

Case description “The need for disruptive change inside Blackberry”

Subject: Case study on the change process as described in the Adaptive Cycle of Change



The downfall on Blackberry, once leader of smartphone market

Introduction

The dynamics in the environment demand that organizations respond to changes more efficiently and quickly. Managers need to realize that change is inevitable and organizations cannot assume that success today leads to success tomorrow. Markets are constantly changing and managers have to be aware of these changes and lead the organization in the right path. Leaders must embrace change rather than resisting it, they need to be visionaries of possible new solutions. When a new technology opens up the possibility of a new market that may threaten the existing one, a brand leader should consider entering into the new market so it will have first-mover advantage in it.

This was the fatal mistake of Blackberry. While Samsung and Apple were frantically entering the market of smartphones and consolidating a big market share in it, Blackberry failed to do so. Major transitions such as these or lack of them, as it happens in Blackberry, have to be driven by senior leaders of an organization's executive management.

Background of Blackberry

Blackberry was once the biggest smartphone maker fallen to the back of the smartphone pack (with 3% of the market now) competing with Apple iPhone and Google Android operating systems have become the top leaders of the market. Blackberry's has gone from top to bottom. And how a tech giant fails to innovate according to customer needs and evolve as all the other giants have done so far?

Instead of coming up with the latest technologies, it decided to redefine its products. This didn't help them reach the top again. The corporate managers failed to keep up with time and Blackberry started to drown. Blackberry got stuck into their operating system (RIM) and as new solutions and alternatives entered the market and their loyal customers evolved too.

BlackBerry's market share peaked in a spiral downward over the last few years. What happened? Apple and Samsung happened. They changed the game for BlackBerry. Consumers saw the new innovations that these brands offered, such as, interacting with virtual objects through a touchscreen that was something that BlackBerry didn't offer. However, these weren't the only drivers for the BlackBerry's downfall. Managers didn't take seriously the idea that the market was changing. BlackBerry's leadership never took Apple's iPhone as a serious threat to business. At least not until it was too late.

What is clear is the success of companies such as Samsung and Apple. Those sense the opportunity in the market and take the first-movers advantage in it. The decisions have to be made very early in the cycle of change, and it is managers responsibility to be able to respond to global adaptations of markets and carry this change. As market change so fast and continuously, leaders should learn from others mistakes and evolve to the demands of market-place rather than be a victim of this.

Changing the game for BlackBerry

As it is well-know so far, there is no general solution for the challenges that organizations face with coping with these changes. The environment is global and always changing and managers have to be open minded in order to keep up with them.

As stated by Craig Hanson, General Partner, Next World Capital [1] - “Blackberry’s decline is worth studying. Here’s a company whose name was synonymous with ‘smartphone’ early on. It had a commanding share and owned the corporate market. Corporations led device buying. But that corporate hegemony was also its demise. It relied on selling to corporate IT buyers and locking them up with long-term contracts and server-based solutions. It fell behind on innovation, kept its app ecosystem closed and proprietary, and failed to recognize the rise of consumer-driven IT buying. Now it finds itself struggling to hang on to some respectable share in a corporate market it largely created.”

Blackberry is a good example of defective management. Lack of strategy, the outages, and delays on providing more attractive options were their biggest failure.

Evaluation

Nowadays it’s clear that a successful company must have the ability to follow change, be flexible and adaptive. Re-organize their strategy to align with the new market necessities and therefore costumers needs. As Fukuyama introduced an adaptive organization, is stated as ‘The adaptive organization can evaluate a changing external environment and modify its own internal procedures in response’. That being said, the survival of organizations undergoes spotting costumer needs before others competitors, realize new trends. Thus, quickly and effectively steer towards these new opportunities and take leverage of organizations resources and competencies to do so.

BlackBerry blinded by its own success and unable to replicate it, failed in follow the trends. New rivals redefined the market and they responded with a string of devices that were late to market, missed the mark with consumers, and opened dangerous fault lines across the organization.

Conclusion

Crisis is a time-critical task, high-uncertainty and with high risk. BlackBerry is clearly in a situation of crisis, as we can see at figure 1, presented below. The unexpected developments in the market weren’t followed by the company in the right time and now it’s no longer able of dealing with these. The problem was that managers didn’t pay much attention to the new competitors and theirs strength. They could have made something of a turnaround but it’s starting to look that is too late to shape the costumers idea about the brand.

Managers failed in react quickly and make quick decisions. They had a lot of fixed values and processes were standardized which lead to tunnel thinking. This probably was the reason behind their late arrival in following the trends. Theirs businesses orientation was possibly too focused on stability and just a part in change. Organizations should strive for equilibrium but often this limits the ability of sensing and dealing with dynamic environments effectively.

BlackBerry's rise and fall

BlackBerry expects to report a huge quarterly operating loss next week and will cut more than third of its global workforce.

