How to Compete in a Copycat Economy

BREAK FROM THE PACK

THE SUMMARY IN BRIEF

Everywhere, products are being commoditized, services are being imitated, and traditional barriers to market entry are collapsing. You can’t survive on “me-too” products, services and business models, and the ever-popular “all things to all people” approach will fail you every time.

To sustain a competitive advantage in today’s “Copycat Economy,” you must break from the pack. Companies that break from the pack take customers far beyond mere satisfaction. These companies tend to go beyond the mission statement to a “higher cause.” They build a pipeline of cool, compelling products and always manage to stay way ahead of their industries.

This summary captures the essence of bestselling author and business professor Oren Harari’s advice and tips for competing in a Copycat Economy. The summary details how “Commodity Hell” demands that companies differentiate themselves from their competitors, how to dominate your own marketplace, and how to be the leader of a company that breaks from the pack.

In addition, this summary will describe the following:

✓ Ten Compulsions Guaranteed to Keep You Mired in the Pack. Face the things that keep you stuck in the pack and plunge you further into the spiral of Commodity Hell.


✓ Building a Culture of Disciplined Lunacy. Find out how curious, cool and crazy companies do the things it takes to stand out and succeed.


✓ A 12-Step Recovery Program. Gain a perspective on the kinds of personal leadership that you will need to demonstrate to inspire people to do extraordinary, break-from-the-pack things.
The Never-Ending Race to Succeed

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.

Anyone Can Break Away

Any organization can successfully bust loose in any direction from the round-and-round-we-go pack mentality, but the bad news is that in a global free market, the pack is bigger than ever before! The pack grows, more players run earnestly, the racers constantly check each other out, and they mimic each other’s movements.

The result is the Copycat Economy, an arena marketed 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.

In business, frontrunners frequently fall behind and fail. So don’t panic if your organization is currently stuck in the pack. You can break from it. You can overtake today’s lead dogs.

Welcome to Commodity Hell

Vending Supply, Inc. (VSi) is one of the premier designers, manufacturers and distributors of children’s stickers and temporary tattoos. “We brought stickers to the forefront of cool,” said CEO Robert Winquist.

Then all the major players started copycatting VSi and VSi had to compete on price. Winquist said, “Today VSi is three times more creative and three times more efficient than we were 10 years ago. That means we’re nine times better. But our margins are one-fifth what they used to be three years ago. What’s going on?”

Welcome to Commodity Hell. Or more accurately, welcome to the Copycat Economy, where 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.

Two principles keep companies trapped in the pack and snared in the Copycat Economy, and make up the most challenging double whammy affecting an organization’s competitiveness and very survival:

1. The inevitability of perpetual imitation
2. The commoditization of everything

Commoditizing the ‘Good Enough’

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.

It used to be that if customers didn’t pay a premium, they’d have to accept low quality in return. In the Copycat Economy, that’s not true.

The Causes of Commodity Hell

1. The Irrelevance of Time and Distance — Imitation can come from anywhere in the world, at any time.
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.

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Welcome to Commodity Hell (continued from page 2)

3. The Customer as Superpower — Customers are now capable of reducing any well-promoted, well-packaged market offering to a bare-bones commodity.

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 players competing in the pack.

5. Mobs of Competitors — In industry after industry, a fragmented playing field means an ever-growing number of competitors and a harder challenge to break free of them.

6. A Zeitgeist of Irreverence — Customers and competitors are irreverent, creating dissatisfaction with the present.

Accepting the Challenge of the Copycat Economy

Consider the payoff of breaking from the pack: A clear differentiation from competitors; rapid, sustained and real growth; higher margins; higher stock prices and market caps; boosts in market buzz; more customer loyalty; an optimistic and creative work environment; easier sales and marketing; and an agile, aggressive infrastructure.

How to Lose

Faced with the twin plagues of commoditization and imitation, business leaders reflexively resort to 10 courses of action that plunge their companies further into Commodity Hell.

1. The Compulsion to Cut Costs

To be sure, cost-cutting efforts are useful and necessary, but only when part of a well-executed growth strategy. By itself, the frenzy of cost-cutting is often a self-defeating compulsion.

In early 2006, Ford — mired in deteriorating market share and “junk bond” status — announced another big restructuring plan.

But will this unleash a fresh wave of capital, innovation and employee commitment necessary to design, manufacture and deliver sexy, high-quality “gotta-have” cars with superb after-sale service? If the answer is yes, Ford will rock. If the answer is no, the savings will be illusory.

