The importance of left field

Leadership development programmes should teach executives to look out of the window, say Mark Chussil and Ben Gilad

Companies train, develop and coach their rising-star executives because, cliché or not, they believe their people are their most important asset. That means L&D practitioners hold a company’s most important responsibility in their hands. The company trusts the trainers and coaches and guest lecturers brought in by the L&D designers to transform those high-potential assets into producers of happy bottom lines.

The trainers unleashed on the rising stars in a Fortune 500 company are dedicated, smart and well-intentioned. They saturate their programmes with the latest assessments and coaching and teamwork and leadership, they mix soft skills and hard skills thoroughly and seamlessly, all so they can optimally teach to the book.

The problem is that the book is wrong, and the teachers and trainers are making those rising-star executives study the book when they would learn more by looking out of the window.

Reference
1. Yahoo Finance (http://finance.yahoo.com). We will reveal the company’s name later in the article.
When we advocate looking out of the window, we don’t mean daydreaming. People commonly say that surprises come out of left field. If that’s where surprises come from, then, we say, *it makes sense to look at the left field*. The problem is that left field is not visible in companies’ L&D programmes.

We don’t intend to sound flippant. If anything, we are frustrated. Each of us has taught, consulted with, and conducted business war games for, thousands of executives in scores of Fortune 500 companies in scores of industries in scores of countries. Our experience has shown us that what’s usually taught in L&D programmes misses the vital lesson of “looking out of the window”. The lessons usually taught are based on the traditional assumption that, if you teach executives to work well in teams and use the latest technology and reflect on their strengths and weaknesses, their (and their companies’) success is assured. Left field is so irrelevant, it’s invisible.

**Diagnosing ‘what happened’**
The graph below covers the stock price for a real company over nine years of its history. Note that “month 0” refers to when the graph begins. The company itself had been in existence for some years before that.

The obvious question is what happened to this company? How could it fly so high and then fall so low?

The company in the graph had professional management and its executives tried hard to succeed. There is no reason to believe they were less skilful than their counterparts in other companies in all the *obvious* managerial practices.

What happened to the company is that a competitor entered its market. That, however, is not yet the answer to the question, even though many people will stop there. So, what is the answer?

Before we go on, let us ask you another question. Look at the graph of the company’s stock price. At what month do you think the competitor entered the company’s market?

If you wanted to put a big red star on the graph to signify when the new competitor entered the market, you’d have to extend the graph to the left. The competitor entered at what would be month -16 on the graph. (Again, month 0 is merely when the graph starts. The company itself began operations more than a decade earlier.) And if you wanted to extend the graph to the right, you’d find that the company’s stock price hit bottom a few years later. That is, the company went bankrupt.

The company is Blockbuster. The new competitor was Netflix.

On the what-happened-to-the-company question: What happened to Blockbuster, what caused its bankruptcy, is not that Netflix entered the market. What happened to Blockbuster is that Blockbuster didn’t respond. It could have; market-dominating incumbents almost always have that opportunity. But, probably seduced by performance indicators that were rosy and a stock price that had been rising for years, Blockbuster paid too little heed to what was going on in left field.

**Manoeuvring in the competitive arena**
The problem at Blockbuster is that they made strategy decisions that ceded the future to Netflix when they could have enjoyed that future themselves. Of course they didn’t think of it that way; they didn’t say ‘let’s cede the future to Netflix’. They didn’t think they were making *bad* decisions,
they thought they were making good decisions. They kept on improving their operations.

Left-field surprises are not visible in the tools executives use to make their key decisions, most notably spreadsheets, stock prices, forecasts, and performance goals. In the few tools where third parties (competitors, potential competitors, substitute competitors) might make a cameo appearance – trend lines, gap analysis, benchmarking – what shows up (after a long delay) reflects their past, not the future.

Naturally, that’s not what anyone wants and, when asked, executives say of course they want to know how to look out of the window. They need their L&D programmes to teach that skill. And it is a skill. No one is born knowing how to respond to Netflix.

The task for executive and leadership programmes is to teach executives to tell the difference between strategy decisions that win on paper or on a screen and strategy decisions that will work in real life. Because that’s the thing: what happened to Blockbuster didn’t have to happen. If they’d looked at left field instead of their stock-price history; if they’d war-gamed competitive dynamics instead of extrapolating profit-and-loss statements; if they hadn’t thought that a happy share price today meant their strategy was competitor-proof; Blockbuster might still be ubiquitous and Netflix might have never tasted a profit. (Remember the Netscape Internet browser?)

Companies prosper through success in competing. That doesn’t necessarily mean being faster than the competition, though speed can be part of success. It doesn’t necessarily mean having lower costs, snazzier R&D, or bluer oceans than the competition, though those things can help too. Ultimately what drives success in competing is skill in competing. Apple and Microsoft win by competing well, although they don’t use the same strategy. Southwest Airlines and Singapore Airlines win by competing well, although they don’t use the same strategy. Skilful competing means looking out of the window often, seeing a big picture, never tiring of manoeuvring in the competitive arena.

References
2 This also illustrates a human frailty called over-confidence, which gap and SWOT analyses can easily reinforce and which business war games and strategy simulations inherently combat

3 For a classic essay on the difficulty and the value of looking, see “Look at Your Fish!” by entomologist Samuel H. Scudder (1837-1911). http://grammar.about.com/od/classic_essays/a/Look-At-Your-Fish-By-Samuel-H-Scudder.htm
At some time in failing companies’ histories, they made an unconscious shift from attentive manoeuvring in the competitive arena to obsessive managing within the company. That’s a big mistake, as Motorola, Nokia, HP, Yahoo, American Airlines, General Motors, BlackBerry and, of course, Blockbuster discovered. One can look at these companies, and many others, and conclude their decline was inevitable. We think their decline was not inevitable.

