



How to Succeed in Business

Start up a Business

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Chapter One

INTRODUCTION

This is a book about some of the best ideas used in business. Some are simple—sometimes almost embarrassingly so—while others are based on detailed research and brilliant intellect. Most are perennial, as their logic, simplicity, or value will help them endure; while others are, to be honest, rather faddy. What unites these business ideas is their proven power and potency. They are not only insightful and useful, they have worked: often in a brilliant way or despite great adversity. The ability of the people who conceived and applied these ideas should be applauded.

One word of warning: while these ideas have worked for the companies mentioned at the time they applied them, it is not to say that these businesses will always get everything else right, forever more. They produced a result at the time,

but if this book has any general lessons it is that new ideas and energy are needed constantly—in many ways and at varying times—to ensure success.

While these ideas are varied and, I hope, interesting and thought-provoking, it seems to me that there are several different themes that run through many of these ideas and the businesses that use them. These include a willingness to experiment and take a risk. This seems to happen because many of the businesses display energy and entrepreneurship—a restless desire to do well and stay ahead of the competition.

This is often coupled with an ability to understand the root causes of an issue, opportunity, or challenge, and do something distinctive, rather than merely tinkering with the status quo. Simplicity and an understanding of the need to be practical and implement the idea are also common features. Some ideas, however, do result from

extensive study and research. This seems to confirm Peter Drucker's point that great ideas and decisions are a blend of rigorous analysis and intuition. Clearly, sometimes one aspect is more important (depending on the idea), but both are significant. Finally, the need to be practical, follow through, and ensure success is shown by the recurring need to monitor, measure, and refine the way the idea works.

A word of guidance: if you are thinking of applying these ideas in your organization it may help to understand a little of the way that ideas are transmitted. Ideas tend to be passed on either by "blueprint copying," which takes the whole idea and all its details and then replicates it elsewhere, or by "idea stimulation," where the details are unknown or adapted but the gist of the idea is applied. For example, in his excellent award-winning book *Guns, Germs, and Steel: A History of Everybody for the Last 13,000 Years*, Jared Diamond cites the development of an alphabet as

an idea that arose independently probably only once and was then copied elsewhere.

Of course, these techniques are opposite ends of a spectrum, but, of the two methods, idea stimulation is surely more adaptable, robust, and likely to succeed. So, use these ideas to stimulate your thinking and make the specific adjustments needed to ensure success in your situation. I hope that these ideas will provide you with the inspiration to find out more or develop your thinking along new, creative lines, generating brilliant ideas for the future.

Chapter Two

BUILDING CUSTOMER TRUST

Both selling and influencing suffer from the similar misconception that success requires you to aggressively or cleverly push a product or idea. This misunderstanding leads to inappropriate behaviors. For example, people can become evasive, “pushy,” and aggressive, or overly

talkative and agreeable. Selling and influencing depends on getting behavior right, by moderating openness and assertiveness with warmth and competence. Combined with a great product or brand, this goes a long way to building customer loyalty.

The idea

Harley-Davidson overcame a turbulent past by building customer loyalty—one of its most enduring assets. It was one of America's foremost motorbike manufacturers but, by the 1980s, sales fell dramatically following tough competition from affordable, high-quality Japanese machines. Harley-Davidson improved quality using the production techniques of Dr. W. Edwards Deming. The next challenge was to win back, and maintain, market share (it now enjoys a customer loyalty rate of 90 percent).

Knowledge of customers' needs and appealing to customers' emotions helped Harley-Davidson to

build trust and bond with customers. Their managers meet customers regularly at rallies, where new models are demonstrated. Advertising reinforces the brand image, to promote customer loyalty. The Harley Owner's Group (HOG) is a membership club that entrenches customer loyalty, with two-thirds of customers renewing membership.

Significantly, Harley-Davidson ensures customers receive benefits they value. The result is that customers trust Harley-Davidson; this trust is used to develop stronger bonds and greater profits in a virtuous circle. Rich Teer link, former chair, commented, “perhaps the most significant program was—and continues to be—the Harley Owner's Group (HOG) . . . Dealers regained confidence that Harley could and would be a dependable partner . . . [And] capturing the ideas of our people—all the people at Harley—was critical to our future success.”

In practice

SCENARIO PLANNING

Scenario planning enables organizations to rehearse the future, to walk the battlefield before battle commences so that they are better prepared. Scenarios are not about predicting future events. Their value lies in helping businesses understand the forces that are shaping the future. They challenge our assumptions.

The idea

In the 1960s, Pierre Wack, Royal Dutch/Shell's head of group planning, asked executives to imagine tomorrow. This promoted sophisticated and responsive strategic thinking about the current situation, by enabling them to detect and understand changes. Pierre Wack wanted to know whether there were other factors in the supply of oil, besides technical availability, that might be uncertain in the future. He listed stakeholders and

questioned the position of governments in oil-producing countries: would they continue increasing production year on year? By exploring the possible changes to government policy, it became apparent that these governments were unlikely to remain amenable to Shell's activities. Many oil-producing countries did not need an increase in income. They had the upper hand, and the overwhelming logic for the oil-producing countries was to reduce supply, increase prices, and conserve their reserves.

When the 1973 Arab–Israeli War limited the supply of oil, prices rose fivefold. Fortunately for Shell, Wack's scenario work meant Shell was better prepared than its competitors to adapt to the new situation—saving billions of dollars, it climbed from seventh to second place in the industry's profitability league table. It knew which governments to lobby, how to approach them, where to diversify, and what action to take with each OPEC member. Scenario planning

enables leaders to manage uncertainty and risk. Above all, scenarios help firms to understand the dynamics of the business environment, recognize new opportunities, assess strategic options, and take long-term decisions.

In practice

Scenarios are not predictions: they are used to understand the forces shaping the future. What matters is not knowing exactly what the future will look like, but understanding the general direction in which it is moving—and why. Plan and structure the scenario process: for example, by agreeing who will be involved.

MAKING YOUR EMPLOYEES PROUD

A company with a positive self-image and sense of pride will be more unified and efficient, with a stronger “employer brand.” When employees respect and appreciate the organization they work

for, then their productivity, quality of work, and job satisfaction increase.

The idea

Are your employees proud of working for your business? This sense of pride may result from the organization's purpose, success, ethics, the quality of its leadership, or the quality and impact of its products. An example of this is Taylor Nelson Sofres (TNS), a leading market information company, with over 14,000 full-time employees across the world. It collects, analyzes, and interprets information for clients, provides research on business and market issues, and conducts social and political polling.

The firm's network spans 70 countries, and has been largely assembled through acquisition. Consequently, employees were often more loyal to their local "in-country" TNS business than to the group, which seemed remote or foreign. However, when one of its executives was caught

in the tsunami in South Asia in December 2004, TNS donated \$250,000 to UNICEF to aid relief operations. This altruism brought the company together, as employees were pleased to be working for an organization with values that they respected. As TNS illustrates, simple and positive gestures can achieve impressive results in terms of employee satisfaction, pride, and motivation.

In practice

Carry out acts of corporate social responsibility—such as donation, fundraising, or simply enacting more compassionate business practices. These all serve to make current and potential employees feel proud to work with your organization.

Ask employees what they value—what would they like their employer to do?

Provide opportunities for employees to engage in fundraising and volunteering activities.

Avoid negative business practices. Employees will be less motivated to work within an organization that is viewed negatively in society. Remind employees of the ways their services benefit society; how the everyday tasks they perform make a positive difference within society.

USING CUSTOMER INFORMATION

Seamlessly gathered information can be used to save costs, to provide a tailor-made service to individual clients, and to sell more—often using the internet.

The idea

The American online retailer Amazon.com has redefined bookselling. Its culture appreciates the potential of technology, with the company using information in four key ways:

1. To minimize risks by analyzing information from millions of customers to see how and

when they purchase, enabling Amazon.com to reduce the level of risk.

2. To reduce costs by using technology to control the way it manages its inventory and suppliers.
3. To add value and help customers by offering reviews of books and free downloadable information, and by treating its home page as an individual storefront for each customer—for example by tailoring lists of suggested titles that the customer may enjoy based on previous purchases.
4. To innovate. Amazon believes that, to rival its competitors, an innovative approach is essential in order to improve the value and service offered to consumers.
5. What matters is not simply what information exists, but how that information is used to build competitive advantage. Interestingly, many other retailing companies have now followed Amazon's lead. For example, Apple's iTunes and iStore have done for music retailing what Amazon did

for bookselling, using many of the same principles.

