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A New Competitive Strategy for Consumer Electronics Industry Leaders

The New Competitive Strategy for Consumer Electronics Industry Leaders

By Dayna Hubenthal and Scott Burr

Abstract

Change is relentless within the Consumer Electronics (CE) Industry. Successful leaders over the short AND long term must doggedly address change. They must never tire - never get mired in the romance of their own history.

There is a toolset - a portal - that opens up a world of persistent, competitive advantage where rapid change is possible. The portal is venerable yet relevant to today's marketplace. The tools that step one through the portal are so foundational they have been labeled anile or irrelevant and have been trivialized when, in fact, these tools hold the key to sustained competitive success for the short AND long run.

The venerable portal is built of problem-solving skills, but not the same old problem-solving skills you learned in school. Problem-solving has been quietly evolving into a powerful new discipline for over sixty years. At the leading edge of that evolution is the discipline of Structured Innovation, which helps leaders solve problems at the edge of what is known. Modern competitive problems often require a multidisciplinary team-based approach and non-linear thinking as well as the ability to paradigm shift. All this and more has been packaged as a structured methodology.

In a nutshell, leaders who win every quarter and every year and decade after decade, in all environments, and against the best competitors are skilled at shifting their paradigm and solving their critical problems no matter how constrained. That's it. There are no huge tooling costs, no disruptive cultural uprisings, no unpalatable trade offs.

Cultivating the correct skills makes problem-solving reliable, quantifiable, manageable, and available on-demand. Structured problem-solving is the simplest, most dependable core competency a leader or a company can establish for competitive command of the global marketplace.

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Introduction

Change is relentless within the Consumer Electronics (CE) Industry. Successful leaders over the short AND long term must doggedly address change. They must never tire - never get mired in the romance of their history.

As CE is the harbinger for most other industries, issues hit here first and must be sorted out amid tremendous pressure. Winning CE industry leaders tend to be either visionary business strategists or the consummate fast-follower because this market is dynamic. CE companies must

• be highly competitive (need to create value through innovative opportunity)	AND	• deal with serious price and product life-cycles erosions (need to create value through cost reduction)
• constantly create better business models (opportunity)	AND	• constantly improve business & manufacturing processes (cost reduction)
• quickly transition to new platform & technologies (opportunity)	AND	• counter rapid market penetration by copycats products (cost reduction)
• produce innovative products & position them well at the correct time to meet real market needs (opportunity)	AND	• Be agile - react quickly and not be too proud to do what must be done, even if that is not 'their usual way'; adopt superb change management skills (cost reduction)
• Etc.		

Business gurus in other industries may argue over which of two competitive paths is best - creating value by focusing leadership attention on opportunity management or creating value by continually reducing costs. But captains of consumer electronics know that to survive in this global market, companies must do both simultaneously - business opportunities & new products must wed with operational efficiencies & consolidations.

Everyone knows this …

… and yet, in the privacy of the boardroom, when it comes right down to the last hard choices, each company leader tends to put their dollars and attention on one path more often than the other.

And that has competitive consequences.

And it doesn't have to be that way. There is a portal that opens up a world in which this kind of trade off is unnecessary. The portal is venerable; and the concepts & tools that lead one through the portal are so foundational they are often labeled anile & irrelevant and are glossed over when, in fact, they hold the key to sustained competitive success.

The portal to continuous competitive competence is the ability to resolve problems. For over sixty years, problem-solving has been quietly evolving into a powerful new discipline. At the leading edge of that evolution is Structured Innovation.

In the consumer electronics industry, leaders need to solve problems at the edge of what is known. Modern competitive problems require a multidisciplinary team-based approach, non-linear thinking, and paradigm shifting and more.

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In a nutshell, leaders who win every quarter and every year and decade after decade, in all environments, and against the best competitors are skilled at shifting their paradigm and solving their critical problems no matter how constrained. That's it! There are no huge tooling costs, no disruptive cultural uprisings, no unpalatable trade offs.

Cultivating the correct skills makes problem-solving reliable, quantifiable, manageable, and available on-demand. Structured problem-solving is the simplest, most dependable core competency a leader or a company can dust-off and modernize for competitive command of the consumer electronics industry.

Industry Analysts - In recent financial reports, industry analysts highlight competitive challenges that continue to impact consumer electronics companies. Analysts claim that the CE industry will benefit from developing innovative products & expansions (create value by increasing opportunities & benefits) as well as cost-cutting measures, process improvements & business restructurings (value achieved through cost reduction).

The question is: will consumer electronics companies compete better in today's environment if management focuses more intently on opportunity or cost? And how will that focus affect the company's standing with customers, within the industry and with employees and partners?

