
The Icarus Paradox



Danny Miller



The Icarus Paradox

Four trajectories to failure

- Focusing
- Venturing
- Inventing
- Decoupling

✓ **Success** can lead to **FAILURE**

Who repairs the roof when the sun is shining?

✓ The very causes of success, when overextended, MAY become the CAUSES of **FAILURE!!!**



The Icarus Paradox

Organizations in decline & some have recovered. They suffered from:

- Overconfidence
- Complacency
- Carelessness

Management excesses essential for success, can lead to decline.

The momentum that drives the trajectories is **ORDERLINESS** and **not** chaos!!!



Four Trajectories

- o Focusing -Craftsman to Tinkerer
- o Venturing -Builder to Imperialist
- o Inventing -Pioneer to Escapist
- o Decoupling -Salesman to Drifter
- o PLEASE sit back and relax—**THINK about NEW trajectories!!**



Focusing



Craftsman to Tinkerer



Craftsman

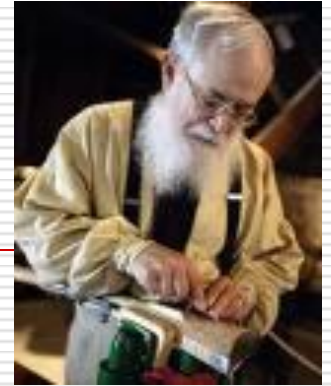


Strategy:

- Quality leadership
 - Product/service reputation
- Cost Leadership
- Incremental Innovation (followers with small innovations to extend life-cycle)
- Selective marketing



Craftsman



Culture:

- ❑ Strong leaders dedicated to main objective
- ❑ Passionate about doing one thing incredibly well



Transition by **FOCUSING**

Too much success at being a
“Craftsman” leads to:

- ❑ Stagnation
- ❑ Tunnel vision
- ❑ Authoritarian, monolithic cultures



Success reinforces and amplifies
strategic tendencies to an extreme



Transition by Focusing



- ❑ Strategies become narrowly focused, obsessive due to momentum of past success
- ❑ Leaders become tyrants
- ❑ Cohesive cultures become tribes
- ❑ Tight controls become shackles



Craftsman become *Tinkerers*



- ❑ Intolerant of deviations
- ❑ Quality leaders ignore customers, new technologies
- ❑ Cost leaders carry economies to destruction
- ❑ Market, product development ignored
- ❑ Basic designs become obsolete



Tinkerers



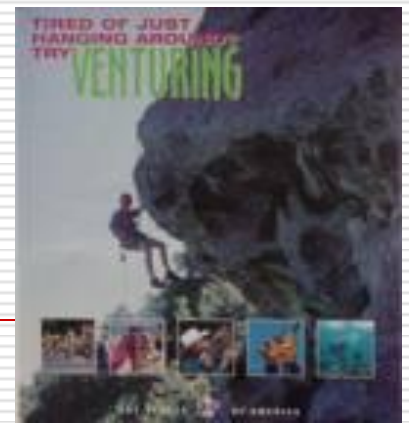
Strategy:

- Pointless quality
 - Tinkerers dominated by engineers
 - Designs reflect COST, EFFICIENCY, CAPACITY
 - **NOT** competition, customers, the economy
- Bureaucratic leaders are resistant to change
- Cultures become a “technocracy”

Questions? Examples?



Venturing



Builders to Imperialists



Builders

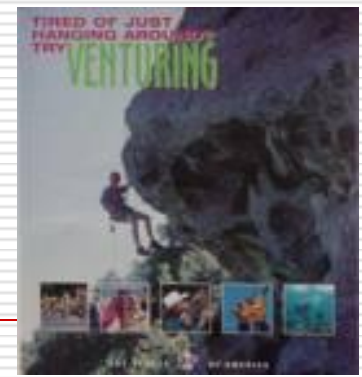


Strategy:

- ❑ Building diversified, powerful corporations by entrepreneurs who exploit opportunities ahead of competitors
- ❑ Creating, Enhancing, and Reviving with quality, efficiency, innovation subordinated to growth
- ❑ Entrepreneurial leaders
- ❑ Growth culture



Transition by **VENTURING**



Success breeds overconfidence, growth and excessive debt

- ❑ Appropriate acquisitions more difficult
- ❑ Overexpansion strains managerial and financial resources
- ❑ Acquisitions less likely to be understood by managers: serious errors
- ❑ Controls become overburdened and leads to an inadequate understanding of each business



Builders become

Imperialists



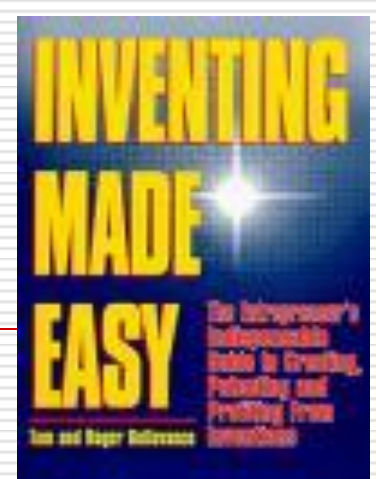
Strategy:

- ❑ Escalate past strategies
- ❑ Colossal projects, grandiose schemes
- ❑ Neglect of detail, failure to understand various businesses
- ❑ Cost over-runs, excessive expenses not monitored
- ❑ Neglect of the main management responsibilities
- ❑ Expansion outstrips systems, controls

Questions? Examples?



