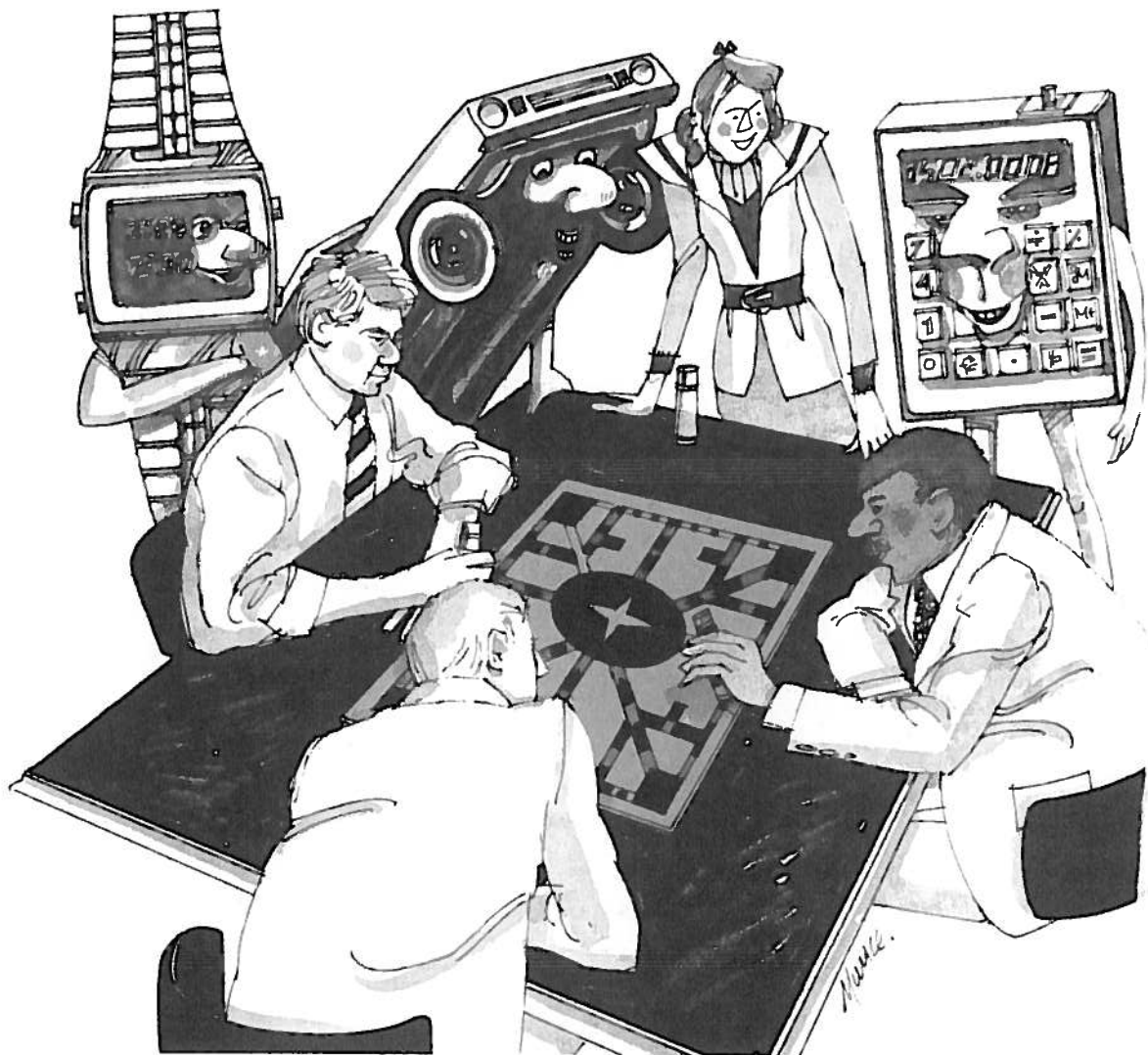




How to win the market-share game? Try changing the rules

ROBERTO BUARON

Roberto Buaron, a principal in the New York office of McKinsey & Co., focuses on the area of strategic management, primarily for technology-based companies. The author gratefully acknowledges the assistance of his colleagues Mary Miller and Purnendu Chatterjee in the preparation of this article.

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IN 1972 TEXAS INSTRUMENTS, building on new solid-state technology it had developed as a supplier of semiconductor chips to manufacturers such as Canon and Bowmar Instruments, introduced its first low-priced hand-held calculators to the consumer market. Competition heated up quickly as a flock of desk-top calculator manufacturers—Hewlett-Packard, Casio, Commodore, Sanyo,

and Toshiba—and semiconductor producers such as Rockwell and Litronix scrambled for shares of the burgeoning personal calculator market. By 1977 personal calculators had eclipsed desk calculators as the sales leader.

