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## **Break From the Pack: How to Compete in a Copycat Economy (Part 1)**

**Notes by Frumi Rachel Barr, MBA, PhD.**

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**Author's Bio:** A professor at the University of San Francisco's Graduate School of Business, Harari teaches strategic and global management. In 2001, the editors of *Business Minds* (published by the Financial Times of London) named him one of the 40 "best minds" in management in the world. From 1984 to 1996, Oren was a senior consultant and speaker with The Tom Peters Group. He was a founding member of The Integrity Institute - a foundation that measures and elevates the integrity of corporations, leaders, and capital markets (a mission he calls "noble"). These roles, tasks and accomplishments barely scratch the surface of Harari's resume.

**Author's big thought:** In every industry, a very small number of organizations are fast, fit, healthy, and clearly at the forefront. They are followed by a few pretty good wannabes nipping at their heels. These groups are clearly ahead of "the pack" — that large, undifferentiated bulk of companies of all shapes and sizes that don't stand out and don't draw the kind of positive attention from customers and investors that they'd like. This book helps you guide and lead your organization to break away from the pack—and stay ahead of it.

### **Chapter Notes**

#### **PART I: RESISTING THE PULL OF THE PACK**

##### **Prologue: The Never-Ending Race to Succeed**

- Any origination can successfully burst out of the round-and-round-we-go pack-mentality bubble, and do so in any direction, as long as that direction has a radically compelling value proposition, hard economic logic, and fast efficient execution.
- What the author calls the Copycat Economy, is an arena marked by "me-too" mimicry and lots of commoditized products and services. As a leader, helping your organization stand out and win in a Copycat Economy is the most important strategic challenge you will face during the remainder of this decade.
- If that's not challenging enough, the race itself has become increasingly unruly and unpredictable.

- Industries and value chains are in upheaval. The assault on the norms of doing business will only accelerate over the next 10 years. That's what happens when you have global free markets, new media for commerce such as broadband and wireless, and billions of dollars in fresh capital seeking good ideas every day.
- Breaking from the pack to create your own economic destiny is a bigger imperative than ever before.
- If you've already broken from the pack and are enjoying a market leadership position, you will learn very specific ways to maintain—and increase—your lead.
- For you personally as a leader, the author will show that to help your organization break from the pack, you've got to act like a leader: change-driven, contrarian, passionate, courageous, committed, disciplined, inclusive, optimistic, honest, and performance-focused. This is especially true if your company's numbers are good today. Remember, your organization's numbers today are a scorecard of what you did yesterday.
- The content of this book, including all the "to-do's," is grounded in a foundation of validated theory and empirical research as well as documented observations and investigations within many organizations around the world.
- It's not easy to guide your organization to break from the pull of the pack. Per the upcoming discussion you'll be continually seduced by the false and expedient lure of conventional-wisdom decisions that will most likely keep you mired in the pack. But also remember this: Breaking from the pack, no matter how difficult it is, is eminently doable, and it's absolutely necessary if you wish to add sustained value to your customers and investors.

## **Chapter 1: Welcome to Commodity Hell: The Perils of the Copycat Economy**

*"Either you innovate or you're in commodity hell. If you do what everybody else does, you have a low-margin business. That's not where we want to be"* Palmisano, CEO of IBM.

- The Copycat Economy is one in which everyone has access to the same resources and talent, where the Web is the great equalizer, and where the market's twin foundations are imitation and commoditization. It's a world marked by the "me-too" syndrome, where competing vendors benchmark, imitate, and build off each other, offering customers an ever-increasing array of choices, most of which look pretty much the same.
- Two principles keep companies trapped in the pack and snared in the Copycat Economy and make up the most challenging double whammy affecting your organization's competitiveness and very survival:
  1. The inevitability of perpetual imitation
  2. The commoditization of everything
- Old competitors find it easier to quickly imitate market leaders; new competitors find it easier to improve on them. Customers can choose among a glut of vendors who are basically offering similar products, quality, and services. "Buzz," prices, margins, and customer loyalty begin to drop as consumers shop around for the best deals. Some

vendors might be “better” than others, but not enough to matter when the others are all “good enough.”

