



pcma Reinventing Success



Organizational Fitness for an Uncertain World

Adam Hartung

June 8, 2009

The true secret to success might surprise you.



Core



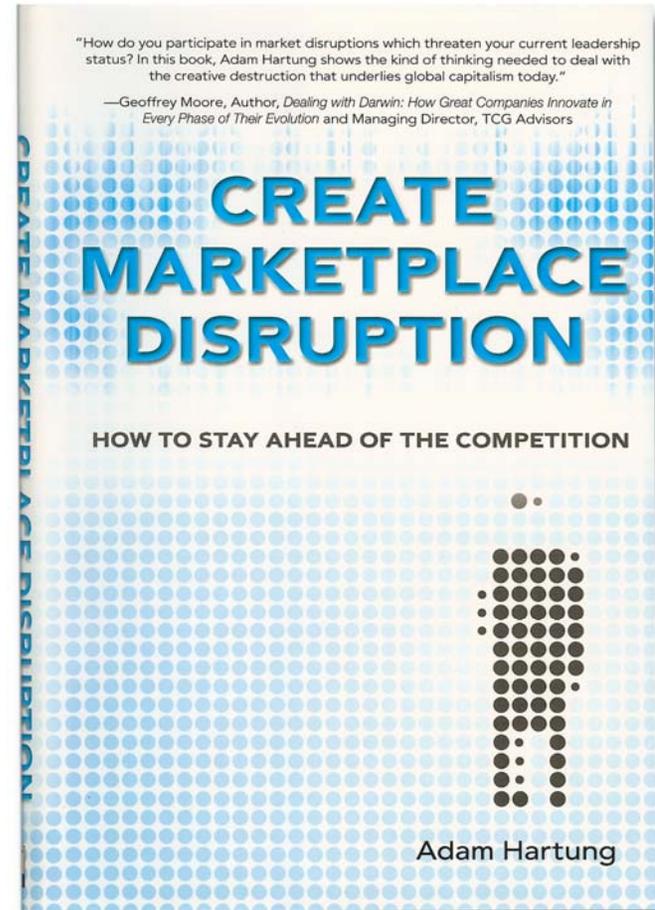
Focus



Leadership



Overcoming Lock-in



Long ago...



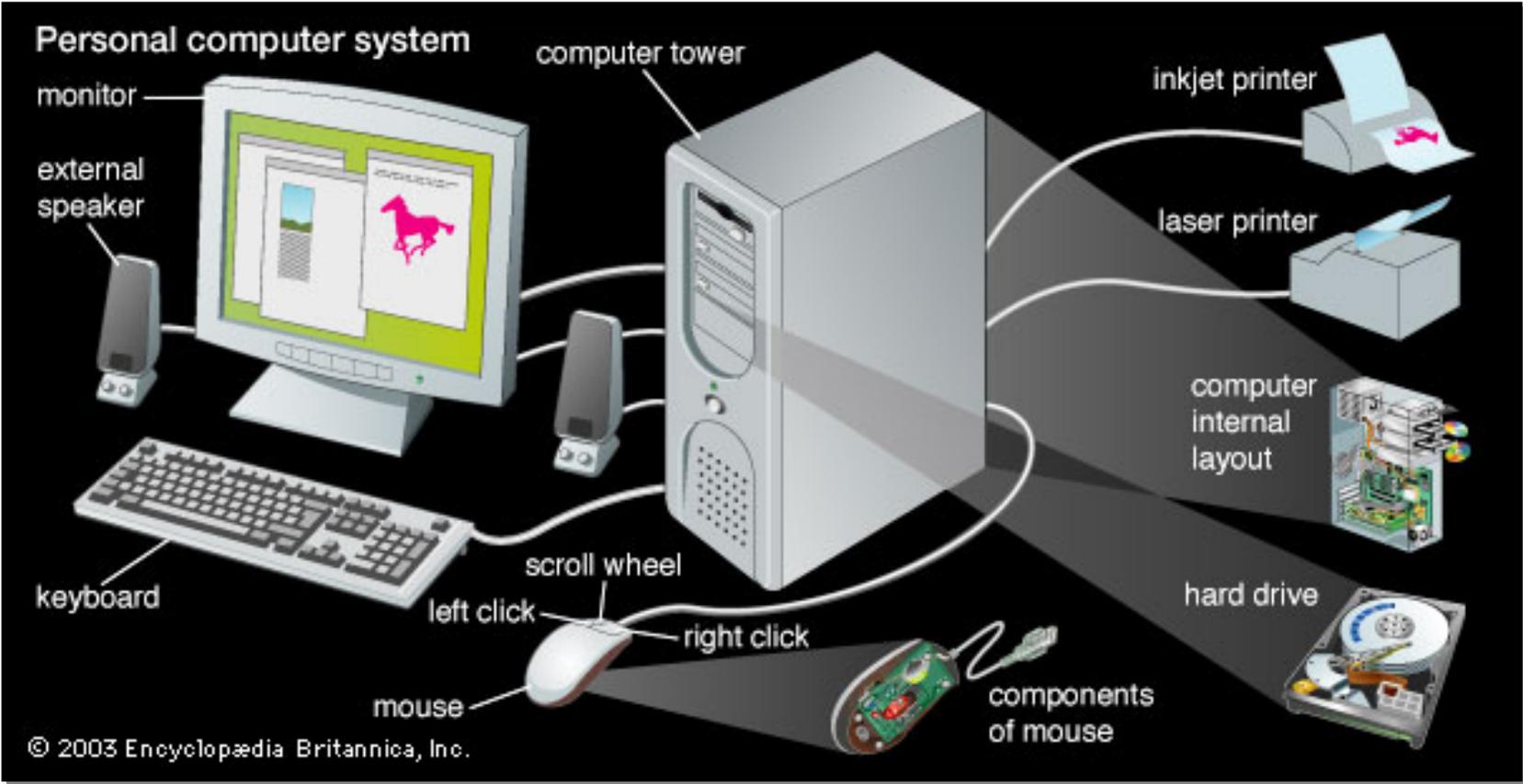
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Innovation created change.



