

CHAPTER ONE

OUTSMART YOUR RIVALS BY SEEING WHAT OTHERS DON'T

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Seeing what others don't. It's a neat trick if you can pull it off. The companies I describe in my book *Outsmart!* have done just that by focusing on societal trends and unmet needs. And by sharpening their vision, they have achieved phenomenal growth rates and blown past competitors in a time of uncommonly rapid economic upheaval. They are literally changing the way business is done. Among this new breed of eagle-eyed entrepreneurs is MinuteClinic.

MINUTECLINIC SOLVES EVERYDAY HEALTH CARE PROBLEMS IN A NEW WAY

For entrepreneur Rick Krieger, the flash of insight followed an exasperating hospital emergency room experience one winter weekend in Minneapolis. His expanded view led him to conceive

of the idea that became MinuteClinic, now a subsidiary of CVS Caremark following its \$170 million acquisition in 2006. It's one of the companies featured in my new book, *Outsmart!*

After spending two hours waiting to find out if his son's sore throat was strep, which would require an antibiotic (and it wasn't strep), Krieger began thinking way outside the hospital. Why in this world of harried and hurried families wasn't there a quick and convenient way to get treatment for common medical problems like sinus infections, strep throats, and allergy flare-ups? Krieger's questioning of seemingly sacrosanct medical procedure—and his and his associates' willingness to buck the medical profession by applying retail practices to health care—spawned what is now a squadron of highly trained nurse-practitioners treating a range of ailments from kiosks located in scores of retail stores.

Why do the Rick Kriegers of this world spot opportunities where others see only obstacles? The answer begins with the human penchant for living in a bubble—an airtight cocoon of assumptions, beliefs, or worldviews. The exciting thing about business bubbles is that they invite inventive minds to insert pins.

MinuteClinic's original creators and veteran marketer Mike Howe are bubble bursters: their customer-centric ideas about responding to complaints helped expand the retail treatment concept into a national operation that serves half a million consumers annually. They are creative guerrillas who thrive by outsmarting complacent companies in industries that run on tired ideas. They see what others can't, and they act on what they see by applying proven practices from other fields that everyone else dismisses as irrelevant.

In MinuteClinic's case, the notion that you don't need a physician or a hospital emergency room to treat many common ailments sounds more like common sense than a revolutionary idea. In fact, the model owes a lot to Jiffy Lube's insight that you don't need a fully trained mechanic to change the oil in your car. But until Krieger came along, no one would have dared to suggest that health care could learn a thing or two from the car maintenance business. And with the addition of Howe's superb marketing acumen, a second bubble—the one that encapsulates medical providers and so often makes them oblivious to customer

needs—collapsed with a loud pop as MinuteClinic personnel began focusing on how they delivered health care.

The success enjoyed by MinuteClinic presents not a business anomaly but, rather, a lesson for leaders in how to compete in today's ever-changing global economy. Like the founders of MinuteClinic, you must look beyond the parameters of standard operating procedure in your industry to see what you can borrow from the Jiffy Lubes of this world as they capture similar opportunities within their areas of expertise.

CHANGE OR DIE: GOOD ADVICE FOR ORGANIZATIONS OF THE FUTURE

MinuteClinic exemplifies the creative strategies that smart organizations are using to compete in a time of unparalleled change. Change, of course, is nothing new. It is one of life's givens. But today, those who fail to adapt face extinction in a much shorter time frame than ever before. "Change or die," as the saying goes—and to judge from the 157 million entries dredged up by a Google search of that phrase, no one from diet counselors to partisan political pundits doesn't believe it. But nowhere is change more rampant and potentially deadly than in the twenty-first-century, globalized business environment. Leaders are grappling with mind-boggling upheaval, and they're scrambling for every advantage against competitors that, just yesterday, were considered moribund and economically backward. Just a few short years ago, who would have named Brazil, China, India, and Russia as among the brightest stars in today's economic firmament? Yet in recent years, the so-called advanced economies have struggled to keep up with the astonishing rise of these economic powerhouses.

