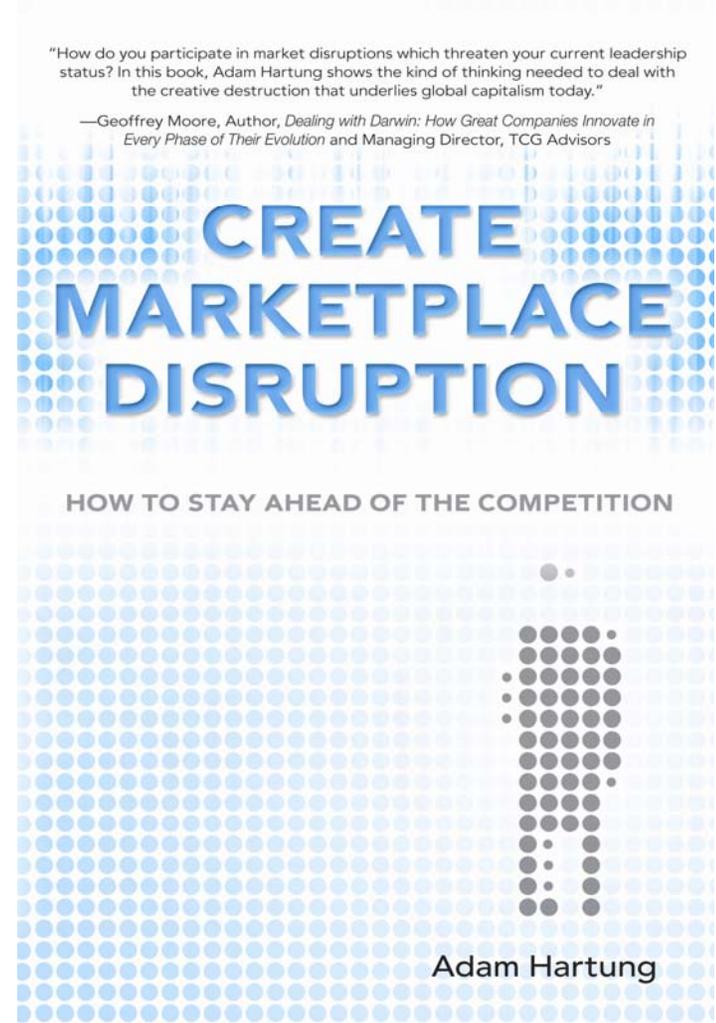




Igniting Breakthrough Strategies

Winning in all Phases of the Lifecycle

Adam Hartung
Managing Partner



The Phoenix Principle



The Source of Success Is Pretty Surprising

It's not about "core"

It's not about "focus"

It's not about "leadership"

Managing *Lock-in* is the Key



Long ago.....