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More innovation was developed.



Yet the change agent didn't follow the market.



THIS

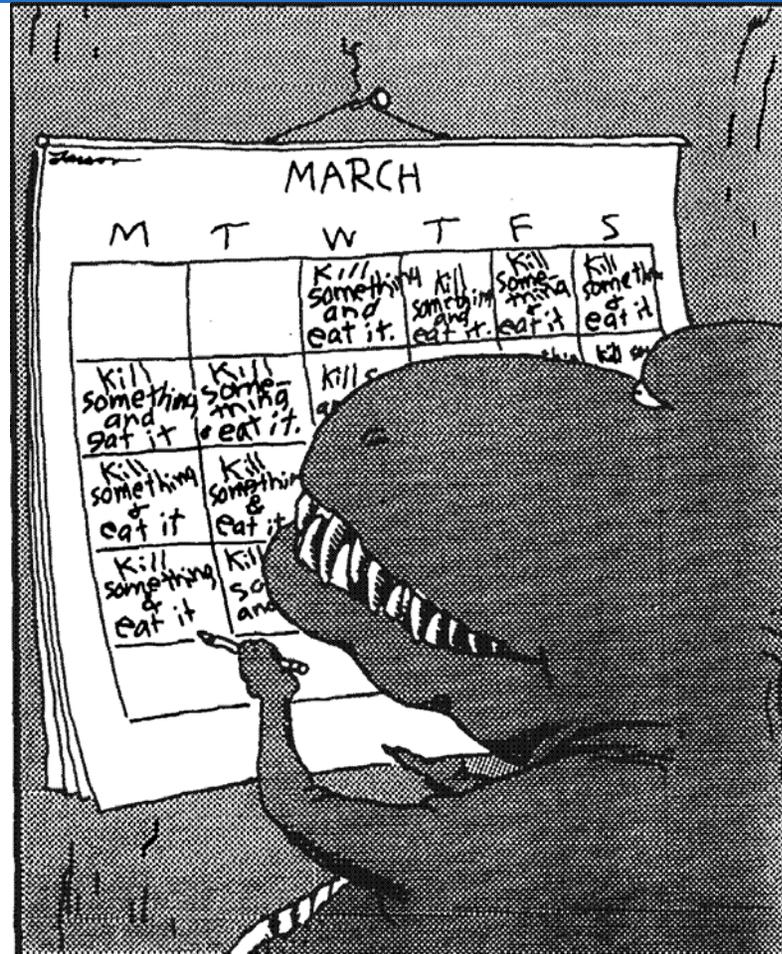


VS THIS