The competitive carnage had been awesome. Bowmar, which had held 50 percent of the consumer calculator market five years earlier, had

If the conditions are right, a company may be able to successfully capitalize on its unique strengths and catch competitors off guard, thus turning an also-ran into a market leader.

abandoned the calculator field; so had Rockwell and Litronix. Hewlett-Packard had retrenched into the high-priced scientific segment of the market; Commodore had switched its market emphasis to Europe; Sanyo and Toshiba had retreated to the desk-top market. Three major producers controlled 60 percent of the market—and Texas Instruments, a newcomer five years earlier, had the biggest share of all. It still dominates the market today.

Changing the rules

TI triumphed by using its new technology to bring calculator prices down within the reach of a much broader consumer population and by adopting, at the same time, a totally different design and distribution philosophy. It boldly invaded an unfamiliar market and proceeded to play by a different set of rules. To do so, TI management had to stake substantial resources for a considerable period of time. Fortunately, it was prepared to stay with the bet.

In 1975, Savin Business Machines Corporation, with \$63 million in revenues, was a minor factor in the American office copier market, dominated by giant Xerox, with domestic copier revenues approaching \$2 billion. Four out of five plain paper copiers (PPCs) in use in the United States bore the Xerox name. In November 1975, after five years and \$30 million of R&D, Savin and its Japanese partner Ricoh brought to market a PPC aimed at the low end of

the market—that is, customers for low- and medium-speed machines (those producing less than 40 copies per minute). The copier used a liquid toner technology that had previously been avoided by the industry owing to its uneven copy quality.

Two years later Savin's revenues were running at over \$200 million annually, and the company accounted for 40 percent of all new units installed (excluding replacements) to the low-end PPC market in the United States. In the fiscal year ending April 1978, Savin managed to earn a 64 percent return on equity, while maintaining a conservative 27 percent debt ratio. Meanwhile Xerox, which in 1974 had accounted for more than half of the low-end market, saw its share shrink to 10 percent in 1978.

Like Texas Instruments, Savin had defied the accepted rules of the competitive game. By combining a different technology with different manufacturing, distribution, and service approaches, it had been able to offer business customers—at some sacrifice in copy quality—a much cheaper machine than any other available at the time. The option of installing several cheaper machines in key office locations in lieu of a single large, costly, centrally located unit proved attractive to many larger customers, and their response confirmed the appeal of Savin's concept to the more time- and efficiency-conscious segment of the market.

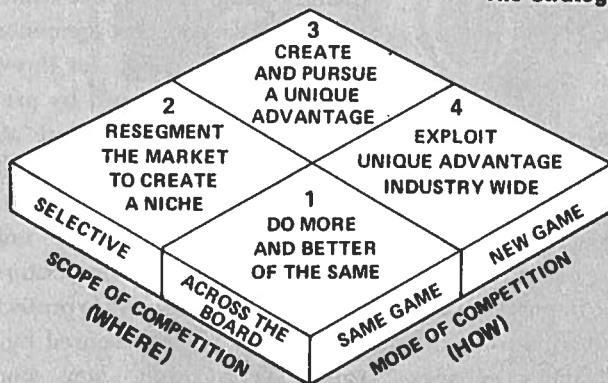
The stunning successes of Savin

and TI contrast sharply with the temporary gains in market share frequently won through niche strategies or conventional market segmentation schemes. Both companies threw off the constraints imposed by preconceived notions of the nature of the market and the way business is done. Both rewrote the rules in such a way as to capitalize on their unique strengths and catch competitors off guard. Both found ways to protect the advantage they had secured by surprise. As a result, new markets emerged, the key factors for success in their respective industries changed, and previous market leaders were turned into also-rans.

TI and Savin, in effect, refused to play the game according to the prevailing rules. Instead, they chose to radically increase their chances of winning by redefining the game. The approach is not new; military strategists have used it for centuries and many corporate success stories can be read as variations on the same theme. But, partly because of its inherent risks, it is not often consciously and purposefully pursued in business.

