



Blindsided

How to Spot the Next Breakthrough That Will Change Your Business Forever

by Jim Harris
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331 pages

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Take-Aways

- To avoid getting blindsided, recognize and respond to marketplace changes quickly.
- Many companies get blindsided when they don't recognize a new breakthrough in technology and continue to do things their old successful ways.
- Set up systems and structures that will enable you to recognize and respond to change.
- Many companies resist change because they have already invested energy and expense in perfecting their systems and structures. People don't like to change.
- Organizational effectiveness needs the interaction of structure, strategy, systems, style, skills, staff, self, superordinate goals, stakeholders and scanning technology and trends.
- Develop a real-time enterprise to get feedback more quickly for faster decision-making.
- Improve customer relationship management to cut down your costs by better understanding what your most profitable customers want.
- Be ready to break the rules and think beyond the current structure of your business.
- Use strategic scenarios to think of possible futures so you can plan for them.

Rating (10 is best)

Overall	Applicability	Innovation	Style
9	9	8	9

Relevance

What You Will Learn

In this Abstract, you will learn: 1) How you can avoid being blindsided — that is, injured because you missed the advent of a new technology or a major market change; 2) What laws affect change and 3) How to anticipate, acknowledge, adapt to and profit from rapid change.

Recommendation:

In *Blindsided*, change expert Jim Harris discusses the startling way some major companies got “blindsided” — caught with their antenna down by fast-moving technological changes that undermined their businesses. He fills you in on how change works, and works quickly. Then, as if to make you feel better, he offers practical techniques that superior companies use to avoid being walloped. Harris tells you (consider this a warning) what to do to deal with change. Generally, this is a top-notch, straightforward book, although some corporate histories and guideposts on recognizing change may sound like retreads of other material. Still, Harris provides a guidebook for heeding and handling change. Just ask yourself the questions at the end of each chapter to find out if you need this heads up strategy check. *getAbstract.com* suggests that diagnostic dialog to business strategists and executives. Just keep looking behind you while you are reading — someone, or something, may be gaining on you.

Abstract

Why Companies Get Blindsided

Polaroid and Kodak were blindsided — caught by surprise by new technology, specifically the rise of digital photography. Even Microsoft was blindsided for a time by the growth of the Web. How did Bill Gates respond? He did a 180-degree turnaround in December 1995 and directed 2,500 programmers to develop programs for the Web. Other major firms that got blindsided include Cisco Systems, Nortel Networks and most telecom companies. These and many other companies were blindsided because they failed to recognize a breakthrough technology that was going to change their industries totally with new products or services.

To avoid being blindsided, you need to increase your ability to recognize and respond to change quickly and accurately. Rapid change is transforming the economic landscape, although most organizations today act like drivers speeding in a fog. Once, companies could rely on being in stable industries and predictable customers. They could use five year strategic plans. No longer. Now, it takes less than two years to turn an entire industry upside down. Thus, you need to be able to perceive a threat early, and you must diagnose it and react to it correctly. First, establish systems and structures in your company that will increase how rapidly you can recognize and respond to change. Besides protecting you from being blindsided, knowledge lets you act quickly to blindside your competitors.

Ready to Rumble

To be able to respond quickly to change, you have to be able to recognize shifts in your industry. Recognition includes five key processes:

1. See and perceive the risk.
2. See and perceive the opportunity, rather than seeing change as a threat.

“Eighty percent of the technology we will use in our day-to-day lives in just ten years hasn’t been invented yet.”

“Just because many dot-coms have died doesn’t mean the Internet is dead. Too many individuals and companies are now dependent on the new technology.”

“Typically new technologies offer inferior quality, and dominant industry players therefore dismiss them. The technologies, however, improve and eventually steal core customers.”

“This is the difference between leadership and management. Management works within existing paradigms while leadership moves between them.”

“The increasing complexity of problems requires new ways of solving them. Top-down decision-making doesn’t work anymore.”

3. Understand the potential impact of the risk and opportunity.
4. Communicate this reality throughout your organization, so all your employees can perceive new market opportunities, create strategic alliances and launch new products and services that take advantage of the new technology.
5. Carefully monitor the situation so you can continue to adapt to it.

