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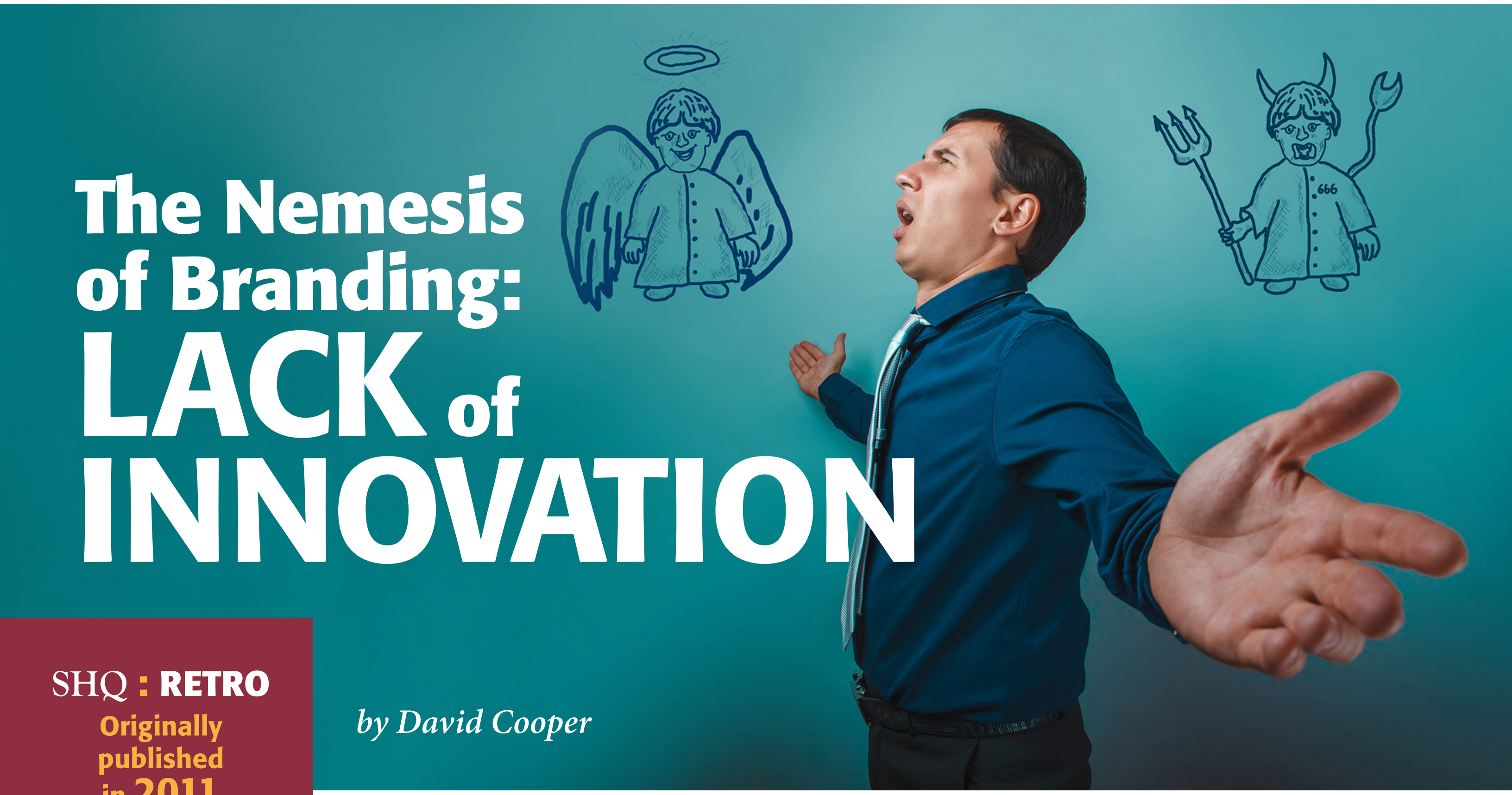
STRATEGY HQ

Fight Organizational Stagnation with a Startup Mindset

Sound strategy requires a well-managed brand, and effective branding builds solid customer relationships. But what happens when your products or services lag behind your competition? Will customers remain loyal and still choose your brand? If you answered yes, please buckle up. This will be a bumpy ride.

The Nemesis of Branding: LACK of INNOVATION



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by David Cooper

Decline of a Powerhouse: The U.S. Auto Industry

Think back to the 1950s and 1960s when most American automobiles were very similar in quality, size and other offerings. Ford, General Motors and Chrysler dominated that marketplace with arrogance befitting kings. They owned the U.S. automobile market, dictating consumer requirements for quality, style and technology. For the “Big Three,” life couldn’t get much better.