In practice

Treat each customer as an individual. For example, music retailer iTunes tracks the purchases of individual clients and provides a customized webpage designed to introduce a client to new buying opportunities that appeal to his/her personal taste. Use the internet to provide information for the individual—even if your business does not carry out its primary operations online. By collecting customers' email addresses, a business can develop a highly valuable and intimate marketing strategy.

Smaller businesses and freelance workers may be able to research more in-depth information on each client. This can then be organized into an accessible database, with subheadings for each client covering all areas of relevant information.

If your organization is unable to seamlessly track consumer trends, use incentives such as free products for customers who volunteer their information. Similarly, you should also provide rewards for customers who agree to receive information on your organization—the marketing should be entertaining, lively, appropriate, and relevant. Coworkers find socializing, team working, and associated activities (such as innovating, collaborating, and sharing knowledge) much easier to achieve when they are placed in groups of less than In this way, larger corporations gain the benefit of smaller groups that are often closer, more energetic, entrepreneurial, supportive, and better.

The idea

A fascinating example of an organization that clearly understands the benefits of collaboration is Gore Associates, a privately held, multi-million-dollar high-tech firm based in Delaware. As well

as manufacturing the water-resistant Gore-Tex fabric, the firm also produces products for the semiconductor, pharmaceutical, and medical industries.

Gore is unique because of its adherence to the rule of 150. This approach is based on anthropological research highlighting the fact that humans can socialize in large groups because, uniquely, we are able to handle the complexities of social arrangements. However, there is a limit to the bonds people can make, and this is reached at around 150. In groups larger than 150, complicated hierarchies, regulations, and formal measures are needed, but below 150 these same goals can be achieved informally.

Consequently, Gore limits the size of each office so it is below 150. Gore has 15 plants within a 12-mile radius in Delaware and Maryland, each with a close-knit group of employees who understand each other and work well together. This approach

emphasizes the benefits of collective management such as communication, initiative, and flexibility, and it has enabled a big business with thousands of employees to retain the attitude of a small, entrepreneurial start-up. The result is a rate of employee turnover that is a third of the industry average, and sustained profitability and growth for over 35 years.

In practice

Divide your workforce into groups or branches of under 150 people. Institute a strong managerial system to oversee smaller “branches” and ensure they are coordinated and efficient. Encourage a sense of community and teamwork within groups. The “rule of 150” simply means that it will be possible for workers to form positive bonds with all of their coworkers—extra measures should be taken to ensure that this actually happens.

Develop a sense of team across groups of 150. This means finding ways for people to

communicate and collaborate across the whole business, rather than developing a series of competitive, separate groupings. Given that billions of dollars are invested each year in IT software and hardware, we might expect managers to know exactly how information technology improves their organization's results. Exactly what is the connection between the billions invested annually in IT, and improvements in productivity and performance? Information orientation has the answer—the three things that connect IT with business results.

The idea

Professor Donald Marchand together with William J. Kettinger conducted research at IMD business school that identified three critical factors driving successful information use. These three capabilities contain 15 specific competencies. The three “information capabilities” combine to determine how

effectively information is used for decision making: Information behaviors and values. This is the capability of an organization to instill and promote behaviors and values for effective use of information.

Managers need to promote integrity, formality, control, transparency, and sharing, while removing barriers to information flow and promoting information use. Information management practices. Managing information involves sensing, collecting, organizing, processing, and maintenance. Managers set up processes, train their employees, and take responsibility for the management of information, thereby focusing their organizations on the right information.

They take care to avoid (or at least minimize) information overload, improve the quality of information available to employees, and enhance decision making. Information technology

practices. IT infrastructure and applications should support decision making. Consequently, business strategy needs to be linked to IT strategy so that the infrastructure and applications support operations, business processes, innovation, and decisions.

Several companies have successfully implemented major IT projects, including Banco Bilbao Vizcaya Argentaria (BBVA) and SkandiaBanken, Sweden's first branchless bank. BBVA transformed its failing branch-based retail banking business into one of the most successful banks in Spain within 1,000 days.

This was accomplished by getting the right information to people in the branches, enabling them to successfully crosssell their products. Skandia Banken created a model for online business that has been profitable and has surpassed larger institutional competitors in customer service and value. Although a pure

internet and telephone bank, Skandia Banken's managers attribute their success to a business model that integrates simple IT infrastructure and web solutions, easy information access for customers and employees, and a company culture stressing transparency, personal responsibility, and action.

In practice

Recognize that managing information depends upon people: how they use available information and systems, how they share their knowledge with others, and how motivated they are to use information to innovate and create value Assess, develop, and improve the processes to manage information and knowledge.

Remember that the technology itself, while essential for success, is not a corporate panacea. Find out more about information orientation from Professor Donald Marchand or IMD business

school, or read about it in detail online (www.enterpriseiq.com) or in print in his book *Making the Invisible Visible*.

FRANCHISING

By selling a brand, a business plan, and expertise to regional business owners, corporations can increase profits and gain a global reach without significantly increasing risk.

The idea

The number and variety of franchises is large, and is a technique employed by companies ranging from McDonald's fast food outlets to the Hyatt luxury hotel chain. There are two key elements of any franchise—a franchiser and a franchisee. The franchiser sells its reputable brand and expertise to the franchisee, who then establishes and manages the business. The benefit for the franchiser is the ability to increase profit and become a nationally (or globally) known and

trusted brand. The benefit to the franchisee is, many believe, a reduced level of risk. It also provides increased ease, as the franchisee does not have to create a new business plan or develop an unknown brand.

Although the idea of franchising is an old one, it was invigorated in the late twentieth century, with an increased desire for decentralized business structures. By 1999, statistics indicated that there were 540,000 franchises in America, with a new one opening every 6.5 minutes of business day.

Starbucks is a well-known franchise success story. Founded in 1971 with a single store in Seattle's Pike Place Market, it embraced franchising and, by 2006, had 8,000 locations in over 37 countries and profits nearing \$3 billion.

In practice

Ensure a consistent delivery of high-quality service and product across all franchises to gain a positive, stable, and trusted reputation among

consumers. Setting up new franchises too close to existing ones can risk one of the operations being “cannibalized” and losing trade. Although this can be a positive business practice, it is important to consider the repercussions .

Allow franchises to achieve a higher degree of independence, differentiating them from passive investors or conglomerates. Use expert, experienced lawyers or advisers to help—whether you are selling or buying a franchise. The key to success is to have the right business product or service, to be clear about the details, and to agree and work together.

ELIMINATING WASTE (MUDA)

In the rush to focus on revenue, many businesses forget to consider the importance of business process and the effects of waste. Put another way, businesses that strive to remain streamlined and well organized have a significant advantage over those that lack efficiency.

The idea

For decades, leading Japanese companies directed their cost management efforts toward muda (waste elimination). Western companies mirrored the success of this “Japanese Miracle” of the 1970s and 1980s. Concepts of just in time (JIT) and waste elimination meant that new terms, such as process analysis, process mapping, and re-engineering, became part of the business lexicon. The idea of process analysis is to think of business activities as a chain of events, perhaps from the beginning of the manufacturing process through to the end, and to break down the chain of activities into very discrete, yet identifiable, tasks.

Following difficulties in the 1970s, senior managers at Harley-Davidson visited Honda’s motorcycle facility at Marysville, Ohio. The difference between Honda’s facility and Harley-Davidson’s was dramatic in terms of layout,

production flow, efficiency, and inventory management.

The managers decided that Harley-Davidson needed to introduce a business-wide JIT manufacturing initiative called MAN (Materials As Needed). Production operations were brought together, reducing the amount of resources required for material handling. Harley-Davidson reduced both the amount of supplies received too early and the inventory produced too early. This also reduced the space required for manufacturing, which liberated additional space to increase production.

Caterpillar, a leading manufacturer of agricultural and construction machinery, had a similar experience. During the 1980s, Caterpillar's cost structure was significantly higher than that of its principal competitor—the Japanese firm Komatsu. Caterpillar concluded that Komatsu's "flow" process was more efficient than Caterpillar's

method of moving parts and partially finished products through the production process.

It undertook a significant plant rearrangement initiative called PWAF (Plant With a Future). The new flow process reduced the distances between operations, which improved material handling expenses, inventory levels, and cycle time to make each product. In some cases, cycle time was reduced by as much as 80 percent.

In practice

Analyze your production process for inefficiency and wastage. Ask the people who run the processes how they could be improved. This applies to service businesses as well as manufacturing and process industries. Create a clear, workable plan for reducing areas of inefficiency and replacing them with streamlined operations.