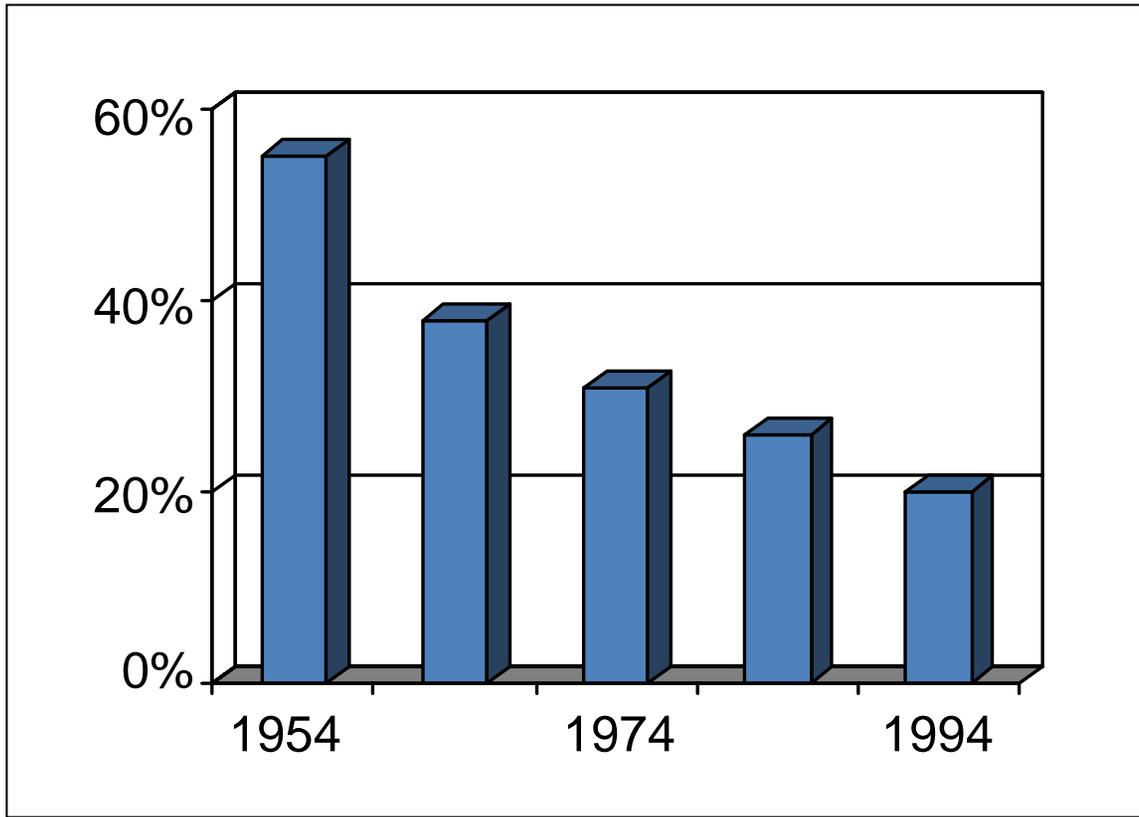


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Success creates repetition, which creates lock-in.



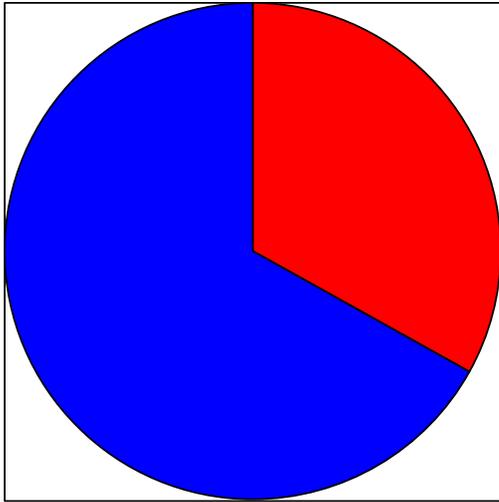
Why is it so hard to sustain success?



