CHAPTER 1

Are You Fast or Irrelevant?

The Decline and Fall of Nokia

By February 2011, Stephen Elop had been the CEO of Nokia for nearly five months. The first non-Finnish director of the mobile communications giant, the former Adobe and Microsoft executive, had, since his appointment, been reviewing the company's declining performance and talking with the company's customers, workers, suppliers, shareholders, and partners. The results of Elop's review terrified him.

Nokia's once unassailable position across various segments of the mobile phone market had been rapidly eroded by competition from Apple in the smart phone segment, by the explosion in the share of Android in the mid-range market, and by Chinese manufacturers at the low-price end of the market. Symbian, the company's proprietary software, was seen as uncompetitive in many of the world's leading markets, particularly North America, and product development was both slow and lacked genuine innovation.

All of these issues had impacted negatively on results. Revenues were down from over €50 billion in 2008 to €42 billion in 2010, margins were in free-fall and operating profit had more than halved from nearly €5 billion to a little over €2 billion in the same period. Little wonder, perhaps, that the Board had looked outside of the company for its new chief executive.

Sitting at his desk at Nokia's global headquarters in Espoo, just outside Helsinki, Elop's mood was as dark as the long, seemingly endless Finnish winter nights. As he sat down to compose a memo to everyone inside the mobile phone giant, he realized he had to shake up the company's entire way of thinking. Elop didn't pull any punches in his analysis of the company's predicament, comparing Nokia's situation with a man on a burning

oil platform in the middle of the Atlantic Ocean. The man was faced with the choice of burning to certain death or jumping into the icy waters. He decides to jump and suggests that Nokia needs to do the same.

Elop's "burning platform" memo is over 1,000 words in length. After writing it, Elop shared it with the organization ahead of the presentation of his new strategy for the business. Here are some key extracts:

- *We too, are standing on a "burning platform," and we must decide how we are going to change our behavior. And, we have more than one explosion—we have multiple points of scorching heat that are fuelling a blazing fire around us.*
- *The first iPhone shipped in 2007, and we still don't have a product that is close to their experience. Android came on the scene just over 2 years ago, and this week they took our leadership position in smartphone volumes. Unbelievable.*
- *Let's not forget about the low-end price range. In 2008, MediaTek supplied complete reference designs for phone chipsets, which enabled manufacturers in the Shenzhen region of China to produce phones at an unbelievable pace.*
- *While competitors poured flames on our market share, what happened at Nokia? We fell behind, we missed big trends, and we lost time. We now find ourselves years behind.*
- *At the low-end price range, Chinese OEMs are cranking out a device much faster than, as one Nokia employee said only partially in jest, "the time that it takes us to polish a PowerPoint presentation."*
- *Our competitors aren't taking our market share with devices; they are taking our market share with an entire ecosystem.*
- *I believe we have lacked accountability and leadership to align and direct the company through these disruptive times. We had a series of misses. We haven't been delivering innovation fast enough. We're not collaborating internally.*

You can feel Elop's frustration with the organization, can't you? He points to a lack of accountability and leadership, ineffective decision making, insipid innovation, and a lack of collaboration across Nokia over a

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period of time. But the memo points to one factor, above all others, that drove the company's decline: a lack of speed. In each market segment—the high-end, the mid-range, and the low-end—Elop identifies faster, more agile competitors getting ahead of Nokia and accelerating away.

The day following Elop's memo, he shared his refreshed strategy for the Nokia phones business. Alongside radical changes to the company's leadership, cost reductions, shifts in production and lay-offs, Elop's big strategic move consisted of a partnership with Microsoft that would lead to Nokia abandoning its in-house Symbian software and, instead, adopting the Windows Phone software in all its smart phones. Recognizing that Apple's iOS and Google's Android systems were now dominating the market, Nokia had little choice but to find a way of partnering with the #3 software provider, Microsoft.

