

Kick

THE HABIT

Is your business ready for transformational growth?



By Nigel Lake

Have you wondered how much of your business will still exist in 10 years time? Or thought about the possibility that it may have disappeared completely? For most organisations, this is unthinkable. Around the world, the largest companies have proud histories dating back many decades. They have survived recessions, financial crises, even revolutions and world wars. Presidents and prime ministers have come and gone. New sports have been invented and new countries have been created.

The world's leading corporations have weathered all this remarkably well. Boards and management teams have learned that 'you don't fix something which isn't broken' and to 'trust the devil you know'. The business lexicon is filled with these expressions, which are in use daily around the world, even where their genesis is richly ironic. People still say, 'No-one ever got fired for hiring IBM' decades after that company had a near-death experience and had to reinvent itself almost completely. Indeed, the IBM referred to is now largely owned by Lenovo.

Most companies' strategic plans don't extend much beyond the average CEO tenure of about four years, so you might not care much about a 10-year view. Yet there is one creeping change that is inexorably altering the fabric of the world in which we live. It is so profound that it rivals any other development to impact companies since the first-ever joint stock company (the Dutch East India Company) was formed in 1602.

Its essence is deceptively simple—it is nothing more than the reality that the pace of technological development continues to accelerate year by year. The implication, however, is dramatic. We are fast approaching a time when doing things differently will be safer than doing them the same. Over the past decade, old companies with old ways of doing things have been some of the biggest losers. New companies with new ideas, run by 23-year-old college drop-outs, have been

some of the biggest winners. Indeed, the top 20 technology companies have created nearly US\$2 trillion of value in the past 15 years, a truly extraordinary track record. And their financiers were new businesses too—very few of the world's leading superannuation funds invested in these maverick start-ups in their early years because the innovators were too small ever to be considered seriously.

So, as many companies prepare for their annual strategy retreats, board directors and management teams need to look in the corporate mirror and ask themselves the following questions: Am I addicted to the status quo? Is the organisation that I run holding on grimly to the past, with the futile hope of a *deus ex machina* moment in which the corporate god descends from the heavens and stops the clock of change? Do we really think that our customers will stick with the same products and solutions forever?

The answer to the last question is easy. There are very few companies that provide the same types of services to the same customers in the same way as they did a century ago. Indeed, the past 20 years have seen more dramatic changes in more industries than has ever been witnessed before in corporate history. And yet the truth is that we have become chronically addicted to the status quo. Even some of the world's most creative companies, such as Apple, have

struggled to deal with the amazing pace of innovation.

Like most addictions, our unthinking trust in what has worked in the past is very hard to escape. In my day job as a corporate and strategic adviser to large companies and governments around the world, it is abundantly clear that the status quo is seen as an old and incredibly trustworthy friend.

At one level, this is entirely unsurprising. Senior business leaders have decades of experience as to how to make decisions, and many have learned that major change involves substantial risk. They have worked in an era that has seen dramatic increases in the sophistication of management decision-making, supported by rigorous financial analysis in the form of discounted cashflow models to ensure a robust approach to making the largest of corporate decisions. Few have the time to think about these tools themselves, or to realise that discounted cashflow models date from the same era as Liquid Paper and Polaroid cameras.

On a deeper level, though, this trust in the devil we know is surprising, as the inevitability of dramatic change in most major industries is almost impossible to deny. Without a doubt, the stronger the belief in the reliability of life as we know it, the more likely it becomes that an aggressive innovator will walk in, sit down, and quietly eat your lunch.

This has happened in a number of major industries over the past 15 years. In advertising, Google came along and took almost all the new online advertising segment; it still holds onto a large part of this today. In mobile phones, Apple and Samsung displaced Nokia and Blackberry. Nokia went from being a US\$100-billion company to a US\$10-billion company in 10 years, and Blackberry has fallen even further. In automobiles, Tesla is doing exactly the same thing today to Chrysler, Ford, and General Motors.

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Silicon Valley has created enormous wealth, not just through technological innovation but also by transforming industries that have clung on too strongly to the past. Judged from the perspective of a Santa Clara entrepreneur, many of the world's largest industries look ripe for dramatic transformation. The most vulnerable share common features: They are highly consolidated, with large, entrenched competitors holding great market power. They generate high amounts of profit in absolute terms (even if returns on capital may be moderate). And there is a recurring theme that customers are a little less than thrilled with service standards, choice, and price. Unsurprisingly, every company believes itself to be customer focused—without customers there would be no revenue and no profit. In many cases, however, the focus on the customer mostly reflects a determination to extract as much as possible from that customer's wallet.

If you are ready to face up to this challenge, then it is time to develop a corporate bucket list. Imagine that you are sitting around the boardroom table the day the liquidators walk in and take responsibility for closing down the company. What are the actions that you would most wish you had taken before that sad day occurred?

For some organisations, drawing up a bucket list will be very easy. There will be long-established and well-understood challenges that have never been properly addressed. These are nagging problems that have never become a short-term priority, but which everyone knows are a significant, long-term threat to the organisation's survival. Once these are highlighted on your corporate bucket list, hopefully attention will begin to focus on how you can begin to address these challenges.

For those who find contemplating their company's demise hard, spend a little time looking at the list of household names that have

disappeared over the past few decades. While the many failures in financial services may linger fresh in your mind, these dramas are not confined to the banking sector. Airlines such as Pan Am, Swiss Air, and Ansett Australia disappeared in a flash. Woolworths, one of the UK's oldest retailers, died suddenly after decades of decline. Polaroid and Kodak, two of the oldest names in photography, 'died' in the digital revolution.

Companies love the status quo. It represents safety, stability, and a predictable future. The frightening reality is, however, that the status quo is no longer your friend. The assumption that your industry will be the same in three years time as it is today is a dangerous one. This is a huge challenge for businesses—after thousands of years of building instinctive responses that depend on the future being the same as the past, kicking the habitual love of the status quo is a real challenge.

The good news is that your bucket list should provide a powerful indicator of the best opportunities to transform the performance, reach, and impact of your organisation. Will you seize this opportunity and kick your addiction to the status quo? Will your organisation draw up its bucket list and then tick the items off one by one? Or will you sit back, celebrate complacency, and watch others own the future? •

About Flashpoint

Very few businesses can rely on incremental growth to ensure long-term success. The safety of the status quo has been consigned to history by technological innovation and the accelerating pace of change. In Flashpoint, we explore potential disruptions and inflection points in major industries, and provide tools to help leaders guide and support their teams through this environment.

About Nigel Lake

Nigel is Joint CEO of global advisory firm Pottinger and is an entrepreneur with a passion for diversity, innovation, environment, and action. He is author of *The Long Term Starts Tomorrow*. Follow him on Twitter at @Nigel_Lake.