- When customers see little difference in the availability and perceived quality of goods and services, they have a rational response: They buy what’s cheapest.
- When companies no longer can maintain their competitive edge, bad things start to happen over and above falling financials. Vital corporate intangibles like excitement, joy, and optimism begin to falter. Coming to work becomes less of an adventure, more of a grind. Attracting top talent becomes more difficult; in fact, the best and brightest on board begin to polish their resumes (always a good indicator of organizational decline). And companies make stupid, reflexive choices, like slashing any costs possible to make this quarter’s numbers, or throwing budget, carrots, and whips at the sales and marketing people to jack up revenues—all compulsions that are meant to push them forward but actually mire them among their competitors, who are doing the same things. Dealing with other players in the value chain becomes less a creative, collaborative, value creating process and more of an uphill battle focusing primarily on commodity discussions of price, specs, and contracts.
- The ravages of imitation and commoditization consistently flatten the financials and growth prospects of organizations in every industry, regardless of their size. Indeed, these factors left unchecked by leadership regularly cripple even the largest companies. Increasingly, the pressures of imitation and commoditization are turning up the volume of irrelevancy for many companies.
- As more competitors rush to make incremental improvements of products and services, they get commoditized at a higher level, which leads many customers to conclude that “good enough” is really good enough.
- Imitation and commoditization have always been part of a business environment, but they are now occurring at a scary unprecedented and accelerating pace.

## **The Causes of Commodity Hell**

### **1. The Irrelevance of Time and Distance**

- In an era of globalized free trade and accessible technologies, any organization from anywhere can combine local conditions (wages, tax, regulatory environment, and government incentives) with new technologies and new alliances to replicate what you’re doing, often at lower costs.
- The globalization of the marketplace means intense, low-cost competition, limited pricing power, and a high rate of structural change.
- Global alliances and supplier relationships further accelerate the push to commoditization.
- At the same time, cross-border capital flows are funding corporate ventures and entrepreneurial start-ups that will force current market leaders into being commodity players.

## **2. The rise of Glass House Transparency**

- Secrets, proprietary information, and closed-door management systems don't have the competitive edge they used to because new technologies have the capabilities to create total transparency. Today everybody has access to any information, talent, and resources, so it becomes a lot easier to copy anything, be it a product, a service, a marketing campaign, or an internal process.
- Competitors aren't the only ones profiting from the transparency and easy access of vital information. Customers benefit, too. Transparency allows them to find the most accurate and unvarnished formation about any vendor or any product. The Web allows them to find the best deal anywhere, at any time, whether they're seeking a home loan or a car. The Web allows customers to read complimentary or scathing reviews of vendors and products—or post them, knowing that thousands or millions will read their comments.
- The counterfeit trade is the ultimate, albeit corrupt, expression of imitation.

## **3. The Customer as Superpower**

- Customers, armed with the latest technologies and operating in a transparent environment, are now capable of reducing any well-promoted, well-packaged market offering to a bare-bones commodity.
- Individual customers now regularly bypass organizations' marketing plans and distribution channels, and instead compare, contrast, and critique products, prices, and companies on their own terms with a simple click of the mouse.
- As customers, we also collaborate on our own terms: With one click, we can e-mail messages and documents and files to a vast preset community of friends, family, and colleagues. We can create Web sites and interactive chat sites about products, prices, companies, issues, and trends. We can write opinion blogs and post commentary dialogues with readers. We can podcast to get our ideas and creations to the immediate world.
- All these activities yield more customer power and oversight over vendors, place higher expectations and demands on those vendors, and result in more beady-eyed assessment of their prices.
- Everything that consumers are now doing accelerates the demise of traditional sources of value and bunches vendors into a more homogeneous, look-alike horde with less differentiated, commoditized offerings.
- Opportunities for corporate customer power have also exploded.

## **4. Cost-Crushing Technology**

- New and existing technologies allow for radical cost-cutting and operational efficiencies, which, in turn, lower barriers to entry and create more competitors in the pack—who can profitably charge lower prices for the same goods and services.

- Small start-ups, bigger companies like JetBlue and Men’s Warehouse, and huge companies like Wal-Mart and IKEA are aggressively using state-of-the-art technologies to keep their cost structure down and thus profit from lower pricing.
- Whether it’s long-distance bills or many procurement and inventory-management charges, digitalization can reduce many costs to near-oblivion. New technologies can crush costs by breaking down old lines of distribution, bypassing middlemen and connecting players at end points to each other. Entire value chains can be eliminated.
- Intranets and expert systems can consolidate available knowledge to yield new innovations in cost reductions, not just revenue-line enhancement. ERP, CBM, and TLM software can radically reduce costs in back-office and administrative operations, customer relations, and product development, respectively. When these infrastructure changes occur, jobs and organizational functions that no longer add value are themselves commoditized; they can be eliminated in favor of cheaper automation and digitalization.
- Barriers to entry crumble when startups such as JetBlue and the Canadian airline Westjet combine state-of-the-art technology with new management systems to unnerve huge, stumbling providers like United Airlines and Air Canada.
- The ultimate irony is that technology itself is getting cheaper.