- Examples of increasing opportunities, expansions & benefits
  - Develop a broad range of innovative products/services that meets real consumer needs
  - Improve product mix to reflect higher-end offerings; deliver user-friendly experiences
  - Improve timing of new product introductions and new market distribution channels
  - Accelerate/improve the upgrade cycle; extend product life-cycles
  - Improve interoperability; converge media, data & technology; evolve mass customization
  - Establish new, flexible business models; drive positive cash flows
  - Command technological standards adoption and acceptance
  - Improve return on equity - earn more on company's existing capital base
  - Find, hire, train and retain key talent to offset maturing workers and management
  - Position company for M&A activities and partnerships (upstream & downstream)
- Examples of reducing costs
  - Optimize designs & processes & M&A transitions; eliminate waste, identify inefficiencies
  - Leverage product families and platform-based product development to reduce development costs and lead-time
  - Avoid operational miscues - predict, prevent and eliminate failure
  - Wring out more operating income from incremental revenues - improve operating margins
  - Manage cost structure; sell divisions; restructure charges to include property sales
  - Streamline reporting, compliance & various global regulation interactions
  - Flexibly align departments with global consolidation/expansion, outsourcing & off-shoring

Increase opportunities

Reduce costs

Of course, both paths are important and CE companies work on each. Having said that, consumer electronics companies are generally reputed as being more competent in either cost reduction or opportunity - and that limits competitiveness.

External pressures also impinge on CE companies' competitiveness. For example, country-specific compliance and regulatory requirements demand immediate attention and punitive actions can be inflicted on the slow-to-comply. Other examples include:

- Foreign currency exposures, import-export tariffs, taxes & IP transfer issues could impact firms;
- Changing climate patterns & politics may impact the supply chain and sales;
- Global competitive pressures constantly alter industry-wide best-practices and supplies;
- Differences in laws may make IP, contracts, relationships, etc. risky.

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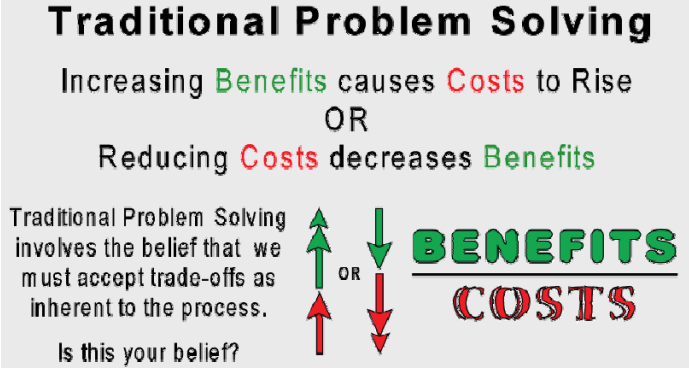
Today, consumer electronics companies need to do it all - develop new products, expand growth, cut costs & continuously restructure. And companies need to do it faster and more carefully, and at the same time they need to be mindful of the impact that change has on all other aspects of business.

Executives can no longer build a career out of expansion-benefit skills while trading off cost-reduction efforts (or visa versa). In fact, business leaders need to *abandon the trade-off perspective altogether*.

Management needs a skill set that enables solving more complex problems across a wider set of conditions and do it at an accelerated pace.



Basics of Structured Innovation

Here is critical information: there are three absolutely necessary requirements to solve any inventive-level problem. The most important (because you have to do it first) is "be willing to believe an ideal solution is possible". It sounds so easy that it seems silly. This is where most leaders fail; they trivialize or misunderstand the importance of this concept. Let's delve deeper across the next few pages.

When pushing a car from point A to Point B, is it easier to push a stationary car or push a car that is already moving in the direction you want it to go?

Of course, a rolling car is easier to push. That's because of inertia. Inertia is the tendency of a resting object to remain at rest and the tendency of a moving object to remain moving. Thus, when management sets a direction of reducing costs, the company culture strengthens in that area and it is easier to continue moving the company in that direction. Sony's slow moving, silo-like corporate structure is an example of what inertia can create when cultural ideas are constantly reinforced.

Constant reinforcement of certain behaviors and processes does indeed reinforce a cultural mindset. This is beneficial because every team member works on the same initiatives and knows what their top priorities are. A strong corporate culture creates momentum and branding.

The downside of all this momentum, however, is that constant reinforcement & predictable behaviors limit possibilities and, at the same time, less-used skills atrophy. When people learn something very well, assumptions and preferences set like cement in the corporate mindset. People turn preferences into 'facts'; assumptions become 'truths'. And these 'facts' and 'truths' are no longer questioned.

This form of corporate resistance is called *psychological inertia*. In the consumer electronics marketplace, psychological inertia has rendered companies irrelevant in one product cycle.

Once psychological inertia is set like cement, it can be difficult to overcome. Imagine trying to push a car forward when it is already moving backwards. The same difficulty arises when trying to change your management team, your employees and even your own mindset.

Because positive outcomes are rewarded, the supporting actions are reinforced. People begin to justify future behaviors based on these reinforcements and stability becomes more important than growth or change. Since competitiveness is founded on the ability to adjust to change, psychological inertia undermines competitiveness. The importance of this dynamic is often underestimated.