Despite the initial hopes that the strategic partnership would help the two companies challenge Apple and Google, the results simply didn't follow. Even though Nokia's new Lumia phones received decent reviews, their level of innovation was still not enough to seriously disrupt the two market leaders. Nokia had simply fallen too far behind to have a chance of catching up. As shown in Figure 1.1, Nokia's smart phone market share had fallen from its high of over 50 percent in early 2007 to just 3 percent of global smart phone sales by mid-2013. Nokia's strategic partnership

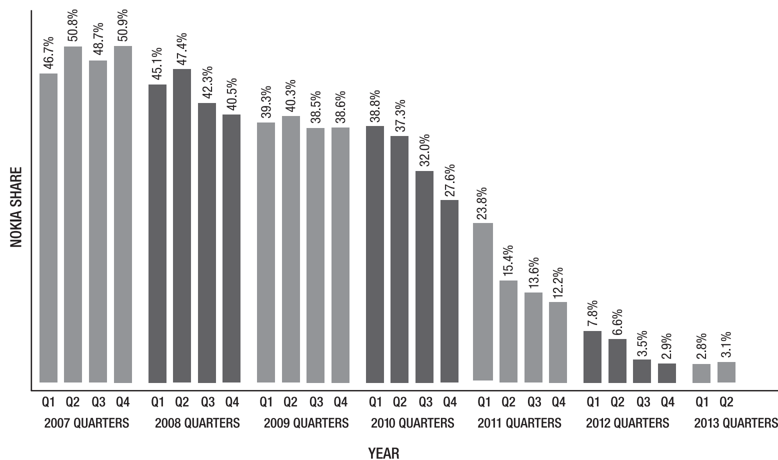

Figure 1.1 Nokia global smartphone market share, 2007–13

Source: Statista.

with Microsoft had had no noticeable impact on that decline. The company's financial performance followed the slide in share and in 2012 the company recorded an operating loss of over €2 billion.

The further decline of Nokia's phone business led to its sale to Microsoft for $7 billion in September 2013. In a little over five years, Nokia had gone from being the seemingly unassailable leader of the mobile phone market to a near irrelevance that the holding company's board of directors was more than happy to sell. The Nokia Company still carries on, but it now focuses on network infrastructure services, mapping and location services, and technology development. Mobile phones—and Stephen Elop—have left the Finnish giant for good.

What's Driving the Need for Speed?

Nokia operates in a fast-moving, highly dynamic market, driven by disruptive technological innovation. Schumpeter's "gales of creative destruction" are as common and as devastating in the mobile phone market as hurricanes and tropical storms are in the Caribbean and surrounding areas at the end of each summer season. In both cases, you know that storms will happen and major damage will result, but it's far harder to predict when and where they will take place with any certainty.

But what about other markets? Are companies in less turbulent sectors able to keep up with, anticipate, and respond to changes in their markets any more effectively? If you look at the list of the biggest corporations in the United States, as set out in the Standard & Poor's Top 100 index, you will find some of the bluest of blue chip businesses that America has to offer, and which operate in a wide variety of markets.

It seems almost inconceivable that such strong and vibrant companies could ever be fundamentally threatened or face issues that their executive teams can't manage. The 2014 list includes corporate behemoths such as American Express, Boeing, Caterpillar, Procter & Gamble, Coca-Cola, Disney, McDonald's, Wal-Mart, and IBM. Indeed, eight years earlier in 2006, the list looked equally impressive. Unfortunately, however, 38 of the Top 100 U.S. corporations from 2006 have fallen out of the Top 100.

While some of these corporations have slipped just outside the Top 100, the decline of others, such as Radio Shack, has been so severe

that they have lost their independence. In fact, for 18 of these 37 businesses, their removal from the S&P 100 is because they are no longer independent publicly quoted corporations. Some, including Merrill Lynch, Anheuser Busch, Black & Decker, and National Semiconductor, were acquired by rivals; others, including Heinz, Harrah's, and Clear Channel Communications, were acquired by private equity institutions; and two from this list of corporate giants—Eastman Kodak and Lehman Brothers—had to file for bankruptcy.

In other words, in the space of just eight years, nearly 40 percent of the biggest companies in the United States were no longer members of the S&P 100, and nearly 20 percent of these businesses had lost their independence. The flip side of this decline is the rise of other corporations that came on to the list. Interestingly, the world's largest corporation, Apple, was not a member of the Top 100 in 2006 and neither were Amazon, eBay, Capital One, CVS, Nike, or Visa.