## **5. Mobs of Competitors**

- The interaction of deregulation, globalization, and technological advance breaks large, orderly, predictable homogenous market swaths into mobs of frenetic organizations seeking the same goals and trying desperately to avoid anonymity.
- In industry after industry, the playing field has been fragmented as more players jump into the fray.
- All this means an ever-growing number of competitors and a harder challenge to break free of them.
- Increasingly, that new ballgame in any industry is filled with more obstreperous competitors. The more players in the game, the faster traditional products and services become “me too” and lower-margin commodities.
- The good news in the Copycat Economy: Anybody can play. The bad news in the Copycat Economy: Anybody will play.

## **6. A Zeitgeist of Irreverence**

- Zeitgeist is a German word meaning “the spirit of the times.” The spirit of our times is irreverence, if not disrespect, for tradition, history, and the winners of prior battles. In your business, customers are constantly demanding, “What have you done for me lately?” Customer loyalty? You’ll get it if you do a lot more and a lot more cheaply than the other provider can. Otherwise, you’re gone. And that’s true even if you’ve been your customer’s supplier for 10 years
- Irreverence spills over into every market.
- A Zeitgeist of irreverence creates dissatisfaction with the present, which spurs the spirit for genuine breakthrough’s—which, in turn, accelerates the commoditization of

everything that used to add value in the past. Combine this Zeitgeist with a meltdown of time and distance, glass house transparency customer superpower, cost-crushing technology, and a mob of competitors, and you've got a nuclear-powered brew for imitation and commoditization.

### **Accepting the Challenge of the Copycat Economy**

- The challenges are daunting. But consider the payoff to breaking from the pack.
  - A clear differentiation from competitors
  - Rapid, sustained, and real growth (not the shaky kind that often results from megamergers)
  - Higher margins
  - Higher stock prices and market caps
  - Boosts in market buzz
  - Reputation as the employer and partner of choice
  - More customer loyalty
  - An optimistic and creative work environment
  - A far easier sales and marketing effort
  - An agile, aggressive infrastructure that is positioned for next-generation growth
- Stakeholders are attracted to companies that break from the pack. Investors bet on companies that can increase future earnings and cash flows. Customers stay loyal and are often willing to pay a premium if they can count on unique, exciting price-value from a company's offerings. The best and brightest talent migrates to these companies because the climate is usually intellectually exciting and financially rewarding.
- The implication is clear. In today's Copycat Economy, the primary strategic challenge for any leader and any organization is to stop and reverse the inevitable slide toward the commoditization and imitation of their current products and services.
- The challenge is considerable. So are the opportunities. The trifecta of deregulation, globalization, and technological advance creates a wide-open, unexplored terrain that is right in front of anyone who has the gumption to explore it fearlessly and build upon it. No organization today, regardless of its current size and financial muscle, has a lock on the future, so the possibilities for you are huge.
- Your goal is to create something with the unique value that cannot be easily duplicated. Your mission, to quote IBM's Sam Palmisano, is to lead with the spirit of breakthrough: "While they share many attributes, there is one thing that sets all great companies apart: They define and lead the agendas for their businesses."

### **Chapter 2: How to Lose: Ten Compulsions Guaranteed to Keep You Mired in the Pack**

- Faced with the twin plagues of commoditization and imitation, business leaders reflexively resort to ten courses of action that create a false, seductive, and temporary illusion of security—and plunge their companies further into the spiral of Commodity Hell.

## 1. The Compulsion to Cut Costs

- By itself the frenzy of cost cutting is often a self defeating compulsion, for several reasons.
  - You can't shrink your way to success. After your budgets are slashed and the plants are closed and the bodies are hauled away, what exactly are you going to do to grow the business?
  - Your competitors are also cutting costs for their own survival, and your company remains undifferentiated from others in the pack.
  - Compulsive cost cutting often degenerates into intramural combat and backbiting.
  - Because your company still has no disciplined vision to break from the pack, your cost-cutting decisions can be strategically counterproductive
  - If cost cutting give gives your financials a temporary reprieve, you can be seduced into believing you don't need to make radical and truly efficacious changes.
  - The cost-cutting compulsion is intermittent and unpredictable.
  - Employees (especially your best ones) become demoralized.

