

## Book Review



**Outthink the Competition: How a New Generation of Strategists Sees Options Others Ignore**, by Kaihan Krippendorff; Hoboken, NJ: John Wiley & Sons, Inc., 2011, 246 pp., US\$24.95 (hardcover), 256 pp. US\$16.99 (eBook)

Reviewed by Karoline Barwinski

As a sustainability analyst, I am perpetually analyzing how environmental, social, and governance practices and initiatives bring value to an enterprise. They can not only enhance a company's reputation, reduce its environmental footprint, maintain its good standing in the communities where it operates and provide access to new markets, but, in fact, can also help mitigate risk and enhance a company's competitiveness in the long term. Further, it seems that companies that set a new barometer in a business process or that create a new market with high barriers to entry are the ones winning in the marketplace and gaining a competitive edge. In *Outthink the Competition*, we learn exactly how successful companies are adapting to an evolving business environment, embracing strategies that disrupt the market, and bringing successful and sustainable results to their business and stakeholders. Through countless case studies, Kaihan Krippendorff embraces and advocates the idea that "to win any strategic game, be it war, business, or chess, you must make a few strategic choices that will so disorient the competition that they will not be able to respond effectively." This is the basis of the book, written as a guide for business people who think creatively, have a vision, and want to disrupt the marketplace in a way that proves sustainable to their business in the long term.

### A New Playbook

Krippendorff begins the book with a chapter on the presently occurring business revolution and presents nine trends that are transforming our world and the environment in which companies do business. Some of these decisive shifts include The Erosion of Economies of Scale, Free Flow of Information, Self-Organized Citizens and Customers, and The Shift in Power Toward the Developing World. Krippendorff claims that the

companies that are winning today are adjusting to these shifts and changing how they strategize and run their businesses. In other words, the playbook by which companies are used to operating and doing business is antiquated, and a new playbook of strategies is emerging. As he began his research, Krippendorff started seeing a gradual shift from a traditional strategic approach and sources of advantage (the old playbook) to completely new ways in which the winners are applying competitive efforts. He translates the new playbook into five strategies:

Old Playbook	New Playbook
<ol style="list-style-type: none"> <li>1. Achieve customer captivity.</li> <li>2. Secure preferential access to resources.</li> <li>3. Build economies of scale.</li> <li>4. Adopt best practices.</li> </ol>	<ol style="list-style-type: none"> <li>1. Move early to the next battleground.</li> <li>2. Coordinate the uncoordinated.</li> <li>3. Force two-front battles.</li> <li>4. Be good.</li> <li>5. Create something out of nothing.</li> </ol>

While all five of these strategies play an important role in the new playbook, *Be Good* stood out to me for obvious reasons. It is inspiring to read in a business strategy book that an important piece of the puzzle is being a sustainable company not only from an economic sense, but also from a human capital, environmental, community, human rights, and governance perspective. Krippendorff exclaims that *being good* builds *moral force* and offers examples from ancient battles, to sports, to business, where moral force is the driver for a dedicated army, team, or group of employees who are pursuing a greater universal goal that binds them together as a team. Such a mindset and driver allows the unit as a whole to succeed, and to get ahead of the other “players.”

He further emphasizes that in business, once the moral force is built, it fuels a larger class of stakeholders—the communities, shareholders, employees, government, and customers—that root for the company to out-compete its peers. Additionally, he writes that *being good* builds followership and can be used as a tool for solving societal problems because companies that do so “trust that being sustainable will come back to benefit them in some way, even if they cannot right now see or predict the chain of events that will benefit them.” (Krippendorff, 72) This, I believe, speaks to the essence of a successfully integrated sustainability or corporate responsibility strategy. But, to go a step further, companies that operate sustainably find ways of creating shared value that result in social

and environmental returns, as well as economic returns. Krippendorff's research shows that companies that embrace *being good* "enjoy a more complete competitive advantage." (Krippendorff, 74)

### The Outthinker Process: IDEAS

While maintaining these five strategies, Krippendorff presents the "outthinker" process by using a simple-to-remember and easy-to-apply acronym: IDEAS. It helps outthinkers look at a challenge and see a strategic solution. A brief description of each step in the process is provided in Figure 1.

