



Book Outsmart!

How to Do What Your Competitors Can't

Jim Champy
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Recommendation

Is your company an “incumbent” firm, stuck in the mud and going nowhere? Or is it a bold, visionary enterprise, able to see and exploit new business opportunities that incumbent firms miss or are too frightened to pursue? In his new book, business guru Jim Champy, co-author of *Reengineering the Corporation*, discusses how visionary “smart firms” seize the future while incumbent firms let it pass them by. Even while cautioning that surely some middle ground exists, *BooksInShort* warmly recommends this book, and its fascinating case histories. You’ll want to read it if you are responsible for strategy and growth at your firm.

Take-Aways

- “Smart companies” see and exploit opportunities.
- The Internet puts companies in touch with the entire world, creating vast opportunities.
- Smart companies are bold enough to seize those opportunities.
- “Incumbent firms” are either too insular to see new chances, or too cautious or hidebound to move in new directions.
- Frightened of the future, incumbent firms dislike new ideas and quash them at every turn.
- Smart firms are not timid or rigid. They are boldly ambitious.
- They place a higher premium on seasoned intuition than on endless research.
- Smart firms work in business areas where they have expertise.
- They focus with laser intensity on customers’ needs.
- Smart firms are not afraid to act. They move ahead quickly when they see an opportunity arises.

Summary

Carpe Diem! New business opportunities abound. Global markets are rapidly expanding. The Internet puts companies in touch with the whole world. For business leaders, the crucial step is being able to see the special opportunities that now exist and being able to exploit them quickly. Many companies are too insular to see anything fresh. Others are too hidebound to strike out in new directions. These are the “incumbents.” What about your firm? Is it an incumbent firm or a “smart firm” that jumps at opportunities? The following case studies demonstrate the types of fascinating business opportunities that await smart companies whose leaders are visionary and bold enough to seize the day.

“Seeing What Other’s Don’t”

In the past, music agents would do anything to avoid working with unproven musicians. The small fees they could earn representing the typical garage band or unknown singer were not worth it. The Internet firm Sonicbids changed all that. Its entrepreneurs saw something no one else did: Small club dates, weddings, proms, *bar mitzvahs* and similar engagements represent a \$15 billion market in the aggregate. So Sonicbids found a way to bring agents and musicians together. Musicians pay a small annual fee to join Sonicbids' Web site and access its listings of hundreds of thousands of small musical gigs. Sonicbid helps musicians create electronic press kits with film and music. Musicians pay a small "reviewing" fee to get promoters and other people who handle events to look at their kits so the promoters can consider booking their bands to perform.

“Breaking Free of Mental Legacies”

Why should people have to go to a hospital emergency room for minor yet acute medical problems like allergy attacks or infection flare-ups that do not require a physician? The waits are interminable. The costs are high. The process is inefficient. Why indeed? asks MinuteClinic. The firm treats such minor medical problems at kiosks staffed by registered nurses at large retail stores, in shopping centers and in similar locales. Patients seldom have to wait, but if they do, MinuteClinic gives them pagers so they can shop until it is time to see the nurse. MinuteClinic saw an unmet need – speedy, hassle-free, professional care for minor medical issues – and quickly met it. A relatively new start-up, it now has more than a half million customers each year. CVS Caremark Corporation recently paid the founders \$170 million to buy the company. MinuteClinic's big-picture approach brought a retail perspective to healthcare. Isn't it time to leave old thinking behind and "widen your lens" so you can see opportunities that others miss?

“Basics are Blazing”

More than 150 years old, the Smith & Wesson (S&W) gun company supplied the weapons for U.S. Civil War soldiers and old West lawmen. But despite its "world-class brand," S&W's sales flattened. Its new CEO, Mike Golden, a marketing expert from Black & Decker, found that the firm was just going through the motions. To turn things around, he put the "accumulated wisdom" of a lifelong business career to work. He did research showing that S&W was a beloved brand. He set firm goals for manufacturing and sales. He expanded into new markets. He dropped independent sales agents and hired – and trained – company salespeople. He started a lobbying effort to win police departments as customers. This "back to basics" approach worked. According to Russ Thurman, editor of *Shooting* magazine, "No company in modern history has come back from the dead like Smith & Wesson. In the dark days, you'd go to a trade show and there would be an invisible cone of silence around the Smith & Wesson booth." In 2003, sales were \$100 million; in 2007, they were \$237 million. Golden capitalized on S&W's most valuable asset: its brand. Do you know what is most valuable within your company? Build everything from there.