## 2. The Compulsion to Cut Prices

- Desperately lowering prices to keep customers from bolting decimates a company's margins and trains customers to wait for another round of price cuts before buying. Moreover, when these companies offer zero percent financing, they're gutting their most lucrative source of profit: consumer financing.
- When one competitor copies the other's price-cutting sales promotion, both fall prey to the Copycat Economy
- An organization can still enjoy profitable growth through price cuts if it can radically reinvent its cost structure. Unfortunately, most companies that fall into the price cutting compulsion keep their underlying costs fat and happy at worst, or compulsively less at best.

## 3. The Compulsion to Improve Current Products and Services

- If you want to survive in the pack, improving current products is a must. If you want to thrive beyond the pack, it's not enough.
- Focusing solely on making minor changes to current products and services:
  - Slows but does not stop the exodus of current customers
  - Reinforces commoditization of a company's products and services
  - Offers only temporary cost benefits
  - Commits the organization's mindset and infrastructure to what are soon yesterday's products, making it more difficult to change later
  - Aggravates corporate complacency

#### **4. The Compulsion to Concentrate On Marketing and Sales**

- Truly revolutionary marketing concept can sometimes vault a company beyond the pack.
- Most marketing and sales efforts revolve around conventional, known parameters like high-profile endorsers, product placements, ad spots, and persistent sales forces.
- The track record of sales and marketing initiatives is, at best, mixed. Good marketing and sales efforts will definitely help boost the revenues of a great product.
- Despite our love affair with sales and marketing their impact in a Copycat Economy is cloudy and often turns out nowhere near what we hope it will be. The reality is that pouring money into marketing and sales won't compensate for an uninteresting or commodity product for long.
- When a product is great and a service is special, innovative marketing and aggressive sales can turbo-charge the organization. But on their own, marketing and sales efforts are lousy predictors of break-from-the-pack success.
- Today's Copycat Economy, there are simply too many ads, too many promotions. We're so bombarded by them that they become noise. We often seek to avoid them via TiVo, mute buttons, and pop-up blockers, or we simply turn the magazine page or ignore the billboard.
- Even where to advertise is challenging vendors.
- Marketing and sales are important functions for any organization, but not to the point that they become "magic bullet" compulsions. The biggest problem with the compulsion to throw money at these functions is that it drains attention and urgency from the effort to develop break-from-the-pack products and services.

#### **5. The Compulsion to Get Bigger**

- Growth is a terrific goal—when it's a natural consequence of a company's forward motion. But the compulsion to get bigger in the belief that if you're bigger you're better and more likely to steamroll through the pack is a myth in a Copycat Economy.
- The sheer size and complexity of such companies make it easier to camouflage elements that are destroying value and harder to pinpoint small (but potentially big) opportunities that demand fast investment and rapid response.
- The key predictors of corporate success and shareholder value are not the size of a company's tangible assets, but the size of its intangible assets like its speed in execution and customer care, its culture of constant innovation, and its mobility and agility in capitalizing on fresh, fleeting opportunities.
- In general, success leads to bigger size, not vice versa. Companies that break from the pack get bigger naturally—and then they can enjoy the benefits of scale, synergy, and leverage as byproducts of their size, even as they continue to exploit their intangibles for further growth.
- The compulsion to get bigger often manifests itself in mergers and acquisitions. But the reason the majority of big acquisitions fail to achieve their goals is that after the deal is done, the commodity remains intact.

- When the external market changes, the newly bulked-up company finds it even more difficult to change.

## **6. The Compulsion to Control**

- The compulsion to control, centralize, and apply pressure from the top appears alluringly professional but, in reality, is based on four erroneous, anachronistic, and fairly primitive premises.
  1. Profitability issues are divorced from people issues.
  2. Strong leadership means rigid hierarchy and domineering leadership.
  3. Empowering people is okay as long as it doesn't interfere with effectively running a business—which really means run all decisions by me first.
  4. Smart people at the top make smarter decisions than do people in the trenches or out in the field.
- Today those assumptions make for complete dysfunction.
- In a Copycat Economy, competitive vigor depends on the leaders' capacity to optimize employees' intellectual capital for bold, dramatic, and ruthlessly efficient effect.
- Growing a business—and breaking from the pack—is all about mobilizing and encouraging people, not intimidating and suppressing them.
- Where “tough” leaders used to be lionized, they are now being challenged, sometimes even ridiculed.