The companies that take this unconventional approach to strategy are notable for their obsessive concern with competition. But rather than striving for a marginal competitive edge through incremental improvements in financial performance or product values, they aim to win—or at least to gain a commanding advantage—through the innovative competitive moves that we shall call new-game strategies. They keep close watch on the business environment for early clues to important strategic opportunities. To exploit those opportunities, they are prepared to experiment with radically

Figure 1
The Strategic Gameboard



	APPROACH	RESULTS
1 DO MORE AND BETTER OF THE SAME 	No attempt to change industry structure (technology, manufacturing, distribution) Similar customer segmentation	Same key success factors Little or no product differentiation Fierce competition, often based on price Low short-term risk; low commitment
2 RESEGMENT THE MARKET TO CREATE A NICHE 	No attempt to change existing industry structure. No radically new way of doing business. Market resegmented to exploit company's strengths.	Limited competition in individual niche Opportunity to focus limited resources Moderate risk and commitment
3 CREATE AND PURSUE A UNIQUE ADVANTAGE 	Focus on small and/or latent market segment Fundamental changes to business/industry structure Creation of new and/or different customers Market redefinition to suit company's strengths	New key success factors Conventional wisdom refuted Higher profits and longer-term advantage Moderate risk; sustained commitment
4 EXPLOIT UNIQUE ADVANTAGE INDUSTRY WIDE 	Focus on entire market Fundamental changes to business/industry structure Focus on competition vs. market/customers Market redefinition to suit company strengths	New key success factors Conventional wisdom made irrelevant Higher profits and longer-term advantage High risk; sustained major commitment

new ways of doing things at every stage of the business process, from raw materials sourcing to customer service.

The strategic gameboard

The successful new-game strategist measures every strategic move by its impact on his relative competitive position. He knows that the first rule for gaining or sustaining an advantage over the competition is to control the conditions of the game. He understands that the deployment of his forces is often more decisive than their strength. So, rather than waiting for the battle to come to him, he aims to choose the field and determine the manner and timing of the conflict. Continually weighing his company's strengths, vulnerabilities, and resources against the competition, he is prepared to decide:

—*Where* to compete—whether to attack across the entire market or to concentrate on one or a few market segments where competitors may be particularly vulnerable.

—*How* to compete—whether to follow the accepted rules of the marketplace or seek to rewrite them.

—*When* to compete—the timing of the overall action and its individual phases.

Broadly defined, the "where" and "how" options can be visualized in terms of the strategic gameboard shown in Figure 1.

The gameboard has been arbitrarily divided into quadrants, each associated with a prototype strategy: (1) same game across the board; (2) same game, market niche; (3) new game, market niche; and (4) new game across the board. Actually, each of the axes represents a continuum. The where-to-compete options (vertical

axis) range from sharp focus on a narrow market niche to competition across an entire market. The how-to-compete options (horizontal axis) range from playing entirely by the accepted rules of the industry with respect to market definition and functional approaches to throwing out these rules and inventing totally new ones. Let's briefly review "same-game strategies."

Same-game strategies

Unless it dominates the market, a company competing in the first quadrant (same game, across the board) simply plays follow-the-leader. It accepts the leader's market definition, copies his functional approaches, and does its best to emulate the key success factors in which he excels—for example, control of distribution channels or outstanding field engineering support to customers.

Unless the leader has grown complacent or has been weakened by outside forces, the follower will seldom succeed in displacing him. Yet many companies persist in a "follower" strategy, not recognizing that they have other options.

Companies competing in the second quadrant (same game, selective competition) follow a shrewder strategy. They seek to gain a competitive advantage selectively by trimming their ambitions to match their resources, and concentrating on market niches in which they can bring particular strengths to bear. They may resegment the market and develop a unique product design and/or marketing message to suit the needs of a segment not previously recognized by the industry as a coherent customer group. For example, a maker of consumer durables in

a market traditionally segmented by price points might resegment the market on the basis of consumer attitudes and lifestyles, targeting his marketing efforts on the emerging energy-saving and time-saving segments.

Because it avoids head-on competition, this strategy is usually less costly for a market follower than the same-game, across-the-board approach. Moreover, it can often be successfully sustained for years. But because it involves no basic changes in technology, manufacturing, or distribution and erects no barriers to competitor response, it is easily copied. Sooner or later, if the company's success becomes conspicuous, competitors will invade its niche in force.

Sometimes a market leader will allow a smaller competitor to occupy a niche for years, perhaps because it sees more attractive opportunities in other markets, perhaps because it is deterred from direct attack by legal and regulatory considerations. But a smaller company that relies on a giant's continued forbearance is skating on thin ice.

New-game strategies

Most competitive battles today are still being fought out on one of the same-game quadrants of the strategic gameboard. The truly decisive contests, however, are being waged by a handful of companies who have chosen to try their fortunes on the new-game side.

