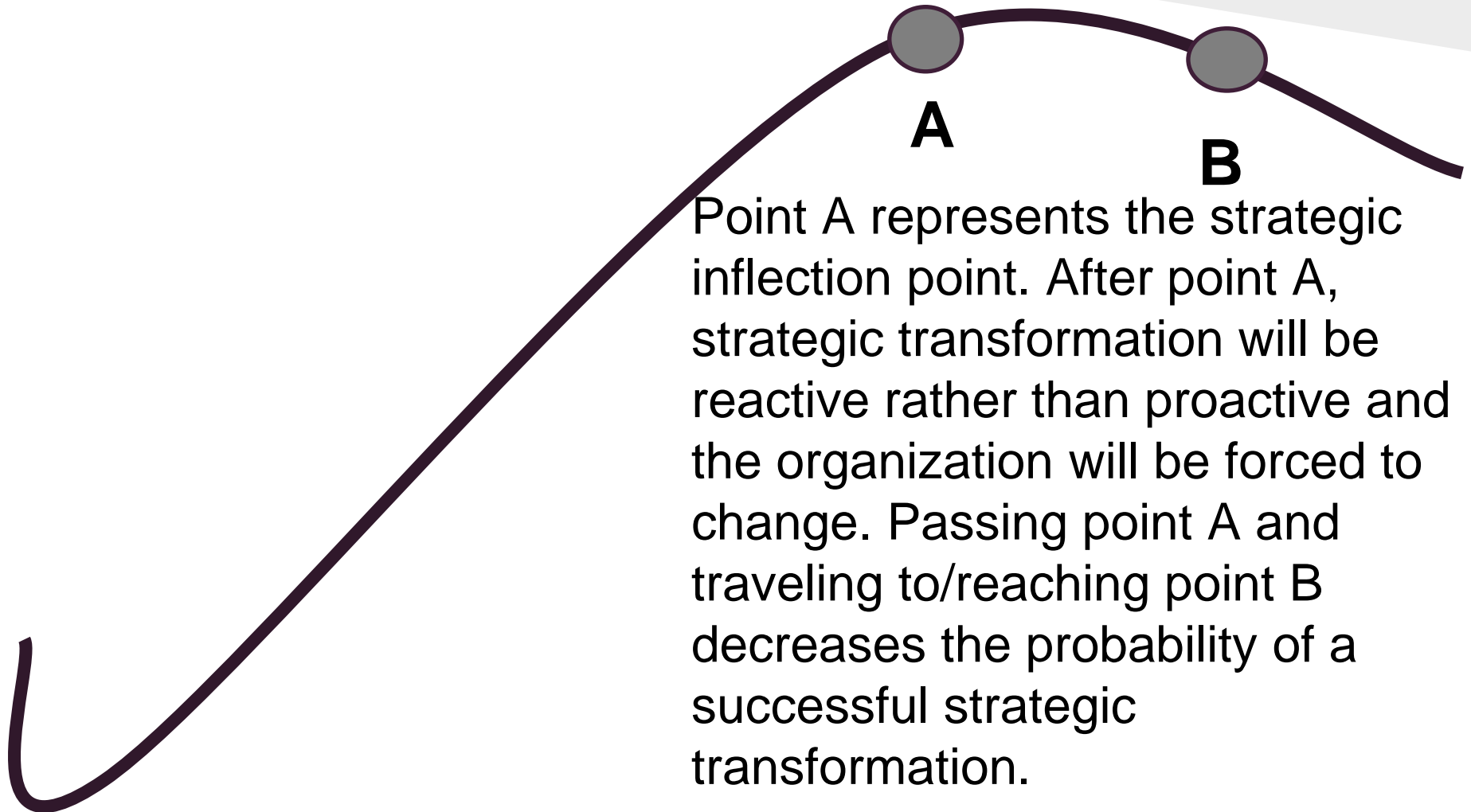


Identifying and Navigating Strategic Inflection Points

What is a strategic inflection point?

