



**Challenging your
Company's Status Quo:
Traps, Pitfalls &
Effective Remedies**

Better Decisions. More Growth.

Challenging your Company's Status Quo: Traps, Pitfalls & Effective Remedies

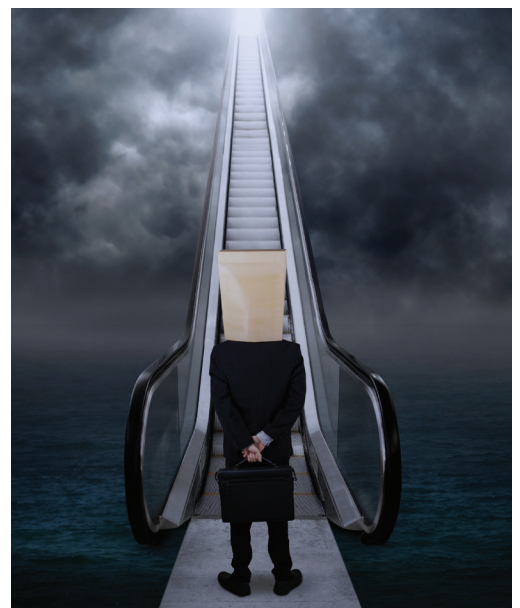
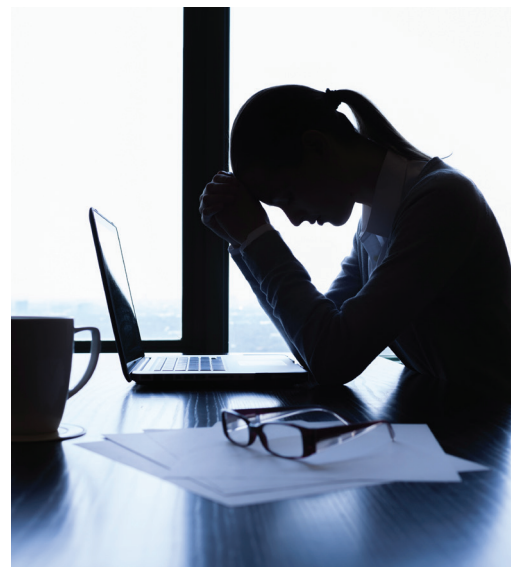
The marketplace is littered with companies that failed to effectively challenge the status quo. All of them were led by well-intentioned managers who did their level best, but there is a fundamental difference between working hard and working to challenge the status quo. Too often, we're trapped by what we know and have learned over the years, but what brought a company's success in the past isn't always going to work in the future.

At some point in every organization's history, the people making decisions recognized the need to break with convention. So why do so many businesses struggle to effectively transition from older modes of operations? Why do some many companies stumble when they blazing out onto new territory?

Blinded by Our Own Success & Operating Model

We can point to once-great companies (think Kodak, Xerox, Sears Roebuck) that were shining stars in business that are now gone or shadows of their former selves because leadership failed to change the business. My view, and the first challenge that Northpoint Advisors works with companies to consider, is that success often results in a false sense of security, with less intensity directed to growth and creation of new sources of customer value. This isn't merely because of complacency: instead the annual operating model and its core metrics reinforce the status quo by compelling us to simply do the same things better, faster, cheaper.

As executives, we must challenge the status quo before someone else does before a competitor or a new market entrant beats us to the punch. Unfortunately, as executives we have a strong bias toward maintaining the status quo. The Board of Directors may contain objective parties with an outside perspective who can get us to think outside the box, but activist Boards are rare, and the occasional insightful Director often lacks an effective forum for challenging the focus of executive leadership.



"What you have to do and the way you have to do it is incredibly simple. Whether you are willing to do it is another matter."

— Peter Drucker

Aversion to Risk

The word “risk” is tossed about so casually that a reasonable discussion requires some reexamination of what risk really means. In business, we most often think of risk in terms of the unreliability of our business intelligence, the uncertainty of markets and economies, the uncertainty of outcomes, or the probability of failure. Any or all of these can compel us to stick to familiar turf.

I advise my clients to adopt these perspectives on the risks of change:

- Doing nothing is inherently risky in the long run.
- Basking in the afterglow of your current success is risky.
- An outside advisor reduces the risk of doing nothing. Research recently published in HBR [reference] shows that as individuals we are risk-averse (specifically less likely to challenge the status quo) in taking our own advice, but we are risk-loving when advising others, including friends and family. I contend that organizations behave much like change-averse individuals.
- Anticipating factors in the environment that will require you to change reduces risk of failure by giving you more runway.
- A well-developed vision and a stress-tested plan to achieve it reduce risk of failure.
- Stress-testing your fact base reduces risk of uncertainty.
- A well-developed strategic options set avoids the risk of a single-minded “damn the torpedoes” approach.
- An outside-in perspective on how to compete against your company reduces your exposure to competitive risk by eliminating blind-spots.

How can you think like an Exponential Organization?