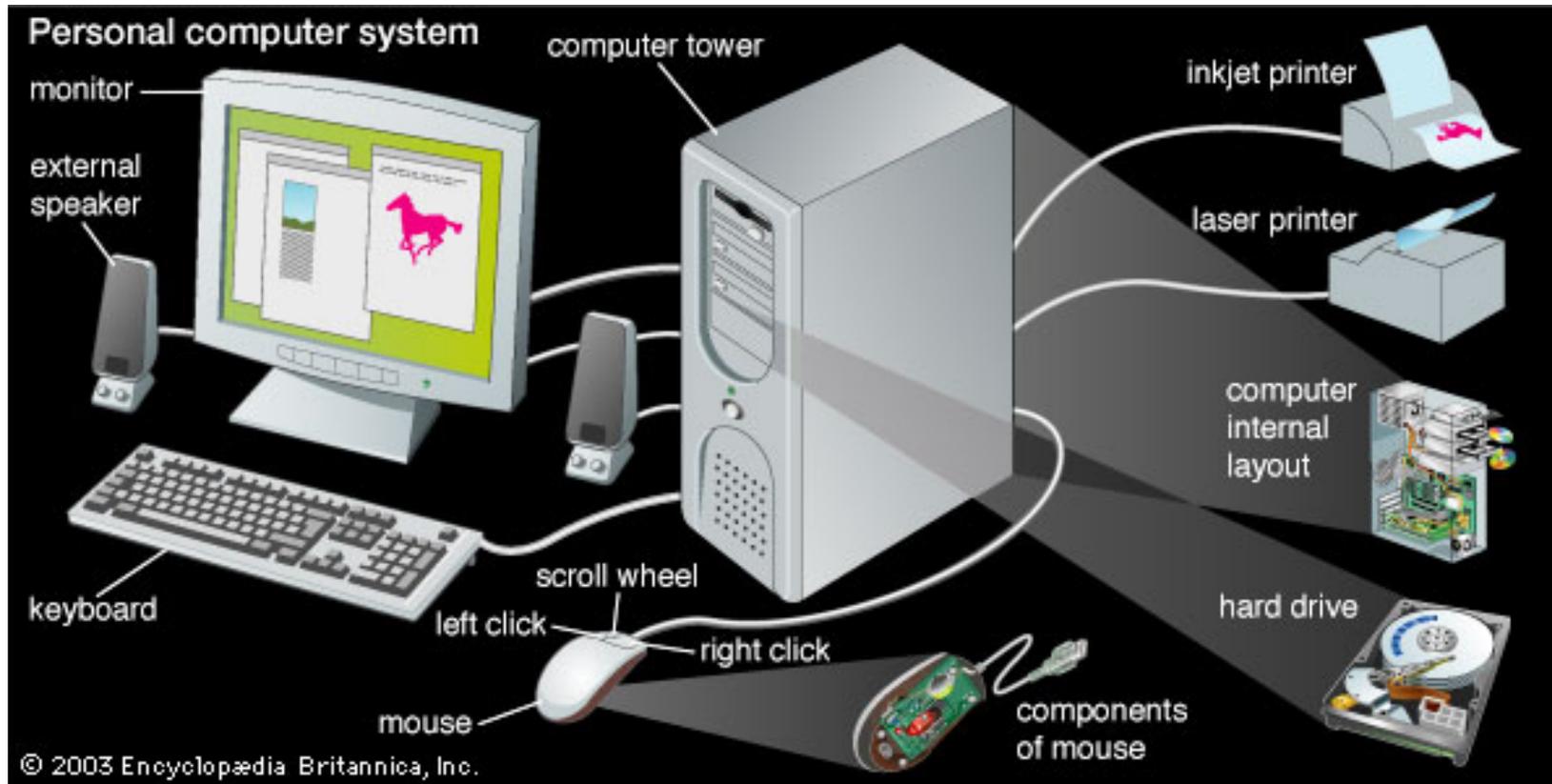
But innovation created change



914

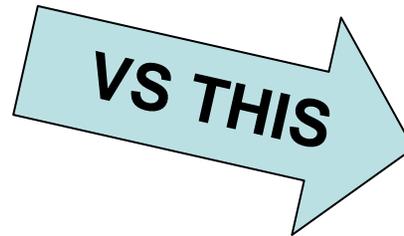
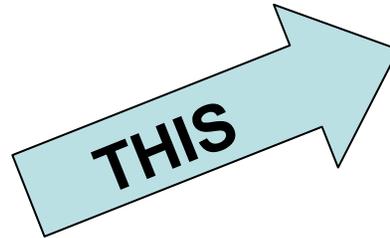


