



*Igniting Breakthrough Strategies*

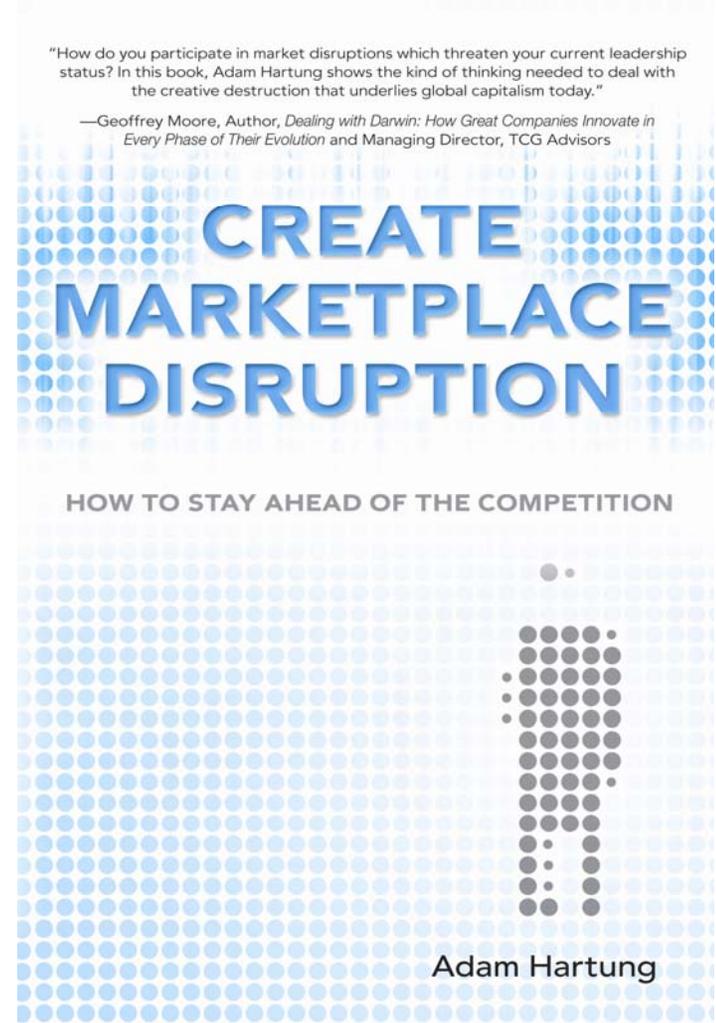
# *Create Marketplace Disruption*

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Managing Partner



YOUNG PRESIDENTS'  
ORGANIZATION

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# 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.....