Since each axis of the strategic gameboard is a continuum, the location of the dividing lines between old-game and new-game strategies is necessarily arbitrary. In general, however, true new-game strategies

can be distinguished by three characteristics:

- They are competitor-focused rather than market-focused. They aim primarily not to optimize the offering provided to a market but rather to block or limit competitors' entry to that market.

- They seek to restructure the business to match company strengths. Innovation rather than adaptation is the objective.

- By exploiting factors not previously regarded as competitively important, they defy the conventional wisdom of the marketplace. Often they take competitors by surprise.

Like old-game strategies, new-game strategies can be developed either selectively—to capture advantage in certain market segments—or across the board. A selective new-game strategy (third quadrant of the gameboard) redefines some portion of the market, actually changing the way some groups of customers purchase, configure, or use the product or service. In effect, it carves out an appropriate slice of the market by conditioning it to the company's unique way of doing things.

Beyond redefining one or more market segments, new-game/selective strategies often create new segments that no competitor had previously been able to reach effectively. Laker Airways, for example, not only redefined one segment of the trans-Atlantic travel market but created another by inaugurating the Skytrain trans-Atlantic shuttle service. Laker carved out for itself the patronage of the trans-Atlantic traveler who has trouble planning ahead and likes the flexibility of a shuttle service. It also created a sizable group of new customers—people who had never before crossed the At-

lantic because they couldn't afford the fare.

The last quadrant of the strategic gameboard—the new-game, across-the-board sector—is where the greatest risks are taken and the greatest prizes won. A company that takes this route to market dominance rewrites the rules for an entire market or industry. In effect, it leaves its competitors high and dry.

Hanes Corporation's successful strategy for selling women's pantyhose through grocery and discount chains is one example of an across-the-board/new-game strategy. Another is that of the Japanese steelmakers, who committed themselves to a new production process requiring long lead times and enormous up-front investments in order to gain a massive and enduring cost advantage over their world competitors.

To the extent that it succeeds in modifying the requirements of the market to match its own strengths, the company pursuing a new-game strategy may actually establish a new set of key success factors in the market or market segment it has chosen to serve. Having circumvented the barriers to entry erected by the former market leader, it will typically establish new ones in their place. Sometimes, indeed, a market leader may find that a competitor's successful new-game strategy has converted its prized protective barrier into a barrier to any effective competitive response.

Consider the fate of the Swiss watchmakers whose skill at precision machining and assembly, coupled with tight control of distribution through quality jewelry stores, enabled them to dominate the U.S. wristwatch market until the mid-1950s, when Timex appeared on the

scene. The new competitor played by rules of its own invention. To begin with, it carved out a market segment that would buy on the basis of price rather than 17-jewel accuracy. At the same time, it bypassed the Swiss companies' jealously guarded distribution barrier by selling its watches through drugstore chains and discounters, where they could easily be displayed to price-conscious consumers. The Swiss were unable to follow suit. They could not expand their own distribution into the same outlets without antagonizing their jeweler distributors and compromising their high-quality image.

By rewriting the rules and mastering the new game first, the innovator gains a unique advantage. His competitors face the choice of losing market share or learning to play by the new rules—initially, from a position of weakness and at considerable expense. Typically, therefore, the competitive advantage secured by a new-game strategy is likely to prove more durable than those achieved through same-game strategies.

Timing

The strategic gameboard, which displays the "where" and "how" dimensions of the strategy game, takes no account of an equally important third dimension: timing. When to launch a strategy can be as critical as where and how.

For companies with high market share, a same-game/across-the-board strategy may be the most prudent at a particular time, combining as it does low risk with inherent advantage to the market leader. But it will make sense only as long as that competitive advantage is sustainable. Market

Clues to New-Game Opportunities

For the astute new-game strategist, change in the business environment (or in some cases the absence of change) often signals to important opportunities for stealing a march on competitors. These are a few of the situations that may be pregnant with strategic possibility:

1. Emergence of new manufacturing process technology in the same or a closely related industry that could potentially revolutionize cost structures.
2. A head-on battle between major competitors employing the same business system.
3. Shifts in the economic, social, or regulatory environment that could have very different effects on competitors with different business systems.
4. Emergence of substitute products or technologies that could fundamentally change the economics of important customers.
5. Major changes in raw materials or in their sources that may offer an

opportunity either to gain control of the sources or seize a competitive cost advantage.

6. Overcommitment by the market leader to a particular business system, greatly reducing his flexibility to respond to unconventional forms of competitive attack.

