

Urgency and Creativity

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It is hard to change preconceptions, tradition, and convention. It is especially hard to change them when our mental and managerial infrastructure reinforces the status quo. It's worth it, though, because new ideas are the source of competitive advantage. Assuming, of course, that the new ideas are good.

Redefining the market

Because it can uncover unsatisfied needs, and because newly uncovered unsatisfied needs can mean opportunities that competitors are ignoring, redefining a market has terrific good-idea potential.

Industries often define markets using things that can be measured, as opposed to things that matter. It's easy to see *who* is buying something. It's harder to see *why* they're buying it, and yet the *why* is what causes purchase decisions. I don't drive a BMW roadster because I am an unmarried, childless, prosperous, middle-aged man. I drive a BMW roadster because it's fun, it fits my self-image, it's high quality, and it's practical enough for my needs.

If you find someone else with the same desires and who doesn't happen to be an unmarried, childless, prosperous, middle-aged man, that person may buy the same car. (My mother bought two.) If you find someone who is also an unmarried, childless, prosperous, middle-aged man and who does not have the same desires, that person will not buy the car. (My restaurateur buddy bought an SUV. My art-dealer friend bought a luxury sedan.) By focusing on the "why," you have identified a new way to appeal to the market.

It is hard to change market definitions when market research, internal management reporting, industry associations, media-purchase programs, and trade journals support or

even build in existing market definitions. The flip side: a successful, meaningful redefinition can be a gold mine, precisely because competitors suffer from the same hard-to-change assumptions. A price change can be matched instantly. A paradigm change takes much more time.

On June 6, 2007, The Wall Street Journal wrote that “Not Copying Wal-Mart Pays Off for Grocers” (page B1). It described how Kroger and Safeway, and even local grocers, have grown by emphasizing what they do well and what Wal-Mart does poorly, while those who competed head-on have shriveled or vanished. Kroger and the others focused on the “why” that many shoppers value.

Causing action

Note that the actions Kroger *et al.* took were not the root cause of their success. The cause was their willingness to challenge — and, first, to *see* — the preconceptions, traditions, and conventions behind their distress. Without that willingness to challenge, they might not have acted.

Launching a new product or service is a great time to redefine a market. Another is preparing to defend against a new competitor or a competitor’s new product. It takes some effort even to think about redefining the market, though, because strategists are immersed in data and actions based on the current definition.

To redefine a market, a strategy, a business model, or a product line takes two things: a sense of urgency and an openness to creativity.

Urgency comes from imminent, substantive change. Wal-Mart is coming. We are launching a new product. A competitor is entering the market. The change may be real: Wal-Mart has broken ground. The change may be hypothetical: our market analysis or business war game has shown we’re vulnerable.

The openness to creativity comes after the urgency. Urgency generates action, but it is only after the easy or obvious solutions fail (in an analysis, a simulation, or real life) that people look for creative solutions.

Because there are more opportunities for creative solutions and because the odds of success are greater when the urgency comes early, it is useful to generate urgency early. In other words, it's better to take urgent action upon spotting the iceberg than to take urgent action when cold water is gushing in. The action options are more attractive, too.

Spot the iceberg or stop the water?

Redefining the market is a creative solution. Spot-the-iceberg urgency to consider creative solutions comes from early-warning methods such as business war games, scenario planning, competitive intelligence, and so on. Stop-the-water urgency comes from desperation.

Strategists know that business war games are invaluable when introducing (or defending against) a new product or service. They often discover that the future isn't as rosy as they'd hoped, which supplies the urgency to redefine the market. They also get to test creative, high-stakes decisions before taking big risks.

One company expected to compete against a new drug that offered a significant advance in treatment. They figured the new entrant would do their best to capitalize on that advance, and a strategy simulation showed it would be effective. That was the urgency. The creative solution in the war game was figuring out how to redefine their current drug, effectively commoditizing the feature the upstart hoped would be their key differentiator.

In no fewer than four other cases, in industries as varied as gasoline, health and beauty aids, paper products, and telecommunications, companies' plans for new products failed in their war games' first rounds. In all four cases, their strategies provoked fierce counterattacks, seriously delaying hoped-for profits. In round two of their war games, the companies all figured out new ways to position their products.

What's interesting is not the four companies' shifts in strategy *per se*. What's interesting is that 1) all four began with strategies that they considered obviously correct, 2) all four failed for pretty much the same reason, and 3) all four used the experience to re-create how they'd compete in the market. One shifted from focusing on convenience and avail-

ability to the needs of specific target segments. Another found a way to differentiate a commodity. Another emphasized what made them worth a premium price. And one switched the selling proposition from repair to prevention.

There was little urgency at the beginning of all four war games; the participants would never have believed big changes were required. (If they had, they would have made the changes in round one.) At the end of all four war games, the participants were convinced of the need to make the creative changes they developed.

Redefinition caveats

Although change in general and market redefinition in particular sound appetizing, they're not a free lunch. There are potential pitfalls, and in our excitement we don't want to fall into a trap called *confirmation bias*, in which people look for evidence that supports their views and discount evidence that doesn't.

Is redefining your market a good idea? ACS recommends stress-testing redefinitions. The stress-testing can be some combination of war gaming, brainstorming, and scenario planning. It should include questions such as:

- What if a dangerous competitor quickly adapts to the redefinition? (Flip side: how can you reduce the odds that they will?)
- What if a clever competitor finds a way to re-define the market, in a way that favors them?
- Will you face new competitors after redefining your market? Will you need a new strategy? What performance should you expect?
- Is it a real redefinition, or is it just a fancy way to say "our market is people who want to buy our products"? Does the redefinition help you make different decisions and take new action?
- How will customers be different in the redefined market? How do they make purchase decisions? Is it a high- or low-involvement purchase? How price sensitive are they? Do they feel loyalty to particular brands or types of products?

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Stress-testing your market definition won't necessarily lead to a redefinition. Even if it doesn't, though, the process itself will keep your strategy strong and give you early warning if it's vulnerable. You get urgency and creativity when they can make the biggest difference.

About the author

Mark Chussil is founder and CEO of Advanced Competitive Strategies, Inc., a pioneer in the field of business war gaming, and a veteran of 100 business war games for *Fortune* 500 companies around the world (www.whatifyourstrategy.com). He knows competitive strategy, having spent 30 years developing simulation technologies, designing and implementing business war games, advising senior managers, conducting research, and lecturing. Mark is also a founder of Crisis Simulations International, LLC (www.crisissimulations.com). He designed ACS's award-winning ValueWar® business simulator and CSI's patent-pending DXMA™ crisis simulator. Mark has published extensively, and he has lectured and consulted on six continents. He earned his B.A. from Yale and his M.B.A. from Harvard.

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