Avoiding Disruption: What do you know for sure that just ain't so?

By Rob Simons

When Mark Twain wrote, "It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so." This witty quote is an excellent reminder to guide your leadership team when building or refining your organization's strategic plan. On at least an annual rhythm, the leadership team should use the SWOT tool to review what they know for sure and what might get them into trouble. It's critical to understand the internal and external factors impacting your organization.

For example, look at the movie rental business. In the late '70s and early '80s, the video rental store business was booming with the advent of low-cost VCR players. By 1985, over 15,000 video rental stores were operating in the U.S., and rentals surpassed box office revenue. Storeowners were thriving – they knew "for sure" that they could compete and keep up, as long as everyone had the same access to movie titles.

Then Blockbuster entered the market, and suddenly not everyone had the same access. They made a licensing deal directly with movie studios that gave Blockbuster an unlimited supply of new releases, disrupting the industry and creating a near-monopoly. Mom-and-pop stores couldn't keep up and eventually went out of business. Blockbuster knew "for sure" that their deal and their market share gave them the competitive advantage – until Netflix came along.

Advancing technology was shifting the movie industry from VHS to DVD, and Netflix identified an opportunity. By sending rental DVDs in the mail, Netflix created a low-cost distribution method, leaving Blockbuster with thousands of costly retail locations. The new distribution method bankrupted Blockbuster while it catapulted Netflix to success.

The online delivery service for movies was by no means a "for sure" deal for long. Netflix's strategic move allowed it to grow to over 74 million subscribers until McDonald's Ventures disrupted the movie industry again with Redbox's introduction. The self-service rental kiosks grew in popularity quickly – they were a cheap and an immediate option for movie watchers. And, while Netflix has expanded its business model into original and streaming content, today, there are over 35,000 Redbox locations that allow customers to rent and return movies and video games on DVD and Blu-Ray.

The video rental business illustrates what can happen when successful companies rest on their laurels. Even today, the movie industry is in constant evolution. Relying too much on current strengths can lead to missed opportunities. To keep up with your evolving industry, use the SWOT tool to plan your company's annual strategy. Identify your company's Strengths, Weaknesses, Opportunities, and Threats by asking yourself these key questions:

STRENGTHS
What are your competitive advantages – characteristics of your organization that you do better than anybody else?
These should be internal to the organization and are typically unique to you. Make sure none of your advantages are things that "you know for sure that just ain't so." Imagine if Blockbuster had concluded earlier that having a network of 9,000 locations was as much a weakness as it was a strength.

Examples of Strengths:

- Long-term strategic relationships with four of the top five distributors
- Industry-leading technology protected with patents
- A proven process to successfully acquire new companies in less than three months

All of the above examples of strengths are differentiators that create a clear advantage in the marketplace. Annual plans should include plans to protect Strengths.

WEAKNESSES

What are your organization's characteristics that place you at a disadvantage to your competitors – typically things that your organization does poorly? Like strengths, weaknesses are internal. Identify the top 3-5 areas where your company struggles and think about how to eliminate those weaknesses. Perhaps if mom-and-pop video stores had recognized the limited supply of new release titles as a weakness, they would have changed their business model.

Examples of Weaknesses:

- Communication silos between department causes missed deadlines for new products
- Team members do not consistently follow defined processes and procedures
- Prospect data in sales CRM is out-of-date, inaccurate and causing missed sales targets

As with the examples above, weaknesses are typically severe issues that require more than six months to fix.

OPPORTUNITIES

What are the opportunities that exist outside of your organization to grow faster or become more profitable? Look beyond your industry for opportunities and trends happening in the marketplace, your community, or worldwide. McDonald's Ventures recognized two trends that they leveraged: DVD rentals' popularity and the convenience of self-service kiosks.

Examples of Opportunities:

- Adoption and acceptance of mobile technology by corporate clients
- Changes in demographic are driving demand for flexible work hours
- Competitors with weak balance sheets ripe for acquisition

In many cases, Opportunities can also be seen as Threats, and vice versa; threats can often be seen as Opportunities.

THREATS

What forces outside of your control could dramatically and negatively impact your business? Identify and mitigate external factors that put your company at risk. You may not be able to eliminate all threats, but you can hedge against them. Blockbuster could have identified the Internet as a possible threat to their distribution model and taken steps to leverage the technology into their business model.

Examples of Threats:

- The decline of college students entering our industry creating staffing shortages
- Artificial intelligence will eventually eliminate our core service offering
- Proposed government regulations will diminish the economic viability of our business model

A common Threat for all businesses is competition. Focus on external Threats that could seriously derail your business.

Tips for Completing a SWOT Analysis:

- Be specific and detailed with each response in the SWOT. Detail is the key to a well-thought-out response. One-word answers do not provide enough detail.
- When completing the SWOT, consider an 18- to 24-month forward-looking time frame.
- Each member of the leadership team should complete a SWOT with their individual 3-5 responses for each element based on their perspective of the organization. The entire leadership team will then come together to share their answers and agree upon a final list of 3-5 responses for each element of SWOT.

- Optional – To add to your SWOT's depth and perspective, consider asking middle-managers to submit a SWOT of the organization based on their unique perspective. The leadership team can incorporate the responses into their SWOT.
- For the final SWOT, rank in order of importance the responses for each element. For example, the number 1 item under Weaknesses should be the Weakness the leadership team agrees is the most critical.
- Finally, build a three- to five-year plan to address the most critical elements of the SWOT. Strategic initiatives should address the following:
    - How will we "protect" our Strengths?
    - What will we do to "eliminate" our Weaknesses?
    - Which opportunities will we "pursue" to grow faster and more profitable?
    - How will we "mitigate" the impact from the Threats that could knock us out?

SWOT analysis is one of the best tools for strategic planning. It provides the leadership team with an internal and external view of the organization. Use the SWOT tool to avoid disruption or become the disruptor in your industry. Either way, it's a great place to start your strategic planning. As Mark Twain also said, "The secret to getting ahead is getting started."