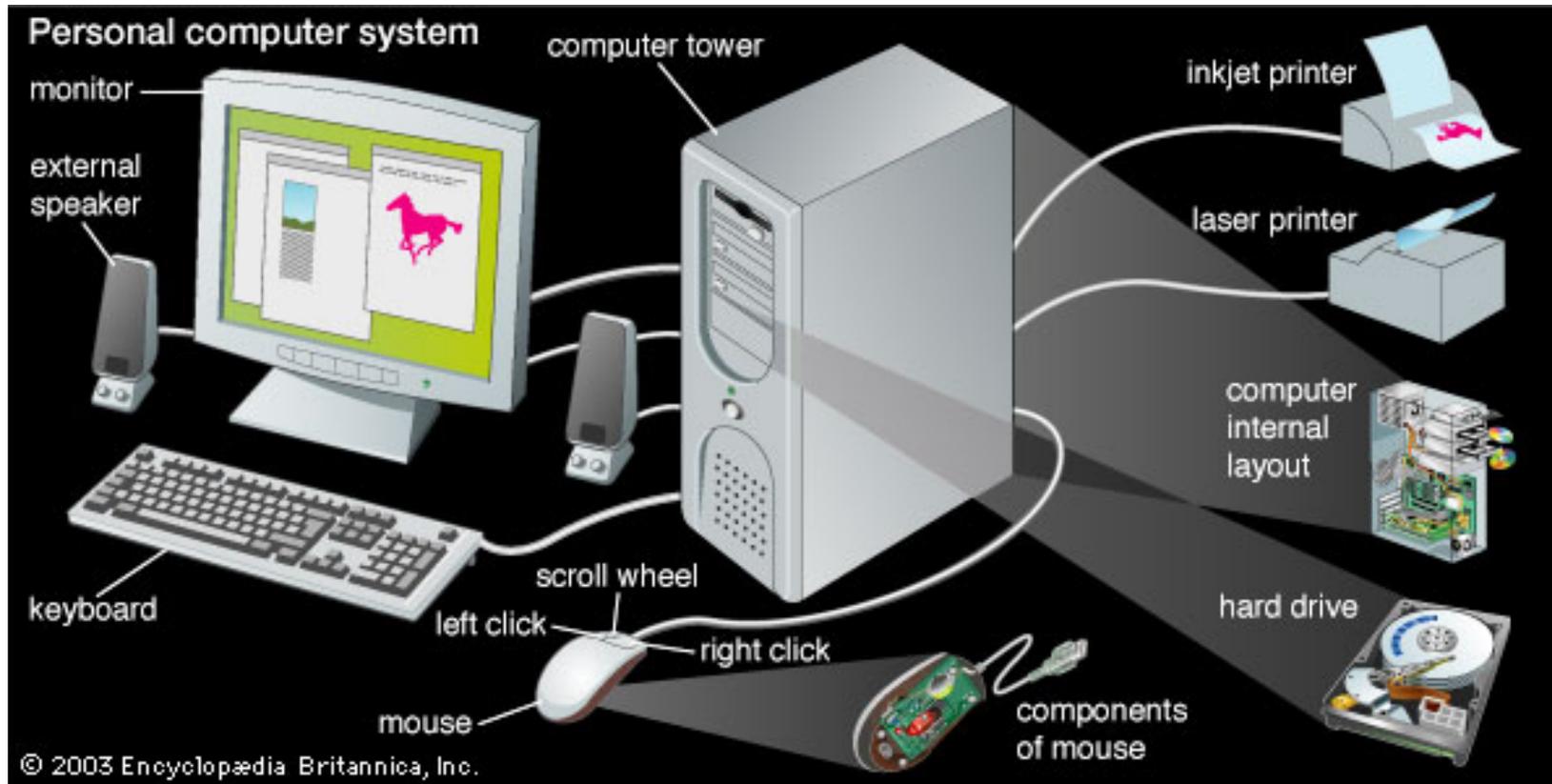
# But innovation created change



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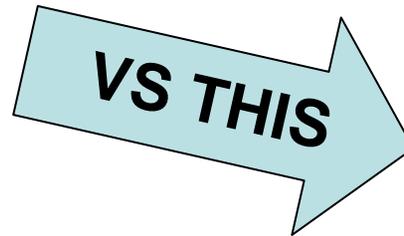
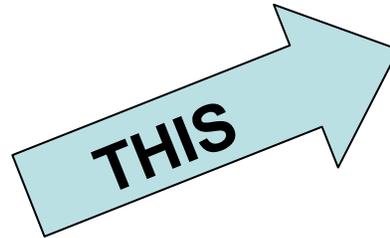