Decide what success will look like, how it will be measured, and when it will be assessed. Be

cautious when introducing the new plan. Changes to any process can have unforeseen consequences—be aware of these possible problems and be ready to make adjustments to compensate for them. As business competition becomes increasingly fierce, firms should not only focus on attracting new customers, they should also use rewards to retain existing clients and get more out of them, which will also attract more clients.

The idea

Many industries are characterized by the fight not only to attract customers but also to retain their continuing support once captured. An example of using information to enhance customer bonding and improve competitiveness is customer loyalty schemes. These schemes have long been a feature of marketing programs, with a recent example being Air Miles. There has been a large growth in the number and type of firms offering loyalty programs. These range from bookstores, such as

WH Smith in Britain, which has a sophisticated database of millions of customers, through to credit card companies and telephone operators such as MCI in the USA, which pioneered the friends and family discount.

For MCI, this single measure, undertaken with relatively modest advertising expenditure (5 percent of the market leader, AT&T), resulted in its market share growing by 4 percent despite fierce competition.

The inventiveness of loyalty programs is constantly surprising, revealing the brand values of the companies and the threat they pose to competitors. For example, Virgin Atlantic introduced an ingenious loyalty scheme for customer bonding, to reduce the time that it takes to get new customers. Virgin offers privileges to those involved in competitors' loyalty schemes, offering a free companion ticket to any British Airways frequent flyer who has accumulated

10,000 miles. This has the added advantage of reinforcing perceptions of the Virgin brand as being dynamic and flexible.

In practice

Create customer loyalty schemes to encourage repeat business and build up a positive brand image among your client base. Focus on your competitors when creating a loyalty program. What are they offering, and what can you offer that is better and more enticing for the customer? Be creative with loyalty programs and other methods of customer bonding. It is an area with many possibilities for innovation—take advantage of them. Ask customer-facing employees how best to enhance customer loyalty. To improve sales efficiency, customers can be divided into “groups” according to their personal needs and preferences; new customers can then be assessed and assigned to the appropriate group. This profiling combines psychological and

demographic groupings— hence the term “psychographic.” This enables the business to cater to customers’ specific needs and preferences in a seamless and efficient way. This streamlining of customer knowledge allows companies to triumph in competitive and customer-focused markets.

The idea

“The Key to Happiness” was a self-diagnosis tool developed for Club Med customers. The business found that over 40 percent of customer dissatisfaction was directly linked to customers being recommended (or allowed to choose) the wrong type of location for their holiday. For example, a family would unwittingly choose a resort designed for single people, while a couple wanting to discover the local customs would mistakenly visit an empty island. Further studies revealed Club Med had five customer segments:

Tubes, who like to be comfortable and with their family. Celebrators, who like to party.

Epicureans, who prefer a high level of comfort. Cultivated guests, who like to discover the country—its culture, history, and charm. Activists, who want to get in shape and enjoy sports. “The Key to Happiness” was a self-service system designed to help customers.

It worked by using questions to find out which of the five categories best suited the customer and which location would serve them best. As a result of this system, business grew both in the short term, as customers found what they wanted, and in the long term, as satisfied customers kept returning.

In practice

Understand your clients. Who are they, and what do they want from your business? Customer feedback and surveys are useful sources of information to help you gather this information.

Segment your market. Divide your customers into meaningful groups based on their personality, demands, and other relevant factors. Brainstorm ways your product can be tailored to best serve the interests of these individual groups .

Assess each new client, to decide which of the “customer groups” they belong to—and then provide them with a more personalized service .Match all the elements of your offer—pricing and extras—to precisely meet the needs of each client segment. Ensure that people in your business understand, value, and tailor their work to satisfy each type of customer. Be prepared to add new groups as required.

The world is changing fast, and one of the greatest changes in human history has taken place without many of us even noticing—the changes that result from demographic developments. Understanding these changes can provide a secure foundation as well as significant business opportunities.

The idea

The idea is simple: by understanding demography, future opportunities and threats will be revealed. One global business that understands the significance of demography is HSBC, “the world’s local bank.” Understanding the composition of populations, how they will change, and what each group in society will want is vital for long-term success if you are running a wide range of businesses— and especially financial services. Consider this HSBC email sent from its website (www.yourpointofview.com) in 2007: Tell us what you think. Do you agree with 57% of Indonesians who see retirement as a time for rest? Or, like 58% of Canadians, do you see it as the start of a new career? With more of us living longer these days, it’s an issue that needs serious consideration. Especially given that, by 2050, 22% of the world’s population may be living in retirement.

HSBC is developing a dynamic business in life, pensions, and investments, but that is just the start. Demography is behind many changes within HSBC. For example, HSBC has responded to migration from Eastern Europe to Britain by recognizing that there is a demand among migrant workers for bank accounts and loans, even among people without a credit history in Britain, and immigrants also want to send remittances back to their families.

This was not an isolated incident but a major new market segment, and HSBC developed and marketed (in several languages) a product that did just that. The twentieth century saw unparalleled demographic change. Global population nearly quadrupled (from 1.6 billion in 1900 to 6.1 billion in 2000); there was the highest population growth rate (2 percent in 1969) and the shortest time for the global population to double, which it did between the administrations of American Presidents Kennedy and Clinton. This was

combined with unprecedented declines in mortality and fertility, significant international migration, and increased urbanization—resulting in the emergence of mega-cities. Clearly, demographic developments are changing the world around us.

The fastest-growing populations are in India, China, Pakistan, Nigeria, Indonesia, and Bangladesh. Populations will be older than ever before, with profound implications for welfare policies, pensions, taxation, employment, and spending throughout the affected economies of the developed world. Urbanization is widespread and rising. In 2006, for the first time in human history, global urban population exceeded global rural population.

This movement to cities, like much demographic change, will profoundly alter behavior and expectations.

In practice

Understand how demography might be affecting your key markets. What are the trends? Where are the opportunities and threats? Who are your customers now and who will they be in the future?

Large-scale information gathering and storing enables the provision of a high-quality, personalized service for each client. By adding value to your product, you can shut out competitors and ensure repeat business.

The idea

By applying information technology effectively, and training all of its employees to use information, the Ritz-Carlton hotel chain has, over the last 15 years, developed into one of the most successful luxury hotel chains in the world, providing customers with a highly personalized service. The Ritz-Carlton strategy was quite simple: to differentiate itself from its competitors by offering distinctive service and customer value at a competitive price.

What was uncommon, however, was the emphasis on several key principles, which were underpinned by a blend of strong leadership and the successful management and application of technology. These principles included: this, Ritz-Carlton spent years accumulating in-depth knowledge about its work processes, then combined technology with individual skills and innovation, which has enabled Ritz-Carlton to track individual customer preferences.

For instance, employees observe guests, record their preferences, and store the data on a company-wide information network. This enables other employees to reuse the information and provide the most personalized service available, leveraging their contact with the customer to shut out competitors.

When customers check in, they receive the room and location they prefer, and throughout their stay Ritz-Carlton supervisors scrutinize relevant

details for each customer so that they can personalize service, providing extra pillows, favorite beverages, preferred newspapers, and so forth.

The Ritz-Carlton approach is a great example of the power of mass customization—the ability to deliver rapidly, efficiently, and profitably a range of products and services satisfying each individual customer.

In practice

Utilize employees at every level within your company, as well as the benefits of technology, to listen to your market at a uniquely advanced level. Store information on clients in an easily accessible way, to ensure that a distinguished level of personalized quality is provided. Swiftly reorganize people, information, and processes when necessary in order to deliver the benefits of a highly customized and attentive service. Direct action should be taken by senior management to

harness the knowledge and ideas of employees to ensure consistent and high-quality innovation.

The idea

The word “innovation” conjures up the image of a process that is spontaneous, unpredictable, and unmanageable. The innovation literature abounds with stories of serendipitous discoveries and independent-minded champions doggedly pursuing an idea until they hit the jackpot. Often—as the stories stress—inventors worked in secret against the will of management. The archetypes of such innovators are Art Fry and Spence Silver, the 3M chemists who turned a poorly sticking adhesive into a billion-dollar blockbuster: Post-It notes.

In these cases, innovation proceeded in a bottom-up fashion, with ideas and the drive to see them through originating in labs or marketing outposts—not from the top of the organization. However,

to ensure consistent and high-quality innovation, the role of management is vital.

Senior management should take significant and direct action, using information and knowledge. The commercial development of the credit card is an example. In 1958, a research group at the Bank of America called the Customer Services Research Department, with the remit to develop potential new products, created the first credit card. This development was augmented later by seven bankers at Citibank who added further key features, including merchant discounts, credit limits, and terms and conditions.

