

## **You are Going out of Business unless you change your business model**

Many will think this is far too extreme. However, the average length of life for a Fortune 500 company is 18 years. Companies such as US Steel, Smith Corona, and Polaroid are examples which prove the reality. Many other companies, even ones which continue to exist or even prosper, have lost businesses which were superseded by others. Sony stood



by for many years while Apple took the portable music business away from it. GM was paralyzed for forty years during a decline brought on by competition and technology change.



Yet, while we can quote the major and explosive changes, most are slower. Like the proverbial frog which gets slowly boiled to death as the temperature of the water in which he rests is raised. Companies such as

Sears, Roebuck, and A&P Reader's Digest or US Zenith; Silo and Levitz, of them did not recognize they had to change or are in this situation, but rounds of cost-cutting or model



becomes Hopkins tells us that 90% of us will not, cannot change even when we are faced with a stark life or death decision.

failed to adapt to change, as did Steel, American Motors and PanAm, and Steve & Barry. Each that change was on them and that die. Even today, many companies fend off disaster with repeated fine-tuning, while their business

outmoded. Research at Johns

So how unlikely is it that we will change when the decision is less dramatic. In many cases also, the company will not disappear overnight, but simply fade away over many years. Great names such as Woolworth or Montgomery Ward have disappeared from Main Streets, names such as Atwater Kent, Studebaker, Burma Shave, or Singer from our homes or garages. Change comes in many unexpected ways and is usually slower to be accepted than it should. Introduction of the portable radio



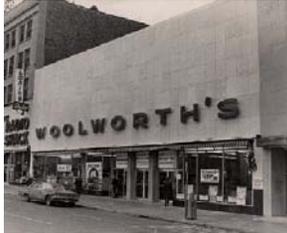
in the 1930s provided the first great boost to the automobile industry as people could travel to distant places and take their entertainment with them. The



The Interstate Highway system did the same again in the 1950s and 60s Self service grocery stores first appeared at Piggly Wiggly in 1916, but did not gain wide acceptance until after the Second World War. In the meantime, all the many

counter-service stores in existence were slowly dying. The introduction of self-service made package design important, and started the movement of purchase decisions towards point of sale and away from the shopping list. That carried, and continues to, huge implications for the way in which manufacturers address consumers.

When Bank of America introduced the revolving charge credit



card it swept away many of the old banks and many merchants which resisted them. While in hindsight, the changes were inevitable, at the time, many did not realize it and watched while their businesses declined slowly. This is not rare, but seems to be inevitable



in the case of most businesses. While the speed of decline is accelerating, reactions to it, even by innovators, seem to be usually too slow. Companies such as Osborne were upended by it, as were Atari and Commodore. Apple is one of the few companies which has responded successfully to changing models. While the jury is still out, Dell was slow to react to the shift of personal computers from desk-tops to laptops, which made its direct selling method less effective as consumers wanted to see and feel laptops before buying.



Gestetner, the leading maker of mimeograph machines, stood by as Xerox introduced photocopiers, and is now a brand of Ricoh's. Of course fax machines have been largely superseded by mail, passenger liners by aircraft, fountain pens by ballpoints, clockwork watches by electronic ones, steam trains by electric and diesel ones, film cameras by electronic, and many other technological changes.



But not all changes are technological. Department stores, which themselves killed many independent retailers, were seriously hurt by giant "category killer" stores. The reality is that almost any business has a "half-life," and if it stays still it will die.



Many newspapers are closing. Retailers, from Circuit City to Fortunoff are joining Gimbels and Silo. By the end of 2009, it is estimated that over 100 banks will close their doors.

All the evidence suggests that resistance to change is not based on logic, and no amount of logic will lead to change. It is emotional. Clearly, if organizations or groups of people resist recognizing change, yet failure to do so can result in the end of the business, we must put into place something, with which even the people who put it into place may feel uncomfortable. The only way to do this is to create and use an outside perspective, and a deep emotional recognition that

every business model becomes obsolete eventually, and that constant fine-tuning will run out, just as the steam engine gave way to internal combustion.

So is there a process or methodology for doing this? Yes, but it requires re-engineering your mindset as much as simply analysis of data. Most people fool themselves into thinking that there is no urgency. Since many feel uncomfortable doing things differently, it is easy to fall into the trap of procrastination or even ignoring the imminent changes. We have to address this before we even consider what new processes or business models are needed. There is never only one way to create a business model for an industry, and there are frequently very many. This is the best way to ensure longevity:

1. Assume that every product, process and presentation is very imperfect and set a target to improve each, as determined by objective, outside standards, on a regular basis.
2. Get outside perspective and ideas. There are many more people in the world who do not work within your organization than inside, and they can contribute.
3. Understand your customer. Do not try to do this simply by carrying out regular surveys or allowing market research or sales to tell you what and how customers think. Get face-to-face with customers, particularly in situations where they are using your product or service.
4. Talk to people in the lowest levels in the business. The warehouse worker, machinist, accounting clerk knows the business better than you do.
5. Listen, don't talk. Ask questions and when you get answers focus on understanding the implications they have for your business.

There are companies which have lasted hundreds of years and prospered. Procter & Gamble is a 180 year old company. It can be done, but it is not for the faint of heart. It requires imagination, personal security, and the courage to be wrong.