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Recognizing Psychological Inertia

Today, a foundational management skill is the ability to recognize when corporate culture is moving in a beneficial direction and when it crosses over into psychological inertia. Is the company growing, gaining momentum and flourishing? Or are processes controlled by unexamined assumptions and resistance, or stagnation?

The secret to recognizing this cross-over point is 'problems'. When problems suddenly sprout all over the company, especially in a patterned way, then there is an underlying thread of psychological inertia in play. When problems become extremely complex or contradictory, then psychological inertia is at the core. Here's what it looks like.

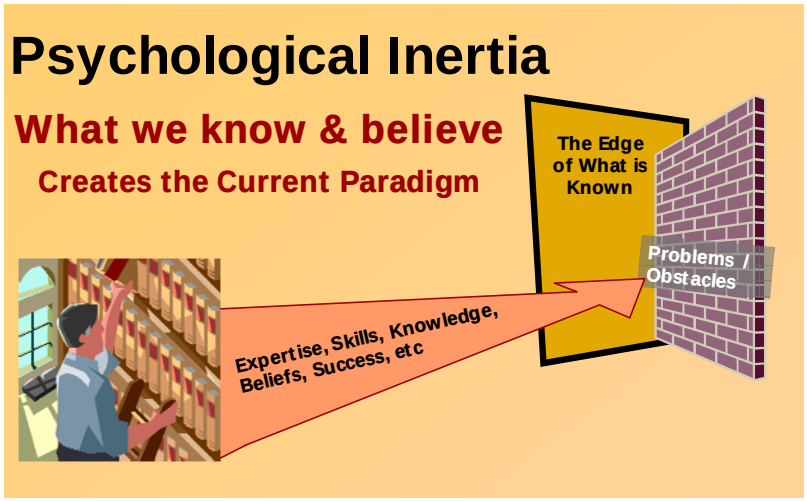
Humans seek patterns. When we find a helpful pattern (or paradigm) we use it over and over again. We tend to do what we are most skilled at and we like to solve problems that are easy for us. We believe ourselves to be efficient and experienced. It is very satisfying. Processes flow. Teams work diligently and work well together.

Then obstacles crop up or conditions change. The path gets a bit bumpy. The team is a little more irritable. Fingers start pointing. Systems begin to get-in-the-way instead of helping. There are bottlenecks. Growth slows and companies turn to optimization to squeeze more out of the system. Eventually no more can be gotten out of the system, but more must be achieved. These problems become too difficult for the current level of experience. Psychological inertia is growing.

When conditions get to this point, management typically chooses to consult with experts (outsource). Sometimes this new knowledge loosens psychological inertia and the new initiatives are incorporated into the corporate culture. In these cases, corporate expertise does increase and those tougher problems are successfully addressed. Typically, however, even though most departments flourish, a few departments drag at the company. Attitudes are still spotty. Some psychological inertia remains in play, but overall, things are good enough that business can proceed.

If, however, the new initiatives clash with heritage-type patterns of behavior (comfort levels), employees subtly and pervasively resist the new initiatives. Employees don't usually attack openly but shave off bits of the changes by slipping schedules and relaxing goals; they worry and whisper in little huddles. If managing change takes too much executive attention, conditions pretty much go back to their moribund ways and psychological inertia is again reinforced.

The worst trouble comes when problems become too complex or contradictory for management's skills, experience, knowledge, beliefs, or support systems.



Albert Einstein said, "The significant problems we have cannot be solved at the same level of thinking with which we created them."

In other words, sometimes our own desire to reuse helpful patterns over and over again blinds us to other possibilities and over time, our own successes create problems we cannot solve.