There is certain danger in this hypercompetitive world, but there is also a degree of excitement that is hard to quantify, as opportunity like that discovered by Rick Krieger and MinuteClinic shows itself in unlikely places. Innovation and expansion opportunities abound for leaders who know where to look and how to coax growth out of what they find.

Certainly, there's no shortage of powerful new business practices designed to hone a company's competitive edge. Or, as I often like to say, management theory may be stagnant, but

there's plenty that is new and exciting in business practice. Take growth strategy, the linchpin of any successful company. What's out these days? The pronouncements of men with monogrammed cuffs reigning from secluded aeries. What's in? The hard-won strategic wisdom borne of in-the-trenches combat.

It's a trend I salute. In my more than three decades as a consultant and author, I've learned a few things, not least among them this simple and pragmatic notion: whatever works is the right thing to do. Moreover, I'm convinced that the very best management ideas come not from observers like me or from the old-style managers whose track records and egos make them resistant to change, but from the people who do the real work inside companies—people who are challenged on a daily basis and who not only survive but thrive in today's complex, volatile, and demanding global marketplace.

How do I know that this new breed of manager is leading the way today? They have the growth rates to prove it. Put another way, what they are doing works; therefore, what they are doing is right.

Keeping that proposition in mind as I set out to write *Outsmart!*, I could think of only one place to look for the best, most practical strategies, and that was inside companies whose plans of action have arisen organically in accordance with the opportunities grasped and challenges encountered. Hence, these creative companies are outsmarting and outgrowing their competitors by finding distinctive market positions and sustainable advantages in myriad ways. They are thinking innovatively, simplifying complex problems for customers, and finding ways to tap into the success of others. Better yet, their revenue-producing ideas don't require hundreds of millions of venture-capital dollars or IPO proceeds to get them airborne, and their strategies can be easily and immediately understood by any business leader.

SONICBIDS.COM FOUND A MUSIC MARKET NO ONE ELSE SAW

Boston-based Sonicbids.com is another new company that is thinking outside the music box. Sonicbids was founded by thirty-five-year-old entrepreneur Panos Panay in 2001; over the four

years from 2004 through 2007, the company enjoyed a growth rate approaching 400%.

Panay, a guitarist who never made his mark on stage, became a successful online talent agent by parlaying his knowledge of the music business and his empathy for musicians hungry to connect with promoters into a \$10 million enterprise. Taking advantage of new technology to span the world from the confines of his office, Panay now connects 120,000 musician-members with more than ten thousand promoters who have gigs to fill. The individual engagements may be small, but together they add up to a huge market: \$2.5 billion annually for wedding bands alone, plus another \$11 billion in bookings at small bars, clubs, coffeehouses, festivals, and such. Panay also helps his musician-members prepare electronic press kits that can quickly be placed in the hands of promoters via e-mail.

Panay's insight enabled him to connect the music industry's dots, or points of dysfunction. Having worked as a traditional talent agent, he knew it was impossible to listen to every tape and CD and view every video that pours into an agent's office, meaning that musicians—even great ones—may never get a hearing. And if they *do* get heard, they may still endure endless waits before they secure a booking. Panay knew that this frayed connection between musicians and their would-be audiences only worsened the struggle for struggling artists. For promoters, the promise of Panay's service was the help he could give in simplifying the often tedious search for the right artist to fill a gig and, in effect, do it at no cost, because Panay's fees come from the artist.

Often people who get caught up with a new business model or technology shortchange their customer service, and those who run technology-based businesses are particularly susceptible to this error. They seem to think that technology itself will solve customer problems. But you need only think of those despised customer service centers with no-service people and endless automated transfers to know just how wrong such assumptions are. Panay instinctively understood that an online business lacks the legitimacy that comes with a physical presence, so he insisted on a proactive customer service operation

that emphasizes respectful and sympathetic human interaction with both promoters and musicians.

