

The Phoenix Principle and the New Normal (Rising from the economic ashes)

28 May, 2009

Adam Hartung



The true secret to success might surprise you.



Core



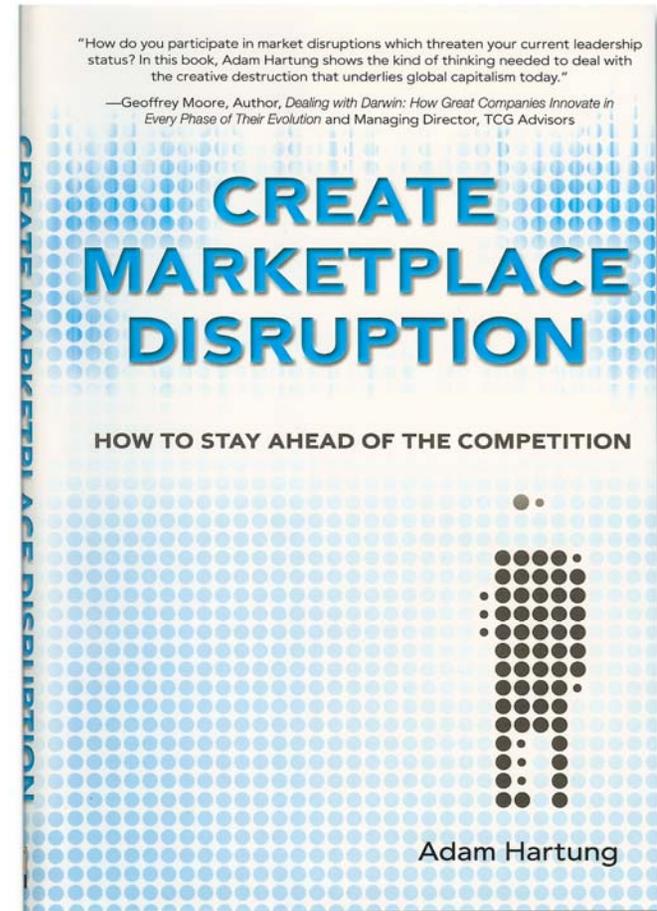
Focus



Leadership



Overcoming Lock-in



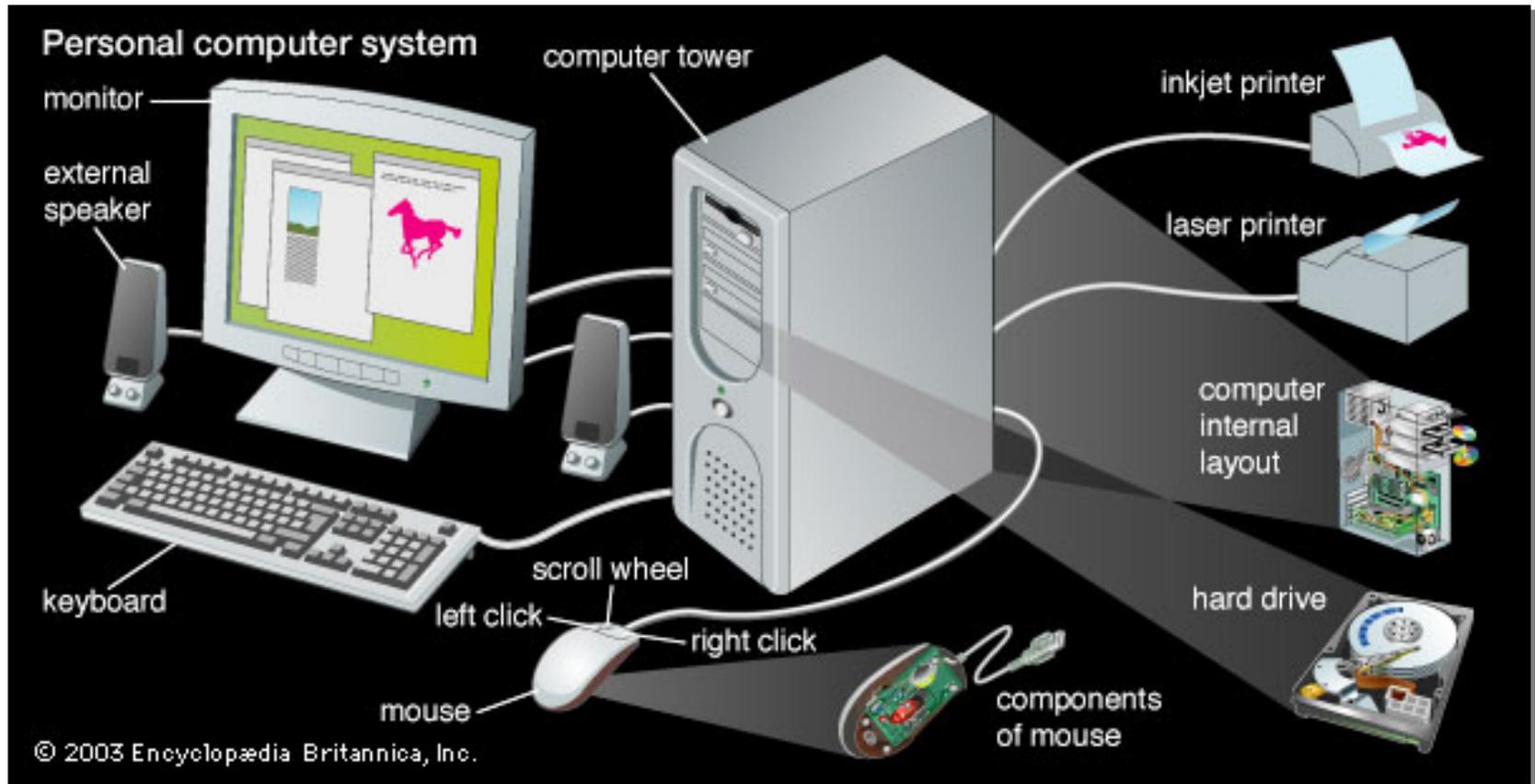
Long ago...