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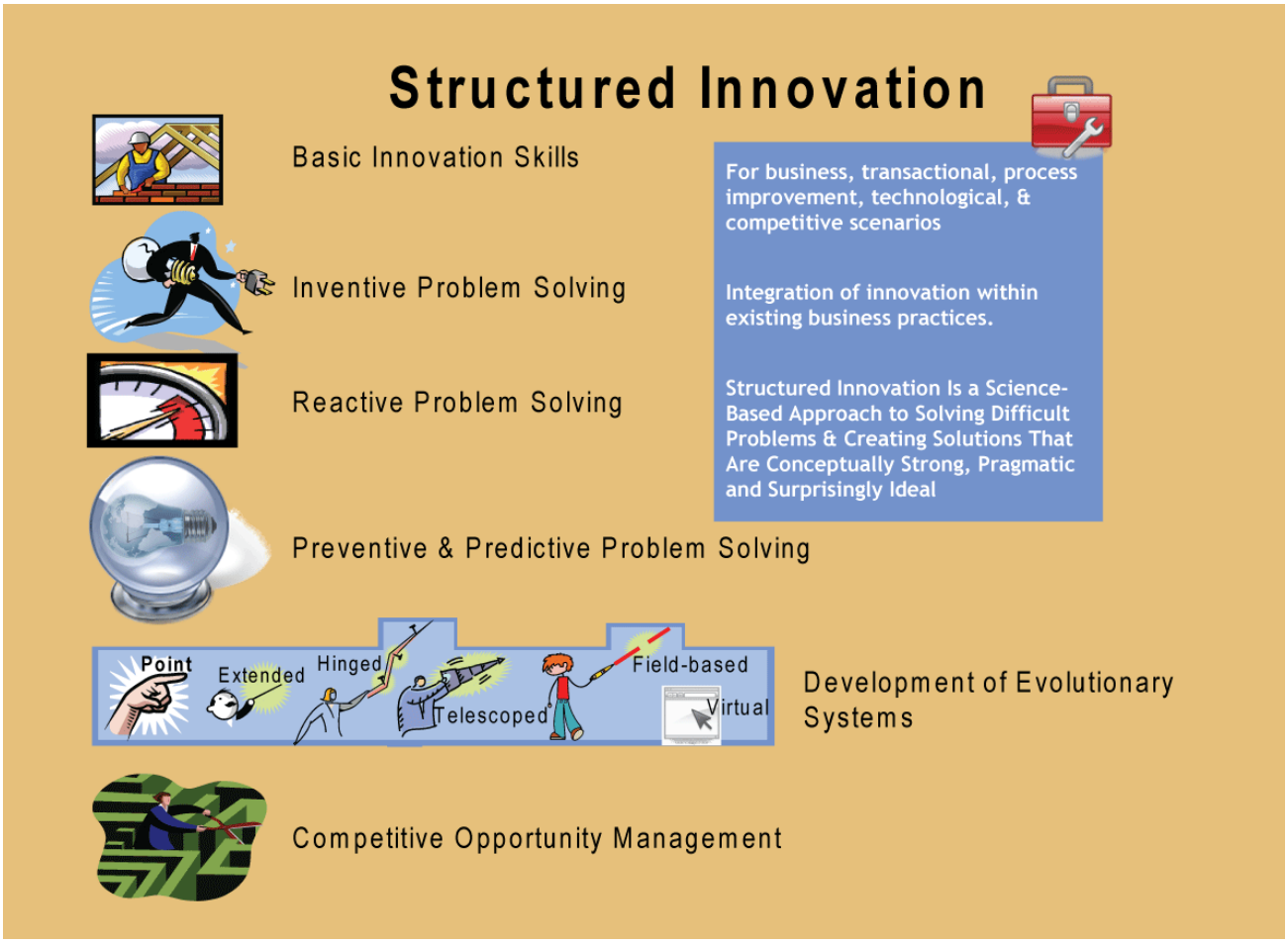
Wouldn't it be valuable if, when faced with a problem we couldn't solve, someone could say or could do something that helped us look at the problem in a whole new way? Wouldn't it be valuable if there were tools to help us break through our mental stereotypes and develop new possibilities?

That is the exact and foundational purpose of Structured Innovation: to overcome psychological inertia and create a structured process for realizing breakthroughs. Based on sixty years of research into what great innovators do to create inventive-level solutions, problem-solving has become structured. Organizations (and individuals) can access their expertise to *reliably* achieve breakthrough solutions to heritage problems on-demand.

Inventive-level problem-solving has quietly become a predictable and manageable process. And this is good news for consumer electronics leaders.



Ideality

As stated previously, there are three absolutely necessary requirements to solve any inventive-level problem. The most important (because you have to do it first) is to be willing to believe a problem can be solved (suspend psychological inertia). The second absolutely critical step is to state the problem and your ideal solution as a working or correlated pair, because how one defines the problem often implies only a small set of possible solutions. By correlating the problem and the ideal solution, vistas of possibility are opened. It is easier to leverage multiple problem definitions and solutions. Once again, it sounds easy; but it takes practice.

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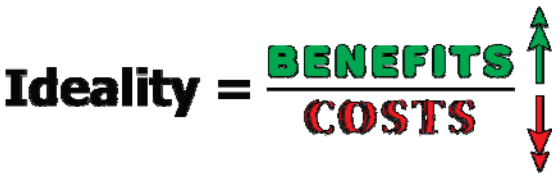
Stating the problem and understanding what is really wanted - this is another basic premise of Structured Innovation. It's called 'working towards ideality'. Ideality is the ratio of benefits to costs.

