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Boise State on Business: Old Accounting Tools Can Perk Up Mature Company

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In recent weeks, Apple has taken a valuation hit on the back of its quarterly earnings release. Apple's financial reports show that average revenue per unit is declining, production costs are increasing, and sales growth is slowing down. Competition from the likes of Blackberry and Samsung (phones), and Google (Android operating system) is fierce. Blackberry has been on a downward valuation slide since 2011. We can add to this list: Dell (heading for privatization to regain its mojo) and Hewlett Packard.

It seems these companies have entered a “maturity” crisis, unable to keep pace with shortening product life cycles and the pace of innovation that established them. They seem to be moving into a common and not-always-successful high-volume, low-cost strategy. To stay in the game, these mature companies must reignite their focus on balancing innovation, market share and product/service margins.

Recently, students and I engaged in a “learning in action” project that took us to a manufacturing company. In the past 20 years, this company grew its business and market share by finding innovative ways to develop customized technology for customers. However, like the technology giants of today, we think it faces a “maturity” crisis. As the rate of innovation slowed, the company channeled resources into prioritizing cost reductions and now competes on price because this provides certainty in profits. Unfortunately, this focus also comes at the expense of innovation.

How can companies balance innovation with market share and product margins? Managers must create ongoing dialogue and discussions with their teams about the ABC/ABM information to spark analysis, information searches and opportunities throughout the company. Just as the Weather Channel predictions are used to create and change action plans, the critical questions about ABC/ABM asked over and over again by managers must be: (1) What has changed? (2) Why? and, most important, (3) What are we going to do about it?

In our company, we proposed that the ABC/ABM information could also be used to identify opportunities in new suppliers with lower costs and alternative methods of low-cost custom manufacturing for their customers. This method generated open roundtable discussions between managers and employees that led to suggestions about existing and emerging products and services that would help the company establish new market segments. In short, the power of collaboration and think tanks about ABC/ABM information among employees was demonstrated — it can create opportunities for innovation that complement a quest for market share and margins.

It looks like face-to-face meetings, the original form of business communication, could be a crucial step in easing a “maturity” crisis.

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