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Site

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Greetings!

In most industries, there's a self-reinforcing cycle of beliefs, activities, and constraints that tend to keep the whole thing in existence. We aren't often aware of this cycle, this "pump" as I sometimes call it, since it can seem almost inevitable. Until, of course, it all changes.

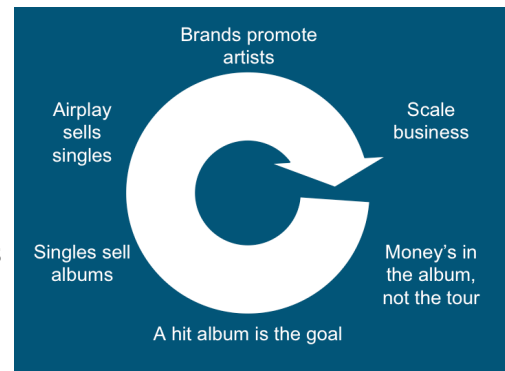
Given how quickly that can happen, it might be worth considering what the pump is in your business - and what might cause it to "run in reverse".

Music Industry Pump

Let's work through an example: the music industry. It might seem a bit hard to remember how it used to work, but it was sort of like this. The big money was in selling albums, because you could sell so many more of them than you could ever sell of tickets on a tour.

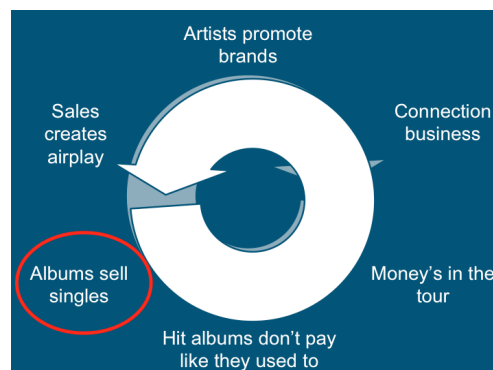
So, the goal was to get a hit album; you wanted to sell singles so people would hear your band and then buy their album.

And, the way people first heard your single and wanted to buy it was on the radio. But, you had to get it on a lot of stations - the brands (record labels) promoted the artists, so it was very much a scale business. And, because it was a scale business, you could sell a lot of albums - many more than you could ever sell of tickets on a tour. And, on it goes...



Music Industry in Reverse

But, then the iPod, iTunes, and some related changes all of a sudden turned some of that on its head. The first shift was that an album, previously a fixed package of content, became just a playlist, a separable bundle of singles. So, having a hit album didn't really pay like it used to, so the money all of a sudden was in the tour. And, increasingly, the business wasn't about scale, but



instead was about the connection between artists and their audience. On the back of that, artists - looking to

convert that connection into cash - became more involved in promoting (non-music) brands. Airplay - once central to the business - became much less of a force.

The music business hasn't yet settled down into a self-reinforcing cycle, a stable "pump" that will keep things going round and round. It will continue to be somewhat troubled until it does - if it ever does. However, the big message isn't about what happened to one specific industry but instead about what could happen to many other industries - including yours.

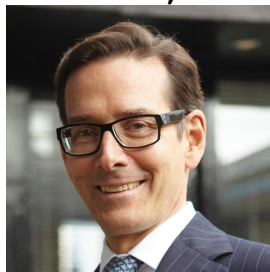
Your Industry

So, if you're a business leader, what should you do about this? I'd suggest you use some of your strategic thinking time to focus on what could happen to your industry. Here are three questions to get you started:

1. **What's the pump in our industry?** The current industry pump can seem so much the natural order of things that it can be hard to see. The pump sustains your industry but it's also what constrains it. So consider things about your industry that outsiders don't like, or don't usually understand. They may well be key parts of your pump.
2. **What might kick our pump into reverse?** The music industry didn't decide it wanted to turn itself on it's head. Nor will yours. So, look to developments outside your industry and to new players whose actions - driven by their own ambitions - could dramatically impact your business. Accept that, if it happens, it most likely will be in a way that seems impossible today.
3. **Where might we reverse an existing pump, to make good money in a new model?** Apple wasn't (and isn't) in the music business, but they saw a way to dramatically change things in it - to their advantage and their customers' benefit. So, don't think about entering an adjacent industry to drive the existing pump, think instead about developing a new pump that's better - and might create a whole new industry.

Let me know if you would like to explore how we might help you think - and act - strategically about your own industry pump.

All the best,



Belden Menkus
MenKus & Associates

**The
Changing
Role of
the FD /
CFO
Roundtable
Discussion
3 July 2013**

We've recently completed the first stage of research into the evolving role of the FD / CFO. The results so far have been somewhat unexpected, pointing to important choices many FDs may face over the next few years about their own careers. The next stage of this research is an informal roundtable discussion of our findings, to be held on 3 July.

While we already have a very good group of FDs assembled, we do have a few more seats available. This is an opportunity to meet other FD / CFO business leaders, to discuss and debate our conclusions, and to see for themselves where our findings might apply to your situation and career ambitions. If you know someone who might be interested in joining us, please let me know.

Creating Strategic Leadership Capability for an Age of Disruption