# More innovation was developed





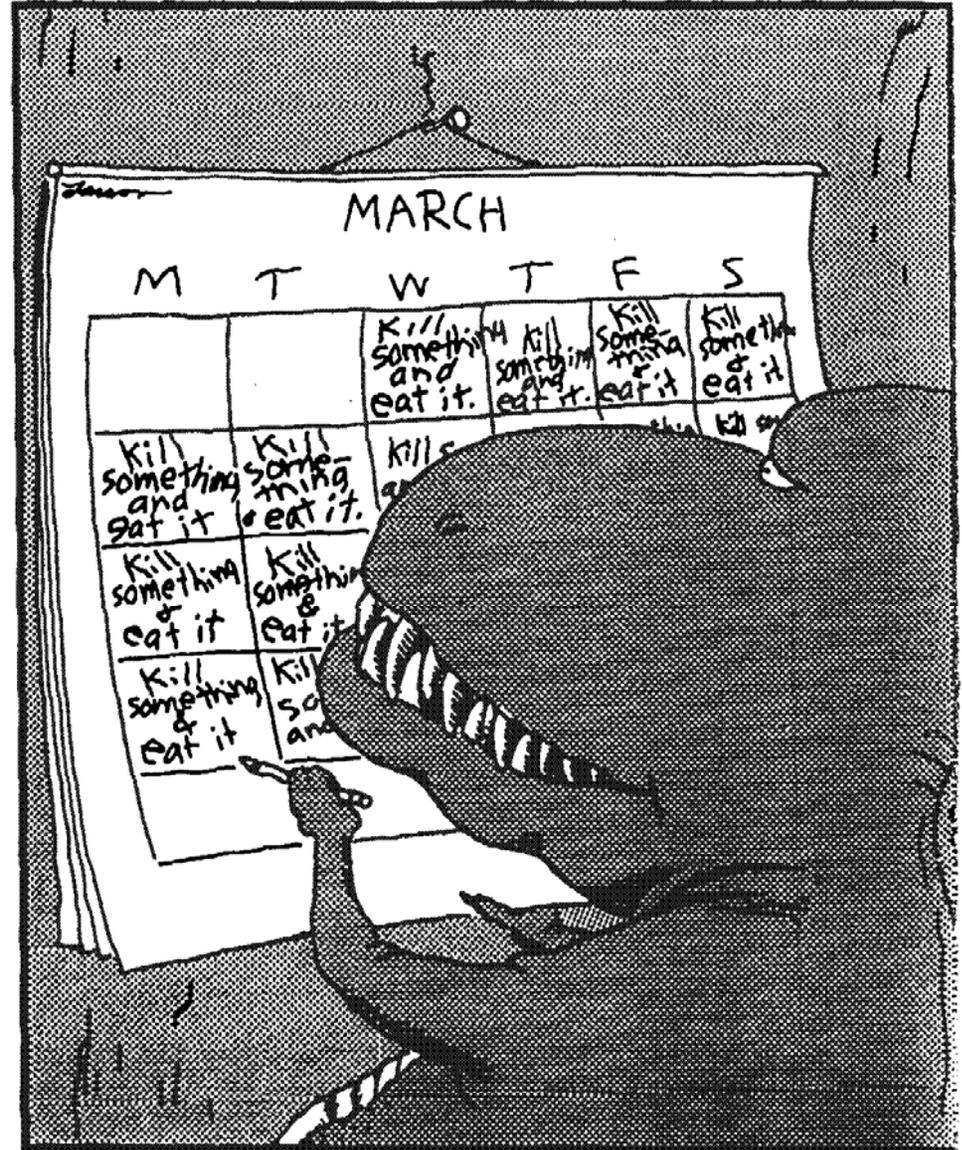
# Yet, the change agent didn't follow the market