Innovation created change.



More innovation was developed.



Yet the change agent didn't follow the market.



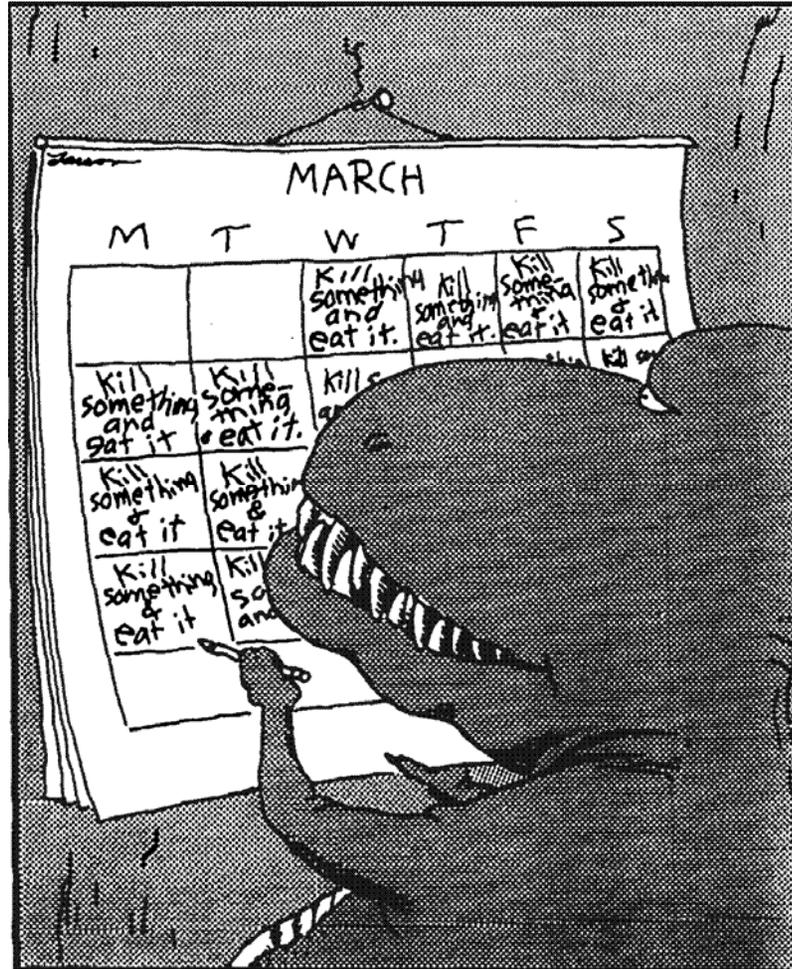
THIS



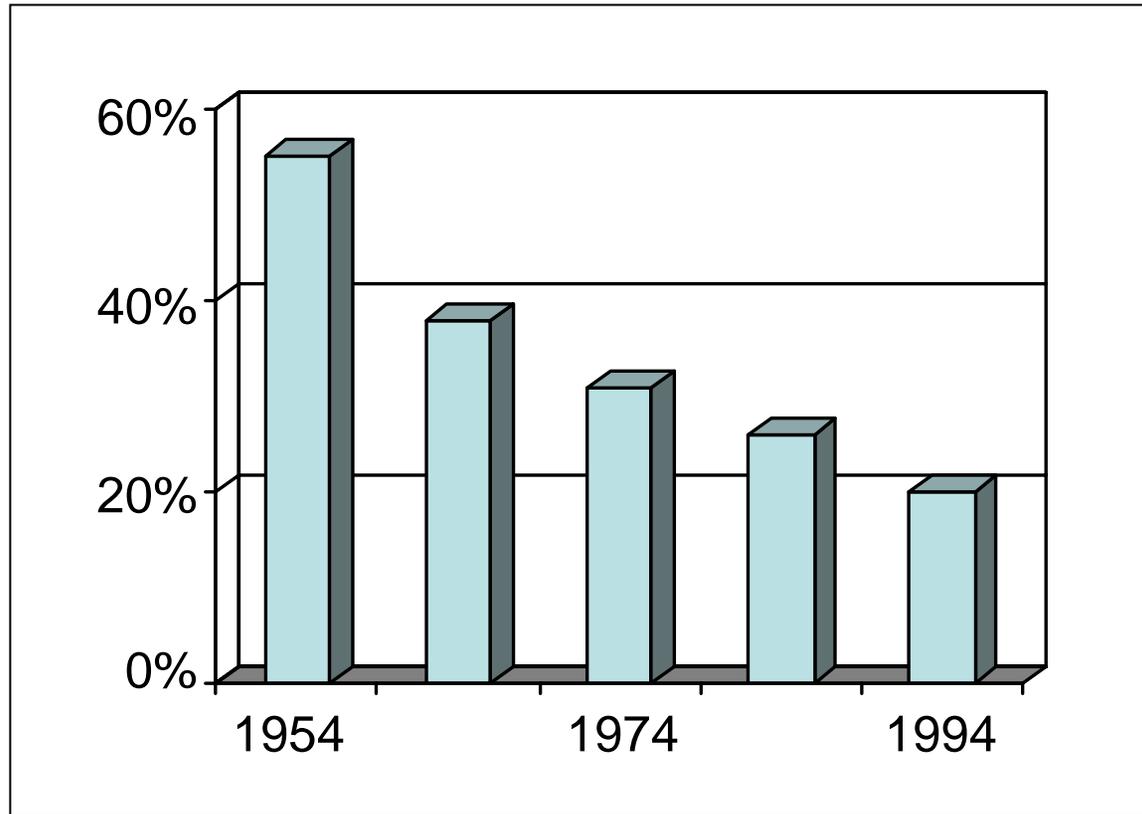
VS THIS



Success creates repetition, which creates lock-in.