**Percentage Fortune
500 remaining on
Fortune 1000 Ten
Years**

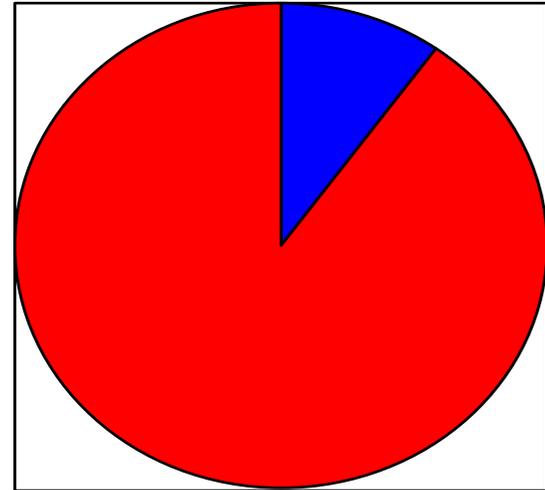
Results aren't getting any better.

Top Quartile in 2000



1/3 dropped out during the 2001 Recession

Drop Out Perf. 2005



Only 10% returned to the top quartile

And the individual business impact surrounds us.



Environmental Change Means Opportunity



**15% of current market
leaders gained their
position since 2005.**



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Success comes from somewhat surprising practices.



Be future-oriented.



Obsess about competitors.

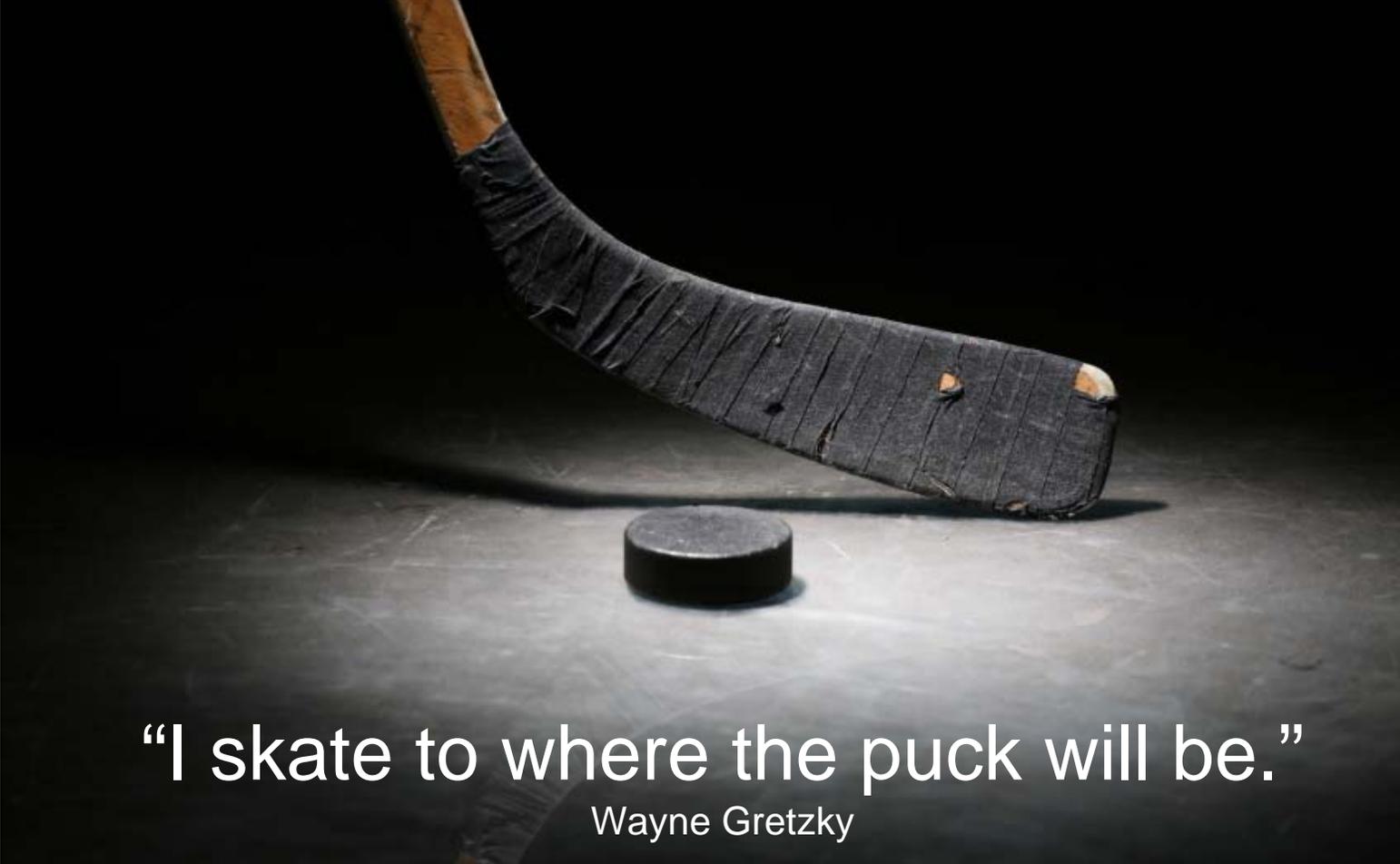


Disrupt yourself.