# Success Creates Repetition... Which Creates Lock-In

**What were the top  
2 Lock-ins that  
Hampered Xerox?  
What made Xerox successful  
that killed it**



Jurassic calendars



# 3 Types of Lock-In

**Behavioral**

**Structural**

**Cost**

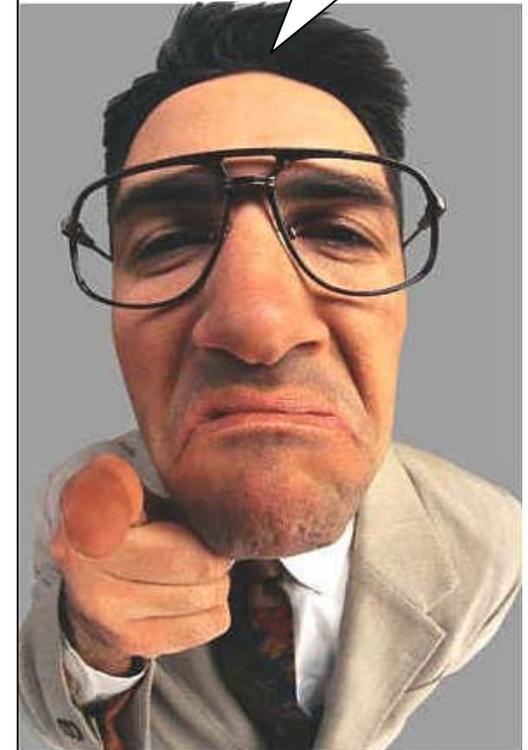


# Behavioral Lock-in



- Rigid adherence to **historically defined market**
- Proliferation of “**sacred cows**”
- “**Not invented here**” in new product development
- Punish explorers, reward farmers
  - **Scapegoating**
- **Slow decision making**
  - **Hierarchy** requiring multiple approvals keeps all decisions close to historical model
  - Focus on **maintaining assets** (keep the plant busy)
  - Avoiding conflict (**political correctness – avoid boat rocking**)
- Profits from **financial machinations** and M&A