This development did not occur in response to a market need: it emerged because people within the banking business used their knowledge and information. This included market-sensing abilities, understanding of customers, information and forecasts about economic and social trends, experience with similar product ideas (such as

installment loans), and knowledge about new developments in technology. A period of major innovation within the financial services industry followed, including ATM machines and the growth of internet banking. This type of innovation is markedly different from bottom-up innovation:

Chapter Three

SOCIAL NETWORKING

Regular meetings of key employees from different areas of the company will increase learning, improve strategy, remove boundaries, and increase group productivity. The improved “transparency” that results will make it easier to identify crucial areas of strength and weakness.

The idea

General Electric’s employees started to listen more attentively to CEO Jack Welch’s simple speeches on the company’s values following its

unprecedented restructuring during the early 1980s, which included divestments in over 200 GE subsidiaries and massive layoffs of around 135,000 people. The resulting company was considerably less bureaucratic, underlying the CEO's message of simplicity, candor, and transparent learning across boundaries.

To underline this, Jack Welch personally started a series of “work-outs” or “town meetings”—which were simply gatherings of key managers across functional and geographic boundaries—where difficult issues were discussed openly and candid learning was fostered around the CEO's leadership. As a result, there were fewer and fewer places to hide in GE's global managerial ranks throughout the 1980s.

Individuals who survived their CEO's grinding communications rituals were capable of passing on to others the simple message of simplicity, candor, and transparent learning across

boundaries. Most of Welch's social networking took place at GE's corporate university at Crotonville, where he reputedly spent over 50 percent of his time constantly coaching, and learning from others.

In practice

Reduce bureaucracy to increase the transparency and openness of your organization. Identify key employees across the business, and organize regular meetings to share ideas, report problems, and devise strategy. Use these meetings to assess workers: who is best at innovation and identifying problems, and who is weakest? Create a robust social network within your organization that can be used to transmit information and implement ideas promptly. This may involve bringing representatives from a wide range "departments" to meetings. For example, rather than holding separate meetings for IT employees and marketing employees, allow them to discuss ideas

together. This will give them a clearer idea of the challenges faced by the company as a whole.

Hold regular meetings of global managers, to ensure they are unified behind the initiative and understand how it should be implemented. Also, encourage global managers to meet with members of their business unit to inform them of the company initiative.

Provide incentives to managers to win their team members over—for example, by giving them performance-based rewards for their business unit's success in implementing specific initiatives.

ACHIEVING BREAKTHROUGH GROWTH

Established businesses often struggle to achieve industry-leading growth rates because their sector is mature or highly competitive, or because they become stuck in the rut of incrementalism. Firms become convinced that they need to compete in the same way as their rivals: minimizing risk,

maximizing resources, and making acceptable returns. There is another way: fundamentally reconceive what drives your profits, build a better business model, and achieve breakthrough growth.

The idea

Research by business school professors Rita Gunther McGrath and Ian C. MacMillan highlights how companies in a range of industries achieve exceptional growth (see *Marketbusters: 40 Strategic Moves That Drive Exceptional Business Growth*, published by Harvard Business School Press). The key is to revise your business, taking a new, different, and radical approach from that of your competitors and finding better ways to drive profits. It is essential to be flexible and creative, and to understand what customers value. Cemex transformed its small commodity business in Monterrey, Mexico, into one of the largest cement companies in the world through a radical

reassessment of what would drive profits. It has outperformed its international rivals, Holcim and Lafarge, in share price, operating margins, and return on assets.

Cemex moved from selling concrete as a product by the yard, to selling timely delivery of a commodity. Delivery was what mattered to customers: getting the right amount, in the right place at the right time, without workers waiting or the concrete spoiling. Using methods employed by Federal Express and ambulance crews, Cemex developed digital technology to manage the location and dispatch of its trucks. Now, Cemex uses GPS technology to guarantee delivery of ready-mix cement within a 20-minute window.

In practice

For Cemex, success was based on a cultural change across the business. This required a proactive approach to meeting commitments,

developing new ways of serving customers, and ensuring efficient operations.

Using the following techniques can achieve breakthrough growth: Transform the customer's experience and find new ways to meet their needs—Microsoft developed Office software, and whatever you think of their business it's definitely got the edge over typewriting! Transform the product or service offered to customers so it reflects what they value.

One approach is to compare your offer with competitors' by sorting product attributes into three categories: basic, differentiated, and exceptional. Then consider how to develop new advantages and strengthen existing ones to make your product exceptional. departed from the traditional method of selling their time to selling services on a “no win, no fee” basis. Capitalize on changes in your sector. For example, Amazon.com recognized the potential for the

internet to redefine retailing. Also, HSBC bank was the first to recognize that immigrants in Britain had specific banking needs (to repatriate funds from overseas) and circumstances (no banking history in Britain), and offered products tailored to suit this market.

A deep-dive process is a focused, team approach to developing solutions to specific problems or challenges. It is intended to harness the ideas of everyone in a team in a creative, stimulating, focused, energetic, fun, and useful way.

The idea

A deep dive is a combination of brainstorming and prototyping (where an initial potential solution is explored and developed). This is an approach that anyone leading a change initiative can use to identify actions that can move a business forward. A deep dive can be completed in an hour, a day, or a week. The main stages in the deep-dive process are: Building a varied team.

Defining the design challenge. Visiting experts. Sharing ideas. Brainstorming and voting. Developing a fast prototype. Testing and refining the prototype. Focusing on the prototype and producing a final solution.

In practice

IDEO, a prominent American design company, believes that there are several stages in deep-dive prototyping (for further information see *The Art of Innovation: Lessons in creativity from IDEO, America's leading design firm* by Tom Kelley and Jonathan Littman). Understand your market, customers, technology, and perceived constraints. Observe people in real-life situations. Synthesize and organize the key themes from the first two phases. Visualize: this often involves intensive brainstorming and discussion. Imagine new concepts and ideas around the main themes of the design. Prototyping is next, and this involves building ideas and physical brainstorming. Refine

and streamline your ideas. Again, brainstorm ways to improve the prototype and overcome obstacles, and narrow and focus your concepts.

Evaluate and prioritize your ideas, and decide how they will be implemented. Other valuable aspects of creative problem solving that may be applied when time is tight include: Trying first (and asking for forgiveness later).

Reducing, and virtually eliminating, hierarchy. Involving people, generating a sense of play, and working without boundaries .Being flexible about working arrangements .Accepting that it is all right to try and fail. Imposing a deadline, while allowing people the time to be creative.

MARKET TESTING

The finest place to develop a profitable business, and the best way of building success, is often

when you are already operating a business. Lessons can be taken directly from the market and your customers to give you an instant guide on what is working—and what isn't.

The idea

Julian Metcalfe and Sinclair Beecham founded the successful Pret A Manger chain of sandwich shops in 1986. It has gained substantial profits, been credited with “reinventing the sandwich,” and become familiar in Britain, New York, and Hong Kong.

Yet their business did not start out as a sandwich shop; the original store was an off license (liquor store) in Fulham, London, called “Hair of the Dog.” However, they soon realized this was not a winning formula. Although takings were high, the profit margin was not—Sinclair Beecham stated, “We decided there was more scope in low-priced, high-margin foods like sandwiches.” By listening to clients and having a bold readiness to

drastically alter the customer offering when necessary, they became successful. This was a lesson they learned firsthand while actively doing business in the market. Because any marketplace will always have a degree of unpredictability, the best way to learn the formula for a high-profit business is by “learning you go.”

This is not a lesson that Sinclair Beecham has forgotten. In late 2006, when preparing to launch the Hoxton, an innovative “budget luxury” hotel in central London, he commented, “The Hoxton is an experiment. We’ll see if it works. There’ll be things that we need to change, and we’ll listen to our customers if we need to do so.”

In practice

When starting a new business, do not expect to achieve a flawless formula instantly. No matter how much abstract preparation is done beforehand, there will always be lessons that can only be learned on the “shop floor.” Do not be

discouraged when problems are encountered.

View them not as obstacles or failures but as invaluable opportunities for learning. Analyze why they occurred, their significance, and their impact.

Be prepared to make drastic changes to your business. Although it can be tempting to hold onto a particular formula, it may have to be altered, or in extreme cases discarded, for a more profitable alternative. Combine abstract learning with hands-on experience. The two concepts do not have to be mutually exclusive.

EMPOWERING YOUR CUSTOMERS

The importance of providing information to the client should not be underestimated. Information encourages customers to buy and to get the maximum out of the service being provided. Conversely, businesses should be eager to accept information from the consumer in the form of customer satisfaction and feedback surveys.