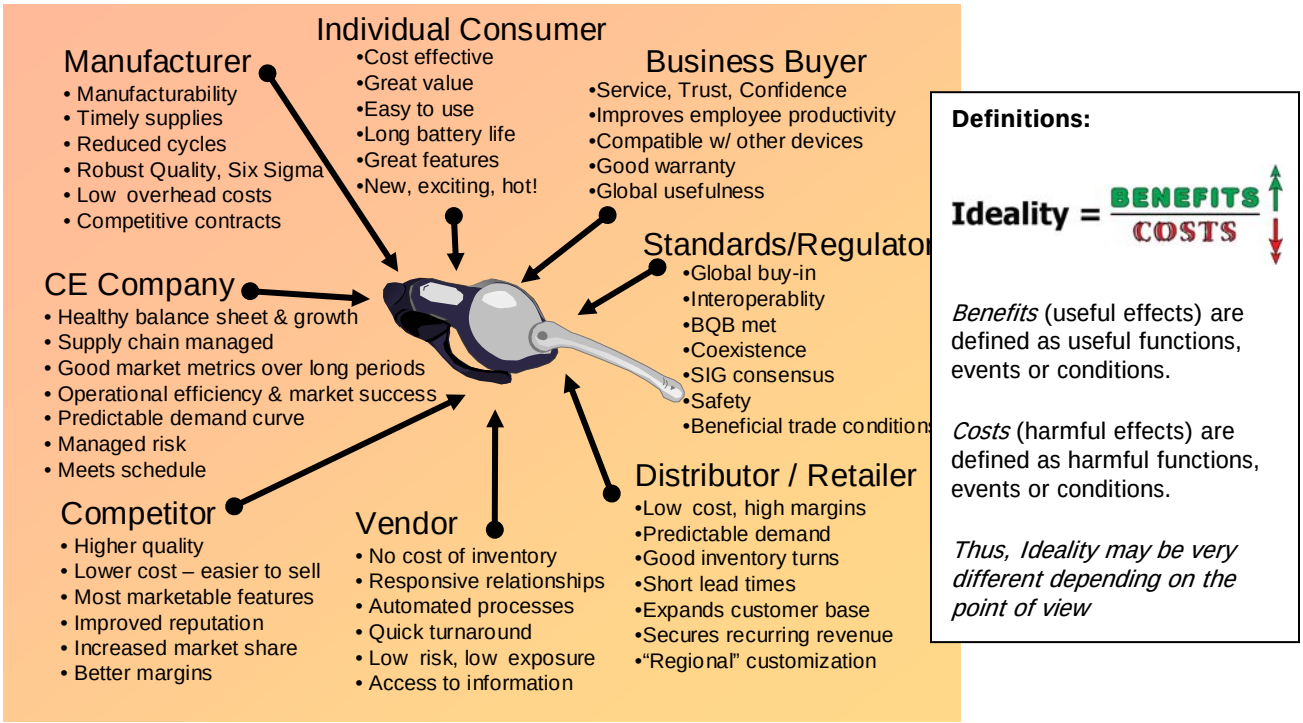


Think "increasing benefits". Think "reducing costs".

The Ideal Condition can be defined as, "getting more of what you want AND less of what you don't want", which means eliminating trade-offs. The ideal condition moves leaders beyond the psychological inertia that makes trade-offs necessary. This usually seems impossible at first but there are many tools in Structured Innovation to help achieve your ideal condition.

The great thing about Ideality is that management (or whoever is using the tools & techniques) is able to adjust Ideality to reflect their own definition. In other words, ideality is whatever the definer wants it to be. And because ideality and the problem are paired, the problem definition is flexible, too.

Ideality can be defined so that it addresses concerns across departments or can be set to solve large, entrenched problems that all consumer electronics industry leaders struggle with; or ideality can support a small but persistent irritation that affects only one operation or an individual. The important point is that *Ideality is defined by the user's point-of-view* and *by the user's needs*. For example, consider a Bluetooth® clip-on headset. Depending on *who* defines Ideality: their point-of view, their priorities, their problems and their goals would look different. See the example below.



Ideality's Point-of-view Depends on the Participant's Relationship to the Product

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Not only can Ideality be determined based on point-of-view, Ideality can also be defined by "increasing benefits" in relation to "reducing costs".

Examples of Defining Ideality	Ways to Define Ideality	How the Ideality Equation Looks
For example, a Director of Business Process Re-Engineering might define ideality as *keeping useful functions, events and conditions the same while reducing harmful functions, events and conditions.*	Keeping benefits the same While reducing costs	
Or a Global Product Marketing Manager might define ideality as increasing *useful effects but keeping harmful effects the same*.	Increasing benefits While keeping costs the same	
A Regional Leader in Risk Management might define ideality as *slightly sacrificing useful effects* to see a *significant reduction in harmful effects.*	Slight sacrifice - benefits reduction For a significant reduction in costs	
A Channel Business Manager might define ideality in the opposite way; useful effects are *significantly increased* but at a *slight increase in harmful effects.*	Significant benefits increase At a sacrifice of slightly increasing costs	
And finally, a General Manager of the Audio Business Unit might define ideality as useful effects are *increased* while harmful effects are *reduced*. *Note: there is no trade-off in this last scenario; benefits are not achieved at the expense of costs or visa versa.*	Increase in Benefits Decrease in Costs	

Any one of these definitions can be achieved, even the last, highly-ideal solution, when structured problem-solving is a core competency. Cost/Benefit increases or decreases may be dramatic depending on management's willingness to push the ideality definition and their ability to identify and overcome psychological inertia. The first step, once again, is to accept that psychological inertia currently constrains the situation and better results are possible.

The second step is to define and pair the problem definition and the ideal condition. During the definition step, do not settle for incremental improvements or reactive band-aid solutions. Instead, go beyond trade-off-thinking. Doing this gives space for the tools to help leaders develop new possibilities.