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. When one competitor copies the other’s price-cutting sales promotion, both fall prey to the Copycat Economy.

3. The Compulsion to Improve Current Products and Services

If you want to survive in the pack, improving current products and services is a must. If you want to thrive beyond the pack, it’s not enough.

The compulsion of “incrementalism,” or making minor product enhancements that are not coupled with any breakthrough growth strategy, appeals to a manager’s aversion to risk.

4. The Compulsion to Concentrate on Marketing and Sales

The track record of sales and marketing initiatives is, at best, mixed. 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.

5. The Compulsion to Get Bigger

The benefits of bigness — scale, scope, synergy and cross-marketing — are genuine. Nevertheless, the impact of these benefits has been grossly misunderstood and overestimated.

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.

To predict who’s going to break from the pack, look at who’s got the quickest adaptivity and imagination, not who’s got the biggest numbers on the balance sheet.

6. The Compulsion to Control

More than a few managers still instinctively buy into the compulsion to control. In the short term, tightening controls and increasing pressure might indeed uncover some inefficiencies and get people to hustle out of sheer fear.

Short-term financials might actually improve. Yet in the long run, such autocracy kills risk, initiative and personal accountability.

7. The Compulsion to Ask Customers What They Want

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.

Market leaders who break from the pack pull the customer to new places. They take some chances that push them past their market research.

Before Starbucks, how many consumers would have assured Howard Schultz they would stand in line to...
spend $4 for a cup of coffee in a paper cup?

8. The Compulsion to Embrace Organizational Fads

When a company gets mired in the pack, nervous executives sometimes resort to adopting well-accepted, well-known in-house development or assessment programs that have to do with “total quality,” “diversity,” “conflict management” and such.

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

If companies rely on legal and political force for competitive advantage, they are doomed. 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.

A company that is serious always proceeds “as if” there is no “protection” anymore because, ultimately, there isn’t. Feed your lawyers and your 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, such as acquisitions, divestments, restructuring, downsizing, outsourcing or new alliances. It doesn’t matter whether there’s any strategic discipline, due diligence or follow-up execution, as long as action happens.

Sometimes a leader gives up any pretension of knowing what to do. “Do whatever it takes to get the numbers Wall Street wants” becomes the message. When a company goes down this track, the inevitable setbacks begin and the dysfunctional actions are accelerated at a frenzied rate.

The Madonna Effect and the Willie Nelson Principle

Whether or not you’re a Madonna fan, there’s no denying the fact that, as an artistic enterprise, she’s been spectacularly successful. What is her secret?

Madonna’s brand relies on crossing over from mainstream to the margin and showing everyone else how to do it, too. She reinvents herself by keeping her antennae attuned to the culture, norms and behaviors that interesting fringe groups are currently experimenting with.

Jeffrey Katzenberg, the former head of Disney Studios and DreamWorks Animation, described Madonna this way: “She is always evolving; she never stands still. Every two years she comes up with a new look, a new way of presenting herself, a new attitude, a new act, and a new design. And every time it is successful. There is this constant genesis.” That is the protean mantra that applies to any business that wants to break from the pack over the next decade.

The essence of the Madonna Effect is, “Don’t just respond to your customers; lead them.”

Willie Nelson and Waylon Jennings pioneered a major transformation in country music: “Outlaw Country.” Willie and Waylon were key forces in reconciling hip and redneck musical interests, thus restoring a rawness to country music and leading a new explosion of popular interest in the format.

In the late 1980s, Willie was asked about how he and Waylon “knew” that their leadership on “outlaw” music would be so successful. In what could be the most important quote in this book, here is his reply:

“Being a good leader is finding a bunch of people going in one direction and jumping in front of them. That’s what I did. I saw all these things happening, so I called Waylon and we came down to Austin and acted like we started the whole thing. We didn’t start nothin’. It was going on.”

Willie and Madonna paid attention to the oddball but interesting stuff that was “goin’ on” — stuff that was available to anyone who paid attention to it.

Curious, Cool and Crazy

In today’s hypercompetitive environment, organizations that break from the pack are curious, cool and crazy.
Curious, Cool and Crazy
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Curious
Curiosity has three components: audacity, a “yes” culture and passion. 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 corporate culture of “yes” sends a complex but clear message to every employee to “go for it,” even if it challenges what was done in the past. Passion is 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.

Cool
What you do, what you make and how you do it all must be perceived and experienced as cool by your employees, customers and investors. Anything that resonates with innovation and imagination — anything that is counterintuitive, controversial and delightful — is cool.