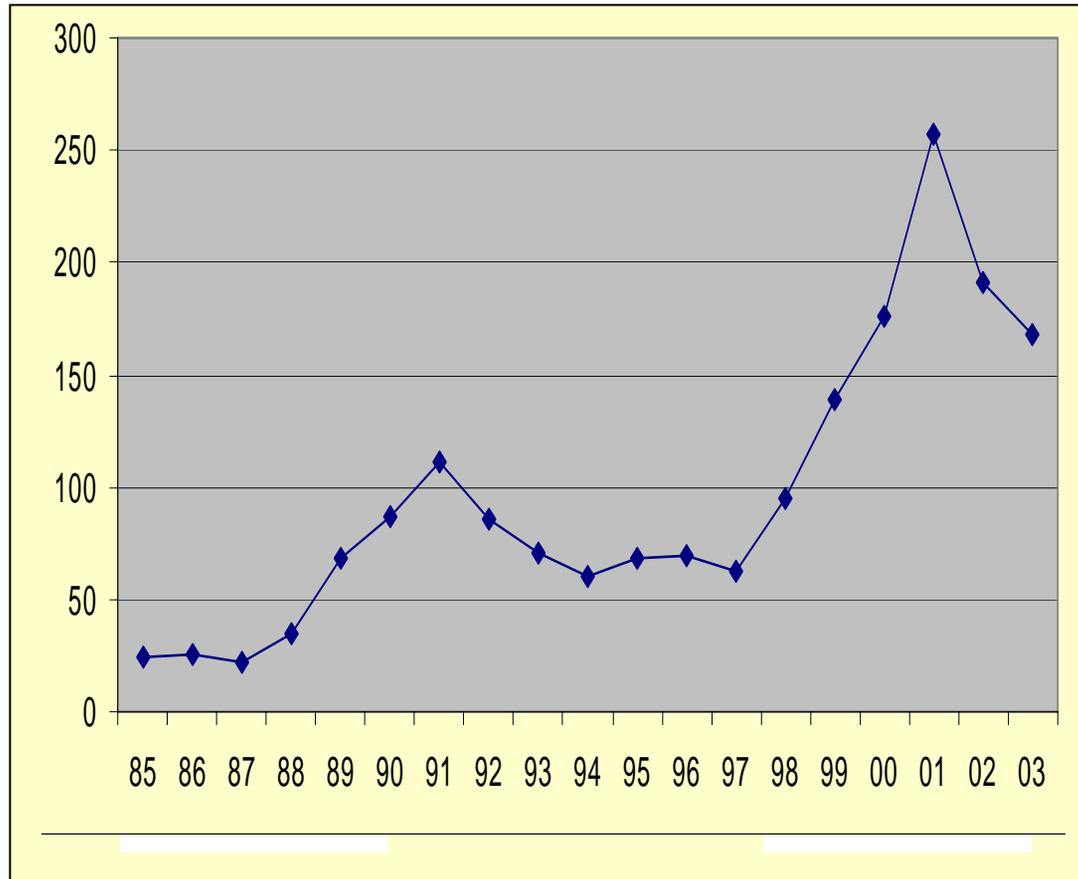


Why is it so hard to sustain success?



Percentage Fortune 500 remaining on Fortune 1000 Ten Years

Why is it so hard to sustain success?



Chapter 11 Filings - All Companies 1985-2003

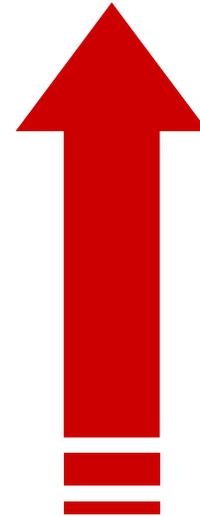
Why is it so hard to sustain success?