Exponential Organizations thought process takes a different look at your company mission statement and suggests you replace it with an **MTP (massive transformative purpose)**. Google’s MTP is “organizing the world’s information”, while TedEx’s is “ideas worth spreading”.

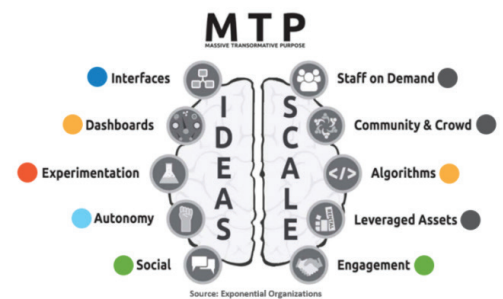


Image Credit: *Exponential Organizations* by Ismail, Malone, and Van Geest



Openness to Advice & Openness to Change

A CEO of a large devices company reached out to Northpoint in 2016. The company was in a good position: it had a growth rate about 10% ahead of its peer group, but the CEO felt that the company could do better. He sensed that large structural changes in the industry were coming, and he predicted that a push for higher growth was needed. But he didn't have a solution to get that higher growth.

We were hired to complete a landscape review of the company, its market, and the key competitors they were working against. What we learned was that the company's edge in the market was their ability to significantly out-execute their competitors. Looking ahead, we realized that it was unlikely that the company could continue to maintain an edge on that model alone, and we also realized that the equipment-oriented solutions they provided customers were likely going to be combined with other services in the future. These services were already a part of the business plan, but the focus on that aspect of their strategic plan was weak and needed prioritizing.

We provided the company with an adjustment to their strategic plan, and a set of actions that would guide them towards a new model that would maintain current strengths while predicting the future landscape of the market.

As a result of our collaboration, the company saw 18% growth in 2017, and 20% in 2018. We were able to help the leadership take a calculated risk on changing their model so that they would be ahead of the curve when the industry change. We did this without losing the positive momentum that the company had enjoyed previously. Most significantly, our process of business intensification brought everyone in the company to the conversation, included a range of stakeholders who initially were indifferent to our ideas. The full engagement of everyone in the company was a key component to the successful outcome we achieved.

So how does Northpoint Advisors work to advance positive change by challenging the status quo?

5 Steps to Effectively Challenging the Status Quo

- 1. Have an Open Mindset.** We work with executives and their team to maintain an openness to challenges of upsetting the status quo. We have methods to ensure that teams maintain excitement about the new venture they are undertaking while remaining committed to seeing the process through.
- 2. Develop a Credible Fact Base.** At Northpoint, we believe that the basis for understanding how to challenge the status quo is accurate and forward-looking marketplace information. One can challenge without criticizing if the challenge is based on facts.
- 3. Bring in an Outside Perspective.** While most executives seek outside points of view, they are not always formulated against a vetted set of needs. Northpoint Advisors recommends an approach that looks at the business through the eyes of the CEO, but from the outside.
- 4. Focus on Strategic Planning.** Too often, annual planning is more about resource planning than strategy. We suggest that annual planning be integrated into a running 24-month strategic outlook program that gathers facts such as marketplace trends, insights, challenges, and competitive positions.
- 5. Align the Organization on a Shared Vision.** The executive team needs to assure that everyone between them and the customer is aligned to generate the maximum result. Northpoint Advisors will guide organizations through the challenge of change management, ensuring that everyone on the ship is rowing together in the same direction.

Case Studies in Challenging the Status Quo



DELL COMPUTERS

Over its history Dell has reshaped itself dramatically. Dell evolved from a phone-based retailer to a major e-commerce player that integrates major accounts into its market coverage and product development. Dell added capabilities that were critical to corporate customers, such as their services business (acquired from EDS and others). Today Dell is a company that has been challenged by competitors and has successfully rebounded. As a leader, Michael Dell has been steadfast in changing to meet new growth objectives against a backdrop of industry players.



APPLE

Today Apple is one of the most highly valued companies, and it's no surprise that the story of the company is one of constant reinvention. Founder Steve Jobs set the tone in the late 1970s before being ousted in the 1980s. His return to Apple drove significant growth in their personal computer business, and the introduction of the iPod and iTunes in the early 2000s.

Jobs next placed his bets on becoming an established smartphone provider, competing against strong players at the time such as Motorola, Samsung, RIM, and Nokia. iPhone revenue has grown from about 25% of company revenue in 2009 to about 60% of Apple's revenue in 2018. He and his team bet that they could create a better customer experience through user-centered design and ease of use – core values and brand attributes forged in the early Macintosh days and refined with the creation of the iTunes digital music business. The challenge was that this approach would create significant competitive advantages over established players in the smartphone industry. The challenge was significant as the company had to enter a new market with a new product and create a new channel. This required significant planning and strategy.

When you're doing something for yourself, or your best friend or family, you're not going to cheese out. If you don't love something, you're not going to go the extra mile, work the extra weekend, challenge the status quo as much.