More innovation was developed





Yet, the change agent didn't follow the market





3 Types of Lock-In

Behavioral

Structural

Cost

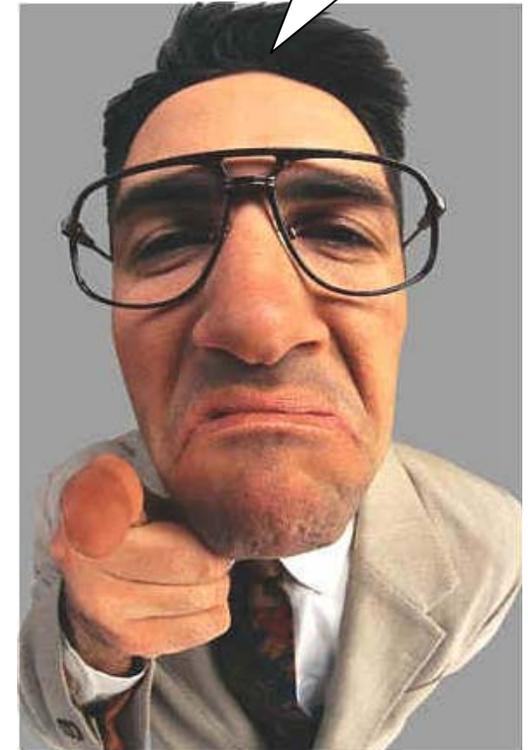


Behavioral Lock-in



- Adhere to **historically defined market (customers, products)**
- Proliferation of “**sacred cows**”
- “**Not invented here**”
- Reward **farming**
- **Slow decision making**
 - **Hierarchy**
 - Focus on **maintaining the business**
 - **Avoiding conflict**

NO!



**STATUS QUO
POLICE**



Structural Lock-in

Strategy