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Secondary Problems

How is Structured Innovation different than Continuous Process Improvement (CPI) or Lean, Six Sigma, DFMA-DFSS, IDEF, Voice-of-the-Customer, Business Process Re-Engineering (BPR), Supply Chain Management or any current issue-resolving tool? The difference is best illuminated by describing how all of these methodologies are similar and then contrasting them to show how they are different from Structured Innovation.

- All current, common tool-sets are used to improve situations, discover and eliminate the main causes of specific types of problems and/or to recognize and implement relevant market needs.
- With the exception of Voice-of-the-Customer, they are heavily focused on process improvement and not on revenue generation, new product creation, or opportunity development.
- They all basically analyze the current AS-IS conditions.
- Then they all develop a new TO-BE process that strives to be better, faster, and/or cheaper.
- If they are very good, they try to incorporate findings and changes into the old corporate culture.

They do not address unknown problem-types or strive for inventive-level solutions. They work within the boundaries of what is already known. This means that the

Same goal + same foundational methodology = various degrees of successful change

Some solutions work well and some fail, none of the methodologies deliver consistent beneficial changes. And therein lays the heart of the issue. *Change* of any kind introduces issues. This is so important that it needs to be said again.

Change = Problems

Bad change = problems; good change = different problems. Change = Problems, especially when anyone reaches the edge of what is known. Structured Innovation calls this phenomenon, Secondary Problems, because new issues are always introduced as a secondary result of solving the original problem. These

problems may be anticipated (if the issues are well understood) or they may be surprises (there are tools to avoid surprises).

It is true that CPI, Six Sigma, BPR, VOC, DFMA-DFSS, etc. will probably change the situation. It's also true (guaranteed, even) that the changes will create new issues because problems are a fact of life around change.

The discipline of Structured Innovation also fixes problems but includes addressing the secondary problems (without trade-offs) and that is its main difference and its advantage. This paradigm shift allows leaders through the portal of competitive dominance.

So, now it makes sense to say the foundational skill that leader must deliver is the ability to solve problems - the correct problems at the right time with the correct mindset. A leader that aligns their company with the principles of Structured Innovation can create a culture that is focused on expansive opportunities/new products-services AND on cost reduction/process excellence *at the same time* because this tool-set is designed to work at the frontier of what is known. No need for traditional tradeoffs.

The wonderful thing about Structured Innovation is that by its very nature it is a set of tools and techniques that resolves issues, reduces psychological inertia, finds greater uses for resources, and drives towards ideality. The over-reaching corporate mindset (and skill set) is methodical problem-solving and with that comes innovation. It does not matter whether your company is entrepreneurial, creative, process-oriented, risk-averse, quality-focused, customer-driven or marketing-competent. Problem-solving fits all cultures. It is a structured methodology. It is assessable.

In a nutshell, Structured Innovation is different than Continuous Process Improvement, Lean, Six Sigma, IDEF, DFMA-DFSS, BPR, Voice-of-the-Customer, Branding, Channel Management or any current issue-resolving initiative because all of these tools *create change and change causes new problems and what is really needed is a core competency in solving problems - all problems, as they arise (or before they happen), quickly and effectively, on-demand, and for good*.

The beauty of Structured Innovation is that it works well with other current tools. It does not need to replace what is currently in force; it supports. Structured Innovation enables CPI's ability to find root causes in order to improve processes, improve customer satisfaction, and remove activities that have no value to the organization. Structured Innovation supports Voice-of-the-Customer. Structured Innovation enhances Six Sigma. In fact it aligns extraordinarily well with Six Sigma. Structured Innovation enables Six Sigma practitioners to expand their problem-solving capabilities and go on to solve all types of problems that do not conveniently fit with process-based methods, including issues that need inventive-level solutions.

When IDEF models fail to dissolve resistances because of undiscovered inertia or when system interdependencies are in direct conflict or if a model fails to anticipate failures, Structured Innovation offers step-by-step processes to resolve these issues.

Structured Innovation aligns perfectly with DFMA-DFSS.

Structured Innovation resolves constraints in process, cost, reliability, quality, test, compliance and regulatory issues or other events while improving performance.

Because the method is scalable, when applied as a management tool, it can resolve internal cultural issues, create industry level breakthroughs, and advanced tools can even 'manage' competitors. Through strategies based on these advanced tools you can create a market landscape that 'encourages' competitors into behaviors that support your vision and your roadmap.

As stated previously, there are three absolutely necessary requirements to solve any inventive-level problem. The most important (because you have to do it first) is to be willing to believe an ideal solution is possible and that the problem can be solved (suspend psychological inertia). The second absolutely critical step is to state the problem and your ideal solution as a working/correlated pair. The third is to take the step-by-step actions of structured problem-solving.

Historical Examples

Psychological Inertia, Ideality, & Secondary Problems - The insurance industry solved a basic problem that most businesses face; and they solved it early on. In fact, the solution was first recorded c. 1750 BC in the Code of Hammurabi. The insurance industry has continued using this solution steadily through today. Even though that solution would have enabled a breakthrough long before the 1990s AD, no one in the computer manufacturing arena even thought to ask the insurance industry for help or insights into the tough competitive challenges facing them (Psychological Inertia!).

