

INTRO & E-CHAPTER 1

It's a Smart, Smart, Smart, Smart World

JIM CHAMPY OUTSMART!

HOW TO DO WHAT YOUR COMPETITORS CAN'T

IT'S A SMART, SMART, SMART, SMART WORLD

J I M C H A M P Y

Jim Champy is one of the leading management and business thinkers of our time. His first best seller, *Reengineering the Corporation*, remains the bible for executing process change. His second book, *Reengineering Management*, another best seller, was recognized by *BusinessWeek* as one of the most important books of its time. Champy is also an experienced manager and advisor. He is currently the Chairman of Consulting for Perot Systems. He speaks and writes with the authority of real business experience and brings pragmatism to the world of business.

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In *Outsmart!*, the legendary Jim Champy (*Reengineering the Corporation*) shows how you can achieve breakthrough growth by consistently outsmarting your competition. Champy reveals surprising, counterintuitive lessons learned by companies that have achieved super-high growth for at least three straight years. Drawing on the strategies of today's "high velocity" companies, he identifies powerful new ways to compete in even the toughest marketplace. Perhaps it will be helpful to you in your quest to outsmart your competition.

IN MY MORE THAN 30 YEARS OF WORK AS A CONSULTANT AND AUTHOR, I'VE LEARNED THAT THE BEST IDEAS ARE FOUND INSIDE COMPANIES. BUT IT WASN'T ALWAYS SO. THERE WAS A TIME WHEN I STRAYED FROM THE REALM OF HANDS-ON PRAGMATISM TO SEARCH THE WRITINGS OF PHILOSOPHERS FOR IDEAS THAT COULD BE APPLIED TO BUSINESS. TO BE HONEST, I THOUGHT THAT QUOTING THE ANCIENTS MADE ME SOUND SMARTER.

One day, while waxing philosophic during a speech in Monterey, Mexico, I encountered a far smarter gentleman of a certain age sitting in the front row. He interrupted me to ask how the philosophy of Mexico's nineteenth-century ruler, Gen. Antonio Santa Anna, could be applied to management. What could a man both admired and reviled contribute to business? The answer, which my interlocutor duly shared with all present, was a gem of pragmatism. Santa Anna, he told us, firmly believed that whatever worked was the right thing to do.

I have taken his lesson to heart, and this book describes the very real and practical strategies that are working for today's most successful businesses, strategies that I believe will sustain their success into the future. Because the primary goal of all good strategy is growth, the companies analyzed in these pages are among the world's fastest-growing enterprises.

But equally important, their revenue-producing ideas are neither hypothetical nor based on esoteric technologies. They don't require hundreds of millions of venture capital dollars or the vast sums from stock offerings to implement. Rather, they are strategies that any business leader can easily and immediately understand.

This is the first in a planned series comprising four compact volumes on the key topics of strategy, marketing, leadership, and operations. Taken together, the books aim to deliver the most current intelligence available on how to succeed in today's brave new world of business. An ambitious objective? Yes. But what I see a host of companies accomplishing today has me both excited and encouraged.

My ability to write about these matters does not derive from scholarly pursuits, although I've braved assorted academic challenges. Necessity drove me to learn by doing. It is a path that I recommend to anyone who seeks a powerful curriculum and an unforgettable teacher.

In my younger years, I assumed that I would join my family's construction business in Lawrence, Massachusetts, a mill city north of Boston. My quest for relevant knowledge sent me to the Massachusetts Institute of Technology (MIT), where I studied engineering, then to Boston College where I studied law. Finally, I returned to Lawrence for my early training in business.

In my family's company, there were no strategies, business plans, or budgets. We did what seemed right—day by day. We hired people, bought equipment—even acquired real estate—that seemed good for the business. Risk taking was a natural act. We had no spreadsheets, and the most advanced form of technology was a mechanical calculator. But the business worked—most of the time.