Crazy
“You can’t proceed in a calm, rational manner,” said Jack Welch to The Wall Street Journal. “You’ve got to be out on the lunatic fringe.” In the world of business, today’s lunacy is tomorrow’s conventional wisdom, while today’s conventional wisdom is mired in the Copycat Environment.

At the end of the day, organizations need a very healthy dose of purpose and precision. Passion for purpose without passion for precision yields corporate recklessness and irresponsibility, while passion for precision without passion for purpose yields conformity and stagnation; there must be a balance.

The EMBER Model
To make your organization curious, cool and crazy, employ the EMBER model. As you weigh a course of action or decision, ask yourself:

1. (E) Does it make us extraordinary?
2. (M) Does it matter to customers?
3. (B) Does it break new ground?
4. (E) Does it encourage evolvement?
5. (R) Is it real?

If the answer is a firm “yes” to each of these questions, then your decision could ignite your business like oxygen to an ember in the fire.

Final lessons: Winners do strategy on the run; intangibles are more important than tangibles; and it’s gotta be fun.

Dominate or Leave
In today’s Copycat Economy, you must choose your markets, products and customers very carefully, then go in with tremendous creative and productive force until you dominate the arenas you’ve selected. The implications are twofold: One, don’t enter any space you’re not prepared to dominate. Two, once you figure out what you will dominate, exit everything else. Period.

One Size Doesn’t Fit All
“One-stop-shopping” should be eliminated from corporate strategy sessions; the phrase is diabolical, making otherwise sensible executives salivate with infantile glee. Their eyes glaze as they visualize hordes of customers. However, to challenge the famous Field of Dreams dictum, if you keep on building it, they probably won’t come. And then you’re stuck with a big stadium.

Apart from those darn customers who insist on making their own decisions, there’s another reason why “one-stop-shopping” is a fantasy. No matter what your consultants and investment bankers tell you, you can’t be great in everything, you can’t do it all, and if you try to do it all, you’ll wind up with a big diversified menu of undistinguished “me-too” products and services, while dominating nothing.

Why Davids Beat Goliaths
David Google doesn’t dominate Goliath Microsoft. Google dominates search. David Whole Foods Market at $4.7 billion doesn’t dominate Kroger at $60 billion. Whole Foods dominates natural foods. The $1.6 billion David JetBlue is miniscule compared to the $16.6 billion United Airlines. Yet while JetBlue was growing in leaps and bounds without megamerger, United’s sizable debt, cost-inefficiencies and mismanagement threw the company into bankruptcy.

The Goliaths above aren’t “bad” companies. There’s nothing inherently negative about size and diversification as long as they remain true to the spirit of dominance. The companies that dominate don’t dominate because they got big. They got big because they dominated.

The Seven Steps to Dominating
1. Choose to dominate — whether part of a start-up or a leader of an established business, the first step is to choose dominance over size.
2. Be a laser, not a floorlamp — your growth strategy should be laser-like: simply stated, easy to convey, highly concentrated and precisely focused on the area you’ll dominate.
3. Make sure the laser is exciting — concentrate your efforts on a compelling and intriguing growth area.
4. Be willing to subtract — you must prune things

For additional information on the EMBER model, go to: http://my.summary.com
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Put the Pieces Together for a Higher Cause

Mission and vision statements are good things to have. But to break from the pack, a company would be wise to strive for something bigger than a mission and deeper than a vision. A company must define a cause.

A central idea or cause will be essential if you want to have any sort of success in a Copycat Economy. But to improve your odds of truly breaking from the pack in a sustained way, you should consider going a step up, to a higher cause. A higher cause is about somehow bettering the lot of human beings. A higher cause can serve as an organization’s strategic beacon, market brand and organizational “soul.”

Six Steps to Help Your Organization Find Its Higher Cause

1. Ask the deep questions about your organization.
2. Concentrate your attention on the horizon.
3. Rearrange the pieces to make a big difference.
4. Don’t let anyone else define coherence, authenticity and revolution/evolution for you.
5. Enlist champions.
6. Learn to synthesize.

Build a Defiant Pipeline

To stay ahead of the pack, you can’t rely on one product, even if it’s a home-run product. You must develop a pipeline of continuously emerging products that defy — and visibly transcend — the “me-too” value of whatever is currently being offered in the market by rivals and by the company itself.

Strong pipelines allow companies stuck in the midst of crowded mass markets to differentiate themselves. A strong pipeline allows companies to survive and thrive under seemingly impossible circumstances.