  - Repurchase shares
  - Sell product lines
  - Acquire competitors or “synergistic” products
  - Change the accounting rules (depreciation, goodwill, charge-offs, tax deferrals, etc.)

**NO!**



**STATUS QUO  
POLICE**



# Structural Lock-in

## Strategy

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

## People

- Command and control
- Hiring freezes, layoffs
- Difficulty recruiting young people
- Evaluation inflation (everyone outstanding)

## Architecture

- Tightly integrated, rigid systems and processes
- Growing IT backlog
- Expensive “monuments”
- Obsession with best practices

## Resources

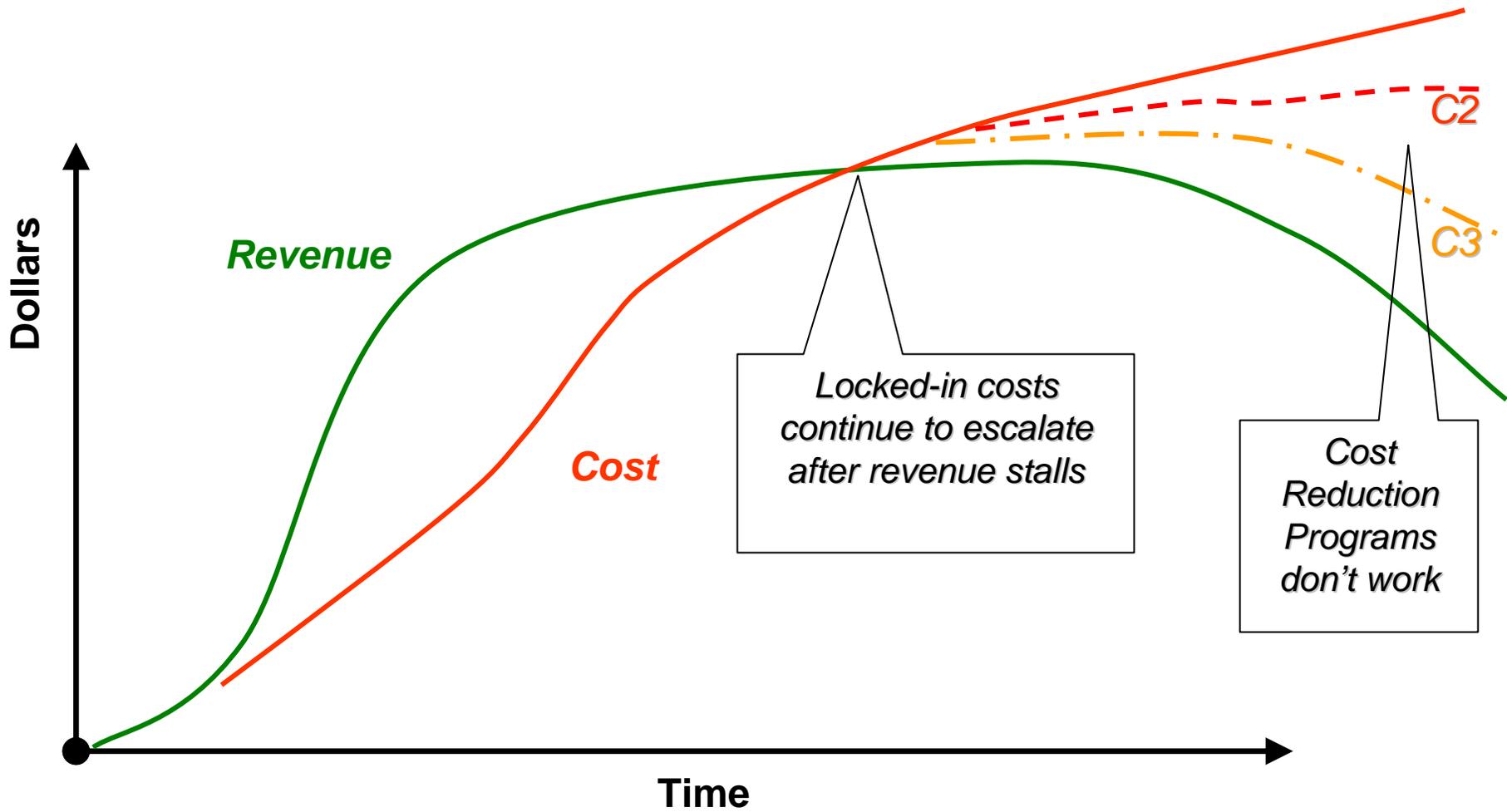
- Large asset monuments
- Obsessive cost accounting
- Stringent ROI approval process
- Long-term supply chain deals
- Creative financial reporting