In the 1990s, computer manufacturing was a commoditized, nasty business. There was a flock of rivals, product obsolescence was measured in weeks rather than years, customer buying decisions were based on weekly price cuts rather than branding differentiation, and business process improvements were incremental rather than inventive.

Dell Computer Corporation was selling their products through resellers at warehouse-clubs and computer-superstores, but like everyone else, they were mired in competitive pressures. Everything that could be optimized was, everything that could be streamlined was, and every price point that could be squeezed was. They were at the edge of what they knew how to do - at the edge of what the industry knew what to do. Then Michael Dell had a breakthrough.

He realized something that the insurance industry had known all along - cash flow is beautiful and customers will pay in advance if they want something badly enough. From the computer industry's point-of-view this was an innovation breakthrough; from the insurance industry's point-of-view these were just foundational business practices.

Wouldn't it be great if … there was no more middle-man and much lower costs (less of what he didn't want) as well as customers telling Dell exactly what they are willing to pay for and paying for it in advance (more of what he wanted). This would solve all kinds of problems (Problem definition aligned with his ideal condition!)

So Dell re-focused his company on a direct-to-consumer sales model via the Internet and telephone-networks. Of course, these changes introduced a whole different set of problems (Secondary Problems). But these problems, too, were already being solved in other industries. For example, Just-in-time (JIT) inventory-management was being developed in the Japanese automotive industry (looking beyond psychological inertia).

And the innovation breakthrough had unforeseen competitive benefits for Dell Computers.

- The company didn't have to guess at what the customer wanted or what the customer was willing to pay for; results = Dell has built a reputation for providing very customizable products and maintains direct contact with its customers, which is a huge sales advantage.
- Immediate feedback on customer choices; results = Dell can instantly maximize pricing and business processes, etc.
- Dell carries no finished-goods inventory. And Dell can request materials from suppliers as needed and only as needed, and manage the supply chain for the up-to-the-minute highest-margin components.
- Customers pay for the products before Dell needs to pay for the materials.

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- Selling directly to corporations means getting paid by companies with excellent credit ratings. Consumers and small businesses pay for their orders by credit card, which means Dell has its money in the bank immediately, and can even benefit from credit financing practices.

Today, Dell maintains an eye-popping negative cash conversion cycle. The difference between the time it pays its creditors and the time it takes to get paid is about negative eight days.

Actually, the computer manufacturing industry still has a lot to learn from other industries, if they think to examine their psychological inertia.

Unexamined Psychological Inertia, Trade-off Mentality, Traditional Change Management, and Secondary Problems - As one of the patriarchic companies of Silicon Valley, Hewlett Packard (HP) built a business culture based on producing relevant products with a 'suspenders + belt' dedication towards quality engineering. HP was a paragon of corporate integrity: solid warranties, introducing profit-sharing and flex-time, promoting diversity and encouraging a more balanced work/personal life for HP employees as well as resisting lay-offs and rewarding peer respect. The constant reinforced mindset of a shining corporate soul created employee momentum and customers knew what to expect from the brand.

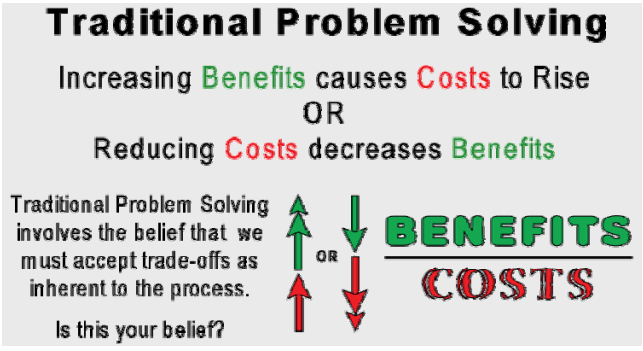
Change is relentless, however, so there was a downside of all this momentum, just as there always is.

Within the company, predictable behaviors limited possibilities and, at the same time, less-used skills atrophied. Employees and management became convinced that certain preferences were 'facts' and assumptions become 'truths'. Unquestioned, they set like cement in the corporate mindset. The "HP Way" became a talisman against change even as it shined as their brand. Problems began sprouting up all over the company (a sure sign of entrenched psychological inertia).

For example, researcher Ira P. Goldstein developed a prototype Web browser in 1993, two years before Netscape developed its Navigator browser. But it was dismissed because "they just couldn't see how it would help them sell more computers."[1] *(inertia - it's easier to keep moving a company in a direction it is already moving)*. Additionally, managers were pushed to meet their quarterly goals and so didn't have time to consider new ideas *(trade-off mentality)*. Rivals like Sun Microsystems, Lexmark, and Dell took command of new business opportunities and HP was losing relevance.

In 1999 Carleton (Carly) S. Fiorina was hired as president because she was "everything that HP was not"[2] (She didn't have HP's psychological inertia).