7. A trend to forward and/or backward integration in the industry which may augur a shakeout or suggest new ways to structure the business system.

8. State of flux in industry technology with most major participants still undecided which way they should jump.

9. New trade regulations, economic problems or a competitive shakeout with major impact on suppliers or customers.

10. Long-term static competitive equilibrium in the industry, with all participants using the same business system and similar strategies.

conditions are always fluid and dynamic, and even a leader may have to change the rules of the game to be sure of holding his advantage. For 15 years, IBM was able to dominate the U.S. office electric typewriter market, continuing to produce the same limited product line year after year and concentrating on providing superb service to its accounts. But then, perceiving that the electronics revolution presented new-game opportunities in office typewriters (witness the entry of Exxon Enterprises' Qyx with the Intelligent Typewriter), IBM itself took steps to change the game. In late 1978 it began phasing out its popular and profitable Selectric and Executive typewriters and

replacing them with new, features-rich electronic models.

Even in the absence of an immediate threat from competition, some marketers do not hesitate to incur the added cost and risk of switching to a new-game strategy if they detect an opportunity to secure a more sustainable and/or more lucrative advantage than they could expect from continuing a same-game/across-the-board strategy.

The timing of moves from selective to across-the-board strategies, as with moves from the old- to the new-game sector, needs to be carefully thought through. Sometimes companies planning to compete across the board with a new-game

strategy begin with a new-game/selective strategy and move across the board only after successfully redefining a portion of the market or creating a new segment. Texas Instruments took this approach in hand-held calculators. First, it created a new segment: simple, four-function hand-held consumer calculators. Then, taking advantage of the decisive cost structure advantage over traditional industry suppliers resulting from its new technology, the company moved aggressively into the higher-end scientific and educational calculator segments.

TI's new-game strategy thus enabled it to penetrate successive niches of the calculator market until it was competing successfully with the new approach across the whole market.

On the other hand, if a company discovers a new way to do business that will give it a strong advantage in an entire market where it faces direct competition, it may move immediately to inaugurate a new game across the board. This was the strategy followed by the Japanese steelmakers.

Over a period of time, some companies actually move full circle around the strategic gameboard. Vlastic Foods, for example, began its conquest of the U.S. pickle market with what was ostensibly a same-game approach to market segmentation. In the late 1960s, U.S. pickle makers fell into two groups: (1) the nationals (Heinz, Del Monte), with highly centralized production and a standardized product line; and (2) the regionals, each with a product adapted to regional tastes and marketed on a local basis. Typically, 70 to 90 percent of a given regional's sales were concentrated in no more than two metropolitan markets. Vlastic, then a successful regional in the De-

troit area, began buying up local pickle manufacturers in other parts of the country, without altering their practice of tailoring product formulas to local tastes. But as Vlastic expanded its market coverage, it began to emulate the marketing technique of nationals, using national TV advertising and heavy in-store promotion to create consumer demand-pull. Thus Vlastic moved into the new-game sector by combining the advertising and promotion clout of the nationals with the regionals' characteristic advantages of lower distribution costs and a tailored product. Through continuing acquisitions, Vlastic became an across-the-board competitor. By 1978 it was a national company holding 26 percent of the U.S. pickle market, while Heinz, the former leader, had only 10 percent.

Redefining the market

It is all very well, of course, to urge the merits of innovative strategies or to dissect strategic successes after the event. The real question remains: How do the innovative marketers hit on their strategic mas-

terstrokes? Creative thinking cannot, by definition, be reduced to formula. Nevertheless, there are insights to be gained by comparing the approaches of same-game and new-game strategists.

The thinking behind same-game strategies is basically deductive and analytical. It takes as given the existing environmental forces and the traditional ways of doing business, and seeks to optimize within those constraints by identifying the needs of a particular market or market segment and shaping an approach to meet them. By contrast, the thinking behind new-game strategies is a quest for new combinations. It is intuitive and opportunistic. It searches out ways to influence the environment, redefine the boundaries of the market, or reshape market behavior to fit the company's strengths.

In pursuit of opportunities to gain a sustainable advantage, the new-game strategist not only studies his customers and competitors in depth, but thoughtfully analyzes two further sets of variables:

The *business system* comprises the sequence of steps by which com-

panies in a given business produce their goods or services and get them to the customer. It differs from industry to industry and frequently even from company to company.

The *business environment* comprises (1) the immediate industry milieu constituted by the current or likely behavior of suppliers, customers, and competitors and (2) beyond that, the panoply of external forces—governmental, economic, social, international, and so on—that may sustain or upset the competitive equilibrium within the industry milieu. Let's look briefly at each of these two concepts.