The lesson is that nothing lasts forever. If some of the biggest, strongest, and most powerful corporations can decline so rapidly, then no company is safe. For those businesses that are able to act with speed and agility, there are huge opportunities for growth, but for those that remain rooted in old ways of working and organizing, the future is bleak and you run the risk of becoming irrelevant. The whole purpose of this book is to ensure that your company is in the former group and not the latter.

The acceleration in the rate of environmental change and risk facing every business is summarized by five key trends:

1. *Technological Acceleration*

Economic and commercial growth has always been driven by technological innovation. The Industrial Revolution in England, for instance, was led and underpinned by advances including the flying shuttle, the spinning jenny, a national network of canals, trains and a national rail network, and, most critically, the steam engine. Each of these, and countless other inventions, catapulted Britain to the biggest economy in the world. Between 1700 and 1900, the U.K. population exploded from a little over 6 million to 42 million, a sevenfold increase, and the economy saw more than a 10-fold increase over the same period.

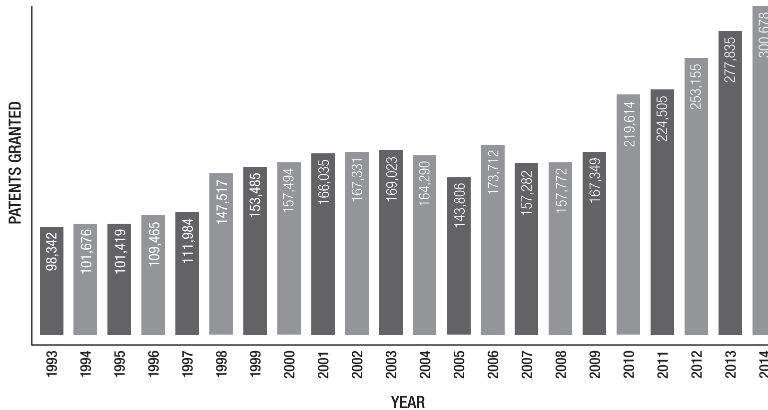

Figure 1.2 U.S. technology patents granted, 1993–2012

Source: U.S. Patents and Trademarks Office.

Technology's capacity to transform industries, markets, and even entire economies and societies is even more relevant today as it was in the 19th century. Figure 1.2 shows the number of utility (technological) patents that were granted by the U.S. Patent and Trademark Office between 1993 and 2012. Over that period, the number of patents granted grew from 98,000 to more than 250,000. Led by R&D arms of major multinational corporations including IBM, Samsung, Canon, Sony and Panasonic, this acceleration in the sheer scale of technology development shows no sign of slowing down.

Faster processing, growing memory storage and computing power, lower costs, greater interpersonal and interorganizational connectivity through mobile and cloud-based applications is reshaping both business and society in general. The remaining four drivers are themselves driven, in large part, by the continuing revolution in digital technology, and, as mentioned below, they demand businesses—and business leaders—that are increasingly agile, adaptive, and fast.

2. *Leftfield Competition*

If you look at a list of the world's top retailers, the top 5 has remained relatively constant over the past decade. In 2015, for instance, *The Global Powers of Retailing*, an annual report from accountancy firm, Deloitte, lists

the Top 5 as Wal-Mart (United States), CostCo (United States), Carrefour (France), Schwarz (Germany) and Tesco (United Kingdom), with Metro (Germany) and Kroger (United States), filling the next two slots. This analysis may lead you to think that the retail industry is relatively stable: but you would be wrong, very wrong. Just outside the Top 10, with 2013 revenues of $74 billion and a five-year growth rate of over 26 percent per annum is a retailer without a single store. Since its launch in 1995, Amazon has reshaped the global retail landscape, directly impacting on customer service, home delivery, pricing, and ranging decisions of virtually every other retailer.

From its initial role as a new-start irritant to the major players, it is now one of the fastest-growing players in the world's Top 100 list and the thought leader for the industry. If you're a retail executive looking to improve your customer proposition, it is almost inconceivable that you can do this without first referring to Amazon's offer. Starting with the company's attack on traditional bookstores and music retailers, Amazon's convenience, range authority, and low prices have helped to extend the company's participation into virtually all retail categories. Although it has not previously competed directly in grocery, the biggest retail sector, this is likely to change with the roll out of AmazonFresh, delivering fresh products to its customers alongside its other, higher-value and higher-margin product categories.