## **7. The Compulsion to Ask Customers What They Want**

- Every company should be keen to its customers' desires and attitudes. But the compulsion to ask customers what they want can leave you reactive and fossilized. Breaking from the pack requires you to lead customers to a place they didn't ask to go and didn't know existed.

## **8. The Compulsion to Embrace Organizational Fads**

- When a company gets mired in the pack, nervous executives sometimes resort to adopting well-accepted, high-profile programs that revolve around “total quality,” “diversity,” “conflict management,” and such. Behind the compulsion to embrace these fads is the unspoken assumption that these initiatives will somehow turn the company's fortunes around. If they don't, at least it appeared that management tried and was socially responsible to boot.
- The research shows that many other much-ballyhooed programs like reengineering, diversity, interpersonal communications, and conflict management have had very little impact on actual metrics of growth, profitability, and share price.
- Advocates of many programs assume good things will somehow automatically happen if companies implement them. That's the sign of ideology, not disciplined business.

## **9. The Compulsion to Use Legal and Political Force to Protect Your Business**

- The realities of global competition mean that companies must aggressively litigate when competitors do something illegal.

- Lawsuit and protectionism strategies drain a company of resources, money, vision, and the urgency to challenge and reinvent itself in the face of new technological and competitive realities.
- Traditional barriers to entry, while still occurring, are becoming less obstructive in a global Copycat Economy. The capacity for any entrepreneur or organization to access global risk capital and emerging technologies—coupled with the enormous opportunities for outsourcing and global alliances—means that any company, regardless of size, even in capital-intensive businesses, can now become a player.
- A company that is serious about wanting to break from the pack always proceeds “as if” there is no “protection” anymore because, ultimately, there isn’t. Feed your lawyers and lobbyists, but don’t compulsively let them determine your strategy.

### **10. The Compulsion to Do Anything as Long as You’re Doing Something**

- Many businesspeople respond to the Copycat Economy with manic bursts of action—any action, regardless of whether it’s coherent, purposeful, disciplined, or inspiring, and regardless of whether it’s copycat or break-from-the-pack.
- Such actions can be acquisitions, divestments, “back to basics” initiatives, restructuring, downsizing, outsourcing, new alliances, new technology purchases, customer surveys, or fresh ad campaigns.
- It doesn’t matter whether there’s any strategic discipline, due diligence, or follow-up execution, as long as action happens.
- A whirlwind of action arrests real results. Whirlwind actions are dysfunctional and destructive. The effect is like a runner injecting himself with a shot of Methedrine before the race. The consequences: a quick burst off the blocks, flashing glory, and collapse shortly thereafter. You can’t even stay with the pack.
- There’s nothing inherently wrong with many of the actions described in this chapter. They ought to be part of any good manager’s arsenal. But they become compulsions when you believe in their infallibility to propel you to the front of the pack. They will not. Only when you deviate from conventional wisdom, only when you challenge the status quo with exciting, meaningful alternatives will you break free of the pack and win in the Copycat Economy.

## **Chapter 3: The Madonna Effect and the Willie Nelson Principle: The Power of Calculated Reinvention**

### *The Madonna Effect*

- Not having to change, doing it anyway. Looking in the distance and aiming for where the market is going. Being willing to take some risk for huge potential payoffs tomorrow, knowing that not taking a risk means that inevitably the pack will catch up. Letting go of what won’t work tomorrow even if it rings in sales today. Staying passionately persistent and honestly talking the talk in leading the enormous organizational changes in systems and processes. Being willing to tolerate the criticisms and potshots from those who think you’re nuts.