The business system

The business system prevailing in a particular industry makes a useful framework for analyzing competitors and searching out innovative options for gaining a sustainable competitive advantage. Figure 2 is a generic representation of the business system of a manufacturing company. At each stage of the system—technology, design features, production processes, and so on—a company may have sev-

Figure 2
The Business System

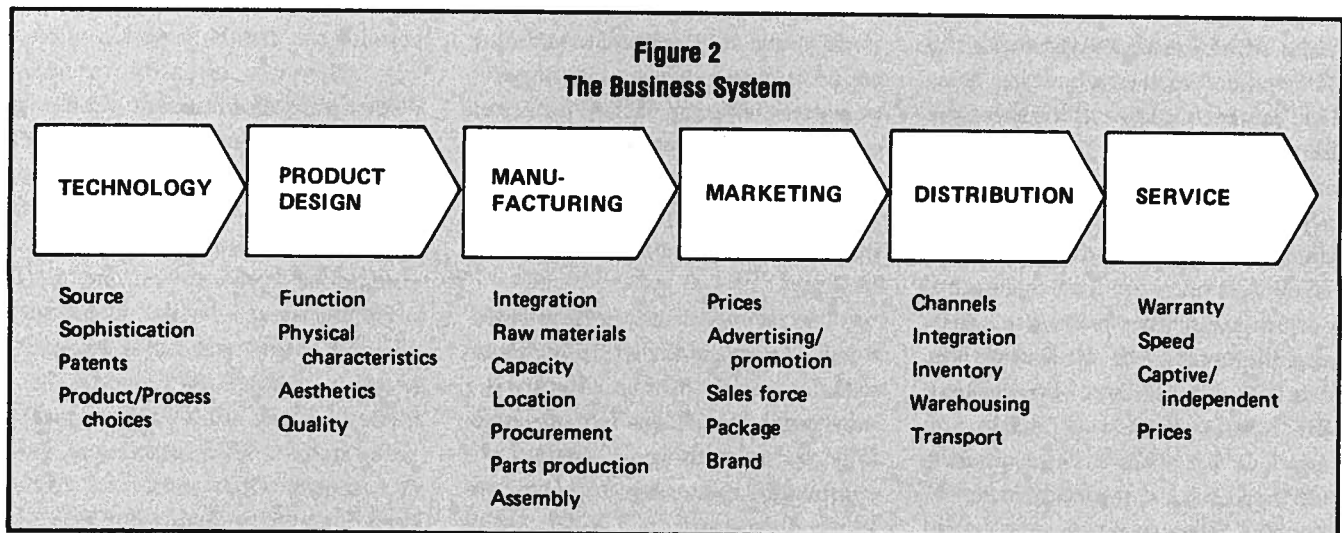
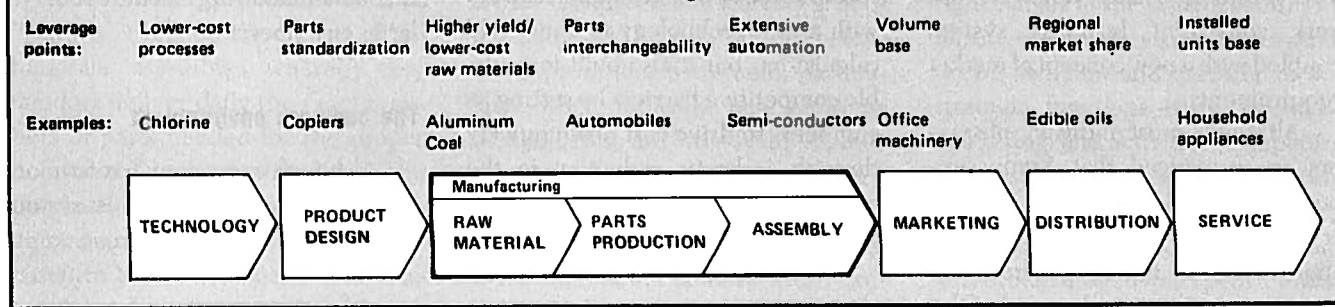


Figure 3
Sources of Economic Leverage in the Business System



eral options. These are often interdependent: Product design will partially constrain the choice of raw materials; decisions on physical distribution will constrain manufacturing capacity and location, and vice versa. At each stage a series of questions presents itself: How are we doing this now? How are our competitors doing it? What is better about their way? About ours? How else might it be done? How would these options affect our competitive position? If we changed what we are doing at this stage, how would the other stages be affected?