- Biased toward easily quantified, traditional actions and against more speculative ventures

People

- Hiring consistency
- Aging workforce
- Evaluation inflation (everyone's good)

Architecture

- Tightly integrated, rigid processes and decision-making
- Expensive “monuments” – plants, DCs, IT projects
- Obsession with best practices

Resources Allocation

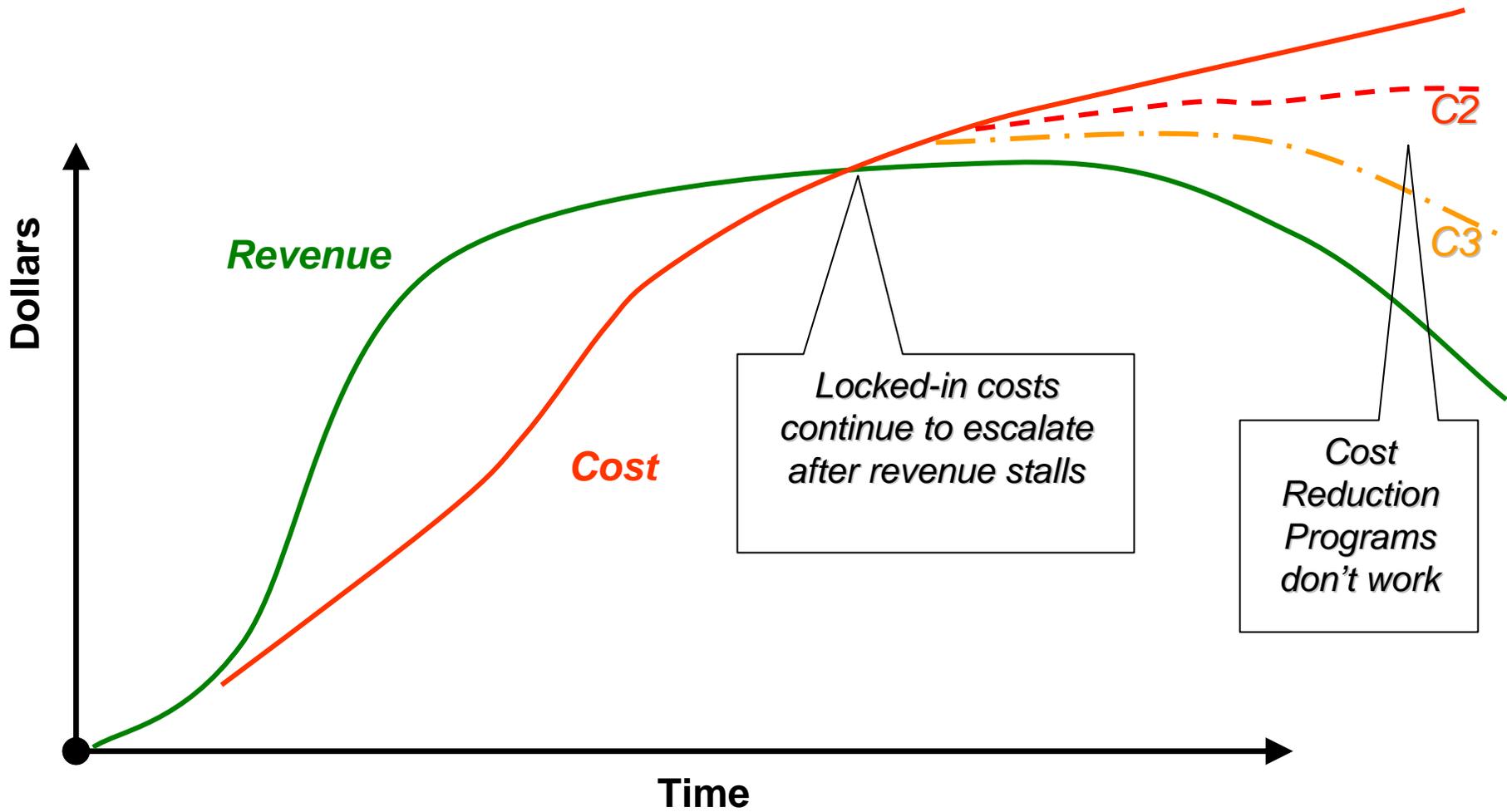
- Big investments
- Obsessive cost accounting
- Stringent ROI approval process
- Long-term supply chain deals
- Creative financial reporting
- Tax Obsession