Create and maintain white space.

Move beyond Defend and Extend.

A photograph of a hockey stick and a puck on an ice rink. The stick is positioned diagonally, with the blade pointing towards the bottom right. The puck is a small, dark, cylindrical object resting on the ice surface in front of the stick's blade. The background is dark, and the ice surface is illuminated, showing some texture and shadows.

“I skate to where the puck will be.”

Wayne Gretzky

Step 1 - Plan for the future, not from the past.



VS



Step 1 – Look for Signs of Market Shift



Transportation Security Administration



...AND IN THE EVENT OF AN EMERGENCY, SWIPE YOUR CREDIT CARD AND FOR A \$10 FEE AN OXYGEN MASK WILL DROP.



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Step 2 - Attack competitors' lock in.



Industry Lock-in:
Customers care
about the quality
of the pizza



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Step 2 – Obsess about competition.

TED Technology
Entertainment
Design



"Icons. Geniuses. Mavericks"



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Recognize that successful new introductions Disrupt old behaviors

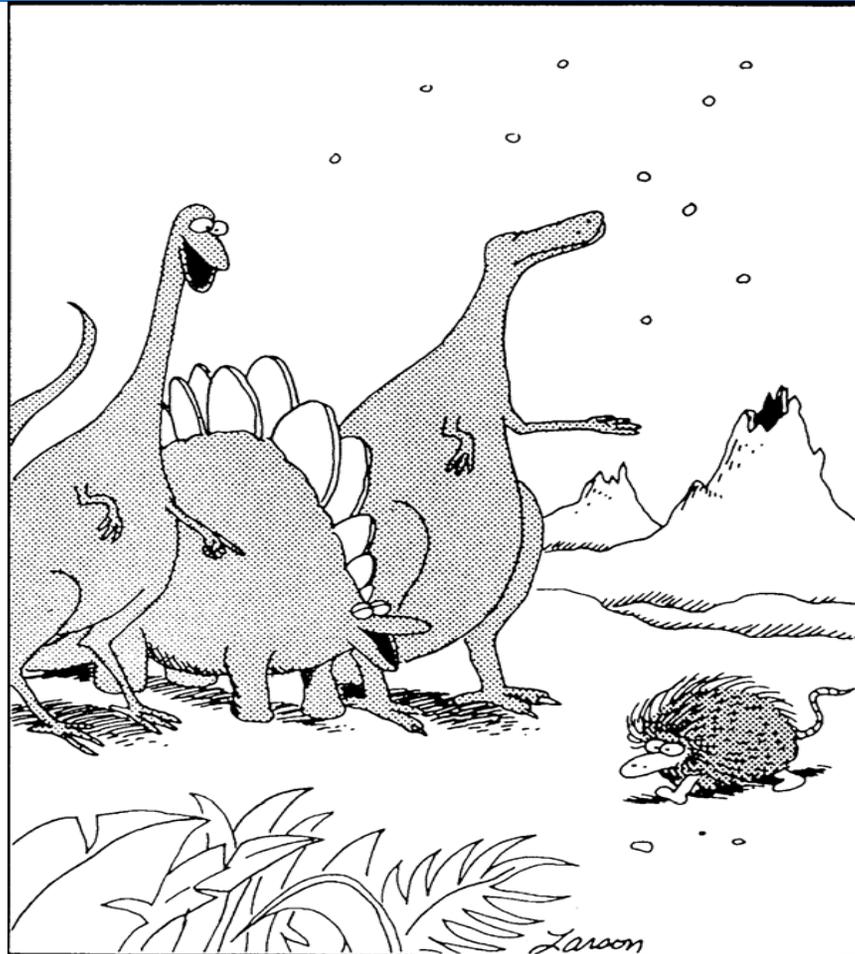
Chicago Tribune

VS.

