BLACKBERRY BREAKDOWN

The company that led the smartphone revolution and sparked our collective mobile addiction is now a shadow of its former self. What went wrong? Association decision makers can learn much from the answer.

BY JEFF DE CAGNA, FASAE

Let's turn back the clock. Imagine it is 1999 and your employer, Research in Motion (RIM), releases the first in what will be a series of extremely popular BlackBerry mobile email devices. The Canadian concern, which listed on the Toronto Stock Exchange as part of a successful initial public offering the year before, joins the NASDAQ as well, and in the decade ahead, the company's compelling technology and business model will transform RIM into the dominant player in helping enterprises and consumers around the world manage their mobile email traffic with increased efficiency and security. The future looks bright.

Now let's fast forward to the summer of 2013. Imagine you are sitting in a conference room in Waterloo, Ontario, after being told that BlackBerry Limited, which had changed its name from RIM earlier in the year, is exploring the possibility of putting itself and all of its assets up for sale. Although not a surprise, the news still hits you hard. You realize that BlackBerry, the corporate inventor of the smartphone category in North America and one of the world's most influential technology innovators, is in serious jeopardy of disappearing from the business landscape altogether.

At that moment, with a thousand questions bouncing around your head, you focus on the only one that matters: How could this happen?

How indeed.

Remarkably, in 2014, the focus of the still-unfolding BlackBerry narrative has shifted from the company's imminent demise to whether its current leaders can execute on their challenging turnaround plans. Whatever the outcome of the story for the company, the BlackBerry situation offers clear lessons that association boards and CEOs must learn if they are to avoid making unnecessary and costly mistakes and give themselves a genuine opportunity to build their organizations to thrive in the years ahead.

The New Clock of Strategy

RIM was founded in 1984 and needed 15 years to bring its first device, the RIM 850, to market. The RIM 850 was a two-way email pager with a tactile QWERTY keyboard that quickly became the signature feature on all of the company's devices. Three years later, in 2002, RIM released its first smartphone, the 5810, with the same tactile keyboard, as well as a right-side scroll wheel used to navigate the device's monochrome screen, which displayed a small number of icons for preinstalled apps such as email, calendar, and contacts.

It did not take long for users to become addicted to the BlackBerry's nearly instantaneous delivery of email. The overwhelming psychological imperative to constantly check your BlackBerry—which one observer described as "the tyranny of the red light" after the color of the flashing email indicator on the top of the handset—established RIM as the major force in the burgeoning mobile marketplace, while the device became a cultural icon. (Remember the "CrackBerry" and the very public discussion of President Obama's secure BlackBerry?) By January 2010, RIM reached its highest penetration in the U.S. smartphone market, with a 43 percent share.

Unfortunately for RIM, this strong market position would not last. The arrival of the iPhone in 2007, along with the first Android smartphone

Going Mobile

1984
Research in Motion is founded.

1999
The company's first device, the RIM 850, is released.

2002
RIM releases its first smartphone, the RIM 5810.

2006
"CrackBerry" is selected as word of the year by *Webster's New World College Dictionary*.

2007
Apple introduces the first iPhone.

release the following year, unleashed a hyper-rapid pace of innovation in the mobile space for which the company was not prepared. RIM may have needed more than 20 years to establish its place in this market, but it took less than half that time for the company to become an also-ran. Today, BlackBerry is a largely inconsequential player relative to Apple and Google, holding only a 3 percent share of the U.S. market as of the beginning of this year.

In 2014, every industry, profession, and field that associations serve is feeling the powerful effects of intense and accelerating societal transformation. Strategic decision making and action to create meaningful value in this age of transformation must take place on a fundamentally different and much faster clock, one that fully appreciates the speed of the personal and professional challenges stakeholders confront every day in this volatile environment. Strategy today and in the future must be a continuous, real-time process of learning, rather than a calendar-driven exercise in planning that occurs on "association time."

The Duty of Foresight

It is easy and perhaps a bit unfair to criticize companies for their failure to recognize disruption in the moment, especially when it appears so glaringly obvious in retrospect. In RIM's case, however, there is good reason to ask what the company's most senior decision makers were thinking.

"a toy"

MICROSOFT CEO STEVE BALLMER'S ASSESSMENT OF THE FIRST IPHONE

For example, when the iPhone was released in 2007, Mike Lazaridis and Jim Basillie, RIM's co-CEOs, publicly dismissed the impact of the new device on the company's fortunes. (Again, in fairness, former Microsoft CEO Steve Ballmer made the same mistake, infamously referring to the first iPhone as "a toy.") Internally, however, the company's senior management knew the technology powering the iPhone was superior to the technology inside its own devices.

Apple partnered exclusively with AT&T to develop and market the iPhone, which the media quickly called a "BlackBerry killer." Verizon Wireless, in turn, approached RIM with the idea of partnering on an "iPhone killer," which came in the form of the company's first touch-screen device, the BlackBerry Storm, released in November 2008.