2001 to 2003

105

1985 to 1987

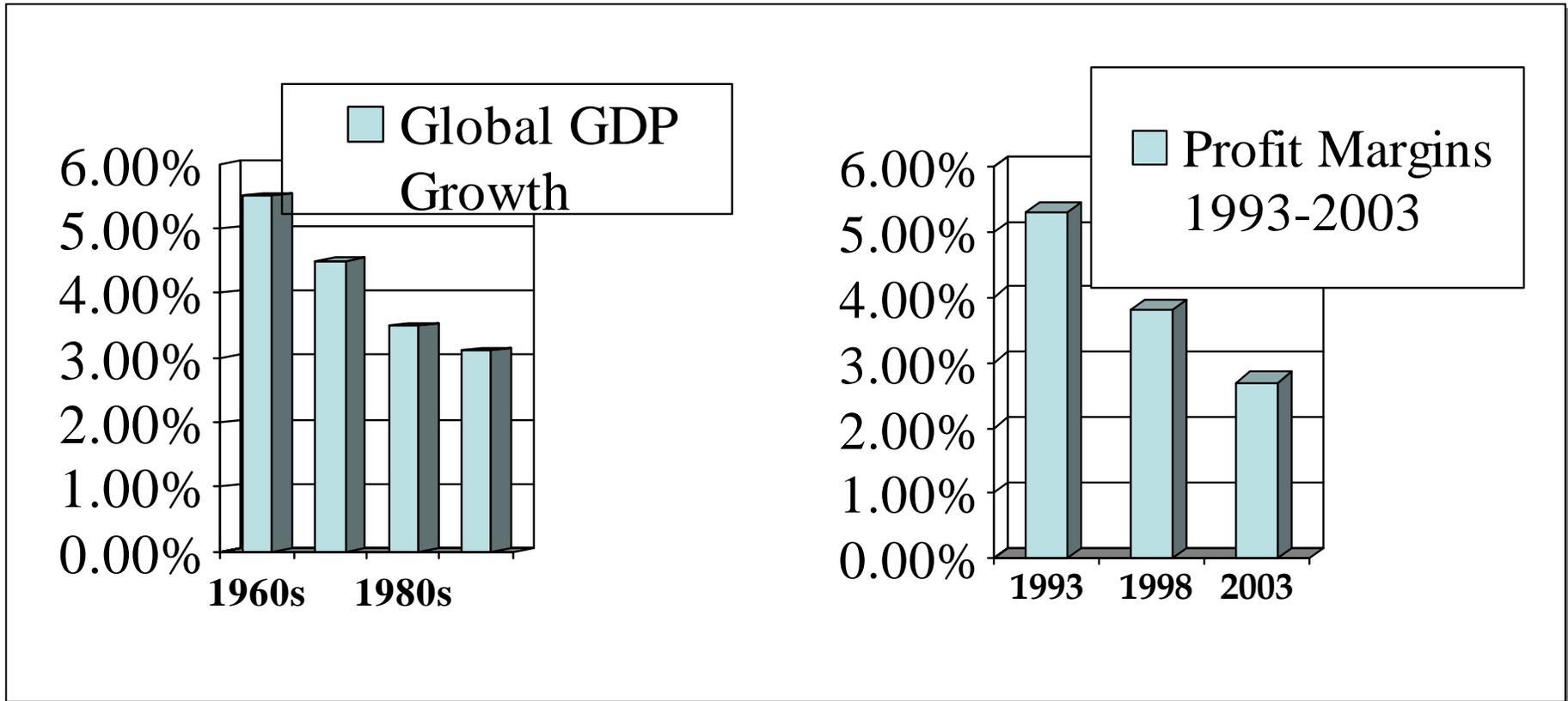
6



**1750%
Increase**

Bankruptcies of companies with assets over \$1 billion

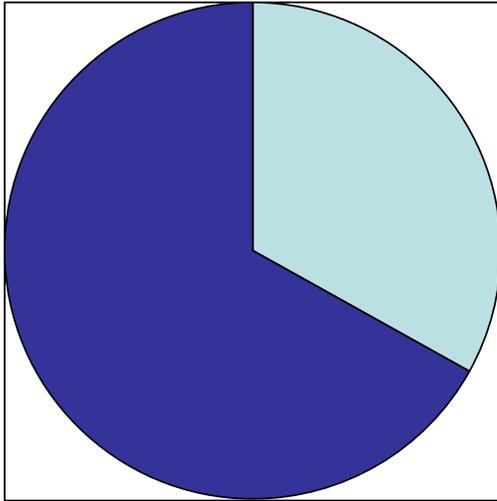
This has been a long series...



Source: The Conference Board

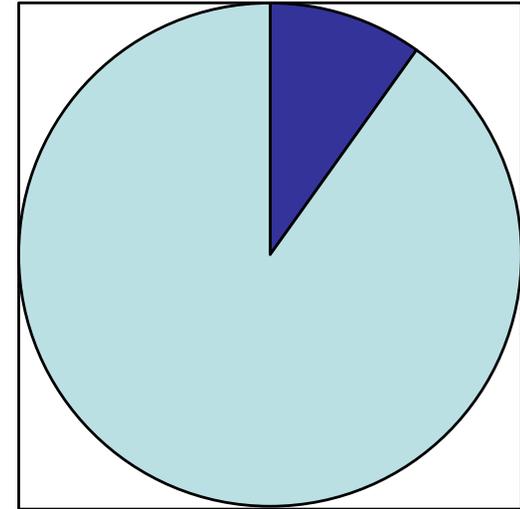
With worrisome results.

