

Good Vibrations (2 / 7)

Failure hides in Routines

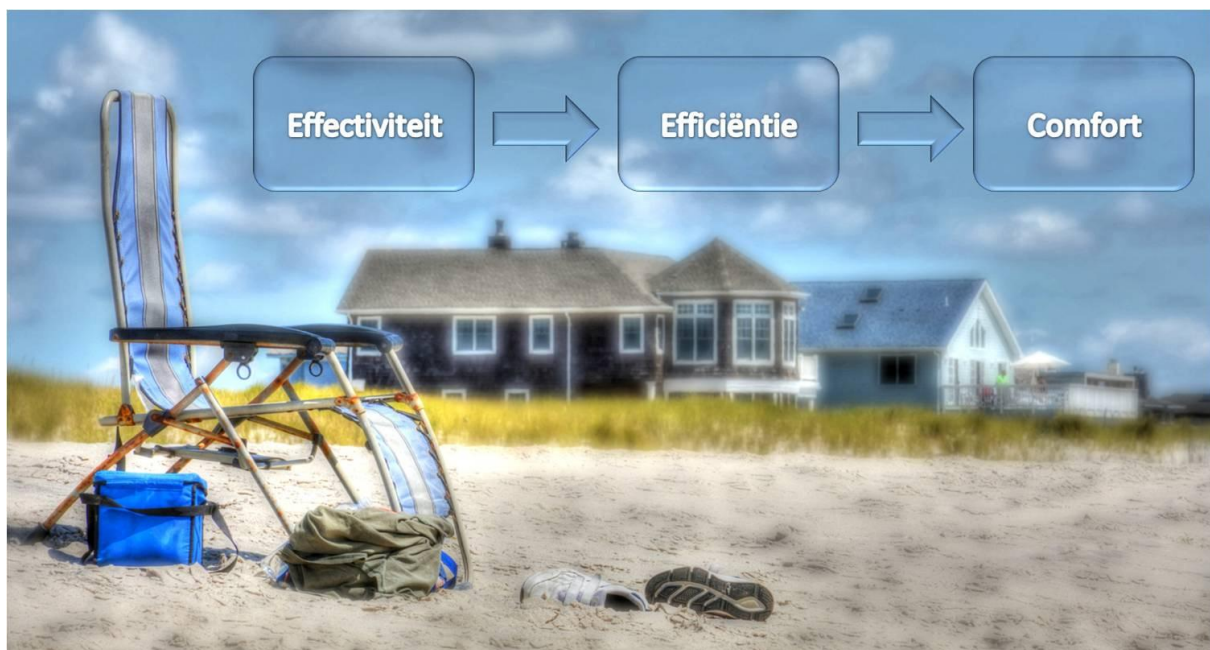
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The Business Score

In its *Four Chord Song*, the Australian comedy rock band *Axis of Awesome* illustrated that many successful pop songs are based on just 4 basic chords. An hysterical video clip!¹ Angus Young, one of the richest people in the Netherlands and mainly known as the guitarist of AC/DC, seems to confirm this:

"I am getting frustrated with people who say that we have recorded 11 albums that sound exactly the same. In fact, we have recorded 12 albums that sound exactly the same."

Yet, this is also very instructional! It is after all a sublime metaphor for the business world. Within an industry, the organizational routines are surprisingly similar, just like the basic chords in pop music. Every self-respecting business school has well-equipped auditoriums, an alumni system, systems for quality control, and even identical name plates for the classrooms. There are more procedural similarities between a Sheraton and a simple B&B than is apparent at first glance: registration at the reception desk, breakfast room, furnishings of the room, a Bible in the drawer of the nightstand.



Such routines constitute the basic ingredients of a business recipe. It is a logical consequence of industrial evolution. In the initial phase, businesses look for what works (*effectiveness*). Once this is

clear, the businesses make every effort to organize this as inexpensively as possible (*efficiency*). In a third phase, once further innovation in existing products and processes has become impossible, the businesses commit all their resources to preserving the existing routines (*comfort*). There is abundant literature on resistance to change, but the essence is astoundingly straightforward:

"Companies fail to make the most of new opportunities because they are still doing their best to make the most of old ones." ⁱⁱ

In 1888, George Eastman surprised the world with the slogan *"You press the button, we do the rest"*. The new camera became popular among amateur photographers and led to Kodak's empire. Where was the digital camera invented? At Kodak! What was the cause of Kodak's demise? The digital camera.