The business system framework can be used to discover the sources of greatest economic leverage in a business—that is, those points at which the company could erect formidable cost or investment barriers against its competitors (Figure 3). It is also a vital tool for analyzing a competitor's costs and understanding the sources of a competitor's current advantage in either cost or economic value to the customer. Such advantages, of course, may prove to be the competitor's Achilles heel if they can be captured (for example, by tying up sources of critical raw materials or production equipment) or circumvented (by developing new distribution channels, say). Moreover, by

using a thorough diagnostic of his own business system as the reference point for analyzing a competitor's, a manager can often uncover inconsistencies or inefficiencies in his own business that make it vulnerable to competitive attack.

It was by changing the business system that Savin turned the tables on Xerox. At virtually every stage of the business system it took a radically different approach. First, it used a low-cost technology that had been avoided by the industry because of its lower quality copy. Next, its product design called not for costly custom-made components like Xerox's, aimed at maximizing product quality, but for low-cost standardized parts that were available in volume from Japanese suppliers. For U.S. assembly, Savin substituted low-cost assembly in Japan. Thanks to these business system innovations, Savin was able to offer a copier of comparable reliability and acceptable quality for half the price of Xerox's equivalent model.

Then, rather than building a direct sales force to rival Xerox's, Savin aggressively recruited office products dealers so that it could penetrate the market before competition could begin to react. By pricing its copiers for outright sale rather than leasing,

Savin was able to circumvent a traditional financial barrier to entry: the need to support a large lease base. Similarly, by having its machines serviced by the dealers, it avoided the expense of a nationwide direct service organization. Its market strategy, initially focused on small businesses, was subsequently aimed at reeducating large business customers to the use of multiple, cheap, decentralized copying facilities in place of a single costly, centrally located installation. This became increasingly attractive as the on-the-job reliability of the Savin machines was demonstrated by customer experience. The concept swept the low-end segment of the market and competitors were obliged to follow.

Two factors in particular helped turn Savin's risky gamble into a successful venture. The first was the timing of its move, which was perfectly attuned to the growth in customer confidence in the payback of copy machines, thanks to experience over the previous few years with the products of Xerox and other manufacturers. This increased confidence enabled Savin to sell rather than lease its machines, thereby avoiding the need to finance a massive lease base.

The second contributing factor was Savin's ability to turn a series of

constraints—for example, inability to finance leases or support a large sales force—into a totally different but very consistent business system coupled with a new concept of market requirements.

Although most industry observers are convinced that Xerox seriously underestimated Savin's threat at the outset, other factors as well almost certainly inhibited Xerox from a swift response at the low end of the market.

First, there was the market leader's inherent difficulty of reacting effectively to a new game being played in the market. Most of the strategic countermoves Xerox might have made, in fact, could have proved detrimental to its overall market strategy, focused as it was on the medium and high ends of the market. For example, shifting the sales force focus to the low end without adequate preparation could have hurt share in the more profitable medium- and high-end segments. Adopting a lower-quality liquid toner technology, even in a single market segment, could have harmed the company's whole product line image.

Another inhibiting factor may have been the fear of antitrust penalties for swift retaliatory moves—through pricing, for example. There may even have been a deliberate strategic decision to wait for the low-end market to develop before making any major commitments. But if so, it is at least questionable whether the speed and scope of that development had been fully anticipated when that decision was made.

Managers are prone to forget that technology and product innovation are only two of many ways of securing a competitive advantage. Nor can they provide a sustainable advantage

unless the company can also erect effective barriers to protect the fruits of success. Texas Instruments started with a new technology in hand-held calculators, but it also built formidable competitive barriers by setting its engineers to drive cost down quickly through a drastic reduction in the number of components; by pricing aggressively to attract new customers

competitors out by linking small, localized industrial oxygen plants to the manufacturing facilities of its large customers.

The business environment

Although a company has far more latitude to change its business system than to influence the forces in its

"Particularly in a new, rapidly changing business, the rate at which competitors move in or out of the industry can sometimes be materially influenced by the actions of one company."

and discourage new competitors; and, in a market that had always relied on dealers, by advertising heavily through direct mail and TV to convince the consumer that every household needed a calculator.

Another company that found a new way to innovate with an old product is YKK, the Japanese zipper manufacturer. YKK took 30 percent of the United States zipper market away from Talon, the market leader, by turning this ordinary fastener into a high-fashion accessory and bypassing Talon's lock on the traditional wholesale distribution network by selling direct to apparel design houses.