Retail is not alone in facing new, leftfield competition. New forms of competition and the entrance of new, nontraditional players are now driving innovation in most markets. These upstart competitors come from one of five core categories:

1. **Channel Revolutionaries.** Amazon's success has been based on its focus on the online channel. Exploiting alternative channels has driven disruption in other markets, too. First Direct, a U.K. bank, for example, was first established in the 1980s as a telephone-only banking business, and rapidly set the standard for customer service and convenience.
2. **Cross-border Raiders.** The quality and quantity of international competition continues to grow, however, at an exponential rate. Trade agreements, technology developments, and the rapid growth

of many economies have ensured that new market entrants can set up and do business on a global scale more easily than ever before. As we have seen, for example, a key element of Nokia's struggle was its inability to deal with newer, faster, and cheaper Chinese competition.

3. **Business Model Innovators.** The dominance of mass European and U.S. airlines, such as BA, American and Delta, has been overthrown in the past decade by the rise of airlines with two types of business model. First, low-fare airlines have undercut these traditional players, attracted new customers to the market, and attracted more value-focused business flyers. Second, Asian airlines including Singapore, Emirates, and Etihad have redefined luxury air travel by providing an amazing experience for affluent passengers. The traditional airlines have struggled to keep pace with this twin attack of innovation, and have lost customers, market share, and profits.
4. **Market Redefiners.** Part of the genius of the Starbucks proposition was its redefinition of a café or coffee shop from being a commodity service to a lifestyle choice for everyone. How else can you explain the fact that 250-pound truck drivers seem happy to pay $5 for a coffee, even if it is a skinny latte? Howard Schulz, the CEO of Starbucks, didn't accept the coffee shop market as it was; he redefined it into something new.
5. **Digital Intermediaries.** Digital technology has enabled a revolution across different agency businesses, including travel agents, estate agents, and financial advisors. In the travel business, for example, families wanting to go on vacation no longer talk to their local travel agent and ask them to help organize the trip. Instead, they will open their iPads and click on their TripAdvisor app to find the best deals and the best-rated resorts. From its head office in Needham MA, and founded in 2000, TripAdvisor has rapidly become the world's leading travel website, with annual revenues of $1.3 billion and attracting over 280 million visits each month. As a result, the traditional travel agency business has all but disappeared.

3. *Shortening Investment and Product Life Cycles*

When I first became Head of Strategy for Boots the Chemists in 2000, the company looked for a payback on investment in its new stores within

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seven years. As a result, we diligently prepared financial forecasts and risk assessments for each new store, hoping that it would pass the seven-year hurdle. Our risk assessments didn't include any kind of impact assessment of the scale of the 2008 crash, the explosion in online sales or the rise of Amazon. In short, they failed to take account of some of the key retail drivers of the past decade: our assessments were painstakingly done but were, essentially, useless.

I'm not sure what payback period Boots currently looks for but I'm sure that it will be a lot less than seven years. Many of my retail clients now look for payback on their investment in new stores of less than two or three years, and one has an 18-month hurdle. In a little over 10 years, I estimate that the investment cycle in new retail stores in the United Kingdom has more than halved. New stores need to succeed quickly and, at the same time, retailers are looking to reduce the up-front investment required to deliver that success.

It's similar with new product development. According to one academic study, for example, the three generations of phones—traditional landline phones, cell phones, and smart phones—demonstrate acceleration in consumer adoption rates.[1] Taking 40 percent penetration as a reasonable indicator of market maturity, it took landline telephones 64 years to achieve 40 percent penetration of U.S. households, while it took mobile phones a little over 17 years to achieve the same level of adoption, and smart phones just 10 years. If you are an executive in the phone business, you had decades to sort yourself out to win in the landline phone market but just a matter of months to find a winning edge in the smart phone market. That's why Nokia's decline was so dramatic. The company was simply too slow out of the smart phone blocks and that initial hesitation cost the company its independence.