## Knowledge

- Immobility of internal experts
- No information sharing
- Fragmented customer data

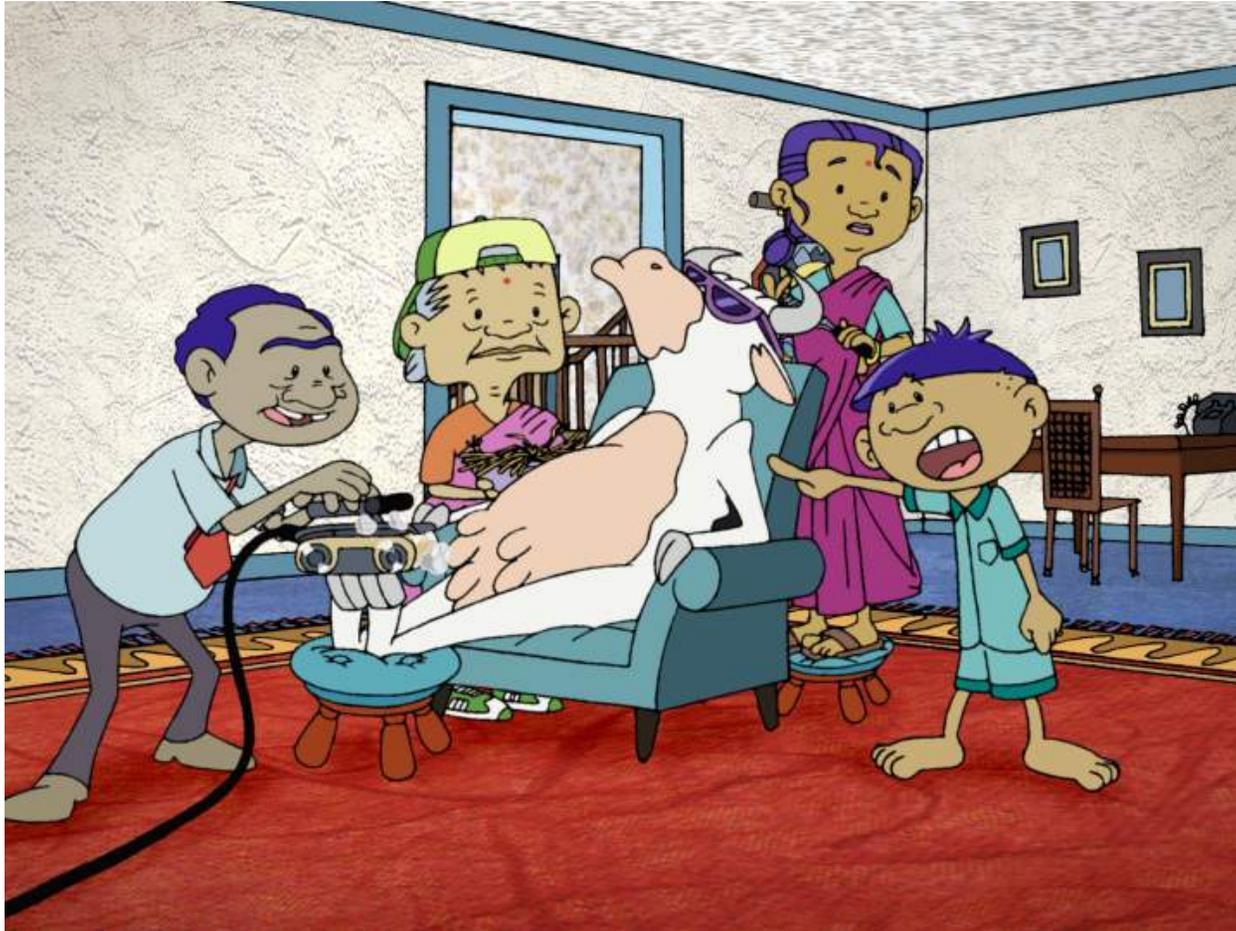


# The Revenge of Cost Lock-in



**Costs Always Go Up!!**

# *We Make Sacred Cows Out of Things that Work*



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



# 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

# 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

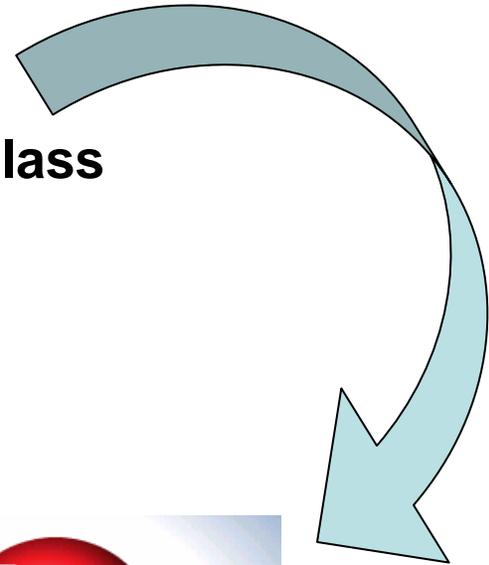
“I skate to where the puck will be” – Wayne Gretzky