Inventing



Pioneer to Escapist



Pioneers



Strategy:

- Take lead, stay in front
- new markets with existing technology
- expand existing market with new technology
- Bold technological developments in established markets
- Focused marketing and flexible production



Pioneers

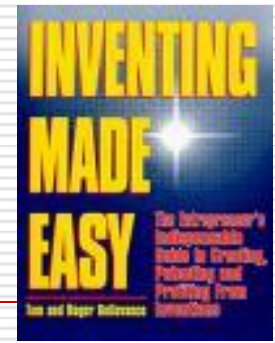


Leadership:

- An urge to change the world
- profit of secondary importance
- R & D cultures
- flexible, non-bureaucratic structures
- speed in making decisions and risk



Transition by **INVENTING**



Innovations continue: become escapists

- ❑ Utopian ideals, futuristic technologies, warm friendly corporate cultures
- ❑ Escapists hide; inventive zeal ignores market requirements, economic rationality
- ❑ Mistakes, costs out of control, delays on marketing, move into markets not understood, high-tech products unsuited



Pioneers become

Escapists



- ❑ Marketing & production people take a back seat
- ❑ Escapists are trapped in the past
- ❑ Cultures and structures inappropriate for any strategy other than innovation
- ❑ Stubborn technology freaks
- ❑ Instead of responding to markets, escapists accelerate pace of innovation
- ❑ Chaotic structures

Questions? Examples?



Decoupling



Salesmen to Drifters



Salesmen



Strategy:

- dominate through image differentiation-style and design
- Excellent service
- Huge markets and advertising campaigns but a market follower
- Strong cultural values of profit not necessarily growth
- Decentralized structures



Transition by **DECOUPLING**



More lines, more models, more outlets to use marketing abilities and reputation

- Aimlessness follows
- Salesmen marketers and image makers not producers or innovators
- Scale necessitates systems and bureaucracy
- Politicized culture, weak leadership can lead divisions to behave independently
- Organizational fragmentation



Salesmen become *Drifters*



- Strategic drift
 - product proliferation/diversification
 - convinced they can sell anything
 - products become obsolete
 - Underpowered & overpriced products
 - leaders think they are invincible: arrogance and complacency set in
 - numbers and bureaucracy rule

Questions? Examples?



Focusing

Craftsman → Tinkerer

- ❑ Strategy: Quality leadership Technical tinkering
- ❑ Goals: Quality Perfection
- ❑ Culture: Engineering Technocratic
- ❑ Structure: Orderly Rigid



Venturing

Builder \longrightarrow Imperialist

- Strategy: Building Overexpansion
- Goals: Growth Grandeur
- Culture: Entrepreneurial Gamesman
- Structure: Divisionalized Fractured



Inventing

Pioneer → Escapist

- ❑ Strategy: Innovation High-tech escapism
- ❑ Goals: Science-for-society Technical utopia
- ❑ Culture: R & D Think-tank
- ❑ Structure: Organic Chaotic



Decoupling

Salesman \longrightarrow Drifter

- ❑ Strategy: Brilliant marketing Bland proliferation
- ❑ Goals: Market share Quarterly numbers
- ❑ Culture: Organization man Politics
- ❑ Structure: Decentralized Bureaucratic



Sources of Momentum (Enemies That Used to Be Allies)

1. Leadership traps

- Lenses of experience
- Single loop learning
- Overconfidence



Sources of Momentum (Enemies That Used to Be Allies)

2. Monolithic Cultures & Skills

- Embedded values (Walt Disney)
- Monolithic cultures (dominance of a single function) (groupthink)

3. Structure

- Confining programs & routines
 - Political inertia (power shapes strategy..strategy can affect power)
-



Sources of Momentum (Enemies That Used to Be Allies)

4. Processes

- Selective intelligence systems
- Channeled decision making

5. Configurations and momentum

- The four sources (above) lead to coherence of configurations (what happens if you try to reduce innovation in a pioneer?)
- Change goes in **ONE** direction



Icarus Paradox- The Bottom Line

Unfortunately, it is very difficult
sometimes to distinguish
between the focus, harmony, and
passionate dedication so
necessary for outstanding
performance, and the EXCESSES
that lead to decline!



Mentor to Elder

The Fifth Trajectory



Mentor

- Established
 - High quality products and services
 - Substantial market share
 - Leadership in the industry
 - Model of Excellence
 - Trust and influence within industry
 - Emulated by others
 - Innovation
 - Only within the market in which they dominate
-



Transition by Conservatism

- Myopic vision
- Mitigated risks
- Habit of complacency



Elder

- ❑ Focus on what they have traditionally been good at
- ❑ Comfortable in their products and processes
- ❑ Risks are seen as more dangerous than the changing market
- ❑ Model of arrogance, ignorance, and decline

