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Pride, prejudice & BlackBerry

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There is nothing that sums up the circumstances that have led to BlackBerry's current state of affairs better than Proverbs 16:18 of the King James Bible.

"Pride goeth before destruction and a haughty spirit before a fall," is the operative gospel here—a statement that senior executives of BlackBerry ought to internalise as they take the next few painful steps in deciding the phone-maker's future, a scenario that now includes the possibility of selling the company to the highest bidder.

For this was always BlackBerry's (or to be more accurate, RIM's) hubris—they believed they had no need to listen to the market. "You don't need a camera, that's crazy talk!", "Touch-screen keyboards? Who would ever accept that? "

This attitude carried over to its enterprise strategy as well: for the longest time they believed that no other device would gain corporate acceptance and that "employers would always make the choice for employees".

While the whole "we know what you want better than you do" shtick may have worked for Apple with Steve Jobs at its helm, it clearly hasn't for BlackBerry. It could prove to be a body blow that eventually left them vulnerable to an industry disruption a 'la the iPhone.

Too little, too late

To be fair, however, the rechristening of RIM to BlackBerry and the company's subsequent overhaul has been a sincere, if not successful, attempt at redemption. To what end, though? BB 10 and the Z10 are certainly valiant attempts at competing with Android and iOS, but who cares? They haven't brought anything special to the table—certainly nothing spectacular enough to chip away consumer and developer mind-share from the entrenched competition.

In a nutshell, BlackBerry's new foray failed to capture the non-conservative parts of the market—that ship sailed with the iPhone and Android years ago— and simultaneously alienated their older audiences.

Industry disruption

But the downfall of BlackBerry is merely another chapter in the obituary scrapbook of other companies—an infamous hall of fame that includes other fallen players such as Motorola, Kodak and Nokia. Industry disruption caused by innovation is neither a new or complicated phenomenon despite what experts or CEOs would have you know.

It can be summed up in a simple sentence: Companies face the threat of industry disruption when they no longer realize what market its business is functioning in.

Recall McDonald's CEO Harry J Sonneborn's famous adage. In his book, he wrote, "What converted McDonald's into a money machine had nothing to do with the popularity of hamburgers, french fries or milkshakes. It was the fact that McDonalds was not in the food business but in that it was in the real-estate business."

McDonald's was in dire straits in the 1960s, it was losing money and teetered on gross unprofitability, but Sonneborn decided to have the company lease a plot of land and the building for each restaurant—which, in turn, he would sublease to each franchisee. This proved to be attractive to potential franchisee owners, garnered another source of revenue for McDonald's, and allowed the company to dispose of unprofitable restaurants by selling the land for good profit.

It turned out to be a classic example of a real-estate 'innovation' that saved not only McDonald's but served as a foundation for the rest of the fast-food business industry as well.

Puzzling as the McDonald's example may seem, we see this 'waking up to a company's true market' sprinkled in other industry disruptions as well; starting from the downfall of Kodak to the triumph of Apple over BlackBerry, Nokia, Motorola et.al.

Consider the sordid case of Kodak. While it is extremely fashionable to claim that the company missed the 'digital technology' ship, the nuances of industry disruption are far more subtle in that.

In fact, Kodak literally invented digital photography, and was the first to bring a digital camera (the DC40) to the market.

Fish out of water

Where it did fail, however, was to realize that the market it was playing in was no longer a film and printing business—but a consumer photography business. It failed to understand that consumers wanted and needed to interact with their photos in a new technology ecosystem that went beyond simply printing out digital photos.

Beyond missing out on photo-sharing services and making silly investments in 'digital photo frames', they were also afraid to cannibalise their money-milking machine (the photo printing business) — a clear sign of opening yourself to being disrupted.

Consider the case of Apple and its greatest misnomer – the iPhone. Perhaps the biggest mistake that Nokia, BlackBerry and Motorola committed was failing to realize that the iPhone was never a *true phone* .

Apple never wanted to compete in the ‘handset business’—the iPhone was a pocket-sized computer that completely eliminated the concept of a ‘cell phone’ and replaced it with the need for applications and a software ecosystem that included music, movies, games and otherwise general computing.

A true tragedy

BlackBerry, Nokia and Motorola couldn’t wake up and smell the coffee—BlackBerry thought it could compete on the ‘security and enterprise e-mail’ angle, Nokia on the ‘cheap and affordable’ angle, Motorola on the ‘sexy Razr’ angle—all without realizing the ‘mobile phone market’ had been replaced by a ‘pocket-sized PC connected to the Internet’ market. Today, mobile phones are not clunky, inanimate pieces of hardware. They’re *applications*.

BlackBerry may indeed rise again, with a little help from Hyderabad-born Prem Watsa and a renewed vision—but its fall provides enough textbook lessons. A fear of cannibalization and not periodically trying to understand what market your company plays in are sure ingredients for a perfect industry disruption.

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