- It occurs where the old strategic picture dissolves and gives way to the new picture
- It occurs when the balance of forces shifts from the old structure, from the old ways of doing business and the old ways of competing, to the new
- The point in the organization where it will either grow to new heights or decline
- The last possible point for an organization to transform itself strategically before it starts to wither
- Subtle point like the eye of a hurricane: there is no wind at the eye of the hurricane, but when it moves, the wind hits you again.

Pictorial of Strategic Inflection



Example of A Strategic Inflection Point

- Think about going on a roadtrip with your friends back before GPS and other navigation systems were available. You get going on the road and aren't familiar with your path. One person in the car not too long into the ride worries about whether you are going the right way or if you are lost. The driver is confident and tells them no that he/she knows where to go. Later on after driving a bit more, the driver pulls over and says, "I think we are lost." This is the strategic inflection point. When you realize that your previous strategy is changing and there is another force taking over it.

Identifying the Strategic Inflection Point

- Identifying the strategic inflection point in retrospect is difficult and even more difficult while going through the crisis
- There are steps that help in recognizing a strategic inflection point:
 - Recognizing the troubling sense that something is different
 - A growing dissonance between what your company thinks it is doing and what is actually happening within the organization
 - A new framework, new set of understandings, or a new set of actions emerges
- **Have to be careful because every strategic inflection point is a change, but every change is not a strategic inflection point!!**

Porter's Five Forces Analysis +1?

- Everyone knows that Porter's Five Forces are:
 - Threat of competitors
 - Power of Suppliers
 - Buying Power of Customers
 - Potential barriers to entry
 - Threat of substitutes
- What if we introduced a 6th force of the threat of complementors?
 - Other businesses from whom customers buy complementary products.

Porter's +1 : Complementors

- This force of complementors is one that is ignored by many companies and can cause them to be blind to a strategic inflection point.
- If a complementor is struggling to provide what the customer needs, it will often adversely affect your business as the items are normally purchased together.

Recognizing the troubling sense that something is different

- The troubling sense can come from a multitude of situations such as:
 - customers' attitudes towards you are different
 - competitors you hardly knew or wrote off are stealing business from you
 - complementors are plummeting and your sales are as a result being affected too
 - Things don't work the way they used to
 - Product development is failing
- The troubling sense can also come from inside the organization, from the people that Andrew Grove (ex CEO of Intel) likes to call the Cassandras
 - They bring bad news, a company should foster a culture that encourages the delivery of news, even if it is bad.

The Silver Bullet Test

- If you have 1 single, silver bullet, which competitor would you shoot it with?
- Andrew Grove, once a CEO of Intel that has studied strategic inflection points a lot, came up with this test.
- It causes you to use your gut.
- If your answer remains the same, you are not at a strategic inflection point.
- Once the answer to that question changes, and you would rather shoot a different competitor, that is a good sign that you are passing through a strategic inflection point.
 - Why? - Because the people that pose a threat to you have changed and that is a good sign that you are facing a different business scenario.

Managing Your Way Through a Strategic Inflection Point

- When you are stuck in the turbulent environment of a strategic inflection point, instinct and judgment are all you have to rely on to get you out.
- Defining strategies, encouraging teamwork, and motivation will be much harder than normal
- Timing is key. You need to make the change while the company is still healthy and the adverse data isn't in yet.
- You want to make sure that you don't wait until point B to make a change because more likely than not it will be too late.

Tools to Manage Through A Strategic Inflection Point

1. Recognize and pay attention to market and financial data that shows a slowing in the rate of growth in sales. This indicates that your market may be changing.
2. Practice against a logical extrapolation of the data, and rely, in part, on anecdotal observations and your instincts. Back your gut feeling.
3. Develop plausible scenarios
4. Continually match each scenario with what is actually happening in the market.

Tools to Manage Through A Strategic Inflection Point

5. Continually monitor your environment.
6. Develop a culture within your organization that strategic transformation will be necessary for your survival.
7. Bring in new blood to challenge the current way of doing things.

Phases of Strategic Inflection

1. Let Chaos Reign

- a. In this phase of the curve, you do not know enough to take charge
- b. Let things develop by relinquishing control and letting people pull in various directions.