4. *The End of the "Developing" World*

Hans Rosling is a Professor of Global Health at the Karolinska Instiutet in Sweden. He is focused on global health trends and the economic, technological, social and demographic forces that drive them, and on using the

[1]"*Are smart phones spreading faster than any technology in human history?*" Michael DeGusta, MIT Technology Review, May 2012.

insights he gains to dispel common myths about the so-called developing world. Professor Rosling points out that, unlike 50 years ago, you cannot now split the nations of the world into "developed" and "developing" countries. The situation is far more subtle and nuanced, and countries span a spectrum of wealth and prosperity with most of the world's population living in countries that lie somewhere in the middle of this continuum, in countries such as China, Brazil, India, Mexico, Turkey, and Thailand.

Consequently, half the world's economic output, and most of the economic growth, is now generated outside of North America and Western Europe, and these countries are reaching economic maturity almost twice as fast as the old economies did. The share of global GDP that was generated by fast-growing markets (China, India, Russia, Brazil, Mexico, South Korea, Turkey, and Indonesia) economies grew from just 9 percent to 25 percent between 2000 and 2011. At the same time, the "developed" markets' share fell from 78 percent of global GDP to 63 percent. Goldman Sachs forecast that the fast-growing markets' share of global GDP will climb to 46 percent by 2050, while the "developed" markets' share could shrink to just 31 percent.

The rapid shift in economic power creates both challenges and opportunities for companies in almost equal measure. The higher levels of economic growth across will create new markets for business, but only if you are agile and focused enough to exploit them. As we have seen with Nokia, one of the key problems for that business was its low share of business in new, emerging Chinese and Asian markets, reducing its overall market strength.

Nokia's challenges were exacerbated by the second challenge that emerges from the rise of these economies: the creation of new competitors. For Nokia, companies such as Media Tek and Huawei Technologies, developed offerings that were not only attractive to customers in these emerging and fast-growing markets, but which also threatened Nokia's core markets too. The pace at which they were able to innovate and bring new offerings to market was a crucial factor driving their success, and as the level of competition increases, pace will continue to grow as a source of competitive advantage.

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5. *Customer Power and Brand Fragility*

Who owns your brand? The answer is important because it reflects your beliefs about how brands work. Brands certainly have a value and, according to Interbrand, the world's five most valuable brands—Apple, Google, Coca-Cola, IBM, and Microsoft—had a combined brand value of over $400 billion in 2013. But if you think about a brand in the same way as you think about other assets such as land, property, patents or equipment, then you also think that you, the brand owner, are in control.

Brands really only exist in the minds and beliefs of your target customers, and yet they can be your most valuable asset. Only when your customers' perceptions of your brand are associated with positive views about the quality, reliability, performance, enjoyment, integrity, value, image and emotional impact of your products, services, and organization, you are likely to have a valuable brand.

One company that is not in Interbrand's Top 5, or even its Top 100, is BP. The company fell out of favor, and saw its brand value collapse, following the Deepwater Horizon disaster. It was not so much the horrific explosion, the needless deaths of 11 crewmen on the rig and the largest offshore oil spill in U.S. history that was the cause of BP's brand nightmare, but the slow, ineffectual reaction from the company's leadership team to the unfolding events. While the CEO, Tony Hayward, was complaining that "You know, I'd like my life back," people across the world could see for themselves a continuous TV and webcast video of the oil coming out of the broken pipes. And as the oil plume became bigger, and BP's list of excuses longer, the level of trust in the brand melted away.

BP is, perhaps, an extreme example, but it highlights that the balance of power between sellers and buyers has shifted significantly to the buyers. Media coverage exacerbated and accelerated the decline of the BP brand, and our 24/7 access to TV news and social media has step-changed the level of knowledge at customers' fingertips. It only takes a click or two for your customers to understand what other customers really think about you—either fairly or unfairly. They can also easily access information about how your company is run, the background and integrity of your key officers, and the alignment between your brand values and your corporate actions.

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As a result, consumers can force executives to make decisions to protect their brand far more easily and rapidly than ever before. In 2013, for example, Starbucks "voluntarily" paid £10 million in corporate taxes in response to a largely online outcry over its low reported U.K. profits, driven, it appears, by perfectly legal accounting policies that enable the company to focus its profitability in lower-tax countries. Similarly, in 2011 it took a little over a month for Armani and Versace to remove sand-blasted denim from their ranges, following an online petition of 38,000 people protesting against the process, while, in the same year, 75,000 negative tweets to Reed Hastings, the CEO of Netflix, was all it took to force him to e-mail a personal apology to millions of Netflix subscribers and reverse his decision to split the brand's streaming (Netflix) and DVD (Qwickster) services.