Top Quartile in 2000



1/3 dropped out
during the 2001 Recession

Drop Out Perf. 2005



Only 10% returned
to the top quartile

Source: Harvard Business Review 3/09

And the business impact surrounds us.

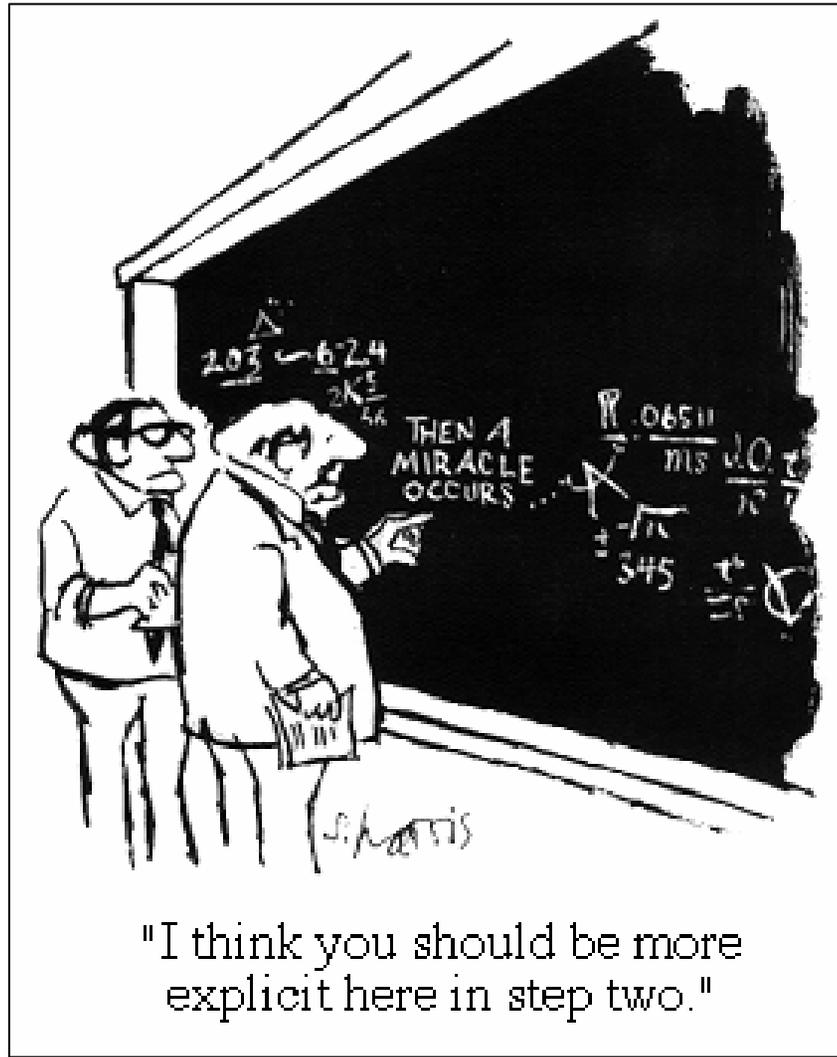


15% of current market leaders gained their position since 2005.



Environment change
means opportunity

By attacking Lock-in, you can become anything.



"I think you should be more explicit here in step two."

Success comes from somewhat surprising practices.



Be future-oriented.



Obsess about competitors.

