

# GETTING THROUGH THE TURBULENCE



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Keen to study how some firms manage to deliver a strategy to survive upheavals in their sector, Professor Hugo Alberto Rivera of the Universidad del Rosario's School of Management and Business has been developing research on relevant success stories—and a few failures—to propose steps and methodologies as business looks to solve a crisis.

**W**hen Hugo Alberto Rivera joined the Universidad del Rosario in 2004 as a lecturer at its School of Management and Business, he was given the chance to work on a book aimed at companies, especially small and medium-sized ones. The publication not only analyzed why one company manages to perform better than others in extreme situations, but also offered a methodology for dealing with these contingencies and marching onwards.

Just around that time, the mobile phone sector was taking off and creating an atmosphere of change in many people's lives. Cell phones were then huge devices but they altered the behavior of the whole world. This technology would arrive a little late to Colombia but it produced a big shake-up in the communications sphere, and this caught the professor's eye. Fired up by his recent book, *Structural Analysis of Strategic Sectors*, he came upon the concept of "sector turbulence" in order to develop his PhD thesis.

From this moment, Rivera began to closely study the phenomenon that led to his research project: "Business Coevolution: Considerations from the Mobile Telecommunication Sector in the Latin American Economy." This study was an in-depth analysis of the dynamics and interaction between



companies in a rocky atmosphere, explaining how some of these firms got through the turbulence, surviving the situation and adapting to new surroundings, thus becoming attractive opportunities for new investors.

### SURVIVING TURBULENCE

“An atmosphere becomes turbulent when dynamism is introduced to it. This is positive in that it means the arrival of new customers, competitors, and forms of competition,” explains Rivera. Turbulence, however, also appears in the midst of uncertainty due to economic, political, technological, and social reasons, and also because of complexity, meaning the need to generate alliances with other firms or markets in order to withstand the upheaval.

For example, neither the multinational movie and video game rental firm Blockbuster, nor the long-standing Colombian department store chain TIA, managed to adapt in turbulent moments, both eventually closing all their stores. Although it is commonly thought that they went into crisis due to new competition, what really happened is they did not try to adapt to the change in tastes and needs of their customers and new generations.

Nevertheless, in the aforementioned example of mobile telephony the sector did manage to overcome the difficulties. And they

did so thanks to inventions such as prepaid cards, selling the latest mobile devices, and the implementation of new technology, but also to strategies for taking on new rivals, covering the needs of new customers, and dealing with the arrival of foreign competitors. Alliances with celebrities helped too, as did deals with firms using new technology that improved the service.

Comcel was the first domestic mobile phone company in Colombia to survive turbulence through a strategy of independent distributors, which back then were not subject to regulation. Up against this, Celumóvil (today Movistar) thought it could get by on business plans, but it discovered that Comcel had totally changed the market on implementing a prepay system. This democratized mobile technology in Colombia and allowed fair access among all social strata. The company Ola then appeared on the scene, bringing widespread changes through a different advertising plan and price reductions, while Avantel offered different and innovative technology.

Later, a new spate of turbulence hit the scene: the legal sector that established a change in cell-phone portability conditions and subsidies, in other words users no longer having an obligation to stay with the same company to keep their line and number, and even less pressure to preserve their right to change their phones free of charge in line with the time spent with their phone company. The first measure not only meant healthier competition, but also forced alliances between mobile phone companies, application developers, and device manufacturers.

**THE CONCEPT OF TURBULENCE COULD BE APPEARING IN THE ECOSYSTEM OF ENTREPRENEURSHIP IN COLOMBIA, THUS OPENING UP BETTER PATHWAYS FOR THE BUSINESS WORLD'S NEW ADVENTURERS.**



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### EXPERIENCE FOR COMPANIES

One of the major lessons Professor Rivera wishes to share with firms is the need for them to check whether their environment is dynamic by nature, or if turbulence is really happening. “Turbulence is a transitory thing; it is not always going on,” he says.

What does exist is the possibility that a sector constantly finds itself facing new competitors, customers, and product offers. For example, there are sectors that change product very quickly, such as in the case of mobile telephony, while in fashion this depends on the product range. “A few years back there was a boom in the bottle drinks sector: competition emerged between sparkling water, still water, flavoured water, and so on, but today it has managed to stabilize,” he points out.

Without worrying whether a company is dynamic or static, one must be aware that there will always be periods of stability and abrupt changes. Uncertainty is always latent, but it increases and falls in line with the appearance of goods and services, since this leads to doubt as to whether the public will consume them. Rivera puts forward the example of an urban district in Bogotá with a leaning towards gastronomy. “The G Zone (Gastronomic) sector was created by the Rausch brothers, but as it has grown and the number of restaurants has increased, there is now uncertainty about whether it will continue to function,” the professor explains.

For Rivera, the real problem begins when complexity appears during a state of upheaval, and this is reflected in the need for a sector to unite when before it has never seen itself as allied. “Today, banks have been forced to look for new strategies, such as joining together with supermarkets and big stores in order to facilitate bank transactions in their check-outs, and this had never happened before,” concludes Rivera.

With things working this way, the concept of turbulence is one that is bound to make more appearances, not just in specialist literature but far more frequently in the ecosystem of entrepreneurship in Colombia, thus opening up better pathways for the business world's new adventurers. ■