- As a Madonna. If you were to emulate her business tactics, here is what you'd be doing:
  - You'd be constantly changing, way before being "forced" to change by the marketplace. Customers and investors would agree that they don't know what you will come up with next. But they can hardly wait for the next iteration.
  - You'd monitor trends in the distance, and you'd stay ahead of them. You'd capitalize on those trends to "get there first."
  - You'd reinvent yourself even when your current products and services are popular, before others imitate and catch up. If the opportunities made sense, you wouldn't be afraid to change. Even if it meant cannibalizing or abandoning what's making you successful today. You'd even be willing to risk losing that part of your "audience" that likes you as you are.
  - You'd be constantly experimenting. You'd be stretching current parameters; you'd take chances. Observers would agree that the words dated and safe and cautious don't describe you.
  - You'd always invite and challenge your customers to change with you, and you'd show them how.
  - You'd be deliberately provocative. You'd try to stir people's reactions and emotions—from delight to fear to loathing, but not indifference. You'd understand that if there is no emotional reaction by the market to your products and services, you're not going far enough
  - You'd always be connected to reality. You'd stay enough to the edge, but not so far ahead that you'd lose your "audience." Whatever you'd do, you and your organization would do with passion and 100 percent commitment.
  - Your tone would always be optimistic, upbeat, and fun loving. You'd work hard, and you'd enjoy it hard, too, and that would be obvious to people inside and outside the organization.
- To summarize the essence of the Madonna Effect in one phrase. "Don't just respond to your customers; lead them."
- Too many corporations are slaves to the familiar. They don't lead customers; they just follow them.
- If you wait for customers to tell you that they want something. You're already playing catch-up because someone else has already planted the flag and sensitized them to the possibilities that you've ignored.

*The Willie Nelson Principle: Jump in Front*

- Willie Nelson said: "Being a good leader is finding a bunch of people going in one direction and jumping in front of them."
- That's how you lead the customer: You lead; you don't simply respond.
- It's a lot of fun to work with a team of passionate fellow crazies doing what everyone else says is ridiculous and impossible.
- In reality, the winners have identified the future direction of the current and are swimming furiously in that direction, while everyone in the pack, to quote F. Scott Fitzgerald, is like "boats against the current, borne back ceaselessly into the past."

- Many companies such as IBM and Toyota have successfully enacted the Madonna Effect and the Willie Nelson Principle to break from the pack.
- General Electric, Apple, UPS, Whole Foods Market,
- Whether your company is successful or in trouble, here is what you must do to execute a Madonna Effect and Willie Principle—and, quite bluntly, what will happen to you if you don't.

#### **1. Take Those Small, In-the-Distance Trends Seriously**

- If you don't regularly peer into the horizon, you won't put a lot of energy or resources into studying those trends, understanding them, considering their danger to current business and potential, or positioning them as strategic priorities. This problem is more likely to occur when your organization is big and powerful and the horizon trend has a minor or negligible impact on your financials today.

#### **2. Be Willing to Regularly Challenge What Made You Successful in the Past**

- Don't be afraid to challenge your current cash-cow businesses to prove their worth, even if it means making substantial and meaningful deviations from them.

#### **3. Be Willing. To Change Long-Time Suppliers and Disrupt Current Supply Chains**

#### **4. Don't Become Paralyzed by the Fear of Going Too Far**

#### **5. Listen to the Crazy Customers**

- You must listen to today's customers to survive, but you must listen to tomorrow's customers to thrive. That means you have to listen carefully to the crazy 3 percent, the ones with their eyes on the horizon.
- By definition, the 97 percent base is what conventional consumer research measures. Small wonder, then, that most companies imitate each other by appealing solely to the big bulk of customers rather than to the oddballs who represent the growth markets of the future.

#### **6. Take Underserved Markets Seriously**

#### **7. Take Emerging Demographics Very Seriously**

- Organizations that truly "get" demographic shifts will pour attention and resources in the right direction and reap opportunities.
- New and relevant demographics transcend the standard categories of race, gender, and age. For example, the steady rise of religious, faith-based, and spiritual interests and the increasing desire for interactive online communities are just two of many emerging social phenomena that are both inevitable, and ripe for shaping by prescient leaders.

#### **8. Don't Be Panicked by Finicky Investors**

- Whether your company is publicly traded or privately held, you'd be a fool to ignore the wishes of your owners. But you'd be an even bigger fool to run your business in daily fear of their possible wrath because then you'd be too scared to make any Madonna-like moves that might ding your income statement today but rocket-launch your business tomorrow.
- As long as they believe that you and your business model can help your organization break from the pack, they'll stick it out with you even through some hard times.