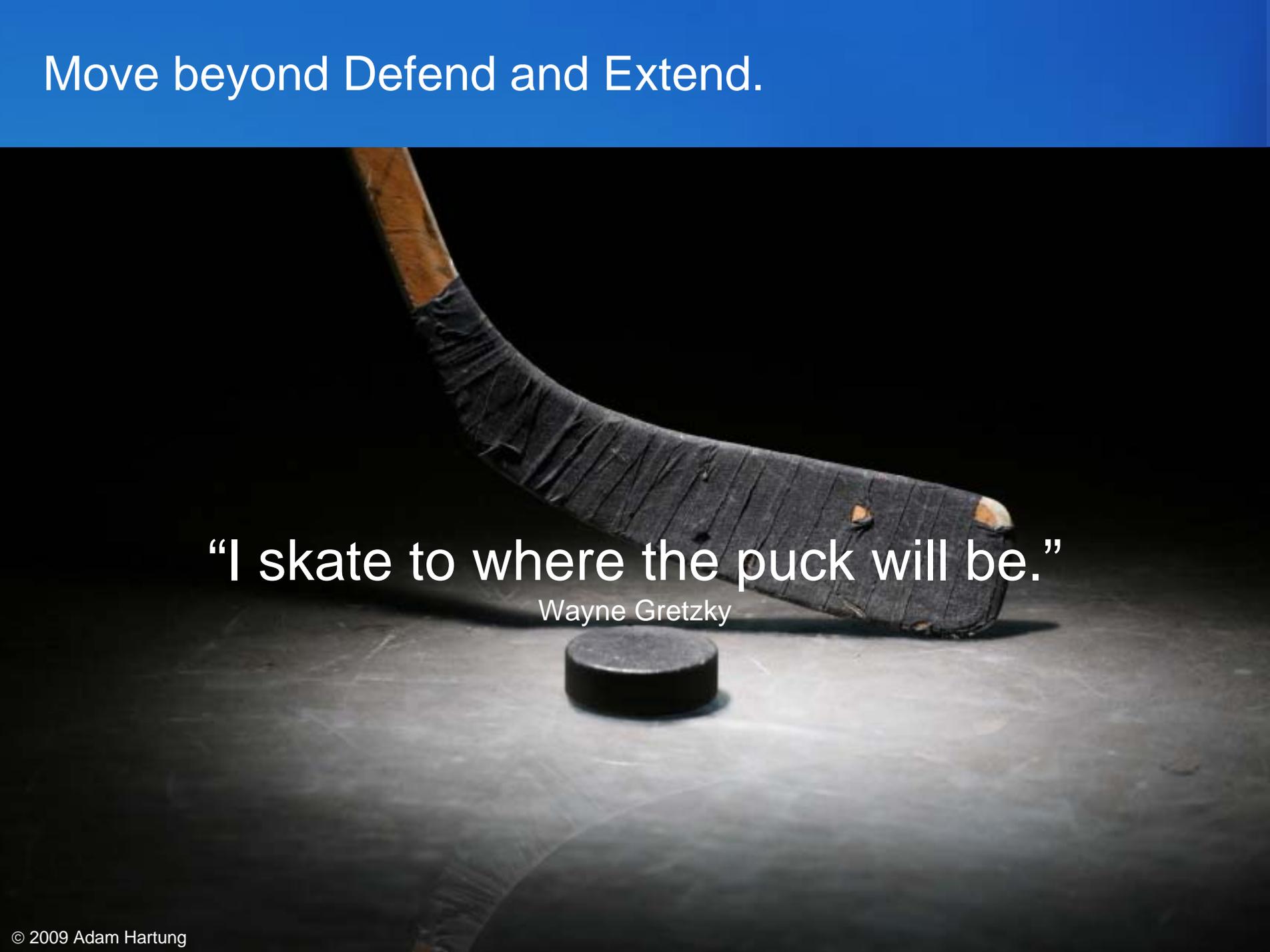


Disrupt yourself.



Create and maintain white space.

Move beyond Defend and Extend.

A close-up photograph of a hockey stick lying on an ice rink. The stick's blade is wrapped in black tape and shows signs of wear. A black puck is positioned on the ice in front of the blade. The scene is lit from above, creating a soft shadow on the ice.

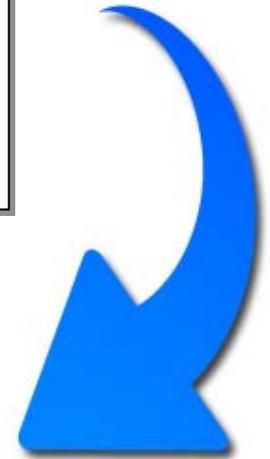
“I skate to where the puck will be.”