Why are Companies Still Too Slow?

These external drivers of pace and change might suggest that there is little that companies can do to prevent their own decline; they are simply pieces of flotsam and jetsam being thrown around on capricious market tides. Yet some companies continue to survive and thrive. Corporate giants such as P&G, GE, and Walgreens may have their ups and downs, but they continue to attract and retain customers, find ways to grow, and generate strong returns.

If they can do it, why can't everyone? The problems of adapting to the pace of change are, it seems, internal rather than external. In short, many companies are still too slow because of a seeming inability of leaders and their organizations to sustainably act at a pace that is equal to or faster than the pace of change that surrounds them. There are five underlying reasons for this situation, as described below.

1. *Organizing for Last Century's Realities*

A key problem for many businesses is how they are organized. Most corporate organizations continue to be based, on the whole, on a 20th-century model of control and hierarchy. If you compare the way businesses are organized and run today, compared with 10, 20 or even 30 years ago, the

only real difference, in many companies, is that managers have to travel more, run bigger teams, work longer hours, and somehow find a way to deal with the explosion of e-mail and mobile communication.

This means, for instance, that your organization probably has several layers of management between the executive team and front line colleagues, takes an annual planning approach to its strategy, operations and financials, requires more junior staff members to seek sign-off and approval for most significant decisions from those in more senior positions and has teams of people, in Stephen Elop's words, "polishing PowerPoint presentations" for the senior team rather than getting on with delivering new growth and value for customers.

As with carbon monoxide, which kills by replacing the oxygen in a room with a poison that has no smell or taste, unnecessary organizational controls are a pace-killer that are mostly unseen and difficult to detect. At a major U.K. services business, for example, the managing director of one of the smaller divisions, with supposedly full profit and loss accountability, decided to develop a new marketing campaign to attract and retain customers. It took him over 12 months to get the campaign off the ground, as he needed the group marketing director's approval to release the funds required, and the marketing team simply had different priorities. In reality, the divisional managing director did not have full profit and loss accountability—despite what the group chief executive believed—and the lack of clarity about this single decision right created a year-long delay in the delivery of his division's growth strategy. Multiply this situation across other decisions rights—IT systems, infrastructure, product development, talent acquisition—and it quickly becomes clear how a lack of clarity, and simplicity, over accountabilities can turn an organizational racehorse into a pit pony.

2. *The Fear of Failure Paradox*

A retail CEO once invited me to the opening of a new concept store. The company had made a big investment in the new concept and so there were high hopes that this trial would succeed. The store looked great, and the initial customer reaction was extremely positive. I turned to one of the project managers and asked him if he'd been closely involved with the

development. "Well," he replied laconically, "It's too early to say." Behind his witticism was an understanding that his business demanded immediate success and had an unwillingness to accept any sort of failure, even when testing new concepts. Failure was not a learning opportunity; it was simply an opportunity to seek a new career. Unsurprisingly, this business did not have a strong track record of either innovation or pace. Managers did not want to stick their head above the parapet and take a risk on a new product or initiative, as the chances were they would be shot at.

But there is a paradox here. The desire to avoid risk and potential failure can create the very conditions that make failure more likely. There is no growth without risk, and yet many successful companies seem to forget the behaviors and attitudes that created their success. In the 1980s, for example, Lotus, despite its success from its Lotus 1-2-3 spreadsheet software and its subsequent employment of many highly qualified managers, was struggling to develop a new breakthrough product.

The chairman, who had become increasingly frustrated with the executive team, ran a test. He took the resumes of the company's first employees, many of whom had track records of major risk-taking, changed the names, and sent them through to the HR department. Not one was asked to the company for interview. Instead, it took a stand-alone team, located away from the corporate head office, to develop the company's next success, Lotus Notes.[2]

3. *Incrementalism*

If you're unwilling to risk failure and want to ensure that you always reach your target, then you will only ever set goals you know you will achieve. Consequently, you are almost inevitably focused on incremental, rather than step-change goals. And, if you only ever want to improve sales, customer satisfaction and loyalty, operational productivity or profit by a few percentage points, then you can usually make that happen by doing what you do already.