Then came the 1970s and reality. American automakers lost market share to Asian (Honda and Toyota) and European (BMW and Mercedes Benz) manufacturers who attacked the market with higher quality, original styles and creative features. How did the American automakers respond?

The absence of innovation destroyed market-dominating domestic brands, while sparking the rise of upstart foreign brands. Since then, Chrysler has merged with Daimler-Benz (1998), and Ford and GM struggle to stop their eroding brand equity and market share. What brand of automobile do you drive?

Big Blue Takes a Fall

Can you name a personal computer manufacturer prior to 1980? If you can, it's probably IBM. To say IBM owned the computer hardware and software market would be an understatement. They were the Great Dane of technology, surrounded by Chihuahuas. IBM even had the foresight to engage two young innovators named Bill Gates and Paul Allen to develop software for that product called a "personal computer." IBM was generic for technology, similar to Kleenex with facial tissue and Xerox with copiers. It didn't take long for IBM's PC domination to be challenged by the likes of Apple, Compaq, Hewlett Packard and Dell. All four of these very creative and resourceful competitors entered the PC market within a five-year period (1977–1982). What is IBM's market share today? Zero! They couldn't compete on quality, performance, distribution or price. IBM's lack of innovation from 1984-2004 resulted in the selling of its computer division to Lenovo in 2004. No innovation + no strategy = no market.

Innovation Requires a Strong Foundation

Innovation alone, however, does not guarantee market success. How many extremely innovative companies have perished? An abundance of technology companies closed their doors in the early 2000s when "innovation" lacked a solid, strategic foundation and reasonable financials. Most of those companies actually believed (and others still believe) that the buyer's encounter with advertising is the most significant branding activity. Think again.

Four Ways to Integrate Innovation as Strategy

Innovation alone does not ensure market acceptance, just as solid branding alone does not ensure long-term viability. But integrating innovation as a strategic element of your brand is a very solid business approach to establishing and managing a strong market position. Innovation takes many forms: (1) introducing new products and services, (2) integrating advanced technologies and equipment, (3) entering new categories and geographies, and (4) revamping customer service systems. Ingenuity can fuel your brand's positioning and longevity, with proper strategy and execution. For your company's success, consider your brand and innovation as conjoined, as one.

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MOVING *at the* SPEED *of* DIGITAL

by Rohan Rodney

Can traditional organizations keep up with the speed of changing customer expectations? When Tesla remotely upgraded the software in its cars, giving customers extra range to escape Hurricane Irma, the world took notice. How long until consumers expect better service from all the companies they do business with?

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Consumers are accustomed to innovative products on-demand. Companies unwilling to update their development and deployment strategies are at risk of falling behind smaller, more nimble competitors.

Agile software methodologies are being adopted by non-software development teams and companies in many different industries to offer greater responsiveness to consumers. Bringing new ideas, products, features, and enhancements to market has never been so important. Gone are the days of long product cycles, as businesses move faster to keep pace with rising expectations.

Shorter Product Life Cycles

When it comes to implementing change, smaller businesses and startups have inherent advantages over larger organizations. Change is less complex, and decisions can be made more quickly. It's no guarantee that deliverables are always higher quality, but they do make it to market faster and are iterated at a faster rate. And today, that makes all the difference. Putting out a product and intently listening to feedback, then adapting the product, is today's dominant business model. Legacy companies, burdened with policies, procedures, systems, and roles to promote uniformity, operate at a disadvantage. Of course, this system of organizational structure exists for a reason. Stability and control are necessary to move forward at a controlled, comfortable pace. Ensuring that there are no surprises and that long-term contracts are in place keeps shareholders content and placated. Keeping the ship safe and steady is more attractive than uncontrolled lurching at an unsafe speed. The correct pace is needed to maintain course—and market share. The question that legacy company leaders should be asking is "What is the correct pace?"

That pace is being redefined by smaller, agile, less encumbered companies. Decisions are made quickly, and communication flows swiftly with fewer shareholders to consult. Today's small-to-medium-sized businesses are more open to letting technology lead the business direction. The product life cycle is more fluid than ever. Entire systems and production facilities are being forced to become more flexible. Many large and rigid companies will simply be unable to weather the coming storm.

The need for more agile development and iterative releases has led to the growth of smaller businesses that can accommodate shorter product life cycles. Continuous improvement isn't a new concept, but many companies have focused intently on product and lost sight of the customer and changing expectations. Consumers are accustomed to innovative products on-demand. Companies unwilling to update their development and deployment strategies are at risk of falling behind smaller, more nimble competitors.