There are several stages in the "Let Chaos Reign" phase

- Denial
- Strategic Dissonance - what a company actually does and what they say they do becomes unusually divergent
- The Business Bubble - should act and re-position when company is at its best

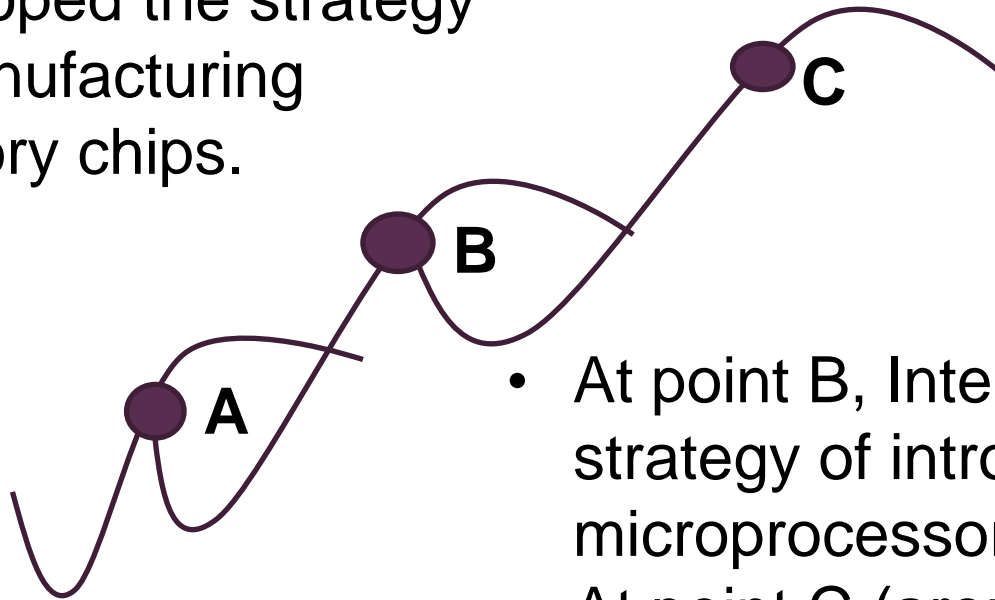
Phases of Strategic Inflection

2. Reign in Chaos

- The experimentation phase is over
- You have figured out your new strategy
- It is time to pull the reins in and take charge again
- You now know enough to see the other side of the strategic inflection point
- Need to be completely explicit in stating the direction of the company

Intel and its Strategic Inflection Points

- At point A, Intel developed the strategy of manufacturing memory chips.



- At point B, Intel developed the strategy of introducing microprocessors.
- At point C (around year 2000,) Intel was developing a strategy to introduce networking chips for digital communications and services for e-commerce.

Intel's Strategic Inflection Points

- 1969 - Intel launched its first product, static random-access memory
 - This is the first strategic inflection point (A) of the company as Intel was started in 1968 and needed to make its first move in the industry.
- 1971 - introduction of first microprocessor but focus was still on memory chips
- 1981 - CEO Andrew Grove realized that the memory chip market was saturated and moved the strategy from memory chips to microprocessors
 - This is strategic inflection point B. If they would have stayed in the memory chip market and not capitalized on microprocessors, they may not have still been around today.

Intel's Strategic Inflection Points

- 2005 - CEO Paul Otellini reorganized Intel to refocus its core processor and chipset businesses on platforms (enterprise, digital home, digital health, and mobility.)
 - This is strategic inflection point C
 - It ultimately didn't work out in the long-run so the company had to reorganize again in the future
- Intel is a good example of being proactive when approaching strategic inflection points. They were able to jump the curve several times and stay alive.

What to Take Home

- Be proactive rather than waiting to be reactive
- Make strategic changes while the company is still healthy
- The three C's are large contributors to failure in an organization
- In relation to strategic inflection points, let's not let complacency take place

**** Strategic Inflection Point is the Time to Wake
Up and Listen****