Fiorina had strong ideas of exactly what was needed. She was determined, charismatic, and untiring. But for all her charisma, she had a contentious and traditional approach to change management. Instead of a problem-solving



[1] BusinessWeek cover story, 2aug1999 - By Peter Burrows and Peter Elstrom;

[2] CFO.com; 25feb2005 - *Advice from Carly Fiorina's Headhunter* by Lisa Yoon; http://www.cfo.com/article.cfm/3710054?f=search in a quote by Steve Mader

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approach, she had a trade-off mentality.

She pitted her new, charismatic and exciting 'Way' against the HP Way. (Trade-off mentality): "Carly battled", "she declared war on", "in the face of fierce resistance Carly…", "Fiorina coined the term 'perfect enough' to goad …", "Every time you *resist* someone else's smaller notion of who you really are, you test your courage and your endurance … you become stronger and better," Carly said.

Carly did not act as if she believed an ideal solution was possible which is vital when *solving any problem* as opposed to *just changing the way things currently are*. In all fairness, neither did the rest of the company. No one assessed their own psychological inertia nor did they suspend it. Because that first step of problem-solving was not completed, the second absolutely critical step was not addressed (state the problem and your ideal solution as a working or correlated pair). An easy, flawless company metamorphosis was definitely not one of the parameters defined in the new 'Way'.

Instead, Carly rapidly forced company transformation from the top-down. She reorganized HP into quadrants, two front-end sales & marketing groups and two research & manufacturing back-end groups; she attempted to streamline the innovation process, create a service unit and merged two different companies (Compaq merger) into one; and she downsized. She attacked the sacred HP way to prevent the inevitable slide-to-death that psychological inertia causes many companies - but it caused a fight.

Remember: Change = problems. Change of any kind = problems. Good change = problems; bad change = different problems; rapid change often equals confusion and many secondary problems. Change piled on change can create insurmountable resistance. And in this case it did (Secondary Problems).

Neither the board nor Ms. Fiorina had a reliable plan to address the myriad of rapid, dense, and overwhelming secondary problems. There was an uprising. In a knee-jerk reaction, Fiorina was cast out of HP. The company never fully recovered itself.

Some may believe hindsight is 20/20 and that these problems cannot be addressed or even anticipated. That is a false belief. Based on our decades of work, we believe that the engineers, managers and executives of HP individually predicted many aspects of the clash and even had solutions for some of these issues years before this climax. Neither "Way" was correct or incorrect. Failure to jointly believe in the possibility of an ideal solution - a solution that addressed cultural needs and market needs at the same time - was their downfall. Have you seen these dynamics play out around your situation?

No matter what your problem, it's never too late to use Structured Innovation to accelerate an ideal solution. Do you know where the psychological inertia is in your industry? In your company? In your team? Within your decision making?

What would it mean to your company to create a significant breakthrough in your Industry? In your business model? In understanding your competition? In your operational performance? In a culture clash? In creating new products? In unleashing your people's capabilities? Imagine what it would be like to have all pertinent personnel aligned for inventive-level change.

Summary

Competitiveness means adapting well to change.

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Change equals new problems. And these problems are often at the edge of what we know.

Structured Innovation, by its very nature resolves problems. The 'harder' the problem is, the more useful it is to use Structured Innovation to solve it. Innovating in a structured, methodical, reliable way allows for problem-solving as a manageable process.

In order to remain competitive in today's global marketplace, consumer electronics companies need to constantly create value by resolving the conflicts that arise when there is an integrated focus on opportunity creation and cost reduction and change management. The basic and urgent core competency needs to be methodical problem-solving if a company is to remain competitively relevant. Every consumer electronics industry leader needs to have the ability to:

- Quickly recognize when something is no longer working or when conditions have changed - respond to psychological inertia;
- Define the problem and an achievable ideal situation to get more of what you want and less of what you don't want - define ideality;
- Develop the core competency to produce inventive-level solutions (in yourself and in teams across the organization) using structured problem-solving;
- Implement the hardy solutions throughout the system using effective change management (and resolve resistances along the way if necessary by using problem-solving tools);
- Solve any and all secondary problems; and
- Predict future risks, develop future strategies, and forge competitive leadership.

The portal that leads to competitive relevance is Structured Innovation. It's not a fad. You don't need to throw away current tools and initiatives because problem-solving easily integrates with existing company processes, programs, and cultures. In fact, it supports them, aligns them, and even resolves issues that their changes may unwittingly create.

Structured Innovation helps to develop breakthrough solutions to highly complex problems, reduces risk and maximizes benefits while minimizes costs. It can help with strategic planning and competition management. It can help map future technological systems, evolve business opportunities, rapidly develop IP and create new markets.

Structured Innovation has tools for inventive failure prediction-analysis-elimination and it is great for operational improvement, troubleshooting and aligning departments to effectively deliver new products and services.

With Structured Innovation as a core competency, the world of competitive mastery is open to visionary leaders.

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