Again, Air Products Company changed the name of the game in industrial oxygen in the 1940s by reversing the industry's traditional manufacturing and distribution economics. Instead of building large, centralized plants that combined economics of scale with long-distance distribution, Air Products locked its

business environment, it is often possible to influence or exploit trends at work in the industry, so as to gain or widen a competitive advantage. Particularly in a new, rapidly changing business, the rate at which competitors move in or out of an industry can sometimes be materially influenced by the actions of one company.

Careful tracking of what is going on among suppliers or customers, given a good understanding of the economics of their business systems, can sometimes uncover an opportunity to seize a competitive advantage. Chances to exact price concessions from suppliers (particularly those with high fixed costs) during periods of slack demand, or when one's business is very important to the supplier, are usually easy to spot. Less obvious are opportunities to trade off assured business of a specified type and timing to the supplier in exchange for special delivery or service arrangements that substan-

tially reduce per-unit production costs.

That is what Toyota did with its "kanban" ("signpost") system of automobile assembly, whereby key vendors deliver daily the exact numbers of parts needed for the proper points on the assembly line. The "kanban" enabled Toyota not only to cut inventory stockpiles (and hence costs) to the bone, but to minimize downtime by ensuring parts delivery in the right order at the right time. The vendors received production plans from Toyota two to three weeks in advance, specifying types, quantities and delivery times. As long as they performed on schedule at the agreed cost, they were assured of Toyota's business.

Some astute companies have seized a competitive advantage by taking advantage of the economics of a customer industry. Consider the example of a material producer selling to a mature process industry where competition was based largely on price. The product accounted for only a fraction of the customers' costs, but its physical properties limited the speed of their production process. Rather than investing resources to reduce the cost of its product, this company concentrated R&D dollars on modifying its properties. The project was successful, and the modified product enabled the customers to cut their throughput time by nearly 8 percent, representing a much bigger saving than they would have realized from even a 25 or 30 percent reduction in their raw material costs. For the supplier, fighting against the continuing threat of product substitution, this meant a vital strategic gain.

Because new-game strategies aim to change accepted ways of doing

business, they are not responsive to market demands in any conventional sense. Customers can scarcely articulate a demand for new options before being presented with them, particularly when radically new ideas or technologies are involved. Rather than trying to meet the customer's articulated needs, therefore, the genuine new-game strategy seeks to make the market an offer it can't refuse.

Conventional market research techniques cannot reliably anticipate the response of the market to a really innovative offering. That's why a move to the right-hand side of the strategic gameboard requires exceptionally strong commitment and a high tolerance for risk, as well as a flair for anticipating and maybe even creating the needs of what one could call the "latent" market.

Making it happen

It is not surprising, then, that successful new-game strategies are rare. To upset the competitive balance and rewrite the rules of the game for an industry calls not only for exceptionally imaginative entrepreneurial thinking but for uncommonly strong and sustained commitment. Inevitably, both must start with a strong lead from the top.

In the interest of fostering a no-holds-barred approach to strategic thinking, the chief executive will need to get involved early in the planning process as gadfly and catalyst, probing conventional assumptions and proposing novel alternatives to begin breaking down planners' mental barriers to radical change.

To support the necessary level of organizational commitment, the

chief executive should take particular care that he is personally sending the right signals to the organization. This means, above all, visibly concentrating his own time and attention on key strategic functions (such as R&D, marketing) and activities (competitor analysis, for example). It also means encouraging open communication and, in most cases, downplaying rank and protocol by giving special recognition to bright junior executives.

Finally, and by no means least important, he can and should, if necessary, reshape the corporate reward and value system to bring it into line with the desired strategic orientation. Tunnel vision is unavoidable in companies where managers' pay and prospects are consistently tied to short-term earnings growth. Strategic thinking can only flourish in organizations where successful risk-takers and innovators, rather than "solid citizens" who are best at avoiding conspicuous mistakes, are seen to reap the kudos and financial rewards.

Apart from the risks they entail, the major drawback of new-game strategies is that they don't work forever. Although the competitive advantage resulting from a successful new-game strategy is relatively durable, it will eventually be eroded by competitive forces. Once the innovator has rewritten the rules of the game and his competitors have been forced to follow, the new game inevitably becomes an old game. When this has happened, the innovator may remain the market leader, but his position will be less secure. He must, therefore, watch for fresh opportunities to upset the market equilibrium to his own advantage—and be doubly on the alert for creative competitors who may be planning to start new games of their own. •