“Changing Your Frame of Reference”

Shutterfly used to be a simple, unremarkable online photo finisher. Then Jeffrey Housenbold became CEO. He saw the firm in a radically different way. He quickly remade Shutterfly into an online community of photo aficionados who could share pictures with each other over the Internet. Plus, Shutterfly's customers-now-members could purchase a wide range of products to imprint to showcase their photos, including posters, calendars and coffee mugs. Housenbold's expansion plan, combining "commerce and community," worked. Shutterfly's sales skyrocketed. The company created an online community that communicates internally, and buys its products and services. Are you doing business on the Internet? Creating an online community is great, but you have to have focus: There must be a commercial payoff somewhere.

“Creating Order Out of Chaos”

Getting a part for an appliance, TV or some other piece of electronic gear from the manufacturer in a reasonable period of time used to be impossible, given that more than eight million parts are available. But, now, Partsearch has catalogued all these parts and made ordering easy. Now, technicians and consumers can order and quickly receive the exact parts they need for machines from more than 560 different brands. Why didn't someone else think of this? Maybe because securing all the needed parts information (including constant updates), cataloging the data, and developing an ordering and distribution system that would pay off for everyone was a hellishly complex task. But Partsearch saw the need and did the work with great results. Since 2001, the company has experienced an "astounding compound annual growth rate of 85%." Revenues were \$63.7 million in 2006. With thousands of different suppliers, the industry for appliance and electronic parts is seriously fragmented. It was just waiting for a smart player like Partsearch to come along and simplify things. What fragmentation can your company fix?

“Simplifying Complexity”

When Becky Minard's horse Westley became ill, she was aggravated that she could not get the precise supplements the veterinarian prescribed. She learned that the distribution system for such supplements was maddeningly complex and subject to error. To fix this problem, Minard and her husband developed SmartPak. Their company stocks hundreds of supplements for animals. Dosages come in three different sizes. It sends out four-week supplies of supplements 13 times a year in precise dosages for individual animals. Today, the company has \$40 million in annual sales. Its volume is going through the roof – up 46% in 2006 alone. SmartPak caught on so fast because, among other things, it made things easier for UPS, its delivery vendor. Do you try hard to make it easy for your suppliers to work with you?

“Doing Everything Yourself”

For many corporations, outsourcing is all the rage. But not for S.A. Robotics, a firm that builds giant robotic devices to deal safely with nuclear waste, dangerous chemicals and similar hazards. Each amazingly complex robot costs \$1 million or more. S.A Robotics builds each one from scratch. It handles everything, "in-house design, engineering, testing and manufacturing." Has this atypical approach hurt it? Hardly, the firm's growth rate is an astounding 70%. S.A. Robotics keeps everything in-house because its robots must meet extremely rigorous standards. The company can best guarantee quality if it does not rely on outside suppliers. Of course, this means that its employees must be outstanding and highly motivated. They are. Does your firm "control what matters?" Do you hire only superior workers? Watch the basics. Make sure that you can always deliver the quality that your customers expect.

Lessons to Learn

No rigid formulas exist for jump-starting your firm ahead of its competitors. Nevertheless, smart companies operate differently than timid or conservative incumbent companies that are stuck in neutral. From these stark differences, it is possible to derive some useful lessons:

“Businesses breed beyond available customers; companies with successful strategies have a better chance of survival; and successful enterprises force out weaker ones, creating whole new business models.”