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[2]See "*Weird Ideas That Work: 11 ½ practices for promoting, managing and sustaining innovation*" by Robert Sutton, The Free Press, 2002.

What's more, incremental targets tend to be more inward looking. As we've already seen, however, in chaotic, rapidly changing markets, if you simply stick to what you're already doing, no matter how successful that might be currently, you will, at some point, be overtaken by events and by competitors who are faster, more agile, and more focused on creating the future.

The result of a focus on incremental improvement is an organization that is planning-led. Management's need for control overrides any desire for innovation, stifling action, and personal initiative. At one of my clients, the annual planning process once started nine months before the start of the year concerned, or 21 months before the end of the year in question. Managers and staff were asked by a central planning team to put forward their ideas for growth nearly two years before they might be implemented! It was little wonder that the company's actual rate of growth was anemic; its ability to respond to new emerging opportunities and developments in its market was virtually nil.

All of the high-paced companies that I've encountered have something in common: a focus on action. Rather than being constrained by central, top-down planning, managers are encouraged to take action and make things happen. As we shall see, this doesn't mean that there isn't any control. But it is fair to say that a certain level of chaos is required to survive, let alone thrive, in any 21st-century business. Plans have their place, but action and effective performance management are far more important.

4. *"Yes"*

Perhaps the most dangerous word that can pass a senior executive's lips is "Yes." It is also, of course, the most powerful and valuable word, but the irony is that if you keep saying "Yes" to all the good ideas you and your people have, you're really saying "No" to rapid results, or at least saying "Not for a while." I remember talking to the CEO of a major British retailer and asking him about the company's strategic agenda. He told me that he had agreed 27 priorities with his executive team. So, I asked him what these priorities were and, after sharing his top seven or eight, he became stuck and couldn't remember the final 20! If you can't name your

priorities it's unlikely that you're going to be able to deliver them, and the company reviewed and reassessed its major projects soon after.

It's just not possible for any organization to maintain focus if you are constantly asking your teams and your managers to take on another good idea when they still haven't delivered last week's priority. Back in 2004, for example, U.K. retail giant, M&S, was struggling to compete against key rivals such as Next, as well as a much stronger, value offer from the major grocers, led by Asda-Walmart. The Board hired a new CEO, Stuart Rose, and one of his first actions was to cull the 31 "strategic projects" the company was pursuing. As Sir Stuart wrote soon after, "The company was lurching from one strategy to another. If a strategy didn't work by Friday, a new one was initiated on Monday. The staff became demoralized by the onslaught of ever-shifting, unclear messages and strategies, which led to more bad decisions about product and further damaged the way M&S dealt with customers. It was a rapid downward spiral."[3] In other words, the previous CEO's inability to say "No" to a new initiative, and his desire to say "Yes," led directly to a lack of progress at the company and, even worse, contributed to its decline.

5. *Sticking with Your Historic Golden Eggs*

Perhaps ironically, the companies that are in the biggest danger of becoming irrelevant are those that are already relatively successful. New businesses, and those in a crisis, know that they must act differently, move more quickly, and exploit new opportunities better than their competitors. Companies that are already successful often have a different mindset. They are far more likely to be focused on how they can maintain their position in the market, protect cash flows, and maximize the returns they enjoy from their current market advantage for as long as possible. Their problem is that companies that are able to align their capabilities and build advantages to perfectly meet current market opportunities cannot necessarily adapt to meet tomorrow's. In other words, nothing fails like success.

[3]"*Back in fashion: How we're reviving a British icon,*" Stuart Rose, Harvard Business Review, May 2007.

A management approach of protecting current performance and avoiding the aggressive pursuit of new, and potentially threatening, opportunities may seem like the low risk option, but in reality it can often end up being a higher risk choice. Kodak, Olivetti and, now, Nokia have all ended up in a worse market and financial position as a result of their unwillingness and inability to change, adapt, and innovate at a pace that is equal to or greater than the pace of change in your market.

