it there. The challenge, therefore, is to routinely consider the unthinkable – to regularly rethink everything about your company and the business you are in, even when things appear to be going well. To illustrate the point, Meg Whitman, president and CEO of eBay, holds strategy meetings not once or twice a year – but several times each week!

Quite frankly, the line between success and failure has never been finer. Hence the imperative to continuously *reinvent* your success with radical new product concepts, new ways of doing business, new markets, new capabilities, new customers and new sources of profit. Unless you are taking deep, strategic innovation very seriously, your company's days might already be numbered.

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where you are
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seldom what
will keep you
there.**

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