• **“Ambition matters”** – Companies that put points on the board always swing for the fences. They do not care about low-scoring moves. A small-to-medium size firm with a superior strategy and strong execution skills can grow 200% to 300% every few years. How ambitious is your company? With a great idea, you can wallop most of today’s competition. Incumbent firms hate to take risks. Don’t fall into this trap. Be bold. • **“Intuition reigns”** – Does your firm get hung up with endless research and analysis? Do you manage by committee? Is it easier to go with the flow than to innovate? Companies that adhere to a rigid system of double-checking every aspect of every new idea will never move ahead. They will stagnate. “Analysis to paralysis” is the way many firms operate. Trust your intuition. If you are a senior executive, years of strong experience have probably sharpened your intuition into a reliable evaluative mechanism. Of course, always test your ideas. The Internet is good for this purpose. • **“Focus prevails”** – Companies that strike out in numerous different directions at the same time are sure to get nowhere fast. Stay with what you know – the markets, the customers – and build from there. Choose a path and stick with it. Firms that fail to move ahead in their markets often panic. They quickly jump into business areas they don’t understand, and do just as badly there and often worse. Focus on what you know. That is where you will achieve the most. • **“Customers rule”** – If your competitors are constantly worrying about you and the other firms in your industry, they are not paying attention where it will do the most good: the customers, the people who matter the most. Keep your eye on them. Find out what they need and deliver it better than anyone else. If you make that your single, solitary focus, you will never go wrong. Let your competitors worry about the competition. While they are tied up in knots, you can steal their buyers. • **“Calm enables”** – Be they corporate executives, football quarterbacks or military commanders, great leaders learn how to deal with risk. They do not panic. They remain icy calm. At the same time, they stay fully passionate. They want to win. Indeed, they expect to win. Top executives focus on the prize – increasing market share, introducing a new product, extending distribution and gaining customers. To them, mistakes are valuable learning experiences. This all stands in marked contrast to incumbent firms and their leaders. Frightened of their shadows, they always worry about the shareholders. They refuse to make a move until the future passes them by. Great businesses thrive on risk. They harness it. They ride it. They make it work for them, not against them. You cannot get ahead if you are afraid to take risks. • **“Innovation lives”** – Incumbent firms hate innovation, so they never change. Progressive companies love innovation. They constantly search for better ways to do things. They place a premium on new ideas. They encourage their employees to offer suggestions on how to improve their products and processes. They amply reward people who deliver great ideas. Incumbent companies dislike suggestions. They make sure that their employees fully understand their hatred of new ideas, so they never get any. And that’s why such firms often dry up and blow away. • **“Culture drives”** – Incumbent companies try to control everything through a rigid list of do’s and don’ts. Of course, such rules send a clear signal to employees that management does not trust them. Innovative firms don’t control their employees’ behavior through rigid directives. Instead, they rely on a positive company culture where the rules become intuitive. Employees just know the right way to act and what to do. At such firms, employees feel proudly that, “We are all in this together.” At incumbent firms, they feel that, “It is us against them.” Guess which type of firm will prevail in the marketplace? • **“Everyone plays”** – Outstanding companies make sure that all employees feel like they are a part of things. Incumbent firms tend to compartmentalize everyone and everything. They see strategy as a function of senior leadership. It never “bubbles up” from the front lines. On the other hand, customer service is only a function of the front lines. Senior management has nothing to do with it. Is it any wonder that such firms often have terrible strategy, or that their customers are discontent? At winning firms, everyone has a stake in the outcome – and knows it. This is why they win. • **“Just do it”** – This Nike slogan makes sense for every company. Do you have a great idea? Does it pertain to your firm’s main area of expertise? Does it address your customers’ needs? If you can answer affirmatively to these important questions, then roll the dice. Take action. If things don’t work out, learn from the experience. You’ll be in a stronger position to achieve your goal when the next great idea comes along.

About the Author

Jim Champy also wrote *Reengineering the Corporation: A Manifesto for Business Revolution*. He helped create and popularize business process re-engineering and develops strategy for Perot Systems consulting practice.
