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Never Let a Crisis Go to Waste

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CORNHUSKER ECONOMICS

Never Let a Crisis Go to Waste

The phrase, “never let a crisis go to waste” may take frugality to a whole new level! That’s the sentiment of Lynda Applegate, Professor of Business Administration at the Harvard Business School, in a recent on-line article, *Building Businesses in Turbulent Times*.

“Change is coming anyway, so leaders need to take control. At the Harvard Business School the motto is, "Never let a crisis go to waste." The major dislocations happening in industries around the world give companies a great opportunity to lay the foundation for the future. Because everyone acknowledges the current crisis, management and labor often readily accept restructuring and changes that were not possible in the past - even if change has been needed for some time.”

Using this philosophy, Applegate goes on to state “Some people think about innovation and new ventures as a side business to running the real business, but the economic downturn takes the need for innovation to a new level. In this environment, "business as usual" is not the answer.”

Companies must work aggressively to innovate and make the kinds of changes that are critical to success today and in the years to come. They must consider cost cutting as one step on the journey to future success. In a sense every business, large or small, needs to think of itself as a "new venture" right now. This is a time of unprecedented opportunity to rethink offerings, markets, business processes and organizational structure - and to improve them to achieve growth.

Smaller companies are typically more nimble and can often make change happen more quickly, but they also may be more dependent on large firms for major

Market Report	Yr Ago	4 Wks Ago	5/8/09
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$93.81	\$86.74	\$83.91
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	123.73	116.59	114.40
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	108.25	97.11	98.67
Choice Boxed Beef, 600-750 lb. Carcass.	155.33	137.11	146.10
Western Corn Belt Base Hog Price Carcass, Negotiated.	78.56	55.93	57.75
Feeder Pigs, National Direct 50 lbs, FOB.	41.21	63.49	59.56
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	77.73	58.72	57.10
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	88.75	93.62	94.00
National Carcass Lamb Cutout, FOB.	250.05	250.51	245.81
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	7.85	4.93	5.53
Corn, No. 2, Yellow Omaha, bu.	5.90	3.77	4.06
Soybeans, No. 1, Yellow Omaha, bu.	12.99	10.04	11.03
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	10.07	5.71	6.14
Oats, No. 2, Heavy Minneapolis, MN , bu.	4.02	2.03	2.31
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*	190.00	190.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	77.50	77.50	77.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	85.00	85.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.	182.50	130.00	141.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	67.00	49.00	49.75
*No Market			



sources of revenue. Interestingly, this can mean that small business owners may be the first ones to feel the economic squeeze, which increases their motivation to find new opportunities. And what better time to find opportunities than in an economic crisis!

And just **how** are these opportunities found? Applegate (2007) shares several guidelines for business managers to follow:

- *Listen to - and learn from - the market:* Identify sources of significant problems that cannot be solved using today's product and service offerings. Focus first on the problem - not the solution. Be sure that you don't just listen to your *current* customers. They have the same tunnel-vision problems that you do, and may even actively push to keep you from considering new approaches. Keep in mind Henry Ford's classic comment as he struggled to take advantage of new technologies in the early 1900s: "If I asked people what they wanted," he said, "they would have said, 'Faster horses.'"
- *Expand your horizons:* Set aside a portion of every week for broadening your perspective. Identify important global and local trends that signal potential revolutionary shifts in customer behavior. Look for new business models and technologies that can radically transform product, market and industry economics and power. Benchmark inside *and outside* your industry, remembering to benchmark the *rate of change* in value delivered - not just a single point in time. Clarify and challenge the biases and business models in your firm and in your industry.
- *Identify potential disruptors that could be a source of opportunity:* Identify people with a broad range of perspectives on potential disruptive opportunities. Work with them individually to analyze disruptive trends within the key categories discussed earlier.
- *Select ideas for further evaluation:* Now bring the individuals together. Working as a team, have each person share his or her analysis of disruptors. Discuss what you have learned from the analysis, and brainstorm business ideas that leverage disruptors to create value for you and for your customers, partners and other stakeholders. Identify the potential value of promising ideas, and a process for prioritizing and choosing among them.
- *Turn promising ideas into opportunities:* Identify a promising opportunity and develop a business plan that highlights both long-term and short-term ("go-to-market") opportunity. Define product-

market positioning at entry, and the capabilities and resources required. Define a plan for evolving strategy and capabilities to exploit long-term value potential.

- *Implement to reduce risk and manage uncertainty:* Successful entrepreneurs are not risk seekers. Instead, they have learned to manage risk by identifying key assumptions and uncertainties in their business plan, and then staging commitments and implementation to reduce uncertainty while building a sustainable business. Established firms must adopt a similar approach to risk management when venturing into uncharted territories. You can't simply use the same approach that you use to incrementally evolve a mature business. Some firms create separate new venture groups responsible for leading radical business innovation and disruptive change. Others maintain a closer connection to established business groups to facilitate future integration of new businesses into the established business. There are examples of success using both approaches. The key is to become skilled at the entrepreneurial innovation process as you search for ideas in the face of disruption, turn ideas into opportunities, choose opportunities to pursue, successfully launch new businesses and grow and evolve them to create sustainable proprietary advantage.
- *Collaborate!* Innovations that matter arise from perspectives that cross boundaries.

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- Applegate, Lynda M., (April 27, 2009). *Building Businesses in Turbulent Times*. Harvard Business School Working Knowledge On-line at <http://hbswk.hbs.edu/item/6159.html>
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