— Steve Jobs



TESLA

Tesla founder Elon Musk has parlayed his success with Zip2 and PayPal into various businesses spanning space exploration, renewable energy, rail systems, and the automotive industry. Unlike Dell and Apple, Tesla's success is far from conclusive. What is amazing the volume of capital that's been raised by Tesla: some \$17.8 billion over 32 rounds. It's clear that the vision and approaches by the founder Elon Musk has energized investors.



GOOGLE / ALPHABET

Google has evolved well beyond its search engine and advertising business of the 1990s: the company has grown into a diversified business with forays into autonomous vehicles, healthcare, cloud computing, renewable energy, and other verticals. Rather than being content with their core business model, Google has expanded into these new markets.

Google's efforts to participate in new markets came about through a planned strategic set of opportunities defined by the landscape. And while Google reported \$116 billion from advertising (85% of total revenue) in 2018, this established business provides funding for new initiatives. Their mission statement is, "To organize the world's information and make it universally accessible and useful." While this does not encompass all the businesses in Alphabet's portfolio, Larry Page, Google's founder, said in 2004 that, "Serving our end users is at the heart of what we do and remains our number one priority." The company's mission statement adheres to a utilitarian benefit that the business provides to its users.



The Ability to Persuade

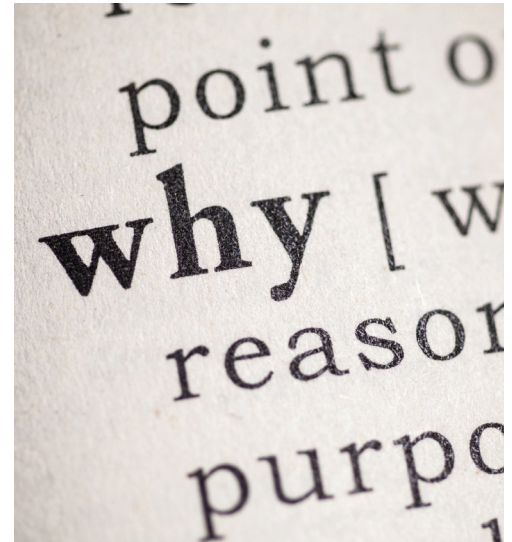
The reason that Michael Dell, Elon Musk, Steve Jobs, Larry Page, and others have been effective in challenging the status quo have is their ability to effectively persuade. While other leaders focus on the “what” and “how” (the ‘result’ and the ‘process’) of developing a business, these leaders have succeeded by emphasizing the “why”: the purpose or cause that underlies a business.

Research shows that focusing on the question of ‘why’ is the most effective way to gain internal and external support. At Northpoint, we strive to orient our work towards solutions that not only produce tangible results and clear processes, but solutions that consider and recognize the underlying ‘why’ of the companies we work with.

Conclusion

Effectively challenging the status quo is difficult without engaging external advisors and points of view. Boards of Directors are often thought to be helpful in this regard, but their perspective is often too high and broad to support important strategic actions. We are seeing the speed of change increasing, and companies need to respond quickly to disruptive competitive challenges. These challenges warrant a need for more effective defining and managing strategic choices: Where do we play? How do we win? What is “winning?” What resources need to be in place to win? At Northpoint, we suggest deploying a strategic planning process that feeds the executive team with relevant insights to better prepare them make strategic choices. The executive team can also benefit from a process that engages inside and outside perspectives focused on the most important areas of change.

Richard Van Belzen
Managing Director, Northpoint Business Advisors



About Northpoint Business Advisors

Revenue Growth Experts

Since 1995, Northpoint Business Advisors has been successfully helping companies of all sizes identify new revenue sources. More than 200 companies have discovered the value of bringing in our firm to take a comprehensive look at their existing business models and strategies. And we think you should too.

We keep abreast of the latest approaches in business solutions, strategy, analysis and operations, enabling us to help you get a fresh perspective of what needs to change to optimize your business for accelerated revenue growth.

Northpoint's expertise is in varied markets including, but not limited to, medical devices, building systems, high-tech manufacturing, water and energy infrastructure, and renewable energy.

We are lean and agile, and experts at creating high-performance, on-demand teams. Once your project needs are identified, we'll deploy a team of professionals with the highest level of experience. Our company is made up of direct employees, dozens of associates, and over 50 top-level authorities in varying business fields.



High-Value Performance

Northpoint maintains close ties with thought leaders, industry analysts, technologists, researchers, regulators, and key executives at leading market firms. We ramp-up quickly and get expert answers and insights fast. Our "outside-in" perspective extends beyond our organization to assure all perspectives are vetted and sound before they reach your team.

The Northpoint Revenue Growth Commitment

You may be concerned about group think and need a fresh set of eyes to look at your project. Maybe you have a critical project but don't have enough bandwidth on your team to get started. Or maybe you're stuck on a tough problem and can't sort it out. In any case, Northpoint can help. We can be your trusted business advisor, and help you and your team achieve successful results...fast. That is the Northpoint promise.



Someone is always going to assess your strengths and vulnerabilities; it would be best if it was Northpoint and not your competition. Build your ideal **NorthpointGOLD** program today, call **833-GROWREV (833.476.9738)** or email us at **info@northpointadvisors.com**.

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