**VS.**



Spyglass

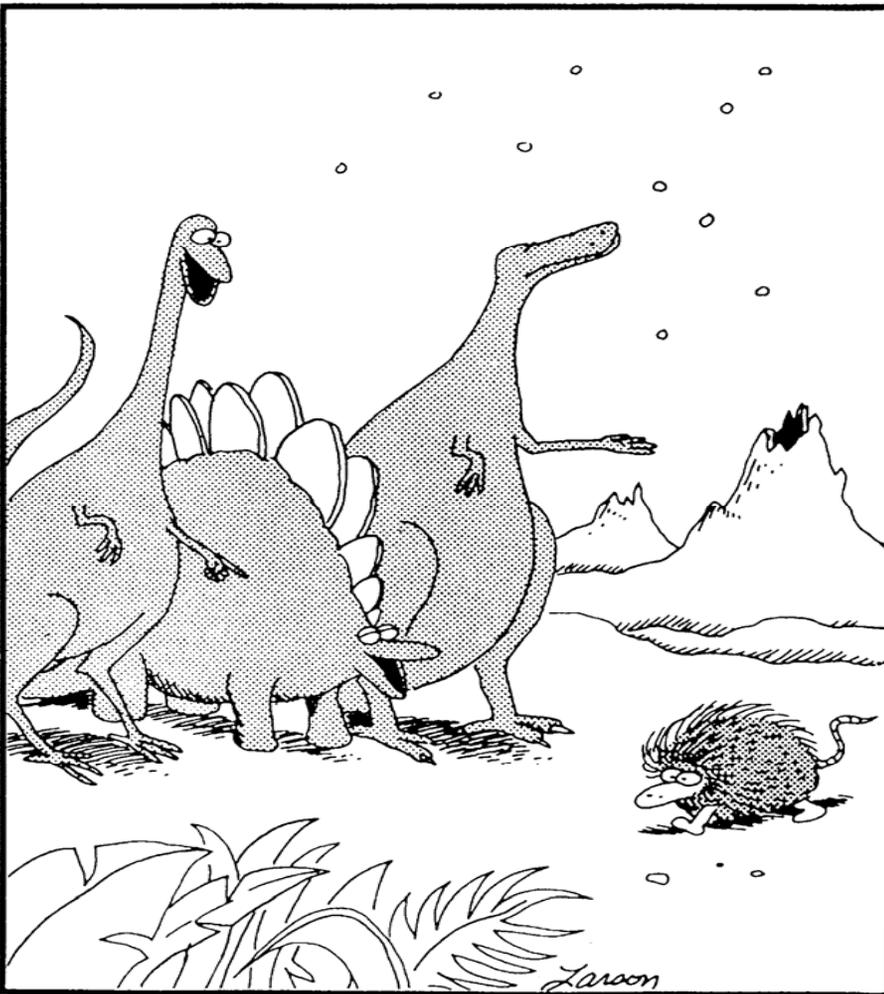


**Plan for the Future – Not from the Past**



# All Competitors are Vulnerable

## When Markets Shift



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

# 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*

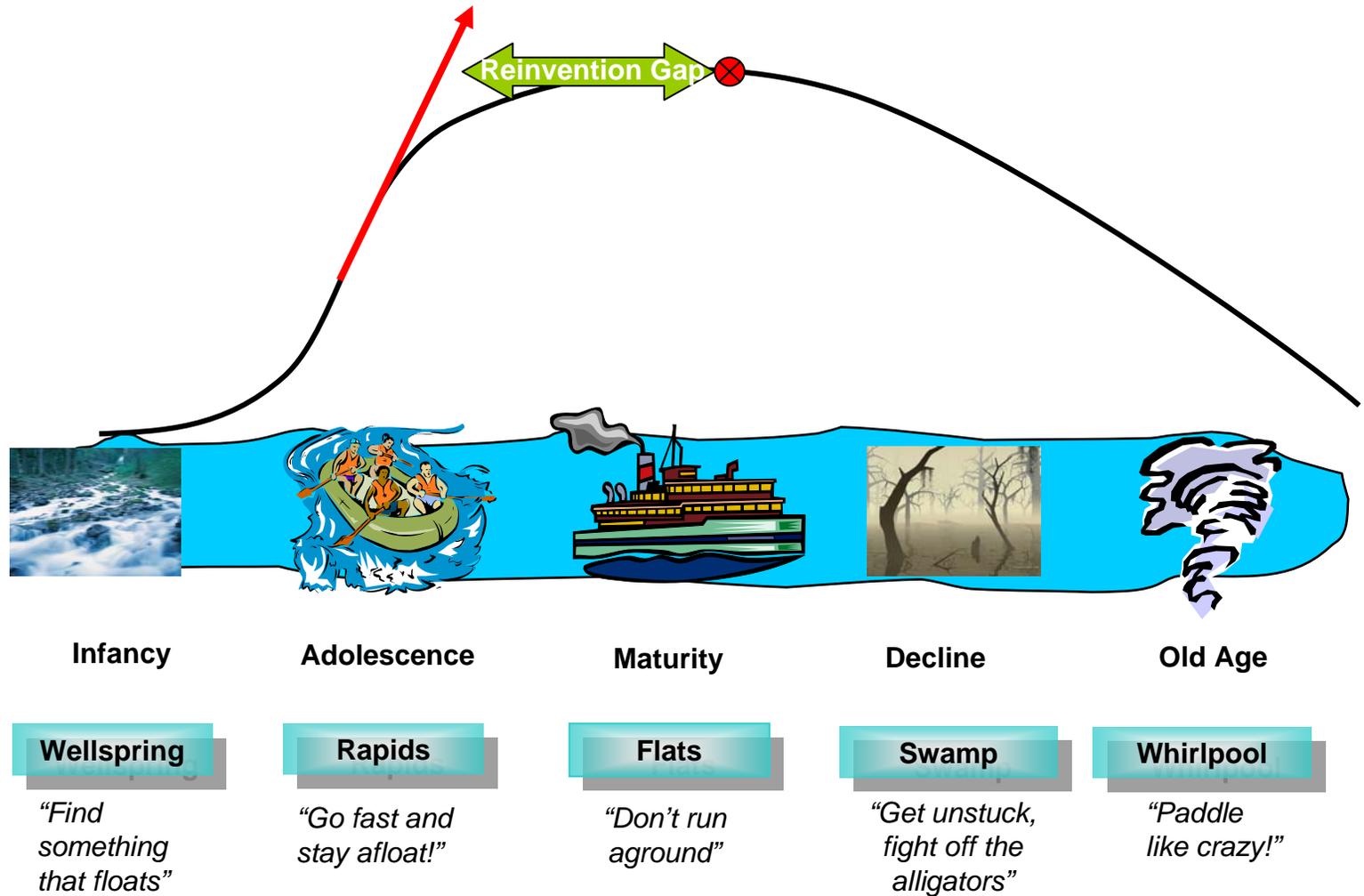


**Person A – How could your colleague ruin the day of his target competitor?**

**Person B - What's on the fringe of competition that could ruin your colleague's day?**



# Lifecycle Reality





# 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



# *Can You Get Their Attention?*

**What would  
most Disrupt  
Lock-ins at your  