Wayne Gretzky

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



VS



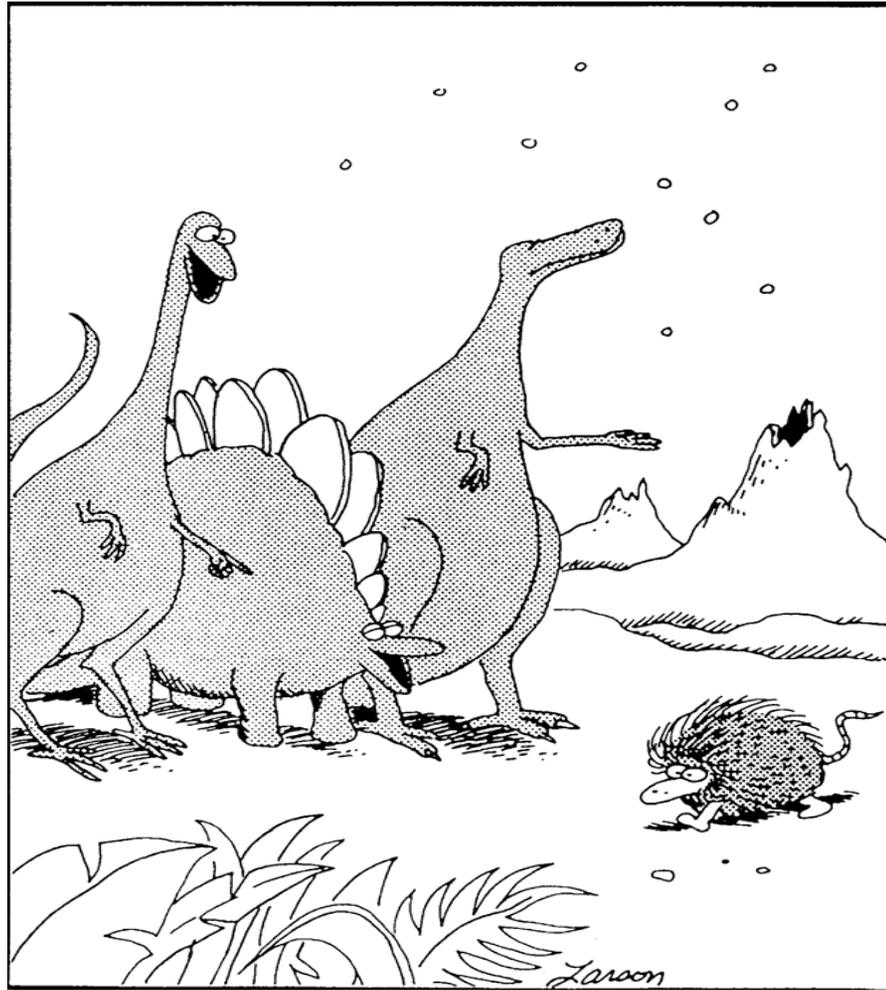
Step 2 - Attack competitors' lock in.



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



All competitors are vulnerable when markets shift.



Recognize that successful new products disrupt old behaviors.

Chicago Tribune

VS.

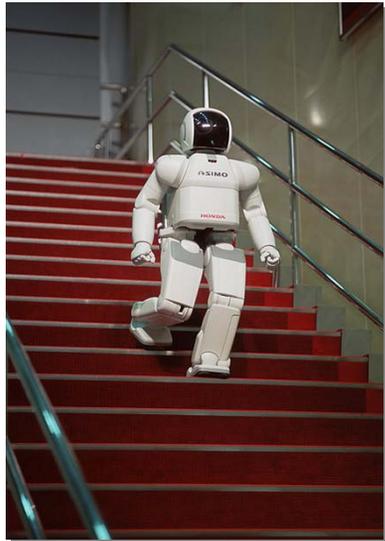
Google™



Step 3 - Utilize disruption to change thinking.



Step 3 - Utilize disruption to change thinking.



Step 4 - Disruptions open *White Space*.



On the cutting edge of sustainable energy...

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.

THE HIDDEN PRINCIPLE BLOG

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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 passe, 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

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