The 10 Commitments to the Defiant Pipeline

1. Always be cannibalizing.
2. Become an anthropologist with your customers.
3. Be a NASCAR racer, not a basketball player.
4. Be a magnet for the crazy three percent of customers.
5. Be a magnet for the crazy three percent of employees.
6. Be a magnet for the crazy three percent partners.
7. Become a pipeline for design.
8. Target new terrain.
9. Think broadly, act narrowly.
10. One more time: Dominate or Leave.

Take Your Customer to an Impossible Place

How do you take your customer to an impossible place? Fortunately, for you, there’s no quick fix answer to that question — if there were, it would be copied instantly, sending you right back to Commodity Hell.

Here are five steps that will help you lead your customers to an impossible place.

1. Lead institutionally
2. Lead with profound authenticity
3. Lead with genuine caring
4. Lead with turbo speed
5. Lead with the individual customer in mind

Seven Quick Impossible Questions

Here are seven quick, simple questions you should be continually asking yourself and your team from the perspective of your customers.

1. How easy, hassle-free, fast and fun is it to work with this vendor — before and after the sale?
2. Does the vendor really, truly listen to me? Seek my input? Understand me and the challenges and opportunities in my life (or my business)?
3. One a personal level, how responsive, caring, empathetic and concerned is the vendor toward me? Do I feel taken care of when I deal with this vendor?
4. Does the vendor know me (or my business) so well that he or she can anticipate what I might want and need before I do?
5. How effective is the vendor in devising a fast, creative solution to my real problems and unique needs?
6. Can I trust and count on this vendor to continually

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come up with great ideas for me (or my business)?

7. When I get involved with this vendor as a corporate customer, is my work distinctly better? Is my business distinctly better? Or, if I’m an individual customer, is my life distinctly better?

Take Innovation Underground

Today there is a group of companies whose executives devote their primary attention to their corporate undergrounds. The secret to success of these companies is that they are ruthlessly hyperefficient in their underground operations and supplier relationships.

There is a constant innovation in their processes and systems that allow them to continually and creatively shrink their costs and cycle times. Because the innovation occurs underground, far from the eyes of the customers, it’s not directly experienced by customers except at the end point: lower prices, convenience, reliability and fast service. To get your best shot to break from the pack, you must demonstrate as much obsessive innovation for the underground as you do for your company’s above-ground product development, design, marketing and customer service.

Consolidate for Cool

In a Copycat Economy, you’ll need to employ new and rigorous standards for consolidating with other companies. There’s nothing as fast and sexy as a high-profile merger to quickly inflate your numbers and show that you’re a “bold, can-do” leader. However, most mergers and acquisitions fail.

How to Consolidate for Cool: Accessing the Intangibles

Here are the kinds of intangible elements that your prospective merger or acquisition needs to aggrandize if it is to help propel the new company in front of the pack: Knowledge, talent, imagination, speed and agility, foresight, the desire to be a renegade and inspirational leadership.

You, the Leader of the Pack: A 12-Step Recovery Program

To add some serious value to both your organization and your career prospects, you will need to move beyond nostrums. You will need to get down to the bare-knuckles basics of leadership. This “12-Step Program” is designed to put you on the path to success.

Step 1: First, Admit You’re a Commodity

You will be wise to admit that in a Copycat Economy, whatever your organization is doing and providing today is right now becoming imitated and commoditized, and, therefore, will inevitably require significant change.

Step 2: Take a Risk on Risk

We fear the negative consequences of risk, even when we’re dissatisfied with the status quo. We fear the negative consequences of risk, even as we ignore the even more negative consequences of staying the course. We need to reassess risk and then take a prudent risk on risk.

Step 3: Set ‘The Way

Establish a concise, urgent, and inspiring direction for your company. Define “The Way” for your organization. The Way has two components: path and tone.

Your path must buck some conventional wisdom and strive to rewrite some industry rules.

Tone is the climate, the mood that expresses your organization’s values and soul.

Step 4: Believe that Customers are More Important Than Investors and Employees

You must be able to convey to people that the prime purpose of their jobs and investments is to help make customers very, very happy.

Peter Drucker always said that the only reason for a company’s existence is to create and serve customers. Many business people seem startled by this notion. However, no matter how much resistance you receive, you must lead with the premise that all else follows from your success with the people for whom your company exists.