Knowledge

- Dictatorial internal experts
- Weak information sharing systems
- Fragmented data
 - Customer data
 - Cost data
 - Employee Data



The Revenge of Cost Lock-in



Costs Always Go Up!!

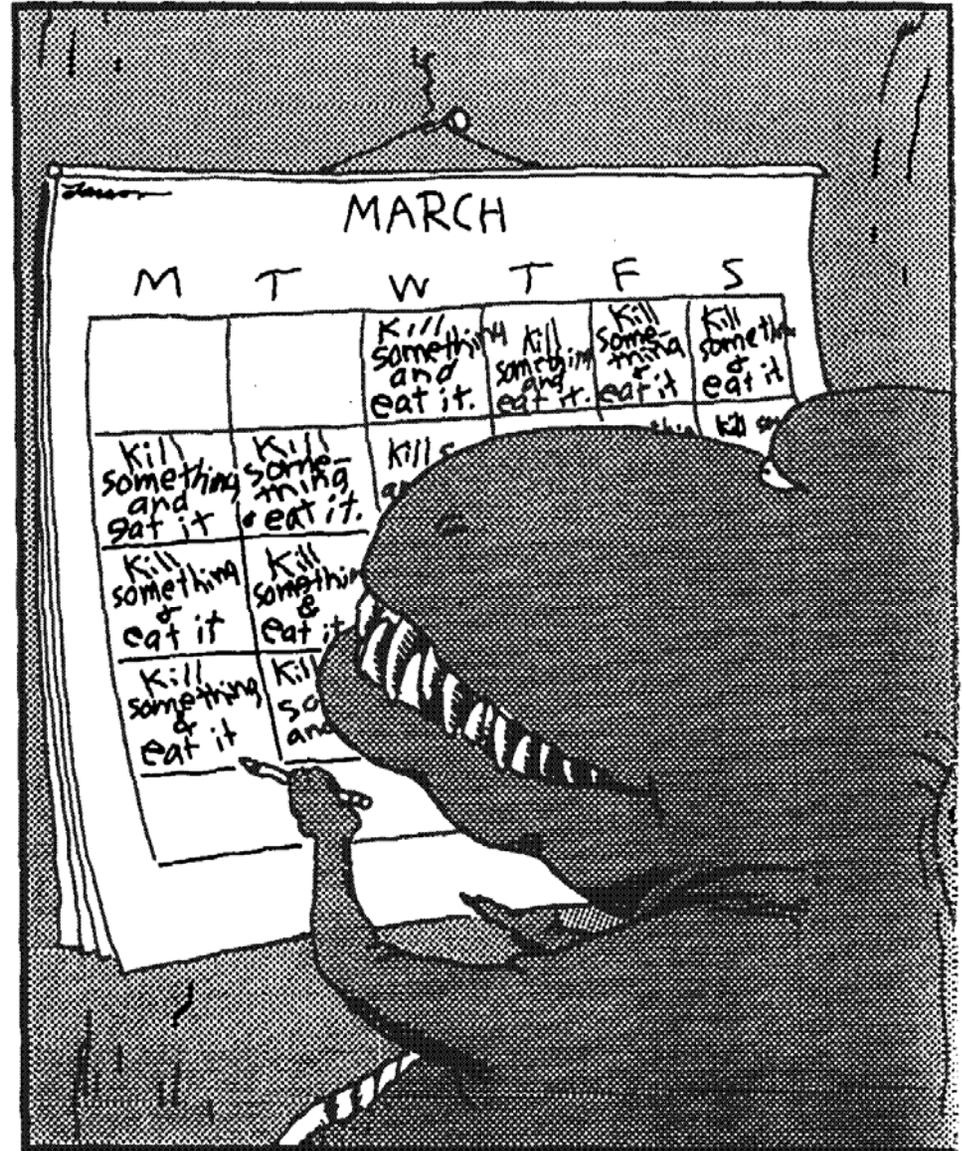


Success Creates Repetition... Which Creates Lock-In

**What were the top
2 Lock-ins that
Hampered Xerox?**

**What made Xerox successful
that killed it**

**What 2 things
made you
successful that
now worry you
most?**



Jurassic calendars



The Phoenix Principle

**Success Comes
From
Somewhat Surprising
Practices**

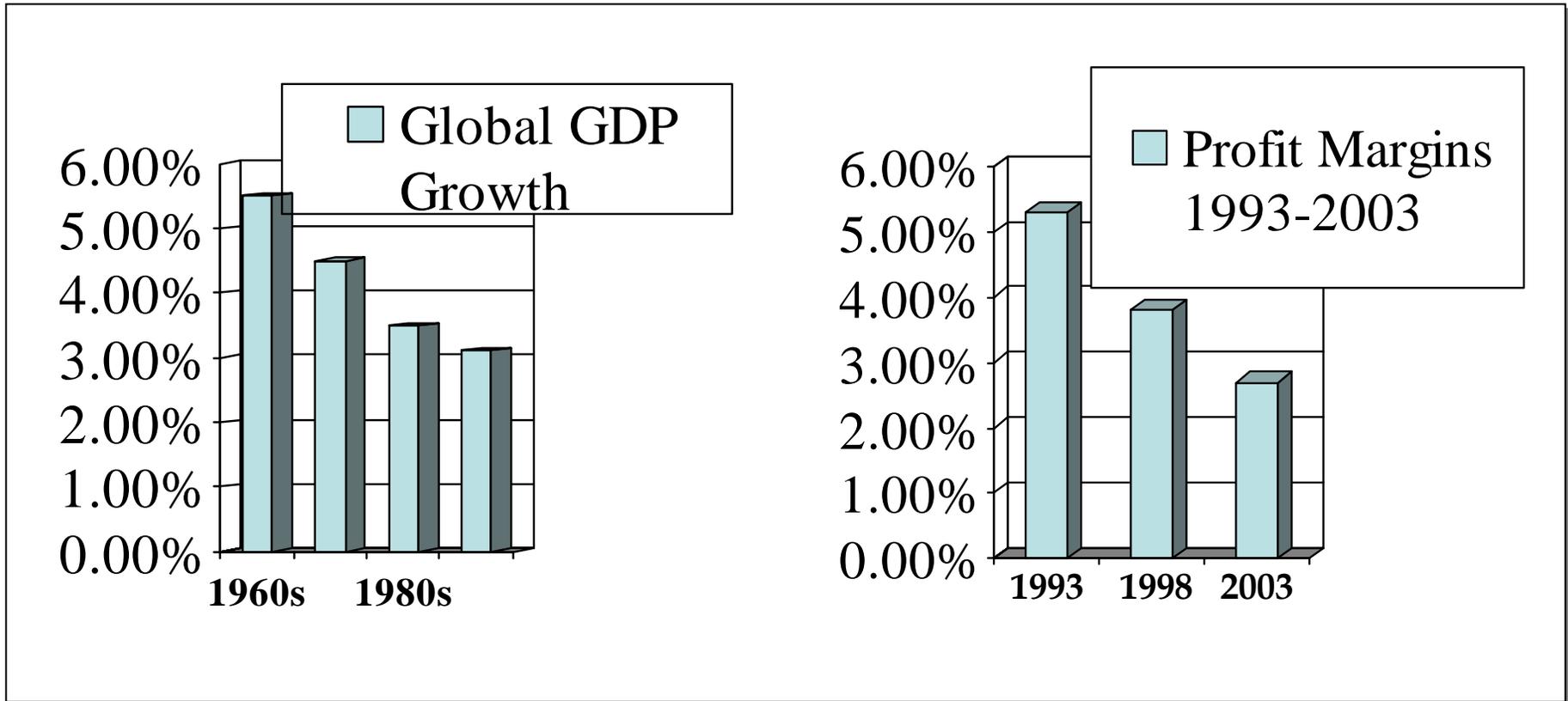
Step 1: Be Future - oriented

Step 2: Obsess about competitors

Step 3: Disrupt Yourself

Step 4: Create and Maintain White Space

Results Worsening for 40 Years

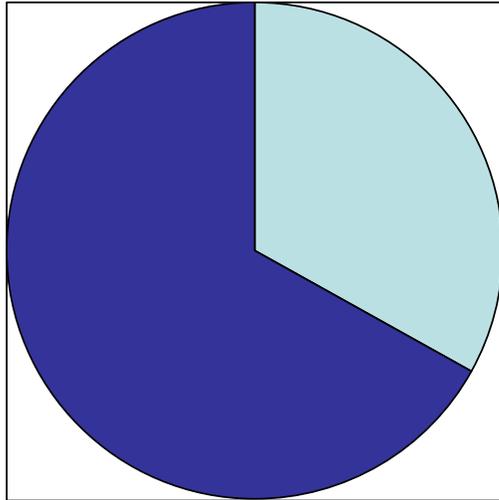


Source: The Conference Board

Top Performers Struggling

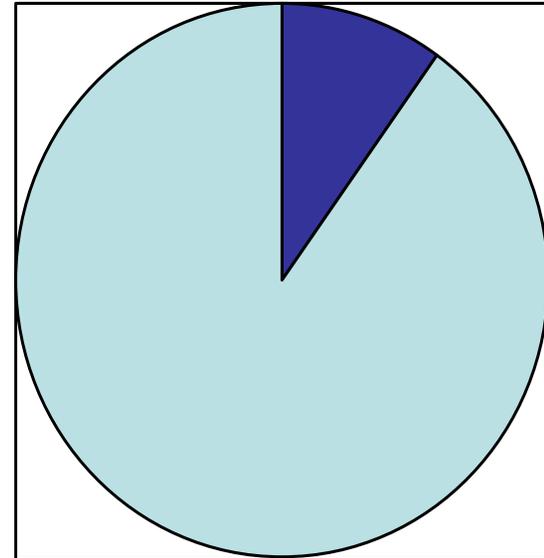


Top Quartile in 2000



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

Environment Change = Opportunity