Google™



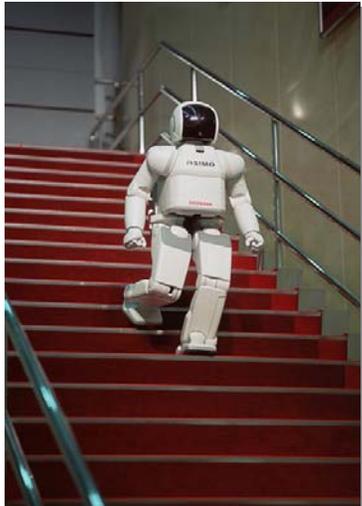
All competitors are vulnerable when markets shift.



Step 3 - Utilize disruption to change thinking.



Step 3 - Utilize disruption to change thinking.



Step 3 - Disruptions change assumptions .



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Step 4 - Disruptions open *White Space*.



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We're there
A global boom in wind turbine construction has re-energized the wind power marketplace. A number of ITW's polymers & fluids businesses are providing solutions meet this growing need.



Step 4 - Disruptions open *White Space*.



Overcoming Lock-in to the past is the key to success.



Plan for the future, not from the past.



Focus on competitors.



Be Disruptive.



Use White Space to innovate.



Contact Information.

847.726.8465

www.adamhartung.com

adam@sparkpartners.com

THE INDEX PRINCIPLE BLOG

ADAM HARTUNG. RECHARGE. REIGNITE. RE-GROW.

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24 May 2009

Market Shifts and Lifecycles - Playboy, Oprah and Skype

One of the hardest things for leaders to do is recognize market shifts. The tendency to remain focused on Defending & Extending what was always does is so great that market shifts which demand change are overlooked in the urge to improve what was always done - even as results fade.

An obvious example is **Playboy enterprises**. "Playboy denies report of \$300M price tag" was a **Chicago Crain's** headline, as rumors that the company (now publicly valued at only \$90M) was being shopped for a new owner. Playboy was founded as a "lifestyle" media company intended to meet the emerging needs of "sophisticated" adult males in the 1960s. To the surprise of many publishers and government leaders, **Playboy became a huge success**. Its magazines outsold expectations. The company grew by opening clubs in major cities where businessmen entertained. Even resorts were founded as vacation destinations. As the company expanded it moved its headquarters from Chicago, where government officials disliked the hometown anomaly, to LA. And the company acquired a 727 as the corporate jet. As revenues and profits expanded, the company went public. As recently as 2000 the company was worth nearly \$1.2billion ([chart here](#)).

But, the market changed. Women entered the workforce as one primary contributor to the clubs becoming **passé**, leading to their close. Likewise, the resorts closed as competitors - clubs catering to young men and couples, such as Club Med - did a better job of meeting their needs. The magazine became less and less viable as market shifts led to a split between pornography magazines for those who wanted photos and serious mens journals ranging from **Stereophile** and **Autoweek** to **GQ**. Market shifts ranging from America's attitudes about how to treat women, to what was needed in a serious current events or hobbyist journal, left the company's products less and less interesting. As the founder aged, the company lost track of its primary target and failed to identify a new target market. And the new CEO, the founder's daughter, was unable to develop future scenarios identifying a viable direction - or products - to keep the company growing.

At this point, Playboy has no clear market, has suffered from decades of declining revenue and profits, and investors have no reason to expect an improved return on investment. Why anyone should want to buy the company, especially as we observe that all print journalism is shrinking dramatically, is unclear.

Playboy is at the vanguard again - but this time of demonstrating the end of print media and the losses capable from ignoring market shifts. Had Playboy long ago dropped the salacious pictures and moved itself toward a growing readership - providing insights to men's lifestyle issues in sports, fashion, electronics, autos or any number of topics - it had a chance of maintaining its relevance. But the hard-core entertainment and lifestyle market

About



Do you know what the survival rate is of the companies in the Dow Jones Industrial Average since it began? One. ONE. I know why that is: How can you recharge, reignite and re-grow your company to be a long term winner? My blog expresses the answer to that question. Please join me. I'm Adam Hartung.

Contact

adam@sparkpartners.com
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"How do you participate in market disruptions which threaten your current leadership status?" In this book Adam Hartung shows the kind of thinking needed to deal with the creative destruction that underlies global capitalism today."

Geoffrey Moore, Author, *Dealing with Darwin: How Great Companies prosper in Every Phase of Their Evolution*, Managing Director, TCG-Advisors

Book Reviews

Harvard Business School Alumni Bulletin
Noel Morgan, President and CEO of Public Words Inc
Chicago Daily Herald
insightstory.com

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