Step 5: Unleash Talented Maniacs

Break-from-the-pack leaders continually scour the landscape not for people who can “do the job,” but for

Eight Reasons Why Mergers and Acquisitions Fail

Why does the typical merger or acquisition fail?
1. Fantasy logic.
2. Delusional projections.
3. Absurd overpaying.
4. Obsession with the top line.
5. Lousy due diligence.
6. Crudimentary customer consequences.
7. A naïve belief in easy integration.
8. The dinosaurs mating syndrome.
You, the Leader of the Pack

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maniacs who, without being asked to, will transform their jobs on behalf of the team, not their own egos.

You must provide these talented maniacs with the training, development, information technology and other resources so they can figure out how to best reconfigure their jobs to achieve your organization’s objectives.

Step 6: Rev Up Your Base

Open the Windows: Help people open their windows and look at the world outside their jobs. Expose them to the same eye-opening information you have, and discuss it candidly. People get on board when they see for themselves the reasons that are inspiring you to change.

Open the Doors: Keep your planning and decision-making processes as transparent and inclusive as possible. As a leader, you must take the lead not only in setting “The Way,” but also in including others in business analyses, strategic conversations and operation problem solving thereafter.

Start Driving: Once leaders have clearly articulated The Way and have opened windows and doors, it’s time to challenge people to get on or off the bus because it’s time to put the operation in gear and step on the gas.

Step 7: Get Personally Engaged

Great leaders delegate liberally, but they stay engaged: They personally remain in touch with employees to learn their perspectives. They personally stay involved with critical issues, not only so their decisions aren’t made in a vacuum, but also to use their power to help their people achieve big goals. They personally immerse themselves in seeking the truth.

Step 8: Lead From a Glass House

Leaders always function from a glass house, where their actions and attitudes are visible to everyone around them. The glass house effect is so pervasive that it makes people draw conclusions about the leaders themselves. When the leader’s words and deeds match, the leader’s credibility and influence go up.

Step 9: Honor a Minimal Number of Priorities

The fewer priorities you have, the more likely you’ll be able to honor them, and the more likely you can achieve the breakthrough results necessary. Any plan with more than five “priorities” usually winds up prioritizing nothing.

Step 10: Team Up With Aliens

If you want breakthrough knowledge, leap outside the walls of your industry whenever possible. You’ll gain even more insight and power when you go beyond observing and partner closely with talented aliens outside your industry who don’t come to the table with the mindset and history that’s considered conventional in your business. Encourage as many of your people as possible to see the value in alien knowledge and partnership.

Step 11: Lead from the Middle

Don’t Wait for Orders: Initiate Solutions: Executives desperately need fresh ideas and initiatives. They don’t want people just to come up with a great idea and then toss it upstairs. They want their middlelevel leaders to create solutions.

Focus on the Customer’s Needs: One of your safest bets is to let the customer drive your imagination. Figure out ways to make customers more delighted and loyal.

Do It Without Asking: Think like a businessperson, not as an employee. Don’t ask for permission to take action. Working independently, develop big goals that will address some big gaps, and then start with small and meaningful steps toward your goals.

Don’t Let the Career Skeptics Get You Down: If you’re ever challenged, explain your actions on sound business principles and then continue to act without asking for permission.

Don’t Give Up Even If They Want You To: If you do get orders to stop, don’t automatically roll over and play dead. If you feel strongly about your cause, stay true to it.

Step 12: Know When to Hold, Know When to Fold

One of the most important and honorable attributes of a great leader is to know when to stay and when to exit. Knowing when to hold and when to fold is an act of reality and integrity.

Breaking from the pack in the relentless Copycat Economy is no small feat. You have the capability to help your organization break into the lead. Make yourself one of the leaders in the effort to break from the pack.

If you liked Break From the Pack, you’ll also like:

1. Jumping the Curve by Nicholas Imparato and Oren Harari. To stay competitive and profitable during transitions, businesses must jump the curve, that is, leave “one pattern of behavior for another.”

2. The Innovator’s Dilemma by Clayton M. Christensen. How do successful companies with established products keep from being pushed aside by newer, cheaper products?

3. The Pursuit of Wow! by Tom Peters. To succeed, individuals and organizations must stand out from the growing crowd of look-alikes.

4. Blink: The Power of Thinking Without Thinking by Malcolm Gladwell. Blink is about the first two seconds of looking — the decisive glance that knows in an instant.

5. The Tipping Point by Malcolm Gladwell. Gladwell’s thesis is that ideas, products, messages and behaviors “spread just like viruses do.”