Struck by the disconnects in the music business and realizing that once-separate products and services could be brought together on the Internet, Panay conceived of Sonicbids and developed a whole new business model to profit from his revelations. And thanks to his knack for recognizing a market no one else saw, and then figuring out how to serve it efficiently and profitably, Panay's upstart now ranks eighty-eighth on *Inc.* magazine's list of the top five thousand privately owned businesses in the United States.

With far-reaching vision, Panay is looking to extend his business to other neglected markets. He's already signed up jugglers and magicians and has had inquiries from actors, models, freelance writers, and even video game companies looking to arrange cheaper and simpler deals with artists by bypassing record labels and publishers.

The lesson for leaders is that opportunities lurk in neglected fields everywhere, and especially in places where people accept dysfunction as the normal way of life. And as Panay's experience affirms, you don't need lots of money to find and exploit the opportunities. You need a sharp eye for an unmet need and a willingness to work hard to figure out how best to fill it.

You can look in your own industry for the kind of opportunity Panay discovered. Map out the players: your customers, suppliers, business partners, even your competitors. Look at products, services, information, and money flows and determine where the breakdowns occur, where needs are going unmet. And don't forget to think globally. The Internet allowed a business based in Boston's South End to span the world. Sonicbids may have only one office, but it is rapidly building itself into a global giant. That's because Panos Panay never thought of the music industry as a business with borders. He knew that just as people in Turkey are eager to hear American music, musicians from Turkey would be thrilled to play for crowds in Brooklyn, New York, and people in Brooklyn want to hear music from Iceland, Turkey, Russia, or anywhere else on the planet.

VISION ISN'T LIMITED TO UPSTARTS: OLDER ORGANIZATIONS CAN REINVENT THEMSELVES, TOO

About now, you may be thinking that because Sonicbids and MinuteClinic are start-up companies, their smart and smarter strategic moves don't apply to your older, established business. Not true. The Smith & Wesson Company (S&W) was halfway through its second century—and with a gun to its head—when Michael Golden brought the life-giving elixir of his hard-earned management and marketing expertise into the legendary company's sickroom. By leveraging the knowledge he had accumulated over twenty years in business at the Kohler Company, Stanley Works, and Black & Decker, he proved that smart strategy knows no age limits. Indeed, seasoned executives can muster extra firepower in the fight to outsmart competitors.

When Golden arrived at S&W in 2004, an NRA-led boycott was smothering sales, the stock price had fled so far south as to conjure visions of penguins on ice floes, and federal agents were scouring the books for accounting irregularities. Now a skeptic might ask what a fellow fresh from heading up Kohler's cabinetry division—and whose expertise presumably ran to wood finishes and mirrored lighting options—could do for one of the nation's oldest firearms manufacturers. Golden, who had never fired a gun and couldn't tell the difference between a revolver and an automatic pistol, was somewhat baffled himself when S&W came calling. But the more he learned about the company's problems, he told me, the more he realized that the management and branding skills he had acquired over the course of his career were just what S&W needed.

It didn't take long for Golden to spot the source of the gun maker's troubles. A lack of leadership was apparent the first day when someone told him that the company "kind of runs itself." Mike knew from experience that nothing can be further from the truth, and if management thinks the company can run itself, then no one really knows what's going on.

His initial assessment was confirmed a few days later when he asked his subordinates a very basic question: "How are we doing?"

He received a blank stare in response. The manufacturing division was turning out product without knowing whether it was needed—not surprising given that the sales staff had no targets, either. Within twenty-four hours, change was under way, as Golden, reverting to Management 101, held the first of his daily meetings with his vice presidents and their top people overseeing all major areas. He forced them to begin talking to one another and to report daily on orders received, products manufactured, and so forth, measuring the results against target numbers. Discrepancies had to be explained and plans outlined for fixing problems. As basic as Golden's approach sounds, it was all new to S&W.

From that beachhead of basic change, Golden began to re-imagine the company's strategy, starting by using the brand management skills he acquired at Kohler to take advantage of S&W's storied brand. His extensive research turned up an amazing fact: although the company had only \$100 million in sales, it had an 87% public awareness level—no matter whether the interviewees liked guns or not, were male or female, or lived on the West Coast or the East. Golden knew he had an asset no money could buy: a brand name that conjured up the unique essence of America and the derring-do of its cowboys, soldiers, and lawmen.

