



# COMPRESSIVE DISRUPTION – LEARN TO THRIVE UNDER PRESSURE

## VIDEO TRANSCRIPT

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Compressive disruption is particularly insidious. Why?

Well, because it takes place over two or three decades. A typical management team lasts, let's say, five years, seven years. And so, actually, when you're in a management team in an established industry and you look around at all the other management teams who are your peers in that industry, they're all suffering exactly the same symptoms at the same time, so it feels normal.

We ask our clients to step back and say, if I'm in a sector which may be experiencing good revenue growth, but actually absolute profit dollar contribution has been flat, that is a sign that you're in the first phase of compressive disruption. So, in other words, the company still sees growth, but they're finding it hard to translate that growth into growing profits.

Subsequently, the phases can change and you'll find that the profits have gone flat and perhaps declined, but the revenue has also stalled. That's obviously very bad news because it means the growth phase is over for the particular

set of services and products that industry is bringing.

And then, finally, the whole thing dies and that's the end of an industry.

If you look, for example, at automotive today, the top 22 global auto manufacturers delivered something like 140-150 billion dollars of revenues in 2009. That grew in 2015 to 220-230 billion dollars. So, good revenue growth. But the absolute dollar contribution in profit has hardly increased at all in that time period. There's something going on in the sector in terms of just the way society is changing with how it wants to use that set of products. And so, the industry needs to be fundamentally rethought if it's to recapture the kind of growth profiles that its investors would expect.