Once you recognize the situation, your responses should include these five critical processes:

1. Generate options.
2. Evaluate and select the best option.
3. Communicate throughout your organization.
4. Execute this new option.
5. Monitor the situation.

Some tools are available to help you recognize change. For example, the Gartner Group’s Hype Cycle Model, which is designed to analyze new technologies, can be applied to any new phenomena. The cycle starts with a technology trigger that rises to a peak of inflated expectations, followed by a fall into a “trough of disillusionment” and then a gradual rise on a “slope of enlightenment” to a “plateau of productivity.” This is, in one form of shorthand, what happened with the dot-com crash. However, the companies that survive blindsiding are stronger for experiencing the downturn and generally then achieve long-term success. For example, despite the many dot-com casualties, people are not going to stop using e-mail, surfing the Web or using e-commerce. Now, too many people depend on the new technology.

Unfortunately, many companies that succeeded under the old paradigm have intense difficulty adapting to change. Moreover, companies often resist change since they have already invested energy and expense in perfecting their systems and structures. Generally, people don’t want to change the status quo.

To avoid getting stuck in the past, follow the example set by ants. While most of an ant colony works efficiently getting food and water from old sources, a few ants go off to look for new sources, using a meandering trail. Then they head directly back to let the others know about their new finds. You can follow the same principle: move and explore in a direction that you know least. Send people out to investigate unknown directions so they can report back to you and, as necessary, you can move to a new route.

Laws That Shape the Future

Some companies, such as LexisNexis, Factiva and Dialog, now work to help other firms penetrate the fog of information overload by providing online news and information. You can look at ways this trend intersects with others to detect new opportunities and threats. One way to detect change is to watch certain laws (such as, the volume of new information doubles every year) that analysts apply in regard to speed and technology. For example, Schumpeter’s Law of Creative Destruction states that old firms and industries will be “swept aside by outsiders using new technologies.” Other laws include:

- Moore’s Law, Gordon Moore, co-founder of Intel, 1965 — The power of computer processing will double every 18 months.
- Metcalfe’s Law, Robert Metcalfe, founder of 3Com — The value of a network is proportional to the square of the number of people using it.
- Coase’s Theorem, Ronald Coase, University of Chicago economics professor — When transaction costs are high, companies tend to take on more diverse tasks in-

house, but as transaction costs fall, firms tend to focus on core business and out-source non-core tasks.

Thinking About Change

Professionals have developed models to help you consider how change affects your business. One model that is useful in guiding your thinking about change is the 10S (ten critical business components) Model. It says that organizational effectiveness results from the interaction of: structure, strategy, systems, style, skills, staff, self, superordinate goals (shared vision and principles), stakeholders and scanning technology and trends (including scenario planning and competitive intelligence). Your goal is alignment among all the elements in this model.

In considering change, also think about the “trim tab” factor, which means looking for items with high enough leverage to affect change within your whole system. Being alert to change also requires trusting your employees. That means accepting mistakes they make as part of learning, since mistakes contribute to growth and change. Consider yourself a gardener as you cultivate and grow your organization. As a leader, you have to create systems and structures and then weed, plant, water and fertilize them on an ongoing basis. Then the organization grows itself. In a garden you not only have to get rid of weeds, that is, bad management practices, but you have to replace them with good practices, or the weeds will soon return.

How to Avoid Being Blindsided and How to Blindsides Others

The best practices that firms use to avoid blindsiding or to blindsides the competition include:

