The only constant is change

Outside of a strive for excellence, innovation, and a passion for what they do, small companies don't get big by emulating large ones. Large companies got to be large by their devotion to the three mentioned attributes. As we all know, many large companies end up smothering those traits. Just look at Sears, Blockbuster, and Kodak.

Sears transformed the retail world over a hundred years ago with their introduction of the Sears Catalog. Today it was Amazon that helped pull the rug out from under Sears. In 1969 Sears was the largest retailer in the world. To mark that pinnacle in 1970 with a show of hubris, it built the tallest tower in the world, at the time, in Chicago. It was completed in 1973 and was called the Sears Tower. In 1994 Sears sold the building. But in 2005 Amazon's total sales were only 17% of Sears. But by 2011 the tech giant had surpassed Sears and the old retailer was losing market share, not only to Amazon, but also to traditional brick and mortar retailers like Walmart and Home Depot. Why?

It's easy to think that it was because Sears didn't embrace the web. Many argue that wasn't the case. Sears was an early investor in having a web presence, being part of Prodigy, an early web access service. Even recently the company poured money into its web presence while other divisions were being starved of cash. The case can be made that what undid Sears was implementation. This is a term you will encounter many times in this book. Many very good ideas failed because the execution of those ideas was flawed. Many a great product or project failed because of this.

In 2004 when Kmart bought Sears and renamed itself Sears Holdings, it split up the combined companies into 30 divisions, which started acting like separate companies, each with its own separate management and staff to feed. The company lost its internal cohesiveness and its competitiveness.

Blockbuster was mainly derailed by Netflix, which rethought and reengineered the video rental market. Shortly after the DVD was introduced into the US in March 1997 Netflix sprung up as an online ordering site using snail mail distribution. They soon hit upon unlimited rentals per month with no late fees. This model wouldn't have worked with VHS video tape cassettes as they were too bulky and fragile to ship economically. Blockbuster made a lot of their money off late fees and when the company finally tried to eliminate them, they lost a lot of their revenue. In addition, they tried to hang on to their physical stores after their customers had moved on from in-store rentals to online rentals. Today the only store left is in Bend, Oregon. Serial innovation is a hard thing to duplicate, and very few organizations are good at it.

Kodak invented the digital camera in 1975, then put it on the shelf for years out of fear that it would hurt its lucrative film business. In 1976 it had 85% and 90% shares of the camera and film markets. By the time it faced the fact that its film business was rapidly evaporating its forays into new businesses, even the digital era it had a hand in ushering in, was halting and unproductive. It has been claimed that Kodaks fall from prominence wasn't that it ignored the digital camera, as by the 90s it was the leader in that field, the problem was it didn't concentrate enough on that field. But no matter how much Kodak concentrated on digital cameras, this new market wouldn't ever replace the once massive film market that Kodak lorded over. To justify the massive corporate structure Kodak would have to move into, better yet invented, new markets. Kodak's problem is that what they did best was no longer needed. They are not alone.

A similar scenario hurt Xerox, a 60s technical darling. Originally you couldn't buy a copier from Xerox, you could only lease them. At that time Xerox had by far the best copier technology. There was little finesse in the design of these machines, as they were built like tanks, and were mainly electro-mechanical devices. They would literally run forever, with regular service, which was required quite often. But as usual the landscape changed.

Most of the 50 and 60s designed machines that customers of Xerox had, had been written off years before and they were great cash cows. While Xerox was spending large amounts on research that research was slow to see the market. That is until the competition caught up in technology. That competition was mainly from the Japanese at the low end of the market. But interestingly the competition from the high end was from Kodak. To their credit, while Xerox was a bit slow to adopt the new business model, that is the actual selling of machines, they did adjust. Another thing that saved Xerox was their salesforce which was enormous and well trained. It's not always the best design that wins the day. The obstacle Xerox faces is not that they can't compete in the copier and printer markets, but with how the dynamics of those markets are changing. Copiers used to be stand-alone technical marvels, now they are viewed as copier/printer/scanning appliances ubiquitous in offices and homes. It is now a high volume, low margin game, with environmental concerns forcing a slow decline in the use of paper. Not a growth market anymore.

Other interesting stumbles from grace include Dell, whose original business model was to sell directly to end users through the internet. But as the market moved more towards tablets, Dell's efforts fell short in that area, and all the PCs coming out of Asia, especially China, put Dell in a race to the bottom profit wise. In addition, Dell never provided end-to-end service that many larger customers now want.

Microsoft has been slow to grasp new technologies like Web video, smart phones, tablets, etc. Another that followed in that vein is Motorola, which dominated the cell phone market through the first few years of this century. They were slow to implement smart phone features into their products.