



PETRA PLANNING

**AVOIDING DISRUPTION: WHAT DO YOU KNOW
FOR SURE THAT JUST AIN'T SO?**



AVOIDING DISRUPTION: WHAT DO YOU KNOW FOR SURE THAT JUST AIN'T SO? LIFE LESSONS for BUSINESS OWNERS

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 can serve as an excellent reminder for your executive leadership team when building or refining your organization's strategy. They're the ones who are charged with the direction of your company, and if they don't know what they're doing, you risk the ultimate disruption: extinction.

Look at the movie rental business, for example. In the late '70s and early '80s, the video rental store business was booming, thanks to the advent of low-cost VCR players. By 1985, more than 15,000 video rental stores were operating in the U.S. and rentals were surpassing the box office in revenue. Store owners were thriving; they knew "for sure" that they could compete and keep up, as long as everyone had access to movie titles.

Then Blockbuster entered the market, and suddenly not everyone had the same access. Blockbuster 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 most went out of business quickly. Blockbuster knew "for sure" that its deal and its market share gave it 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 was able to create a low-cost distribution method, leaving Blockbuster to handle the expenses of thousands of retail locations and eventually file for bankruptcy. The disruption destroyed Blockbuster while it catapulted Netflix to success.

The online delivery service for movies was by no means a "for sure" deal. But Netflix made a strategic move that allowed the company to grow to more than 74 million subscribers – until McDonald's Ventures disrupted the movie industry again with the introduction of Redbox. The self-service rental kiosks grew in popularity quickly. They were a cheap, immediate option for movie watchers. While Netflix has expanded its business model into original and streaming content, today there are more than 35,000 Redbox locations that allow customers to rent and return movies and video games with ease.

The video rental industry illustrates what can happen when successful companies rest on their laurels. Relying too much on current strengths can lead to missed opportunities.



To keep up with your evolving industry, use the “SWOT” tool when planning your strategy. Identify your company's strengths, weaknesses, opportunities, and threats (a.k.a., “SWOT”) by asking yourself these key questions:

Strengths

What are the characteristics of your organization that you do better than anybody else? What are your competitive advantages?

These should be internal to the organization. Identify what you do best and prioritize to protect those strengths. Careful, though: You want to make sure none of your advantages are things that “you know for sure that just ain't so.” Imagine if Blockbuster had come to the conclusion earlier that having a network of 9,000 locations was as much a weakness as it was a strength.

Weaknesses

What are the characteristics of your organization that place you at a disadvantage to your competitors? What are the 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 been better positioned to compete.

Opportunities

What are opportunities that exist outside of your organization that you could exploit to gain a competitive advantage?

Look beyond your industry for opportunities and trends happening worldwide. Identify chances for your company to grow and then pursue them. McDonald's Ventures recognized two trends that it leveraged: the popularity of DVD rentals and the convenience of self-service kiosks.

Threats

What's happening in your environment that could negatively impact your business? What are the trends or changes in the world that may put you at a serious competitive disadvantage?

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 its distribution model and taken steps to mitigate the risks the Internet posed.

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In addition to leveraging a SWOT analysis, as a leader, you must remain open to the possibility that your biggest obstacle might be “what you know for sure that just ain't so.”

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