## 9. Have the Courage of Your Convictions

- The whole concept of leadership assumes that you have a conviction. An underlying philosophy, an overarching strategic direction, a deep and compelling “vision.” And it assumes that you have the integrity and fortitude to see it through.
- “Courage of conviction” is an empty phrase without willingness to engage in reinvention. Without a commitment to change, your effort at reinvention will manifest itself in an uninspiring, uncontroversial, “me-too” vision statement, the kinds you see gathering cobwebs on corporate walls. Or, if you do come up with a bold, transformational, Madonna-like vision, if you don’t have the courage of conviction to follow through, you’ll find yourself quickly backpedaling when the inevitable resistance occurs.

## Chapter 4: Curious, Cool, and Crazy: Building a Culture of Disciplined Lunacy

- If competitors aren’t bewildered or infuriated by what you’re doing, and if industry observers and even customers don’t think you’re a little nuts, then you’re probably not doing anything that will break you from the grips of the Copycat Economy. In today’s hypercompetitive environment, organizations which break from the pack have these characteristics:
  - a. They’re Curious—Possessed of a culture built around inquisitiveness, and willing to explore uncharted, unorthodox, and even controversial paths
  - b. They’re Cool—Exhibiting an organization-wide willingness to be edgy, unconventional, and even defiant
  - c. They’re Crazy—Eager to make decisions that seem insane but are also the result of calculated discipline—or what the author calls “disciplined lunacy”

### *Curious*

- When employees, investors, customers, and partners follow you because they’re curious about the bizarrely compelling and potentially lucrative path you’re exploring, and want to be part of it, you know you’re on the way to breaking from the pack.
- Increasingly, curiosity is being recognized as a vital component for lifting your organization toward the high-value top of the competitive food chain, thus staying ahead of imitators and avoiding the ravages of commoditization.
- Curiosity has three components: audacity, a “yes” culture, and passion.
- *Audacity* If the strategic direction of your organization can be described as willfully daring, calculatingly bold, and deliberately adventurous, then you’re on the right track.
- *A Culture of “Yes”* – A corporate culture of “yes” sends a complex but clear message to every employee. In a company with a culture of “yes,” there’s vibrancy, optimism, excitement and entrepreneurialism. It’s not an irresponsible, “do whatever you want” recklessness that permeated failed companies but curiosity accompanied by rigor, reason, and responsibility. Do you have a culture of “yes” or a culture of “no” in your company? To find out, assess your company’s speed in responding with innovation. You need discussion, analysis and due diligence. But all these can proceed fast or slow. In a culture of no, everything is slow.

- *Passion* - Curiosity has a strong intellectual component, but it also has a strong emotional component. Passion is the “juice,” the fuel, for curiosity. Breaking from the pack is heavily dependent on leaders and employees who are passionate about what they’re doing and what they might accomplish. They’re zealous about a path of action they’re taking. They’re turned on about a product they’re developing. They’re revved up by a potential service they can provide.
- Without passion, people come to work and “do their jobs”—maybe earnestly, maybe amiably, but for sure conventionally. In a Copycat Economy, that’s a recipe for competitive decay.
- It is not always pleasant to feel passion and act on it, but the uneasiness that comes from passionately pushing past your comfort level will lead you and your business to a more creative place.
- Changing routines, learning new skills, abandoning current products, entering new markets, forging new business directions—they’re all uncomfortable. They’re also intoxicating.
- Ultimately, curiosity and its components create an environment that generates an emotional allure and thrill of inquiry, discovery, and possibility. It generates the corporate adrenaline that will help your organization break from the pack.

#### *Cool*

- What exactly does “cool” mean?
  - Excellence, superiority, “the baddest” (that is, the best)
  - Nonconformity, nonmainstream, alternative, hip, defiant
  - Being set above the crowd, and inspiring the desire to be associated with what’s distinguished and edgy
  - Being exclusive and not available to everyone, but being inclusive to those who “get it”
  - Being so interesting, innovative, and unique that we raise an eyebrow in surprise
  - Continually embracing change, being restless with the status quo, and seeking reinvention
- Cool products and services are imaginative and unconventional; they inspire customers to feel that “wow!” experience, the “I gotta have it, I gotta tell people about it” reaction, and the sense that “I now belong to a special community.”
- Customers, investors, and talented people are attracted to cool companies, because cool companies create environments in which interesting, imaginative, exciting, unconventional, groundbreaking, and even controversial events occur on a regular basis.
- Cool companies also demonstrate an obsession with delivering products and services with the kind of speed, cost-efficiency, and flair that dazzles their more conventional competitors. In other words, being cool on the front end (products, services, value proposition) is not enough; in a Copycat Economy, you’ve also got to be cool on the back end (operations, costs, supply chain management).