Kodak employee Steven Sasson built the first digital camera in 1975. President Barack Obama awarded him the prestigious *National Medal of Technology and Innovation*:

"For the invention of the digital camera, which has revolutionized the way images are captured, stored and shared, thereby creating new opportunities for commerce, for education and for improved worldwide communication" ⁱⁱⁱ

And Kodak? Sasson's camera weighed 3.6 kg and had a 0.01 megapixel resolution. Nevertheless, the company feared that the invention would threaten its traditional business activities. Management decided not to invest in it.

Bottlenecks? The neck of the bottle is at the top of the bottle. Denying innovation creates opportunities for others. Seeking comfort is hiding the reset button. Failure hides in routines. Opportunities develop into threats.

Take the plunge?

Should you take the plunge and wind down the existing business activity at an accelerated pace? Nah... Each era has its prophets. So does the business world. Doomsday prophets perceive all change to be undermining the established order. These doomsayers are wholesale purveyors of Dantean pessimism.

The optimists reside at the other end of the spectrum. These prophets see the good in the changes and announce the new possibilities as modern heralds. Their alertness compensates for the naivety of their phenomenological amazement. However, their audience better keep in mind the proposition framed by economist Paul Ormerod. Economic initiatives often fail:

"The tendency to over-emphasize successes and to rationalize them ex post is chronically endemic among business historians and management consultants." ^{iv}

Then, what should you do? Explore the new possibilities, preferably in a location outside the existing corporate walls. Coursera is currently exploring the global market for massive open online courses (MOOC). This will become the YouTube of education. Will Coursera win? We do not know. But it will certainly force universities to reflect on their own value proposition. If universities seek to exploit this

opportunity, they best do so outside the halls through which distinguished academics thread. We tend to hold fast to the past, thereby burdening the future.



The sooner an organization recognizes a new trend, the more numerous its options for exploiting this trend.^v The best way to explore this is in real life (IRL). During a Q&A at Stanford University, we realized that this exploration of the newest trends is the reason why Swisscom established an outpost in Silicon Valley:

"Here in Silicon Valley, we deal with exploration, not implementation. A number of our best people have moved here. It is not a tourist destination!" (Loose translation)

ⁱ Those chords are E, B, C#mi, and A. The very funny video clip can be found at: <http://www.youtube.com/watch?v=5pidokakU4I>. In itself, this is nothing new. Plenty of contemporary music uses chords that can be found in Pachelbel's Canon in D for cello: <http://www.youtube.com/watch?v=JdxkVQy7QLM>.

ⁱⁱ Martin R., "Changing the mind of the corporation," *Harvard Business Review*, 81 – 94 (November – December 1993). Yet, also refer to e.g.: Leonard-Barton D., "Core capabilities and core rigidities: A paradox in managing new product development," *Strategic Management Journal*, 13, 111 – 125 (1992); Hornsby J.S., Kuratko D.F. & Zahra S.A., "Middle managers' perception of the internal environment for corporate entrepreneurship: Assessing a measurement scale," *Journal of Business Venturing*, 17, 253 – 273 (2002); Garvin D.A., "What every CEO should know about creating new businesses," *Harvard Business Review*, 82 (7/8), 18 – 21 (July - August 2004).

ⁱⁱⁱ http://en.wikipedia.org/wiki/National_Medal_of_Technology_and_Innovation

^{iv} Ormerod P. *Why most things fail. Evolution, extinction and economics*. New York: Wiley, 2005. p. 12: this is a quote derived from the British economist Leslie Hannah ("Scepticism about corporate capabilities is not universal among business historians. The tendency to over-emphasise successes (and to rationalise them ex post) — what has been criticised as the "Whig" misinterpretation in the context of political history — is chronically endemic among them, as it is also among businessmen and management consultants (see eg Hamel and Prahalad, 1994)."). Hannah L., *Marshall's 'Trees' and the Global 'Forest': Were 'Giant Redwoods' Different?*, January 1997, London, LSE, page 2.

^v Moenaert R., Deschoolmeester D., De Meyer A. and Barbé J. o.c.