- Develop a real-time enterprise — Get information and feedback about your company very quickly, even instantaneously, rather than through such traditional methods as quarterly financial reports and annual employee reviews. Today, the best companies are using new technologically driven-systems such as just-in-time (JIT) inventory and cycle time management. Cisco Systems has established a “virtual close” system that involves continuously monitoring and analyzing critical information, so it can close its financial books with an hour’s notice and analyze and instantly react to market changes, whether from a single customer or a whole continent. Such a system isn’t always perfect. Cisco faltered when it misjudged customer demand and overestimated its ability to react quickly to a sudden drop in sales due to the decline in dot-com and telecom revenue. But Cisco is better prepared to be cautious and well informed in the future, and to recognize and respond to change more quickly. Consider ways that your company can adopt real-time systems, using technology to allow every individual to access information in real-time.
- Improve customer relationship management (CRM) — Use the Internet and other new technologies to deepen your relationship with your customers and to find new ways to add value. Learn more about your customers than basic demographics. If you study detailed information about your customers and their needs, you reduce the chance of being blindsided by the departure of customers who are dissatisfied or drawn by competing products and services. Better CRM lets you customize your products and services while lowering costs by using self-service to eliminate non-value added processes. For example, identify and nurture the top 20 percent of your customers — those who generate 80 percent of your profits. Work to make your unprofitable customers profitable, such as by automating transactions to lower your cost of doing business with them. Another cost saver is call deflection, which can divert a customer inquiry from a call center to the Web. You can also use data mining

“By the time an organization has perfected its systems and structures, it has invested tremendous energy and everyone in the organization is loath to change anything because of all the effort sunk into the status quo.”

“The key to avoid being blindsided is increasing the speed of recognizing and responding to change.”

“Driving at high speed in fog is a metaphor for organizations today... Seemingly healthy companies that can’t recognize and respond quickly to change may be dead but not know it yet.”

“Because the Web eliminates traditional barriers of time and distance, it accelerates the adoption of new technologies.”

“The role of the leader is to put in place systems and structure that ensure the organization’s capacity to recognize and respond to change quickly and accurately.”

“Today, companies have to trust employees. Trusting implies accepting mistakes as learning.”

to delve into customer needs. Spot your best customers and e-mail them alerts about special sales. One other new approach is viral marketing, such as a customer-based tell-a-friend program.

- **Break the rules** — Develop an ability to think beyond the current structure of your business. Performing better within your existing structure isn’t enough. You have to consider new paradigms and ways of doing business. For example, many of the recent buzzwords, such as reengineering, just-in-time, quality, customer focus, empowerment, benchmarking, trust, hiring criteria, and research and development, operate within the current paradigm. Those strategies may be fine under some circumstances, but they aren’t enough by themselves. The real power to change markets and increase your company’s profitability comes from breaking the rules that dominant industry players are using. One example is the growth of the open source movement, which is revolutionizing computer programming. For instance, the Linux operating system is growing so fast that 30 percent of Web users were on it as of 2001, thus reducing Microsoft’s market share.
- **Moving from chaos to order** — This requires maximizing opportunity and minimizing decision risk. To avoid blindsiding, you need better, faster group decision making and better ways to align your organization with customer needs. For example, be careful about the strategic assumptions that guide design teams, since flawed assumptions can doom a project. Don’t let a group be swayed by a dominant, popular or persuasive leader, since others who are wiser but quieter may not speak up. Find tools to help individuals manage complexity, since the human mind on average can only remember some seven (plus or minus two) issues at once. To track these issues, you can turn to new software tools, such as the interpretative structural modeling (ISM) process, which can reflect group priorities.
- **Developing strategic scenarios** — Use scenario planning to imagine possible futures, so you can plan for them. If you think about the “unthinkable,” you can find ways to prevent dreadful outcomes. Use this approach to identify potential threats and opportunities. Then, develop possible responses and identify triggers for mobilizing these responses. This way, your company can recognize and respond more quickly to changes in the market. This kind of planning reduces the risk that you will be blindsided, while increasing the chance you can be the first to take advantage of new opportunities.

About The Author

“Change guru” [Jim Harris](#) heads Strategic Advantage, a management consulting firm specializing in strategic planning and leadership development. His clients include Barclays Bank, Columbia Tristar Pictures, Deloitte & Touche, General Motors, IEEE, Johnson & Johnson, Nortel Networks, Sun Microsystems and the UK Cabinet Office. His book *The Learning Paradox*, which was published in eighty countries, was nominated for the Canadian National Business Book Award. He is a frequent speaker at conferences worldwide.

Buzz-Words

Blindsided / Breakthrough technology / Hype Cycle Model / Real-time enterprise / Superordinate goals