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Out With the Old, In With the New

The title of this month's article is one that many of us use to ring in the New Year. It also has significance for business in the current economic environment. In 2011 we saw firms such as Nokia and Research In Motion (RIM), perennial growth companies, post disappointing results and lost their positions as market leaders. Both companies displayed an inability to respond to marketplace changes. Nokia was not prepared to deal with the rapid growth of cheap substitutes from Asia. RIM thought its business model provided the preferred solution to the Smartphone and Apple's touch screen technology. Both companies had relied too heavily on current operations and not spent enough time and resources understanding changes needed for the future.

In his book *Creative Destruction*, Richard Foster builds the case that a company's long-term success is dependent on its ability to adapt so as to keep pace with the marketplace. In most cases the changes required are transformational and explains why managers hesitate to explore or pursue change. But research by Foster indicates that if companies do not get better at adapting to a changing marketplace, their long-term performance will suffer, as was the case with Nokia and RIM.

Here are three things you can do to improve your organization's ability to adapt faster to marketplace changes:

1. Understand emerging competition in your industry.

This begins by understanding the unmet needs of your consumers and customers. By identifying the competitors that are attempting to exploit new opportunities or skills, as Apple did with touch screen technology, you will gain a better understanding of business opportunities on the horizon.

2. Build into your planning process divergent thinking.

To escape a short-term mindset, broaden the context of your decision making by practicing divergent thinking: conversation, observation, and reflection. The objective in divergent thinking is to ask the right questions so the focus is on solving long-term issues.

3. Create and manage a portfolio of initiatives.

Identify strategic projects focused on medium and long-term growth opportunities. It fosters experimentation, helps organizations tolerate small failures, and enable ideas that can lead to big successes.

Taking these actions will ensure your organization will be proactive in adapting to future opportunities and threats. According to Foster's 2001 research, the average anticipated tenure of a company on the S&P 500 was 10 years. Even in today's marketplace, given the right strategic thinking, current performance can be sustained.

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Dick Albu

LinkedIn



Rob Krist

LinkedIn

“The right of any corporation to exist is not perpetual, but has to be continuously earned.”

Robert Simons from his book *Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal*.

execution of key strategic initiatives. Our mission is to help our clients achieve and strive to exceed all their business objectives by establishing strategy management an organization competency and part of everyone's day-to-day responsibility. We work collaboratively with goal driven, proactive CEOs of middle market companies that are open to new ideas and passionate about increasing the value of their businesses today and tomorrow.

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Dick Albu, *President*
RALbu@albuconsulting.com

Rob Krist, *Managing Director*
RKrist@albuconsulting.com

Albu Consulting LLC
1177 High Ridge Road Stamford, CT 06905
Tel: 203/321-2147
Website: www.albuconsulting.com