- You don't have to be in retailing or fashion to be a cool company doing cool stuff. Anything that resonates with innovation and imagination—anything that is counterintuitive, controversial, and delightful—is cool.

#### *Crazy*

- Since the average is statistically “normal,” then two or three deviations from normal is the operational definition of lunacy. But in the world of business, today's lunacy is tomorrow's conventional wisdom; while today's conventional wisdom is mired in a big bell bulk of a Copycat Environment. For a “crazy” organization, what at the outset appears risky and irresponsible to supposedly “sane” observers might actually be ruthlessly prescient and well-researched initiatives.

#### *Disciplined Lunacy: A Passion for Precision*

- Passion for an idea is an essential ingredient for curiosity. But a great idea is nothing without great execution. As it turns out, passion is essential for execution.
- A passion for precision should not generate images of conventionally grim, unimaginative green-visor “cost-cutting” efforts, or grim, bloodless data reviews. It's a passion that results in *breakthroughs* in efficiencies and cost-reduction.
- At the end of the day, organizations need a very healthy dose of both passions—purpose and precision—if they hope to break from the pack. Passion for purpose without passion for precision yields corporate recklessness and irresponsibility. Passion for precision without passion for purpose yields conformity and stagnation. When neither passion for purpose nor passion for precision is evident, the company is in a world of hurt.

#### **Becoming Curious, Cool, and Crazy: the “EMBER” Model**

- If you have resolved to make your organization—and your leadership—curious, cool, and crazy. What do you do Monday morning? As you weigh the pros and cons of any important management decision or course of action, employ the EMBER model. Ask yourself
  1. *(E) Does It Make Us Extraordinary?* Whatever you are doing and however you're doing it, the action you take should help make your organization stand out from the crowd. It should somehow help your organization be perceived as unique and special.
  2. *(M) Does It Matter to Customers?* Whatever “extraordinary” things you do should matter to customers. Even when you “lead” your customers, they should ultimately be as excited as you are. If you're thrilled but customers aren't, then what you've done doesn't matter.
  3. *(B) Does It Break New Ground?* The action you are contemplating should be something compelling that hasn't been done before.
  4. *(E) Does It Encourage Evolvement?* What are you doing in terms of developing next-generation technologies, materials, and designs? In the Copycat Economy, value continually evolves, often in a discontinuous manner, as new technologies, competitors, and customers enter the market. That's why companies today must be built to change, not built to last. In fact, only by being built to change will they last.

5. *(R) Is It Real?* All strategies and their execution must be built on the fundamental premise that data, outcomes, and metrics are based on accurate information and intelligence, and are backed by reliable, accountable sources. The failure to keep it real also has more ominous implications. As we're seeing with the ethical meltdowns and accounting shenanigans afflicting so many once-proud firms, a reliance on funny money and financial sleight-of-hand ultimately destroys companies—and careers. The more opaque the financial reporting and the more secretive the methods by which results were determined, the more that accountability suffers and the more the integrity of the entire company is called into question. The ultimate barometer of a corporation's real performance is true, no b.s., unvarnished profit.

#### **Final Lessons from the EMBER Model**

- *Winners do strategy on the run.* The winners in the Copycat Economy are companies whose people are always scanning the environment and horizon for opportunities and agilely capitalizing on them, then quickly generating action plans, racing to execute them, and ultimately redefining themselves in line with changing market realities.
- *Intangibles are more important than tangibles.* Size, mass, tangible assets, and balance sheets can be leveraged, but they are less vital than intangibles like foresight, knowledge, talent, imagination, speed, flexibility, responsiveness, caring, courage, and innovation.
- *It's gotta be fun.* The best fun comes when you're given the tools, training, freedom, and accountability to be imaginative, enact changes, and execute bold plans with fellow lunatics.

**Recommendation:** This is one of the most relevant books I have ever read. So much so that I divided it into three parts so that you would not miss anything!



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**About the reviewer: Frumi Rachel Barr, MBA, PhD**

Many CEO's find themselves asking "What now?" to sensitive situations that only an experienced former CEO can understand. Frumi is the advisor to call to work with you and your executive team as a confidante and - some would say - corporate shrink. She has an uncanny knack of getting to the heart of your corporate climate and maximizing your team's performance, profitability and sustainability.