Key events and share price performance Daily close, in Canadian dollars

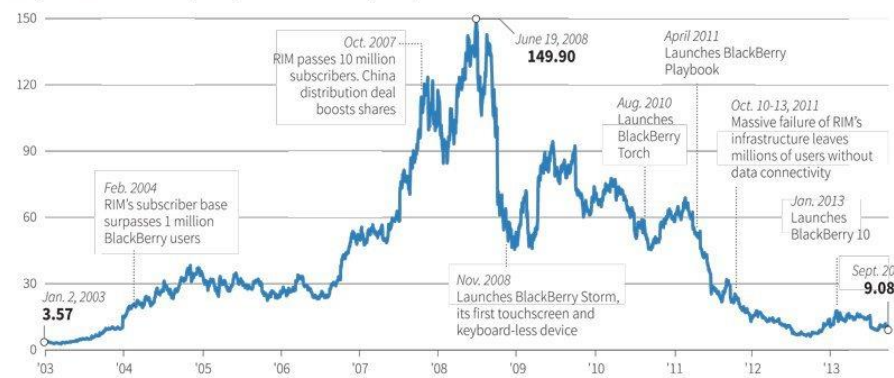
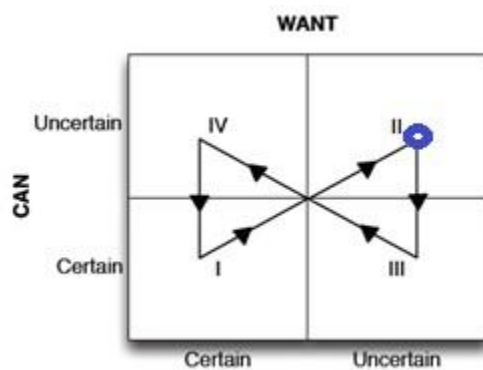


Figure 1: Source <http://www.businessinsider.com/the-rise-and-fall-of-blackberry-in-one-big-graphic-2013-9>

In order to explain in greater detail bellow it will be presented the “The Adaptive Cycle”[1], which quadrant BlackBerry is currently insert in and what steps should follow to become a more successful organization.

Figure 2: The Adaptive Cycle



BlackBerry was in quadrant 1 for a long time, in the equilibrium situation. The confidence of the organization that they were able to cope with the threat from outside was what actually ruin them. External influences disturbed this equilibrium; the new innovations that brands such as Apple and Samsung presented changed the game. At this point, BlackBerry should have reacted more quickly and efficiently to the arisen situation. They moved to quadrant 2 where as I see, still are (blue point in figure 2). They miss the timing for innovation. Understanding the market and choose a new direction, adding new insights into the current crisis situation. Once they are confidence that these options can actually add value to the solution available at the moment, this step marks the transition from quadrant 2 to quadrant 3, new combinations. However, it's not possible to realize all the options, Blackberry actually need to make a decision. In this process, from the whole range of possibilities only one will be chosen to be further developed. The moment of making the choice, which means that there is some hope in the future, is what marks the transition to quadrant 4, the new equilibrium. In the new equilibrium, the situation achieved is not the same as the one before.

I believe that the major problem is that BlackBerry managers failed in recognizing the change in the environment and just never reacted correctively or timely.

Recommendations

Miller (1990) observed that ‘success leads to specialization and exaggeration, to confidence and complacency to dogma and ritual’ and usually their strength is what lead them to their downfall. BlackBerry strength has been in enterprise and government with its known security. The lack of perception within the market that surrounded them and not reacting according to its needs or changing their path was the key point to its downfall.

Going forward in this moments seems tough however not impossible. Implementing different senior management, operational changes toward a more maturing position is some of the changes that need to be made, to drive the company in direction of profitability.

Hereupon, I will present the possibilities that I find interesting for BlackBerry to implement in order to achieve the transition to quadrant 4 (from the Adaptive cycle).

Gain a new position in the market requires plan and refocus on the end-solution of hardware and software and services provided by the organization. Also, I believe that they have to take into consideration that smartphones competitive landscape is constantly changing. The strategy that relies on long corporate IT relationships should shift into a more easy, flexible and subscription-based. And then, customers can do whatever they want with the applications, as it happens with other organizations.

The lesson here, I believe, is that an organization to become successful must have ability to change, flexible, adaptive and re-strategize aligning their values and products with the ones standing in the market. In nowadays business environment, survival of organizations such as BlackBerry goes through spotting costumers need before ‘they do’ or before their competitors do it. In order to take leverage they need to shift toward these new opportunities and chances before the others do it.

References

[1]Tom Taulli, (2013, September,23) ,Lessons From The Fall Of BlackBerry. Forbes, Volume Number, pages.

[2] Abcouwer, A. W., & Parson, B. G, Sustainable assertiveness – The adaptive cycle of resilience