

THE COMPETITIVE EDGE

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PARADIGM AND FRAMES

The ancient Greeks believed the sun orbits the earth. That belief is a paradigm, a useful word meaning a pattern, example, or model for how things should behave. Paradigms can last a long time. The earth-centered paradigm lasted about 1500 years. But as science developed and measures became more precise, errors with the geocentric model became more obvious.

Paradigms are hard to change. In the 16th century, Nicolaus Copernicus developed a new paradigm: the earth and other planets orbit the sun. It was nearly a hundred years before the new paradigm became accepted as the truth.

The wrong paradigm can lead to bad decision frames. The Dutch may have viewed what is now New York from the paradigm of colonies serving the mother country. As an isolated colony, its value was low. The English may have viewed New York through a network paradigm, as one node in a network, and seemed to understand that the value of the network grew as the square of the number of nodes. This may be why the Dutch surrendered New York so easily and why the British wanted it.

Key points:

- Paradigms lead to decision frames.
- A paradigm may not remain valid forever.
- A defective paradigm leads to bad frames and bad decisions.
- It is hard to change to a better paradigm. Too many vested interests.

WHAT WORKS

Identify the key paradigm on which your business is based. Look at actual behavior, not just what is said.

Example: Does your firm treat all customers equally? Are some of your customers more profitable than others? Did you answer yes to both questions? If so, you may have a faulty paradigm.

Companies that succeed with one technology often fail when the next wave of change hits. Why? Because the new technology is based on a new paradigm requiring new methods and support infrastructure.

Clipper-ship makers could not change to steam. Automobiles clobbered horse-drawn carriages. Vacuum tube makers couldn't get silicon. IBM could not handle the PC. Kodak couldn't change to digital. Blackberry couldn't outsmart the smart phone.

To succeed with a paradigm change, follow these principles:

- Recognize early the need to change.
- Create an independent unit to identify the new paradigm.
- Focus first on the hearts and minds of your people, not strategy
- Commit fully to the change and the long journey it implies.

So check your paradigm. If it is viable, fine.

If not, prepare for the journey to a new paradigm.



"O.K., on my signal we're going to shift from pre-millennial to post-millennial thinking."

NEW PARADIGM: SMART, CONNECTED PRODUCTS

A potent new paradigm is here. It is a new view of products. The old view is that a product is an isolated, relatively dumb thing designed to do a particular job. The new view is that a product is not alone, but part of an interconnected system. And the product is “smart” and “aware.”

Consider locks. Old paradigm locks are isolated mechanical devices. The new paradigm locks are electronic and mechanical, can be operated remotely, can be aware of a user’s preferences and act on them, and can communicate conditions to the user. Consider beds. The new-paradigm bed “knows” when you are sleeping, knows when you’re awake, and starts the coffee for you, sets the heat for you, turns on the radio or TV.

New-paradigm products are now prevalent in heavy, expensive machinery. Elevators are “aware” of their condition and transmit condition data to a manufacturer like Otis, enabling timely, and often remote, correction of problems. Aircraft engines have a similar capacity. These changes create significant cost savings, so much so that in some cases the manufacturer no longer sells the product, just the use of the product. For example, an airline may pay by hours of engine use and not buy the engine.

The rise of smart, connected products grows hand in hand with the exponential growth of the Internet of Things (IoT), the highly connected network of products and “intelligent” digital devices. Companies like Cisco and IBM are shifting their paradigm to grow in this new world. They expect half their future revenues will come from IoT-related products and services, all of which will be smart and connected.

FRAME SHIFT?

The leaders of every business should think through the implications of smart connected products. What new capabilities can they create for the current offerings? What new values do they enable?

Nintendo thought it through. They recognized potent new value in its video gaming business through the use of micro-electronic accelerometers. These detect a player’s motion and translate it into instructions to the video console of the game. The result: the game playing changes from passive immersion to active participation. The enhanced value created by the “smart” connections drove excellent revenue growth.

Smart, connected products and the IoT are a game-changing combination. Each amplifies the value created by the other. The combination increased greatly the value of Go Pro’s camera offerings by linking the personal sports videos to social media through YouTube and other websites.

To survive and thrive in this new world, business leaders need to think carefully through the implications of this trend. Both the opportunities and the threats are significant, not only in terms of product and service offerings, but also in terms of which business models will be most effective.

Assume you will be unaffected by what’s happening and your business could be in serious trouble. Assume there is no opportunity for you in this trend, and you are likely to miss enormous potential for new, profitable growth.