The strategic partnership did not work out as either RIM or Verizon had envisioned. The Storm came to market many months after its original release date, and the underlying technology was still not as good as that used in the iPhone. Although RIM made positive public statements about the Storm, customers did not like it. Sales were poor, many devices were returned, and RIM abandoned it.

Despite the company's unsteady transition into the iPhone era, the

2008
The HTC Dream, the first smartphone to use the Android operating system, is released.

2008
RIM releases its first touch-screen device, the BlackBerry Storm. The would-be "iPhone killer" sells poorly.

43%
2010
BlackBerry reaches its highest U.S. market penetration, at 43 percent.

2013
BlackBerry reports a $965 million loss after the failure of its Z10 touch-screen smartphone.

3%
2014
BlackBerry's U.S. market share falls to 3 percent.

business media continued to report on RIM's brisk global growth, and the company's senior decision makers were convinced that their loyal corporate and government user base would sustain RIM while it found its footing on less familiar terrain. Unfortunately, the need to maintain its success at that time, grounded in deep-seated assumptions about the long-term viability of its existing business model, prevented the company from thinking through how the iPhone had forever changed the rules of the game in the mobile space.

In 2014, association boards, working in partnership with their CEOs and senior executives, have a "duty of foresight" every bit as critical as their recognized legal duties of care, loyalty, and obedience. When it comes to developing business models under which associations can thrive, myopia and complacency in the face of profound societal transformation is a toxic mindset, second only to ignorance or denial. The duty of foresight is the responsibility to orient the work of governing toward deeper reflection on the plausible future consequences of strategic action (and inaction) in a complex and uncertain environment.

> "duty of foresight"
>
> IT'S EVERY BIT AS CRITICAL AS ASSOCIATION BOARDS' RECOGNIZED LEGAL DUTIES OF CARE, LOYALTY, AND OBEDIENCE.

Listening and Learning

The same fundamental assumptions that prevented RIM's senior decision makers from more actively questioning the company's strategic direction also closed the corporate mind to customer feedback.

According to the Toronto newspaper *The Globe and Mail*, RIM insiders during the early iPhone era reported that when customers requested features like those offered on iPhones—such as a faster browser, more responsive touch screen, or more diverse applications—RIM suggested that customers actually did not want those options because they would lead to higher data costs or decreased battery life. According to one insider interviewed by the newspaper, although RIM never stopped listening to customers, the company adopted a "we know better" mindset that expected customers to eventually come around to the corporate point of view.

RIM faced another serious challenge when listening to its customers, since the company had two distinct groups of buyers: On the one hand, consumers who were increasingly attracted by the flexibility, high design, and coolness factors of the iPhone and Android devices and, on the other, corporate and government technology executives who did not want the their employees' BlackBerry devices to have cameras, apps, or other features that could compromise email security. According to *The Globe and Mail*, RIM also alienated some developers with its restrictive requirements for mobile applications, which came on top of the complexity of the BlackBerry operating system at that time, as compared to the simpler interfaces on Apple iOS or Android.

Reacting with hubris to customer feedback is not unusual for organizations struggling to figure out how to respond to disruption, and perhaps feeling a twinge of sympathy for the predicament in which RIM's board and management found themselves is understandable. But the failure of senior decision makers to adapt the company's internal perspectives to new marketplace realities created an unsustainably divisive dynamic within RIM just as competitor offerings were building momentum in the marketplace.

In 2014, many association decision makers continue to adopt a "we know better" mindset, especially when it comes to the desirability of membership-centric business models as the exclusive approach for creating and delivering value to stakeholders. Just as surely as the iPhone disruption created unanticipated difficulties for RIM's business model beginning in 2007, the ongoing disruption ignited by societal transformation creates far more complicated strategic and operational choices for association decision makers today. To build their organizations to thrive, association boards and CEOs must set aside both experience and ego to embrace greater openness in listening to and learning from all stakeholders, not just members. They need to integrate those frequently contradictory sensibilities into their organizations' view of the future.

> **CAN BLACKBERRY SURVIVE?**
> What can associations learn from the company's turnaround plans? Visit asaecenter.org to read Jeff De Cagna's companion article, "The BlackBerry Bounceback?"

Real-World Consequences

Neither companies nor the people who run them are perfect, and we should not expect them to be. As a long-time (and now former) BlackBerry user, I derive no pleasure from the company's misfortunes. Nevertheless, creating more vibrant associations demands that we learn from failure. BlackBerry's continuing struggles make plain the real-world consequences of misreading the shifting strategic environment, failing to question business models that are not adaptive and resilient, and discounting the need for meaningful value conversations with stakeholders.

If we truly care about building associations that will thrive in the years ahead, we will apply BlackBerry's hard-earned lessons without delay and start bringing to life the kind of future for our organizations and our stakeholders that today we can only imagine.

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