

ONLY THE PARANOID SURVIVE

How to Exploit the Crisis Points that
Challenge Every Company and Career

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MAIN IDEA

Sooner or later, every successful company will face a strategic inflection point - a point at which the fundamental rules for business success change and unless the company adapts to the new rules and conditions that now hold center stage, an inevitable decline is guaranteed.

Strategic inflection points are dramatic events which can force companies to make hard decisions and to take drastic actions. They also present a unique opportunity, if managed effectively, to reposition the company to emerge from the reorganization stronger than ever and in better shape to establish a sustainable competitive advantage under the new conditions and new environment in which the business now operates.

To position a company to benefit from a strategic inflection point, there are several techniques effective managers can adapt to their own requirements, including encouraging vigorous internal debate about changing market conditions and allowing some controlled experimentation to occur internally. Feedback from those who are closest to the customer should also take a pre-eminent position in the material under consideration by the business managers.

Ideally, a new strategic focus for the company will eventually emerge from the haze of sometimes conflicting information, and the business managers role is then to sharpen the focus on the new direction, to shift the company's resources to align with the new corporate direction and to move steadily forward from that point. Companies which successfully navigate strategic inflection points inevitable are stronger and wiser for the experience, and positioned to benefit from what has been experienced.

The Concept of Strategic Inflection Points Pages 2 - 3

A strategic inflection point is a specific period in time in which fundamental changes occur in the way the business operates. If handled correctly, a strategic inflection point can propel a business forward to new heights of prosperity. If mishandled, however, the same strategic inflection point can also mark the demise of a previously successful business enterprise. Companies cannot hide from strategic inflection points. They are inevitable. Emphasis should instead be placed on turning any and all strategic inflection points into opportunities for the company to move forward and upward.

Historical Examples of Strategic Inflection Points Pages 3 - 4

1. Intel in 1994
2. The Computer Industry 1980 - 1995
3. Retail Superstores
4. Movies With Sound
5. The Shipping Industry
6. The Travel Industry

How to Tell When a Strategic Inflection Point is Developing Page 5

There is no fail-safe method of determining exactly when inflection point conditions are developing. Sometimes, a dramatic event will occur, but more often, a realization will emerge gradually from a wide array of warning signs and hints. Therefore, the only rational approach is to continually maintain a broad and intensive internal company debate on all of the diverse signals active markets are giving all the time, and wait for a consensus opinion to emerge that will alert the company to impending strategic inflection points.

How to Manage Your Company's Way Through a Strategic Inflection Point Pages 6 - 7

Successfully navigating a company through a strategic inflection point requires enduring a period of confusion, experimentation, internal debate and near chaos as the company seeks to quantify how the competitive landscape has changed. During this period, managers should encourage debate and input from all levels of company staff, and allow some tentative experimentation to occur. Out of the chaos should emerge, tentatively at first but with increasing clarity and enthusiasm, a new strategic direction for the company to head. The new goal may be hazy initially, but with effort and repetition should be refined into a narrow point of focus around which company operations can be restructured.

Once the new direction has been determined, every resource of the company should be committed to achieving the new goal. There should be no further debate by this stage, but the company should now move to do whatever is required to compete successfully in the new direction. Timing the transition is extremely difficult but nonetheless critical to the final outcome. Ideally, the transition should be made sooner rather than later, while the company is in a strong competitive position and has sufficient resources to allocate to the transition.

The Internet as a Strategic Inflection Point Page 8

The growth and impact of the Internet represents a potential strategic inflection point for every company in business today.

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