Confusing tools with skills
We run business war games and teach strategy for a living. War games simulate competitive reality and stress-test strategy in future scenarios. They use human role-playing, computer simulations, or both. With more than 60 years’ combined experience working with thousands of strategists, we have ‘played’ in every imaginable industry on every continent except Antarctica. Whatever the technology we deployed, our war games all shared one thing: they forced executives to pay attention to market dynamics. That is, to what others may or will do to one’s invincible-on-paper strategy.

You might think executives already do that, but you’d be wrong. That skill is what’s missing from almost all the training programmes we’ve encountered, in which the focus is intensely internal. Those programmes treat competing well as the inevitable result of managing well, not as a skill in itself.

Managers have a plethora of indices and tools to judge the company’s performance and get a ‘window on the world’. None of them, though, have anything to do with learning how to manoeuvre, and most are less a window and more a peephole.

Training in the popular Balanced Score Card, SWOT analysis, gap analysis and benchmarking are often conflated with the skill of competing. This is why, as we said, the book is wrong.
The BSC presupposes a good strategy that's worth executing and monitoring. Blockbuster's BSC would show glowing health while Netflix was establishing its winning model. By the time the BSC shows signs of disease, it is too late to save the patient.

SWOT (strengths, weaknesses, opportunities, threats) analysis is a company-centric snapshot of what one faces today. It’s prone to distortion from internal myths and extrapolation from the past. SWOT doesn't even try to simulate competitive dynamics.

Gap analysis looks at what customers want and at how well you supply what they want. The ‘gap’ is the difference between what they want and what you supply. By narrowing the gap, you delight the customer and the customer buys from you. Gap analysis can also compare your gap to your competitors’ gaps, and thus is sensitive to customers and competitors. But executives generally figure that their company alone will narrow its gap. We will improve and our competitors will fall behind; our strategy will ‘work’.

Benchmarking observes what other companies have done and infers what we can do. It doesn’t see or say what’s possible; it can only see what’s been done. Unfortunately, you never win a race by tailgating what the leader has done. More seriously, benchmarking looks at a picture of left field from the past, not left field as it is today. Would anyone benchmark Netflix before it became the Netflix?

**It is a skill and it can be taught**

Looking outside the window, metaphorical or not, doesn't sound especially difficult. Schoolchildren do it, and often. But in business it is a skill. It involves learning where to look, how to see clearly, and how to manoeuvre as a result. Together, these are the elements of the skill of competing. (Remember, managing and competing are not equivalent.) Here are three easy steps we can recommend to help your executives learn this crucial task:

- **look with care** People look for patterns and find them even when they do not exist. (This is one of the cognitive biases described by behavioural economists such as Daniel Kahneman.) Based on perceived patterns, we blindly believe we know what our competitors will do even as we struggle to make our own decisions. Why do we think they live simpler lives than we do?

Mere observation is not enough, and that's why skill is involved. A good way to get started is to ask yourself two questions when you think about your competitors’ actions. First: why would a smart person do what they’re doing? Second: what would I do if I were them?

- **ask ‘who will lose?’** Okay, you've developed an invincibly strategic increase to your market share. So, who's going to lose market share? Remember, every market has exactly 100 per cent market share to go around, never more, never less, 100 per cent to n decimal places, zero margin of error. If you're going to gain share, someone else must lose share. Do they know they're going to lose? Are they going to accept the loss (would you?) or are they going to fight back? And if they fight back, what will they do? What will you do then?

Being able to think one move more than your competitors, like a chess master, gives you a competitive advantage. It is the essence of the skill of manoeuvring.

- **blow up an engine** One of us was on a flight when, several thousand feet of altitude after take-off, an engine blew up.

That this article has two authors and not one is due in part to the way airline pilots are trained. Airlines don’t send pilots up in real aeroplanes and then cause engines to blow up; they lose too many aeroplanes and pilots that way. They also don’t figure that engine blow-ups are rare and they don’t really have to worry about them. Instead, they send pilots up in simulated aeroplanes and blow up simulated engines.

SWOT, gap analysis, and benchmarking tiptoe in the right direction because they explicitly reference competitors. Your L&D programme can stride more boldly. Doing well at seeing a move ahead of your competitors implies that you have to anticipate their moves, not wishfully think what they’ll do or wait to see what they do. Have your executives role-play your competitors.

**A pedagogical principle**

We suggest that your L&D practice adopts a pedagogical principle, and adopts it fast. It is this: *no strategy operates in a vacuum.* If leadership programmes do not make this an integral part of their curricula, they will fail their companies and their companies eventually will fail too.

Wikipedia, says Willie Sutton, “is known, albeit apocryaphally, for the urban legend that he said that he robbed banks ‘because that’s where the money is’.” We say, soon-to-be-legendarily, that you should teach your company’s executives to look out of the window. That’s where your company’s competitors are. *TJ*

---

Mark Chussil is founder and CEO of Advanced Competitive Strategies, Inc.

Dr Benjamin Gilad is founder and CEO of The Academy of Competitive Intelligence, Inc. Together they are founders of, and partners in, Sync Strategy, and can be contacted via www.syncstrategy.com.