The idea

From 1989 to 1991, Ryder—the largest truck-leasing business in the world—suffered a steady decline in its business and slipped to second place in its core American market. To address this problem, Ryder recognized the need to use information more effectively to serve customers. Its approach highlighted three key influences affecting current and potential customers:

The need to help customers buy: for example, by producing a brochure explicitly explaining why they should buy Ryder's insurance, as well as providing another brochure offering other supplies and accessories.

Ryder recognized that customers would want to compare products with those of competitors, so it produced a truck comparison chart, highlighting its competitiveness and reassuring potential customers. The need to help customers use the service: Ryder provided a free guide to moving to

every customer and potential customer, published in Spanish and English.

The need to help customers to continuously adapt their usage: as well as ensuring that each outlet was well ordered, displaying a strong sense of corporate identity and commitment to customer service, Ryder ensured that there were additional products and services available at its outlets. These included information about the advantages of using Ryder's towing equipment and details of longer-term discount rates.

The benefit of these measures to customers was closely monitored with a customer satisfaction survey, prominently placed in each truck cab. Apart from checking customer satisfaction, they highlighted Ryder's renewed commitment to service, enhancing future sales prospects. This approach contributed to Ryder's ability to turn around its business.

In practice

Ensure that existing and potential customers have easily available information about the various services and benefits your company offers. Collect feedback from clients to ensure their satisfaction and to present an image of your company as customer focused. Enable customers to use your product—provide them with instructional information, ideas, online guides, people to talk with—anything that will empower the customer and help them adapt your product to their needs. Instead of allowing other companies to eat into your market, consider bringing in new products to compete with your existing ones.

This may sound like suicide, but handled expertly it allows you to remain on the cutting edge and ahead of the competition.

The idea

When there is a limited market for a particular product or service, any new competitors may

consume the market. A possible response to counter this is cannibalization—bringing in new products to compete with your existing offering. This is a tactic used by a surprisingly large number of businesses, from the café franchise Starbucks to the technology manufacturer Intel. Starbucks' well-known tendency to open branches within minutes of each other represents a fierce desire to keep competition at bay.

Even though these branches will be competing with each other for a limited number of clients, Starbucks has recognized that this is preferable to competing with other potential market leaders, such as Costa Coffee and Caffè Nero. Manufacturers of computer hardware and software, such as Apple, Intel, and Microsoft, are other well-known examples of cannibalization. By regularly bringing out upgraded versions of their products (faster computers or more virus-resistant software) they not only remain at the cutting edge of the industry; they also persuade

customers to purchase new products, and allow less room for competitors to encroach into their market.

This works well in fickle markets with limited loyalty (for example, Starbucks may feel that people wanting a coffee may be prepared to get it from anywhere). It also works when people want, for whatever reason, to keep up to date—for example, with the latest technological developments.

In practice

Judge market conditions in order to decide precisely when to cannibalize a particular product. Developing a product often takes time and money—if the existing product is highly profitable and not at risk from competitors, postpone the introduction of a new offering to a time when it is necessary or desirable. Cannibalize when it is anticipated that a competitor will introduce a potentially popular new product. When sales are

stagnating, cannibalizing your older products with more cutting-edge offerings can radically stimulate overall sales.

Do not be afraid of competing with yourself. Although it may seem daunting at first to risk cutting off the market for your older products, it should be recognized as a positive way to handle the cut-throat, dynamic nature of modern business. Also it will force you to innovate and overcome complacency

INCREASING COMPETITIVENESS

Competition requires a large amount of effort and business acumen: most businesses will, at some time, have to face circumstances that are exceptionally challenging and strenuous. There are a number of tactics and techniques that can help guide an organization through troubled times.

The idea

Many organizations are familiar with the challenge of maintaining productivity and profitability when the industry is threatened—whether that threat comes from global unrest, supplier shortages, or simply the presence of increasingly threatening competitors.

Among notorious examples of companies that have been unable to cope with such challenges, the case of Air France is a refreshing success story. The example of Air France is all the more impressive given the significant, continuing pressures faced by the airline industry.

In common with other established carriers in Europe and North America, it found traditional markets threatened by increasing security concerns, the downturn in the airline industry, and the rise of low-cost carriers. To remain competitive, Air France paid special attention to four techniques: Constantly looking at all competitors: this keeps the business lean and

focused on what matters. In France, there has been an established lower-cost competitor since 1981—the TGV high-speed train.

This has meant that many of the disciplines needed for competing with low-cost operators have been developed over many years. Using all available resources: competing has meant employing all of the assets and advantages that a big industrial carrier has in order to counter low-cost operators—including brand, market position, and operational strengths.

Often a competitor's strategy is to build market share with temporary low prices and then to raise them. An active and patient approach can help to reduce or remove the threat of competitors.

In practice

Actively communicate your brand values—what it is that makes your organization and product special and preferable .Benchmark your business against other organizations. Meet with customers and understand their perceptions and needs.

Understand, strengthen, and preserve the causes of success in the business. Find out why customers prefer you to your competitors. Review competitors' strengths and weaknesses regularly. Develop an action plan that, over time, will minimize these strengths and exploit weaknesses. Develop and refine products and the tactics used to sell, taking into account your understanding of the competition.

By setting up in “industry centers” where similar businesses are clustered together, firms gain instant access to a large and varied range of benefits.

The idea

The idea of clustering seems counter-intuitive. It suggests that firms should pay high real estate prices to be positioned close to their competitors. Although there are many businesses that prefer cheaper real estate further from the threat of competitors, clustering is surprisingly common in many industries.

From the shops of Oxford Street in London to the technology companies of Silicon Valley, clustering has a far-reaching appeal. The benefits of clustering are particularly relevant to new businesses.

It affords easy access to an already established network of customers, suppliers, and information. It can also help build reputation—it encourages customers to associate your organization with the other respected and long-established businesses in the area.

Clustering is also a blessing for the firm in a highly competitive industry, like selling cars. While it remains easier for customers to choose your rival over you when it is positioned next-door, a company with a truly superior, competitive offering has little to fear from this. One of the most famous examples of clustering is the entertainment industry of Hollywood, where freelancers and small firms prospered by locating near the studios.

Further north there is the example of Silicon Valley—a cluster of technology companies benefiting from the pool of talent in nearby universities.

Although clustering raises a number of challenges for any business to overcome, an innovative, efficient, and dynamic company will be able to turn these challenges into unrivaled advantages.

In practice

There are often a number of industry centers for a particular product; use careful research to decide which one best suits your business. Ensure your customer offering is truly competitive—the direct contrast with rival companies provided by clustering will only benefit companies with genuinely superior products.

Highlight where you are and emphasize how your products are superior. Take advantage of the increased access to cutting-edge industry information—this can range from regional publications to “neighborhood gossip.” Remember that clustering is not suitable for all companies—consider your overall business plan and the nature of your business before deciding where to locate.

HIGHLIGHTING UNIQUE SELLING POINTS

The idea

The idea of a “unique selling point” seems to underpin the very nature of competition. It suggests that every product should have an effective, direct, and easily summarized “selling point” that appeals to the customer and is not shared by competitors.

Yet surprisingly few businesses have actually employed this idea, content merely to meet the industry standard without surpassing it, relying solely on market momentum for profitability. This approach was rejected by Tesco—Britain’s largest retail chain—which decided instead to go the extra mile for market superiority.

It took the decision to remain open 24 hours a day, becoming the first British supermarket to do so. Tesco also introduced a number of other USPs—including the promise to open checkouts for customers if there was more than one person in front, and providing a complimentary bag-packing

service (a service that is still a rare concept in Britain). As well as “practical” USPs there are “emotional” USPs. While they may not seem to provide a practical advantage to the customer, they enable businesses to differentiate themselves and their products by using marketing to trigger emotional reactions in prospective clients.

These reactions include the desire for status or a feeling of success. Luxury car manufacturer Mercedes-Benz is a prime example.

Although its cars feature many practical advantages, it is arguable that its mainstream success is due to people with limited knowledge of cars and a desire to project a certain image of themselves in society. Constant striving for USPs is what drives an industry forward, prevents stagnation, and benefits both consumers and the profits of successfully differentiated organizations.

In practice

Recognize that your USP may well have to be dynamic and quickly changing. If it is successful, it is likely that competitors will begin to mimic it. Innovate to find new USPs and remain ahead of the competition. Find out what it is that your customers value most, currently lack, and will pay for—and develop this as your USP. This may be the product’s benefits to them, its price, or the service they receive.