The customer response was much the same. Whether hunters, marksmen, or sports enthusiasts, they loved the brand—even when the company didn't have an entrant in the race: asked what shotgun they would buy, respondents put S&W in third place, even though the company didn't make a shotgun!

Before Golden took over, S&W's strategy had centered entirely on dominating a niche market: handguns in the United States. With research in hand, Mike broadened the company's strategic goals. He not only planned a huge expansion in the handgun business but also set out to revitalize markets that had been left fallow, such as U.S. military and police sales, and to branch out to new markets, including the shotgun and long-gun market where S&W had a phantom presence. And to speed up S&W's entry into the premium rifle market, Golden acquired a company that already had the expertise he needed.

To attract local law enforcement agencies, he remembered how at Black & Decker, he had gone out on job sites to discover what potential customers wanted in the way of tools. Now he

dispatched engineers and designers to talk to state and city police officers about the kind of pistol they needed. The result was the sleek yet powerful M&P 45, which has won more than 80% of the law enforcement evaluation processes in which it has competed and is used today by more than three hundred police departments in the United States.

It may seem obvious to solve problems by applying knowledge gleaned elsewhere, but doing so *takes discipline*. So often we forget what's gone before, even though we know that history has a way of repeating itself. But our tendency to compartmentalize issues leads us to overlook lessons learned in one context even when the problem at hand is remarkably similar. Michael Golden has the concentration and imagination needed to ferret out past experiences and apply them to present challenges. He forgets nothing and uses everything.

For example, to increase sales, he fell back on what he'd learned at Black & Decker about creating demand during the launch of a new power-tool division. Rather than spend money on television commercials, he engaged in what he called "hand-to-hand combat" at the retail level. Highly trained S&W salespeople showed dealers how to merchandise their products, suggesting that they organize special events at stores and shooting ranges to give potential customers the chance to handle and fire S&W guns. Golden well knew that giving customers such opportunities could create a need for his products.

The strategies Golden employed at S&W, the new processes he put in place, the thinking that led him to acquire the expertise needed to get into the premium long-gun market quickly—all were outgrowths of difficulties met and actions taken in his previous corporate life. Golden proves that using everything you know is an excellent way to outsmart your rivals.

Under Golden's leadership, S&W's revenues soared and nearly nonexistent profits rebounded (though the recent economic slowdown and turbulent markets have interrupted the company's recovery process). Nevertheless, as the editor of *Shooting* magazine was led to remark, "No company in modern history has come back from the dead like Smith & Wesson."

Several lessons can be drawn from Golden's story, but one of the most important is that any leader making a change in his or

her company's strategy must know which assets can be leveraged and which need protecting. Knowing that Smith & Wesson was already a much-respected name in the gun world, Golden might have kept hands off the brand and focused solely on bringing sales and production operations into the twenty-first century. Instead, he ordered extensive brand research that led him to expand S&W's market footprint, with impressive results. Brand management was a skill he picked up at Kohler, and his prior experience paid big dividends.

CONCLUSION

The vignettes contained here, and the more detailed accounts found in my book, are intended to get you thinking about how to apply the strategic lessons to your own unique situations. It won't be simple, and there are no set formulas you can follow without changing how you operate. What all of my examples have in common, though, is their adherence to Peter Drucker's simple advice to know where you are, where you want to be, and how to get there.

The people and companies I've chosen to showcase have opened their eyes to opportunities that others have overlooked and dared to go places others shy from. And in making the journey, they have found the holy grail of strategy: an unmet customer need.

We live in a time of innovation and expansion, a world of smart and smarter strategic options. The race will not necessarily go to the swiftest, but it will go to the shrewdest competitors among us, those who can stake out new territory, define the boundaries, and even set new rules for the game. There's no reason why you and your organization cannot be among them.