colleague's  
workplace?**





# Step 4: White Space Creates Value



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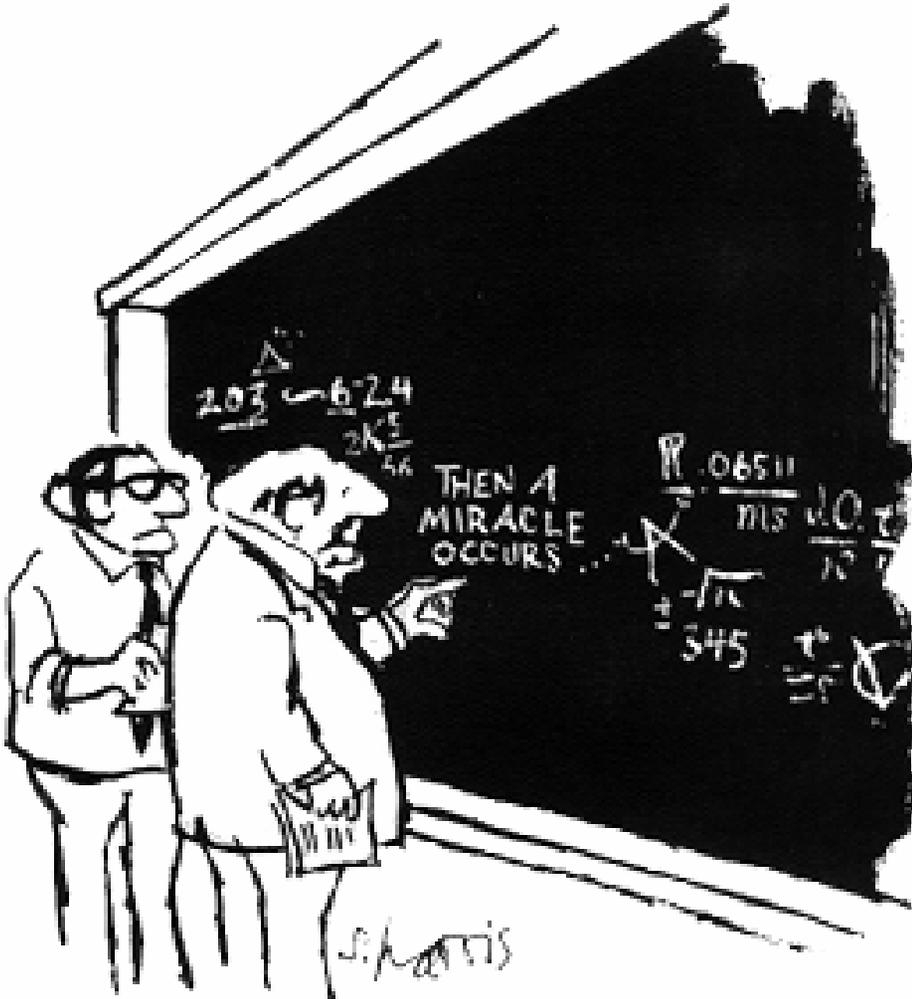
**Illinois Tool Works Inc.**

3600 West Lake Avenue | Glenview,





# *In White Space You Can Become Anything*



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

**What Permission  
is needed to  
create White  
Space for your  
colleague?**

**What would keep  
him from  
resourcing it?**



# 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*



# Contact Information

For an interactive BLOG on sustaining success:

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