**Figure 1: IDEAS**

<b>Imagine</b>	What is the long-term ideal? Step forward in time and imagine a future that's different from today and how what you do is going to play into that.
<b>Dissect</b>	Dissect the problem into several issues or drivers so you see from a point of leverage that others don't see and decide which key issues to address now.
<b>Expand</b>	See more options than your competitors. Generate as many strategies or ideas as possible to tackle the issues.
<b>Analyze</b>	Select which ideas you'll execute, no matter how outlandish they seem. Only choose the options that customers will love and that competitors can't copy.
<b>Sell</b>	Determine whom to convince and what the message is that you are trying to bring across to sell the idea effectively.

He firmly believes in this process because he has seen it applied many times with success. The "managers that apply it consistently see exciting new possibilities for solving real challenges . . . [And] when a group of people begins adopting the process, it can actually bring about a shift in culture, where innovative thinking is no longer confined to one department, but becomes part of the company's normal atmosphere." (Krippendorff, 128) I can't help seeing parallels with this way of thinking and the integration of sustainable practices and initiatives throughout a company, including the potential for value creation that this process can induce if applied with an eye on sustainability. As sustainability is adapted in a systematic way throughout an organization, not only are the employees inspired to meet the greater expectations but the entire company as a unit may operate more efficiently, innovatively, and with a smaller environmental footprint as well.

## Shaping Perceptions

In addition to presenting the scenario of a changing business paradigm, backing it up with concrete examples, and framing it into a strategy that makes sense, Krippendorff offers another piece to the puzzle of driving a successful and winning business: the five habits of outthinkers. One of the habits he outlines is *shaping perceptions*. This gets to the important, yet frequently overlooked, psychological aspect of doing business. Outthinkers know the importance of enrolling stakeholders into the plan, even when it is painstakingly difficult, until the winning idea becomes evident and clear to everyone. This is what is happening in the environmental, social, and governance (ESG) investing space, but perhaps needs to happen in a more methodical way. Companies must realize that operating with an awareness of the environmental, social, and governance issues that affect their business is a necessity of doing business in the current environment and can create value. And investment managers must see the importance of integrating these ESG issues into their investment analyses in order to select best-in-class economically, socially, and environmentally sustainable firms that will bring long-term value to shareholders.

Further, we also need to shape the perceptions and get the buy-in of mainstream analysts on the materiality of these issues. Stepping back to the beginning of the book, Krippendorff outlines the challenges to outthinking the competition, including: 1) You must first recognize where the rigidity has taken hold; 2) You must then find a new strategic option that others ignore; 3) You must figure out whether this new strategy is superior; and 4) You must slow your competitors' ability to copy your innovation. The challenge in the ESG investing space is getting mainstream analysts to come out of the rigid thinking that short-term earnings matter above all else, determine how greater societal, economic, environmental, and governance issues affect the companies they cover in the long term, and ascertain how the companies respond to those issues. In so doing, they would be adjusting their strategic approach to investing in the context of the current state of the world and play a part in raising the bar for everyone. Of course, before making any decisions on embracing new policies and practices related to sustainability, it is paramount that a company first examine the particular marketplace environment within which it operates, and assess its strategic priorities and business needs, including its relationships with stakeholders. However, in the long term, such a systematic integration has the potential to produce positive results for the business and long-term shareholders.

## **Sustainability as Part of Outthinking the Competition**

As the business environment has evolved, Kaihan Krippendorff has identified an effective strategy and process for winning in the marketplace. *Outthinking the competition* means understanding the context within which a company operates and redefining the product, service, market, and culture for a more sustainable future. This book was written for business leaders seeking to reignite creative and visionary energy in an organization and redefine market opportunities that produce a successful and sustainable enterprise. By bringing this strategy into the context of sustainability—where a culture of sustainability, innovation, and good governance and a firm understanding of the societal and environmental factors that affect the business permeate an organization—the potential for shared value-creation from the economic, social, and environmental perspective rises. In the context of today’s world and the changing business environment, outthinkers see the synergies between economic factors and sustainability. As a result, they have the potential to disrupt the marketplace in such a way as to create long-term value for their business, as well as for their shareholders.

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