Offer the highest quality: this can ensure your product gains both a practical USP and an emotional, status-oriented USP. Offer the widest choice—this can involve specializing and segmenting your market.

Chapter Four

THE EXPERIENCE CURVE

Increases in production allow workers to become more experienced—and firms with experienced workers are able to reduce their costs and increase their revenues.

The idea

In the mid-1960s, Boston Consulting Group (BCG) noticed that a manufacturer of semiconductors was able to cut unit production costs by 25 percent every time it doubled its production level. It was concluded this was because the workers gained valuable experience, which allowed them to become more efficient. A slight variation of the traditional “economies of scale” principle, the idea’s emphasis on employee experience has a range of broad, strategic implications that should be taken into consideration when deciding which workers to hire and how much to produce.

However, the effects of the experience curve are not universal to all companies and industries. Although it is generally estimated that a cost reduction of 20–30 percent will occur when experience doubles, there are many firms that

deviate from these figures, with some only gaining a cost reduction of 5 percent.

This is thought to be because different production processes provide different opportunities for gaining experience. It is also not feasible for many firms to drastically increase their production levels when there is a fixed demand for a product or when the production process is highly time-consuming and complex. It should also be noted that some firms simply do not have the resources to increase their production.

Nevertheless, the experience curve has valuable lessons for every company, even those that cannot actually increase production. Experience can be gained secondhand, through books, videos, and “mentoring” by individuals who are already experienced. Alternatively, firms can hire workers that are already experienced veterans of their industry (although it is usually necessary to pay higher salaries to such workers). Also, businesses

that are currently inexperienced can use innovation to bring out new products, change market preferences, and render a competitor's experience obsolete.

In practice

Encourage employees to view their job as an active learning experience. Recognize when it is not appropriate to increase your production—if your demand is fixed, then increased output will lead to wastage. Avoid high employee turnover by finding out why people leave. Provide opportunities for workers to gain secondhand experience (for example, through reading and teaching) as well as firsthand experience in the production process.

THE EMPLOYEE– CUSTOMER–PROFIT CHAIN

Sears provides one of the best examples of employee practices connecting directly with organizational performance. The employee–

customer–profit chain (a variation on the service profit chain) makes explicit the links between cause and effect. By enabling employees to see the implications of their actions, it can change the way people think and the results they achieve.

The idea

Traditionally, managers focus on results. However, this data is historical. What is really required for market leadership is an emphasis on managing value drivers (the aspects of the business that make the greatest difference and provide most benefit to customers).

Of these value drivers, employee retention, employee satisfaction, and employee productivity significantly affect customer satisfaction, revenue growth, and profitability. This is highlighted in the diagram of the service profit chain opposite.

In the early 1990s, senior executives at American retailer Sears realized that future performance was not going to improve simply by developing a

different strategy or adjusting marketing plans. Following significant losses, executives focused on three issues: How employees felt about working at Sears. How employee behavior affected customers' shopping experience.

Sears asked 10 percent of its workforce how much profit they thought was made for each dollar of sales. The average answer was 46 cents, whereas in reality it was *1 cent*. This highlighted the need for employees, especially those at the front line, to better understand the issues determining profitability.

Sears' approach was to develop the employee–customer–profit model (ECPM), making explicit the chain of cause and effect. Because employees were better able to see the implications of their actions, it changed the way they thought and acted. This, in turn, was reflected in bottom-line performance.

The Sears approach to creating an ECPM (which is a specific version of the service profit chain) started by devising a set of measures based on objectives in three areas: making Sears a compelling place to work, a compelling place to shop, and a compelling place to invest. For the top 200 managers at Sears, incentives are based on total performance indicators (TPI)—which include non-financial and financial measures. One-third on employee measures—attitude about the job and company One-third on customer measures—customer impression and retention One-third on financial measures—return on assets, operating margin, and revenue growth.

As a result of the employee–customer–profit chain, managers at Sears are recruited, promoted, and appraised on the basis of 12 criteria: Customer service orientation. Initiative and sense of urgency. Business knowledge and literacy. Problem solving. Developing associates and valuing their ideas. Team working skills. Two-

way communication skills. Valuing diversity. Empowerment skills. Interpersonal skills. Change leadership. Integrity. into three areas—the three Ps: passion for the customer, performance leadership, and people adding value.

In practice

Find opportunities for managers and marketing professionals to share customer data. HR has data about what motivates and engages people, while marketing has insights about external customers' needs. Develop a process that manages the causal links between factors. Blend intuition and common sense with sound statistical analysis. Understand the elements of workforce success—what makes employees productive, effective, and willing to use their initiative to achieve the organization's goals.

Awareness of these issues and how they can be applied provides HR with another essential role in ensuring the firm's commercial success. Make

sure that measures are not over-complicated or excessively elaborate, when what is needed is a practical, robust, and informed approach.

MEASURING EMPLOYEES' PERFORMANCE

Recent research suggests that the average company spends 40 percent of its revenues on people-related expenses (human capital costs), and 92 percent of financial directors think human capital has a “huge” impact on customer satisfaction and profitability. However, only 16 percent of companies have any real idea of the return on human capital investments. The solution is to measure the direct return on your investments in people.

Watson and Wyatt's *Human Capital Index* highlights the impact of people management practices, with five issues directly affecting profits: Total rewards and accountability. Collegial, flexible working place. Recruitment

and retention. Open and honest communications.
Focused HR service technologies.

One approach to measuring the link between investments in people and performance is provided by B&Q's "Employee Engagement Program." This prioritizes employee engagement and customer loyalty. Every manager has a regular, one-page report summarizing their performance in two areas: *managing human capital* and *managing traditional finance measures*.

As a result, employee turnover reduced from 35 percent to 28 percent (each percentage point of attrition costs at least £1 million), and profits increased, with turnover per employee rising from £87,000 in 1998 to £106,000 in 2002. The role of the finance team is central to the success of the process: designing, funding, and managing the program. Other features of the program include close liaison between HR and retail operations,

objective measurements directly focusing actions on enhancing performance, and staff commitment to the program.

In practice

Recognize that including “people” measures in an overall corporate scorecard raises the profile of human capital and ensures management focus.

There is a connection between strong people practices, increased customer satisfaction, and financial results. Choosing the right HR measures means finding the link between motivating staff and achieving vital business outcomes—including issues as diverse as product innovation, safety, and customer satisfaction. Ensure top-level commitment to finding out and using this information. Provide active support for front-line managers. Recognize the importance and impact of discretionary behavior.

Chapter Five

BRAND SPACES

Developing stylish areas that are decorated and designed to appeal to your target market, even if they do not sell your core products, will reinforce your image and help customers appreciate the distinctiveness of your products and brand.

The idea

One of the trendiest new ideas in marketing, brand spaces advocates creating stylish spaces—perhaps a bar, art gallery, lounge, or exhibition hall—that may not be directly related to your main product but where individuals are immersed in your brand image. Practiced by leading companies such as Apple, ING Direct, Kodak, Google, and Nokia, there has been a dramatic increase in the number and quality of brand spaces.

French car manufacturer Renault uses brand spaces with a high level of commitment and panache, running four brand spaces in Buenos Aires, Bogota, Mexico City, and Paris. Its latest

project, the Terrasse Renault in Mexico City, is impressively designed, and centers on “a bar with wooden latticing, through which visitors can glimpse the Renault zone, where car prototypes are exhibited.” Occupying prime real estate in global cities and offering gourmet cuisine, art galleries, and seamlessly blended marketing, the Renault brand spaces are characteristic of the concept. Renault describes its brand spaces as “hosting artistic, cultural and sporting events in keeping with the brand’s universe to reinforce Renault’s energy and identity as a visionary, warm and innovative brand.”

The innovative design of brand spaces includes Nokia’s “silence booths” for people seeking temporary quiet and calm at music festivals; Coca-Cola’s “Red Lounges” designed to provide multimedia experiences to teenagers in malls in Illinois and Los Angeles; and Microsoft’s Xbox 360 Lounge in Tokyo incorporating VIP rooms,

multimedia opportunities, and even Xbox-themed mixed drinks.

With an increase in lifestyle brands, brand spaces can reinforce your organization as part of an idealized culture and aesthetic that is sculpted to the tastes of your target demographic. Brand spaces help sell directly and indirectly. They also build the value of your business by generating understanding of—and affinity for—your brand.

In practice

Consider where your target demographic market would choose to go to enjoy their free time and use your brand space to create an idealized version of it. Recognize the variety of options you have when creating a brand space; focus on individuality. Remember that the aesthetic and physical design of the brand space is usually vital. Choose which specific aspects of your company's service and image will be portrayed in the space. Provide a range of activities for visitors to enjoy.