Overcome Your Sensitivity to Initial Conditions



15% of current market leaders gained their position since 2005



Step 1 –

Move Beyond Defend & Extend

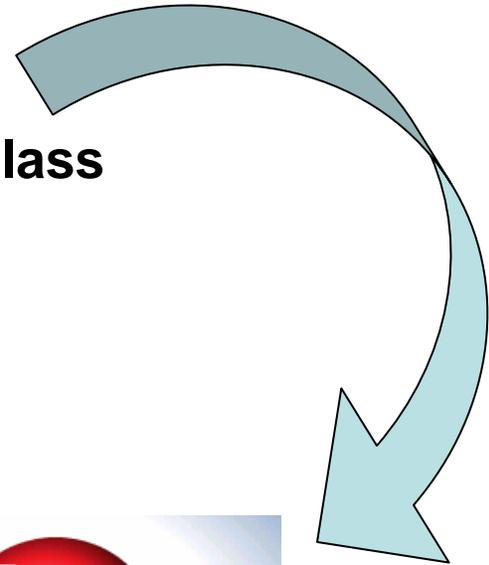
“I skate to where the puck will be” – Wayne Gretzky



VS.

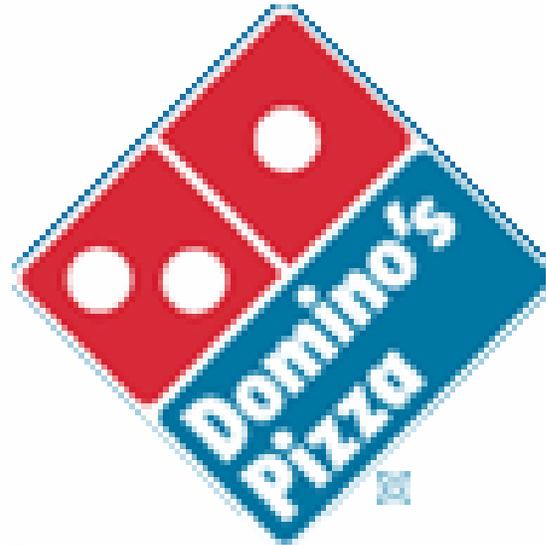


Spyglass



Plan for the Future – Not from the Past

Step 2: Obsess about Competitors to Attack their Lock-in



Industry

Lock-in:

Customers
care about
the *quality* of
the pizza



Step 2: Obsess about Fringe Competitors (They sneak up on you)

Chicago Tribune

VS.

Google™





Only the Paranoid Survive



**What are the 2 trends
– market shifts – that
you think are most
important to watch?
-- and why?**

**How could you ruin
the day of a target
competitor?**

**What's on the fringe
of competition that
could ruin your day?**

Step 3: Utilize Disruptions to Drive Changes in Thinking





Powerful Disruptions

Disruptions Neutralize the Status Quo Police and make an historical Lock-in obvious and acceptable to violate

- A CEO who was an avid sports fan schedules a meeting on Saturday during his college's football game.
- A CEO who tells Directors that all new funding ideas go directly to his office for evaluation and determination of investment by his team of consultants
- A CMO who mandates that all conference attendees compete to launch a new project based upon the learnings of the conference
- A CIO who allows users to set the performance metrics for applications
- A CTO that mandates implementing one new technology per year in mission critical systems
- A CFO that allows the marketing department to determine the proper risk adjustment to utilize for all new products
- A CIO that assigns every IT Director a customer they have to report on quarterly
- A V.P. of print production that outsources all graphics production



Step 4: White Space Creates Value



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The Phoenix Principle

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 and Succeed*



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