

# How Words Limit Our Thinking

## Part Two

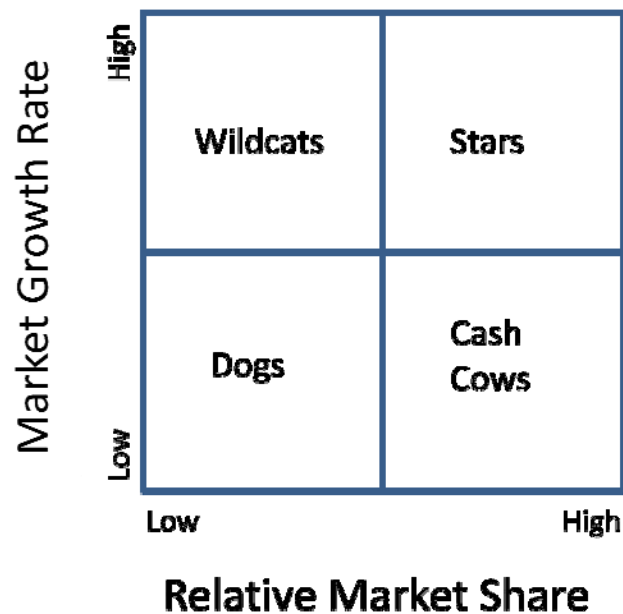
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### Introduction

In 2007, I asked who might wager that the Detroit automobile makers would survive for twenty years, ten years, or five years. I suggested that their demise would be the result of their failure to adapt to changing market conditions and to adopt new ways of doing business that their competitors were using to take away their market share. Today, the market itself is shrinking and the companies headquartered in Detroit are on the precipice of collapse.

Too many Americans, including our politicians, identify three companies as the “American automobile industry.” It is true that these three have their headquarters in Michigan and that they pay taxes on some of their earnings in the United States. It is also true that these companies do business in nearly every country in the world, incorporate parts and pieces into their cars that are produced in many countries, and pay taxes in lots of countries. The same can be said for their “foreign” competitors. The automobile industry is no longer “domestic” in any country. It has become a global industry.

In 1970, Bruce Henderson created the “Boston Matrix” for the Boston Consulting Group. The matrix identifies four distinct phases in the development of commercial enterprises.



### **Wildcats**

As new technologies mature, they give rise to commercial developments that usually appear in hundreds or even thousands of tiny start-up companies. Each participates in a market with a huge market growth rate but each has only a tiny, if any, market share. These companies are called “Wildcats” and are the sources of nearly all innovation precisely because they are managed by individuals whose personal strengths include innovation and a disdain for the status quo. Apple Computer, Microsoft, and Ford Motor Company began their lives as wildcats. Each of the companies that eventually merged into General Motors began their lives as wildcats.

### **Stars**

Of thousands of wildcats, a relatively small number begin to produce products that find willing buyers. They must also attract sufficient capital to invest in factories, inventory, marketing and sales, and to carry accounts receivable. Typically these companies are headed by a marketer who succeeds the inventor who led the wildcat predecessor. At Apple, Wozniak was the inventor and Jobs was the marketer. Stars accumulate substantial market share in markets that have high growth rates. Profits are reinvested in additional capacity, personnel, inventory, and receivables.

### **Cash Cows**

Eventually the market of the star begins to reach saturation. There are still a few people in the developed world who are not carrying a cell phone as their constant companion. There are still a few people in the world who think “Amazon” is a river. Now the marketer must be replaced by the efficiency expert who will squeeze out costs in order to produce profits from the available market share. The “American automobile industry” has been under the leadership of these efficiency experts for decades. Asking these people to suddenly change gears and become innovative is ridiculous.

In all its years of existence, AT&T’s Bell Laboratories brought to market only one innovation, touch tone dialing. Look at what has happened to the telephone since 1980 when Judge Green broke up AT&T. Xerox’s Palo Alto Research Center (PARC) has been the source of numerous innovations, none of which have been brought to market by Xerox. Phillips’ research facility in Eindhoven produced the optical compact disk (CD) but Phillips’ management could find nothing better to do with it than license the technology to SONY.

The cow will jump over the moon sooner than the Detroit executives will abandon their drive to control costs at the expense of research and development in unproven technologies. The restructuring promised by General Motors and Chrysler will be nothing more than further reductions of cost. It may be that they will ultimately downsize themselves out of existence but waiting for that only enhances the opportunities for innovation outside the United States.

## Dogs

Ultimately the remaining market is divided among many participants, none of whom is capable of producing significant margins and profits. Under the leadership of an attorney, these companies engage in a binge of mergers and acquisitions, hoping that this means of rebuilding market share will somehow extend their profitability. In 2003, Hewlett Packard acquired Compaq and subsequently proved that a company with double the market share could lose money twice as fast. A whole pack of dogs won't produce any milk.

Those who manage in the cash cow/dog realm thrive on stability and resist innovation as risky and threatening to their established positions. Once their positions are established, they absorb available capital in defensive tactics and build barriers to new entries. John DeLorean<sup>1</sup> experienced the consequences of trying to compete with the big three in the 1970s. Now we are consigned to live in a country where all innovation in the automotive industry must come from outside our own economy. Now we are at the mercy of what are perceived to be the "foreign" competitors. Detroit has dug its own grave. All that remains is for Detroit to slip below the surface and be covered with dirt.

The best interests of drivers, whether they be Americans or not, would be served by an automobile industry open to new entries, one in which the little guy with the clever set of ideas can find the investment capital required to bring his product to the marketplace. So long as our leaders in Washington confuse "big three" with the American automotive industry, this will not be possible.

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### About the Author

Ed Fern is a long-time contributor to the practice of Project Management, and this article refers to one he wrote in December 2007; that article is also available on the *asapm* website. A prolific author, his article, "*Six Steps to the Future: How Mass Customizing is Changing the World*" published on the *asapm* website five years ago, continues to be one of the top-rated links on our site. Ed's websites include [time-to-profit.com](http://time-to-profit.com), his company's main site, and [pm-prepare.com](http://pm-prepare.com), a service that helps you assure yourself that are ready for exam-based PM certification—if PM knowledge, rather than PM Competence or PM Performance is all you seek.

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<sup>1</sup> DeLorean, John Z. and J. Patrick Wright, *On a Clear Day You Can See General Motors: John Z. DeLorean's Look Inside the Automotive Giant*, Smithmark Publishing, December, 1979.