Decide what the emphasis of your brand space will be—for example, convenience, culture, excitement, or relaxation. Choose your location carefully—whether you choose an airport, shopping center, music festival, or simply a city street to be home to your brand space, is the first step to ensuring the project is a success.

BEING SPACES

Creating places where people want to be—whether to socialize, relax, or simply carry out everyday activities such as reading or working—can become a profitable product.

The idea

At first glance, this concept appears similar to “brand spaces.” However, there is a crucial difference: “being spaces” make the idea of a desirable social setting the chief selling point and core product—a fundamental aspect of the business. Being spaces are particularly popular in cities where cramped apartments, claustrophobic

offices, and sometimes unsafe public areas prompt people to seek a more relaxing change of scene. Trend Watching, an organization documenting consumer trends, described the concept of being spaces as “. . . urban dwellers trading their lonely, cramped living rooms for the real-life buzz of commercial living-room-like settings, where catering and entertainment aren’t just the main attraction, but are there to facilitate small office/living room activities like watching a movie, reading a book, meeting friends and colleagues, or doing your admin.”While many successful businesses, such as coffee house franchise Starbucks and book retailers Borders, blend the idea of a being space with other products, there is an increasing number of businesses devoted to providing customers with nothing other than simply a place to be. Paragraph NY is one such company.

With monthly memberships from \$100, it provides a 2,500 square foot loft space near Union

Square divided into a writing room and a lounge area. Members can work in library-style cubicles or relax and socialize with other members—a modern home from home.

In practice

Design the space carefully and functionally—emphasize style and comfort, and use soft furnishings and room dividers to absorb sound, ensuring your being space remains convivial and relaxed. Provide opportunities for both socializing and relative privacy within the space .Consider raising revenue by selling advertising in the being space. While you should not allow advertising to compromise the aesthetic feeling, sophisticated, cutting-edge, and carefully placed adverts can enhance customers' perceptions and be useful. Even if you do not wish to have a being space as your primary business venture, you can incorporate some of the principles into your business to entice potential customers.

INCREASING ACCESSIBILITY

By offering flexible opening hours, businesses can differentiate themselves and attract customers with varying lifestyles.

The idea

As society changes, lifestyles have developed and diversified. An increasing demand for convenience and freedom has overtaken the market in recent years, providing competitive advantage for corporations that cater to the demands of the 24-hour consumer.

By remaining open for business 24 hours a day, there is the obvious potential of increased trade. Slightly less obvious is the advantage of building a perception among your customers of being different, customer-oriented, and convenient. It is also an opportunity to attract customers that may not have used your store, as you may be the only business open. These new clients may then

continue visiting your business even when other competitors are open.

British retail giant Tesco employed this strategy with impressive results. The only British supermarket to remain open 24 hours a day, it broke from its close rivalry with other chain stores to gain a convincing lead within the market.

This technique has also been employed by a range of other companies courting customers with disposable income and difficult schedules—certain London estate agents (realtors) offer a late-night service for busy individuals. Don't be put off by a lack of a “standard schedule” for your customer—use it as an opportunity to prosper in the “24-hour society” by becoming a 24-hour business.

In practice

If your organization is unready or unsuited for the move toward all-day trading, it is possible to choose only select areas of your business (such as

customer service) that will remain open 24 hours a day. Using a skeleton staff and minimizing operations can cut costs during times you are open but not conducting much trade— such as late at night or early in the morning. Ensure a positive experience for customers, even at the times when using a skeleton staff. The quality of their experience will decide whether they return in future.

Be flexible—for example, many businesses comply with British Sunday trading laws by opening early for browsing but not allowing any actual purchases until the legally permitted time. Offering 24-hour opening can be challenging for smaller firms, but it is possible to accommodate complex customer schedules by simply offering flexible opening hours.

PARTNERING

With commercial partnerships, firms can pool resources and achieve complex goals that might otherwise have been out of their individual reach.

The idea

By organizing a corporate partnership it is possible to use your competitor's resources—such as transport networks, physical structures, raw materials, knowledge, and customer reputation—to realize the full potential of an ambitious idea that would otherwise rely on your acquiring an unfeasibly large number of new resources. Such deals can be negotiated either by giving partners a share of profits, or by arranging a mutual relationship where they are allowed to use your resources in return.

One world Alliance—a partnership between ten major airlines (British Airways, Cathay Pacific, Finnair, Iberia, LAN, Qantas, Japan Airlines, Malév, Royal Jordanian, and American Airlines) — utilizes corporate partnerships to offer a

service they could not provide separately. The service is an inclusive, low-cost round-the-world fare where customers pay a one-off fee to travel to a wide range of global destinations.

Because customers can travel on any airline within the One world Alliance, the scheme offers the customer the opportunity to travel to over 600 destinations in 135 countries. This highly successful service provides a helpful method of complying with the restrictive rules in the aviation industry governing ownership of airlines, in a way that benefits customers.

In practice

Avoid any unethical or illegal business practices that can be associated with corporate partnerships, such as price fixing. Assess, in depth, the specific terms and implications of the partnership agreement. Will your partner get more out of it than you, and is it worth your while?

Be wary of forming partnerships in situations that will allow your rival to benefit at your expense, gaining the resources to out-compete you in other areas of the industry. Structure and plan the partnership process carefully— negotiation, communication, and integration are vital, especially in the initial stages of an alliance.

Be ready to expand the alliance to a range of other companies when desirable to do so.

BUMPER-STICKER STRATEGY

A firm should be able to summarize its business and approach in a single concise statement.

The idea

Quick and effective communication is viewed by many as a cornerstone of modern business. In light of this, it seems natural that many organizations have developed a way of summing up the most important aspects of their business in a memorable and impressive “bumper-sticker”

tagline. Notable examples of organizations that use this tactic include: *Virgin*: “Debunk the establishment, business as fun.”

This statement reinforces the company’s image as rebellious, confident, and daring within the corporate world. *BMW*: “The ultimate driving machine.” Underlining its status as the most superior luxury-car brand, BMW strives to appear as the most impressive option in a competitive market where status is vital. *Federal Express*: “Guaranteed overnight delivery.”

Showing off its core competency and proposition in three words, this statement reminds customers of its reliability and speed, while reminding employees of the importance of timely delivery. The benefits of a good bumper-sticker slogan are not just in winning over customers—it can be useful for communicating with employees too. While the examples mentioned were for entire

companies, they can be used at all levels within an organization, and adjusted for different teams, departments, and strategic initiatives. This helps teams work together toward a common goal, as well as clarifying complex sales campaigns so they can be fully understood. Bumper stickers also help salespeople understand which points to emphasize. Customer-focused taglines cement your brand's image among your consumer base, capture their attention, and remind them of the quality of your services. Make sure you have one for your business or job.

In practice

Decide which specific aspects of your product offering or corporate strategy should be emphasized in the tagline. Work it into your company's advertising, wherever possible. It should come to be symbolic of your firm's values and services. Show a clear differentiation from your competitors. Promise value. See it from your

customers' point of view—have you clearly outlined the advantages for them?

Consider what is unique about your business organization that will allow you to carry out the strategy in a superior way to your competitors. Ensure employees are committed to the goal and take it to heart. Personal qualities such as instinct, experience, and intuition can be used to defy market research and create a previously untapped niche in the market

The idea

Market research is often hailed as the main factor that should drive decision making. However, instinct, personal experience, and intuition are just as vital, especially in difficult times.

This was recognized by Bob Lutz, who, as president of Chrysler during the late 1980s, found sales in America and abroad weakening. Critics claimed the organization was uninspired and lagging behind competitors. Bob Lutz believed

the answer was to develop an innovative, exciting car. Stylish, with a powerful ten-cylinder engine and five-speed manual transmission, the Dodge Viper was given a premium price of \$50,000.

Many advised that no American-made car would become popular at such a high price, and that the investment would be better spent elsewhere. Lutz's idea was based on nothing more than personal instinct, without any significant market research. He had to overcome considerable internal opposition, as this approach to decision making was not typical at Chrysler. However, the Dodge Viper proved to be a massive commercial success, even appearing in a number of video games as an elite racing car.

It changed the public's perception of Chrysler, halted the company's decline, and boosted morale. Bob Lutz's belief that the radically different Dodge Viper was the right decision for Chrysler was a triumph of instinct over

rationality. Arguably, though, the decision was entirely rational. When threatened with stagnating sales, a lackluster brand and competitive pressures, what else was there to do except throw the rule book away by innovating and connect with customers by “wowing” them? Bob Lutz may have reached his decision through instinct,

but it was his experience that told him which rules to apply.

