

LakeEffects

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Lake Forest Graduate School of Management
Lake Forest Corporate Education

Jumping the Curve

**How innovative thinking
can take you and your
organization from
“here” to “there”**

- Flex your creative muscles
- Follow the Phoenix Principle
- Achieve business results through innovative HR
- Forget inspiration! 5 tips for digging deeper



The Phoenix Principle

How some organizations are creating new success formulas

Do you ever wonder if something you've always done, something that is part of what helped you succeed, could possibly be sending you in the wrong direction?

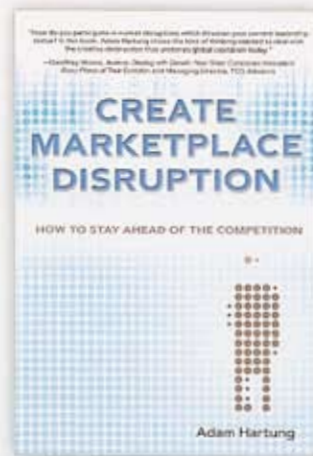
Historically, a primary tenet of business success was “focus on core.” Authors from Jim Collins to Larry Bossidy led business leaders to believe that setting a plan, then executing — including cutting out anything not linked to core — would create long-term success. For most business leaders, these recommendations struck a chord, appealing to notions that working hard enough and getting lean enough would create success.

But as we've progressed into this millennium, these recommendations have not produced the desired results. Increasingly, “great” companies are struggling. From Sears to General Motors to Lehman Brothers, leaders who focused on their cores have found themselves in trouble — or worse.

How We Got into this Mess and How We Get Out of It

In researching *Create Marketplace Disruption* and looking at hundreds of case studies over 12 years, it became apparent that “focus” inevitably created Lock-in to old Success Formulas that proved deadly when markets shifted. What had improved returns during the early life cycle became destructive when growth slowed. Although execution was often excellent, growth and results faltered because new competitors: (a) caught up with the early leaders' advantages; and (b) developed new solutions that were easily dismissed upon introduction, but over time converted customers.

In today's global economy, competitors react quickly and drive down the returns of even very successful businesses much faster than management ever imagined. Focus has not proven able to bring back old returns.



Yet there are organizations able to create and maintain competitive advantage even in today's highly dynamic and competitive global marketplace. Rather than follow the old prescription, these businesses keep themselves highly adaptable to innovation and out in front of competitors. Companies such as Virgin, Honda, Cisco Systems and GE follow the “Phoenix Principle,” which mobilizes them toward new market opportunities no matter how quickly shifts happen.

What Does Following the Phoenix Principle Mean?

1. *Planning is focused on future scenarios.* Where most organizations plan by analyzing historical customers, market segments, technologies, skill sets, and so forth, Phoenix companies emphasize future scenario development — unencumbered by current position.
2. *Obsess about competitors.* Phoenix companies don't expect customers to tell them what will be needed in the future. Nor do they depend on themselves to have prescient insight. Instead, they develop the widest possible definition of competition and obsess over actions these organizations take that could change the market.
3. *Phoenix organizations are highly Disruptive.* From leaders to managers to processes, Disruptions are used to

identify and challenge old behaviors. Rather than creating organizations that are restrictive — pushing people to “get on the bus or get out” — they go out of their way to challenge conventional thinking, conventional approaches and conventional processes. The nickname “Neutron” Jack Welch is indicative of this approach to Disruptions.

4. *Phoenix organizations create and maintain “White Space” projects* in which team leaders are given permission to violate traditional internal standards. These White Space teams are allowed to move beyond the barriers of the existing Success Formula in order to find new ways for creating revenue and profit growth. And they are given dedicated resources committed to attacking market challenges, which can keep their company in the lead.

Competition today is more ferocious than ever. Regardless of size or age, those organizations that follow the Phoenix Principle are demonstrating that they can innovate and capture superior returns as markets shift fast and hard. Are you ready to create a new Success Formula for your organization? 🚀

— Adam Hartung



Adam Hartung is currently Managing Partner of strategy and transformation consultancy Spark Partners and is the author of Create

Marketplace Disruption: How to Stay Ahead of the Competition, published by Financial Times Press in 2008. Hartung holds an MBA with Distinction from Harvard Business School, and is a faculty member at Lake Forest Graduate School of Management.