Shifting Focus from Perfection to Pace

Nokia's leadership team found out too late that the dynamic nature of modern markets mean that you can no longer build a fortress to defend and expect to survive intact; you must, instead, leave your citadel and carry on attacking. You must, as an organization, feel the wind in your hair from your own acceleration, rather than the breeze created by your rivals as they speed by. The organization had become infected with a condition that I call "perfection addiction," which inhibits managers and leaders from making the decisions and taking the actions that would move their businesses forward. *Perfection addiction* is an insidious condition that impacts all areas of an organization and appears to have helped to create the arrogance, inertia, and fear that prevented Nokia from building on its previous success. The company couldn't move because it needed committees from across the company to cross the t's and dot the i's on every decision, even when it was clear that the leaders of the different functions had very different ideas about the best way forward.

Nokia's fall from grace was not inevitable, however. The flip side of the company's decline was the dramatic success of many of its rivals, including Samsung, Apple, Google/Android, MediaTek, and Huwaei Technologies. Unlike Nokia, each of these companies were able to anticipate and adapt to rapidly changing market conditions, build and embed a high-speed innovation pipeline, and accelerate revenues and returns. The five brakes to growth, mentioned above, simply didn't apply to these businesses. But I don't think that it's sufficient to simply exhort you to build a 21st-century organization, remove your fear of failure, avoid planning perfectionism, learn to say "No" more often, and recognize and act on the perils of success.

The $100 trillion question is *how* do you build those skills, attitudes, and behaviors across your leadership team and across your organization? What are the specific details of what's required, how do you make them happen, and how do you make them stick? That is what this book is focused on. My aim is to give you pragmatic tools and approaches that will enable you to step-change the level of speed in your business. Not only do I want your organization to be first, I want it to be fast.

Figure 1.3 identifies the six key factors that turn slow, lethargic organizations into agile, responsive, and, above all, fast businesses. I call these "The Six Speed Drivers." Working on any one of them has the potential to step-change your company's pace, but improving all six drivers can transform your potential and your future. In the coming chapters, we will review each of the drivers and focus on how you can best develop the

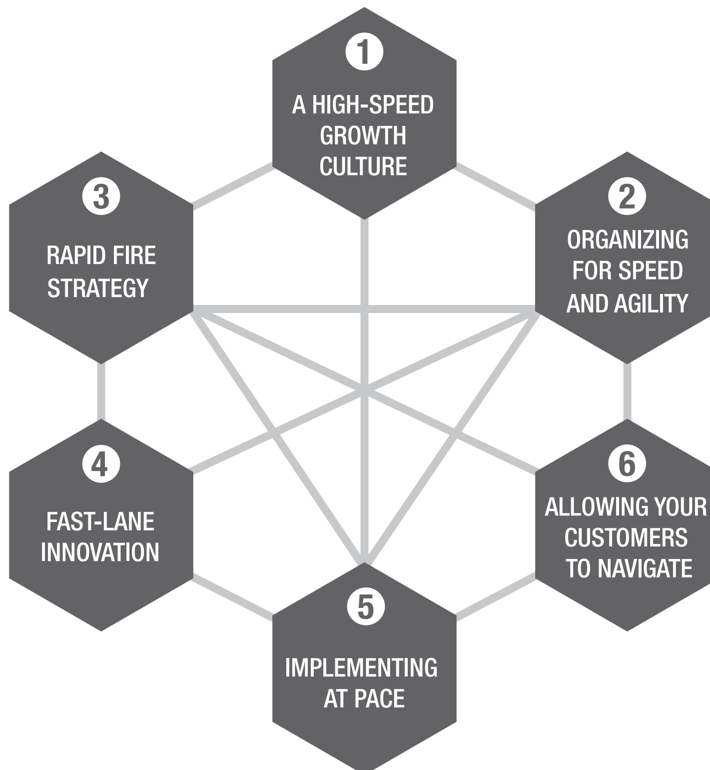

Figure 1.3 The six speed drivers

pace to lead your markets and accelerate away from your competitors. We will set out practical approaches that you can use to increase your rate and impact of innovation, develop more productive relationships with your customers, organize for speed and agility, implement major initiatives at pace, and ensure that your strategy remains relevant and capable of driving rapid growth. But we will start at the beginning, and understand the cultural and leadership foundations that are necessary to become an organization that is both first and fast.

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