

Strategic Inflection Points



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The strategic inflection points (SIP) are all around us, we just need to look for them. Here is my definition and a list:

A strategic inflection point is a point when the direction or slope of the curve changes – up or down. In a business, some strategic inflection points could be:

- Market share changes
- Revenue line
- Profit line- absolute and percentage
- Innovation success rate
- Attrition
- Engagement
- R&D delay especially in tech industries

In my experience strategic inflection points are there for everyone to see, some employees discuss it in the company, but the company and the leaders rarely change behavior in line with the inflection points.

1. The best way to pick inflection points is from consumers, customers and competitors. Some competitors are better at it than others. So, the salespeople are the best source of inflection points. So, as a leader TRAVEL and TALK.
2. Deregulation/change of law is a SIP, look at what happened to the airline industry. Every country that has deregulated has seen intense rivalry. India deregulated in 1991 and lost 27 airlines in the last 32 years. The BFSI industry is getting deregulated with digital payments etc. Some have woken up, but most banks are asleep. Health, Education and EVs are currently in this SIP phase because of digital.
3. A consumer habit change is another SIP. Indians love to buy SUVs, today 43% of passenger vehicles are SUVs. However, the market leader Maruti, when it had a 55% share, didn't participate in this segment. Their share is down to 44% now. This has happened over a decade. Sugar is a big concern. No chocolate or soft drink company globally has focused on this seriously. This trend has been in America for 25 years. Who has seen the strategic inflection point? – Indian halwai brands like Haldiram's,

Ghasitharam etc. have sugar-free variants of Gulab Jamun, Soan Papdi etc. A host of Indian startups have introduced sugar-free products. Bollywood is trying to ape Hollywood and has forgotten the art of storytelling for the Indian masses. The South Indian filmmakers have punched that mass appeal today with songs like natu natu, let's go on the bullet etc.

4. Oil prices and Oil buying are at a SIP right now. More than 25% of the world's oil is being bought in non-US dollar currencies. This has a big implication for some countries, for the industry and for economics. Looking back, the Petrodollar was a SIP in 1974.
5. Sometimes an industry decides on a SIP. The mobile phone industry decided to do away with the free headphones in the phone box. Samsung, the leader, should have seen this and spun off their headphones business into an autonomous unit. No phone brand did this and who was the gainer with this Industry SIP – Boat and a host of other players.
6. The future of the news business is the ability to show readers the difference between the truth, fake and false news. This is a SIP. BBC has introduced BBC VERIFY to plug this SIP. Govind Ethiraj ex CNBC started FACT CHECKER a few years ago in India to plug this need.
7. Sometimes one needs an eco-system for a SIP to mature. Nike launched digital tracking in 1987 but gave it up in 1989. They then observed that the Apple iPod could be a good partner as people wore that on their runs. Building effective apps and partnerships took them forward and today digital accounts for 27% of their sales, one of the best for a global consumer brand.
8. Nokia didn't act on the SIP of a free operating system like Android and its own R&D efforts to develop a new operating system were delayed and Nokia is a non-player now.
9. Nationalism is a SIP right now and every country is prioritizing policies. This has been around for the last decade as a backlash to job-losing globalization. This is playing out in the technology area as an all-out chip war.
10. The Impact player substitution is a SIP in IPL T20 cricket. One can see its impact on all-rounders, and one can see a surge in specialist skills, unfortunately only batting and bowling, it's unlikely you will ever have a fielding expert coming in as an impact player. When an impact player gets introduced in Test Cricket, it will change the nature of Test match competition completely.
11. COVID has been a SIP, in terms of what people value, working from anywhere, flexible policies, collaboration, and teamwork, and almost everything has been redefined. Some companies have done things to grab headlines and tweets while most are still trying to figure out their moves. One thing is for sure, mere tokenism will not work. Inclusion is a SIP right now and society is challenging companies on the diversity norm.
12. Finally, culture has a strategic inflection point too. In my experience, it is when storytelling and narrative building overtake performance, good or bad. The culture SIP starts when storytelling tries to make average performance look great and poor performance look good. The funny part is that everyone in the organization knows and sniggers/jokes at it, but it continues since everyone stands/hopes to benefit from it. So, beware if your organization has crossed this inflection point! It is a downward slope! This is the worst of the inflection points.

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