In practice

Differentiate yourself from competitors by basing decisions on personal experience and instinct rather than typical market research or other rational methods.

The idea

Beware organizations that feel a need to proudly tell you about their character: they may be speaking too soon, or just too much. For example,

Enron had posters proudly announcing its integrity right up to the moment its senior managers were indicted and implicated in one of the worst ever corporate scandals. Similarly, when a politician (or anyone) says “Trust me,” that’s usually the last thing you would want to do.

To its great credit, one business that probably does not think of itself as a learning organization is the international publisher Pearson, yet that is exactly what it is becoming. Pearson has a host of impressive, world-class brands (including the *Financial Times* and Penguin), and this ensures it can invariably attract the brightest and the best.

Yet despite its great heritage, brands, and people, there is no air of complacency, just a keenness to learn, and a tireless desire to collaborate, develop and improve.

Working with Pearson is a little like working with an Olympic athlete: it is good and it knows what it can accomplish, but it is still striving hard to get

even better and do even more. This is a fundamental aspect of great organizations, yet it can often be lost or forgotten, with potentially disastrous results.

Being a learning organization, however, means more than just wanting to improve. Renowned business writer Peter Senge views a learning organization as one “Where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together.”

In practice

Senge believes that five disciplines are central to learning organizations. Consider which of these five vital aspects of learning could be improved within your business:

Systems thinking is the ability to comprehend and address the whole, understanding the

interrelationship between the parts. One of the key problems with many businesses is that they apply simplistic frameworks to what are complex systems. We tend to focus on the parts rather than seeing the whole, and fail to see organization as a dynamic process. So a better appreciation of systems will lead to more appropriate action.

Personal mastery is the ability to clarify our personal vision, focus our energies, be patient, and display objectivity. People with a high level of personal mastery are continually learning, they are acutely aware of their ignorance and their growth areas, and yet they are also deeply self-confident.

This seems paradoxical, but for people with personal mastery the journey is seen as the reward. *Mental models* are deeply ingrained views, assumptions, and generalizations that influence how we understand the world and how we act. Using mental models starts with looking

in the mirror: learning to unearth our internal pictures of the world, bringing them to the surface, and holding them rigorously to scrutiny. It also includes the ability to carry on “learning ful” conversations that balance inquiry and advocacy, where people expose their own thinking effectively and make that thinking open to the influence of others. *Building a shared vision* means developing a shared picture of the future. Such a vision has the power to be uplifting, encouraging experimentation and innovation. Crucially, it can also foster a long-term perspective. What is needed for success, however, is an ability to translate a vision into a clear, practical set of principles and guiding practices.

Team learning is the final aspect of organizational learning, and is defined by Peter Senge as “the process of aligning and developing the capacities of a team to create the results its members truly

desire.” It builds on personal mastery and shared vision, and recognizes that people need to be able to act together. When teams learn together, Senge suggests, not only can there be good results for the organization, but members will develop their skills more rapidly.

Chapter Six

REINVENTION

By reviewing, rethinking, and adding flair to existing services, it is possible to develop successful aspects of a business idea while replacing others with dramatic new enhancements. In this way, old services can be reinvented, and consumers can be kept longer and sold more.

The idea

Innovation doesn't have to be all about invention. A healthy dose of reinvention can drastically alter a market and change customers' expectations. By

analyzing familiar operations and experimenting with and improving the formula, it is possible to radically alter key areas of the business model while still maintaining core aspects of the formula's original appeal.

This spirit of reinvention is evident in a project by the Vauxhall-sponsored group of experts in style, design, and technology—known as the VX Collective. The creative collective is aiming to create the “service station of the future”—a roadside stop that provides environmentally friendly fuels, gourmet food, and attractive interior design.

This marks a clear departure from traditional UK roadside service stations, visited mainly for their “greasy spoon” food outlets and restroom facilities. While the VX Collective is taking a distinctly fresh look at this formula and aiming at a broad customer base, it is maintaining the key aspects of the business model: occupying a busy

roadside location to provide refreshment and fuel to travelers. Although this project is still in its early stages with many practical hurdles to overcome, it highlights the idea that a new approach and new style can breathe new life into an old and long-established formula.

In practice

Decide exactly which aspects to keep and what you want to change. Decide whether you wish to alter the formula to appeal to a new target market, or whether you wish to simply make it more attractive to the existing market. Put careful thought into why you are making a particular change and how it will appeal to its target market. Market research can be a rich source of ideas for reinvention. What do customers dislike about the existing services available to them, and what alterations would they most want to see? Be clear about the business impact and benefits, as well as

understanding what needs to be done to ensure success.

CORPORATE SOCIAL RESPONSIBILITY

By making decisions that take into account potential social and environmental issues, companies can increase their popularity and revenue while decreasing hostility from regulators and local communities.

The idea

Although the benefits of corporate social responsibility (CSR) have long been known by community-minded companies, recent years have seen a dramatic increase in businesses focusing on their social responsibility, with everyone from organic food companies to clothes retailers realizing the advantages of being welcomed and accepted in the communities they serve. Organizations such as the Co-operative Group and cosmetics retailer.

The Body Shop have built their businesses on a foundation of CSR. Consequently, they have gained a strong reputation of “ethical” business practices that differentiates their brand. Other companies such as oil firms and tobacco companies that have traditionally been associated with issues such as pollution or ill health have engaged in overt ethical initiatives.

However, unless these initiatives are sincerely reflected throughout the organization, they can be no more than a publicity stunt to divert attention from unpopular activities.

CSR can provide companies with a “license to operate.” By acting as good corporate citizens they can avoid interference from governments and ensure they remain welcome. It has become an essential element of risk management strategy—a well-respected brand cultivated over decades can be destroyed rapidly by a CSR scandal.

In addition to persuading society of your ethical credentials, CSR can build your reputation for integrity and best practice. It is also a powerful tool to ensure employees have a strong personal commitment to your organization, as well as providing a competitive edge when recruiting new workers in a competitive job market.

In this way, you can attract the best workers to maintain your corporate ethics in the future. However, CSR is not a quick fix: firms should not do it for narrow commercial gain, they should do it because they believe in it, and in the end we all benefit.

In practice

Make the most of your CSR initiatives by surrounding them with publicity—emphasize your credentials and the depth of your approach. If you are unable to make large and grand gestures in the name of CSR, remember that even small initiatives can still be surprisingly valuable.

Conduct market research to understand the ethical issues that are most significant. Carry out general research of your industry and location—remain in touch with the concerns of governments, local citizens, and the current social climate.

Subject your business to a thorough, in-depth analysis. It may be possible that you are causing harm to society without intending to do so (or even realizing that you are).

Be aware of cultural differences. What some societies consider to be an ethical practice, other cultures may find questionable. Above all, practice what you preach. If your organization talks about being socially responsible, it is essential to follow through.

KEEPING YOUR PRODUCT OFFERING CURRENT

Maintaining awareness of the latest market news, consumer concerns, and cutting-edge

technologies will stimulate sales and build a loyal client base.

The idea

One of the most effective ways to keep your company current and cutting-edge is to cultivate an awareness of changing consumer concerns. Understanding your customer is vital to good business, but clients are not fixed in their desires. Their needs and wants change regularly, and for a variety of reasons—to claim you are truly at the forefront of your industry you must maintain knowledge of, and cater to, these changing demands. Subaru's 2006 marketing strategy is an impressive example of this—every buyer of selected new Impreza, Forester, and Legacy models received £3,000 worth of free fuel vouchers.

Customers who purchased any other model in the Subaru range received £1,000 worth of vouchers. This deal, not offered by any of its competitors,

connects with the widespread global concern of rising fuel prices.

Instead of offering a traditional reduction in price to stimulate sales, Subaru understood the changing needs and concerns of its clients, and used this to create a truly enticing price incentive. By blending innovation with a willingness to react to the latest market developments, it is possible for businesses to prosper in volatile environments.

In practice

Talk to your current and potential customers.

What do they value? What are their concerns?

What do they want? Find out what businesses in other industries are doing to attract customers.

Ask people at all levels of your business, including the “extended family” such as retailers or distributors, how they would keep the product appealing. Plan a series of product enhancements and sales initiatives. A constant series of

incentives to buy is better than a desperate splurge (or a complacent lack of activity). Be prepared to test a range of ideas and initiatives. Find out what works best, where and why, and see whether it can be replicated elsewhere.