The Agile Advantage

Leadership must ensure that the organization can achieve its goals, but too many of today's companies are relying on economies of scale to level the playing field. When a mature, larger company is unable to adjust to the new landscape, they often attempt to acquire size to gain marketplace leverage.

These tactics don't always work, and often distract leaders from focusing on product innovation and delivery. Immense company size, of course, is not the leading cause of stagnation. However, an inability to focus on market movements, customer expectations, and iterative product development makes achieving those goals less likely. To compete with the insurgence of smaller, disruptive companies, leaders must develop agile mindsets.

Fight Organizational Stagnation with a Startup Mindset

by David Cooper

> **"The only thing worse than starting something and failing is not starting."**
> **Seth Godin**

Scrappy startups are the underdogs of today's business world. What they lack in financial resources and name recognition, they make up for in creativity and grit. Their agile business models are both the polar opposite of—and the antidote for—the rigid, risk-averse approaches that doom more mature companies.

But are slow and outdated business models inevitable for larger and more traditional companies? Or can they learn to become agile and adopt the "go for it" mentality of the lean, successful startup?

The answer is a resounding yes. Any business can (and should) cultivate a startup mindset. This mindset doesn't depend on size, age, or industry. Instead, it's a stagnation-busting attitude that thrives on authenticity and drive. Characterized by risk-acceptance, customer-centricity, and trust, it conceives of business as a grand opportunity, not a job to do, a clock to punch, or a paycheck to deposit. If you're skeptical, look no further for proof than the retail Goliath, Walmart, behaving like a spunky, inspired David.

Walmart: David, Goliath, or Both?

Consumers are already familiar with Walmart's grocery pick-up service. Their latest salvo in the grocery wars, however, took many in the industry by surprise. Starting in 2017, store associates were encouraged to begin delivering grocery orders on their way home, at the end of their shifts. Not only are they compensated for their driving time and distance, but they're given the flexibility to choose delivery days and even weight limits of the packages they'll drop off.

How will this experiment pan out, and will it even be in place a year from now? Only time will tell. Perhaps that's beside the point, though. In a way, the mindset itself is the goal. Some innovations will succeed, and some will fail—often spectacularly. Remember: The startup mindset, even when Walmart is the "startup," doesn't run from risk. Instead, it runs toward calculated risk and rewards innovative efforts.

Risk Acceptance

Startups are driven by opportunity, not fear. They understand that a culture of risk avoidance is far more dangerous than taking smart, calculated chances. They understand that an organization afraid to fail is, in fact, doomed to fail.

But if you'd like to move towards greater risk tolerance without risking it all, consider starting small. Incorporate risk into smaller units, or even new acquisitions. Decide whether you can live with the potential loss. Then take action. Both people and organizations benefit and grow from leaving their comfort zones and working for goals with no guarantee of success.

Customer-Centricity

Successful startups are also obsessed with customer-centricity. Never content with simply "satisfying" customers, they aim, instead, to delight their customer base. Moving from satisfaction to delight is no easy task, however. It requires listening, learning, and converting insight to action.

The simplest and most straightforward way to become customer-centric is by using the readily-available tools that allow you to stay close to your customer and in touch with their changing needs. Listen to, and engage, them on social media. Obtain their feedback through surveys. Track their activity with analytics tools. Technology has made it easier than ever to put your customer at the heart of every business decision.

Trust

Finally, trust is probably the most underrated element of successful startup culture and practice. You need to hire the most talented, driven people you can, them empower them with the autonomy to move quickly and decisively. The very essence of agility, after all, is the ability to move freely and easily. If your people don't feel trusted, they will hesitate, second-guess themselves, waste time endlessly struggling for consensus. You simply won't be able to pivot quickly enough. Your more nimble competitors will bring products and services to market while you're mired in politics, processes, and endless bureaucracy.

Cultivating a startup mindset has never been, and will never be, about the size of your business. You don't need a rock-climbing wall or Nerf battles, and your culture doesn't necessarily need to be centered around any age demographic. What's required is a commitment to "ALWAYS think like a startup." Take risks. Delight your customers. Make innovation more than just another buzzword. Then reap the rewards!

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So how does an organization become based in trust? The transformation won't happen overnight. Here are a few steps you can take:

- **Encourage honesty and openness about challenges. No one should hide behind a brave façade.**
- **Invest in communication tools and systems that facilitate easy exchange of ideas.**
- **Keep your word and model trustworthy behavior.**
- **Commit to an overall environment of transparency.**
- **Show everyone, at all levels, that their input is needed and valued. Empower your employees.**
- **Don't simply tell your team or staff you trust them. Instead, prove that you trust them to produce solid work and make the right decisions.**

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