In Lawrence, I also had my first taste of a multicultural world. We had stone masons from Italy, carpenters from Quebec, and painters from Ireland. I learned a lot from these folks—something about teams, but more about how, when left alone, good people will do the right thing. I carried this and other lessons into my life in business.

Thanks to my MIT roommate, Tom Gerrity, I was later treated to an advanced course in commerce when he invited two MIT

friends and me to join him in a business venture. In 1969, we launched Index Systems, an information-technology start-up based on Tom's Ph.D. research into automating management decision making. We each invested \$370, the bet of a lifetime. Because our work was on the cutting edge of technology and business change, we serendipitously became an acquisition target for a bigger company nearly two decades later. In 1988, Computer Science Corporation (CSC) bought our firm and turned it into CSC's management-consulting arm. I became CSC Index's CEO and chairman after the Wharton School of Business lured away our hottest property, Tom, to become the school's dean. I was left to expand CSC Index into what became a \$240 million company.

Out of those Index years came the ideas—developed with Michael Hammer and other colleagues—that formed my first book, *Reengineering the Corporation*, which argued that companies need to change radically and be managed from a process perspective. It became the best-selling business book of the 1990s. I followed this with a second book, *Reengineering Management*, in which I contended that leaders had to change their own ways of thinking before they could change their organizations. And in a third book, *X-Engineering the Corporation*, I made the case that process change must extend outside company walls to suppliers, customers, and business partners.

My current job as Chairman of Consulting for Perot Systems gives me access to many leaders who live and work on the frontiers of business, where the rules of industry are stretched (and sometimes broken). What I learn from these leaders is

what I teach to others, and I write books to crystallize the findings of my latest field research.

My best work, however, has always been done with collaborators. And for this book, and the three that will follow in this series, I must acknowledge and thank the talented editors and researchers at Wordworks, Inc.—Donna Sammons Carpenter, Maurice Coyle, Ruth Hlavacek, Larry Martz, Molly Sammons Morris, Cindy Sammons, Robert Shnayerson, Robert W. Stock, and Ellen Wojahn; and Helen Rees and Joan Mazmanian of the Helen Rees Literary Agency. I would also like to acknowledge my very able assistant, Dee Dee Haggerty. And, as always, I am grateful to my wife, Lois, and my son, Adam, for their support, advice, and tolerance when I write. Lois and Adam keep me grounded.

Nothing pleases me more than sharing what we have discovered with people who might actually use it, especially when the ideas we have uncovered are not only fresh, but simple and practical. Ahead lies a world of creative companies with uncommon strategies and a singular record for making good on them. How do they do it?

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I HAVE ALWAYS ADMIRERD CHARLES DARWIN, NOT LEAST BECAUSE HE NEVER ALLOWED FAITH, INTUITION, OR RECEIVED WISDOM TO BLIND HIM TO FACT. HE DIDN'T JUST HANG AROUND HIS OFFICE TOUTING UNPROVEN THEORIES. INSTEAD HE TRAVELED FAR AFIELD IN SEARCH OF ACTUAL EXPERIENCE AND MADE DETAILED OBSERVATIONS. HE WAS BENT ON TESTING HIS THEORIES TO FIND OUT WHAT REALLY WORKED.

CHAPTER 1

**IT'S A SMART, SMART,
SMART, SMART WORLD**

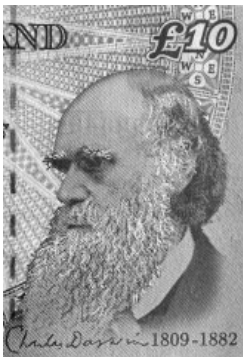
Darwin grew up surrounded by Victorian England's certainties, among them that God created the world and all its creatures (especially Englishmen) in seven days. And it was considered a near certainty that young Charles would follow his father and grandfather into medicine. That idea collapsed: Charles had no interest in the family business, nor in his father's fallback plan to educate his son as an Anglican clergyman, in those days a highly respected and fairly well-paid calling. Instead Charles chose to sail the world, collecting hundreds of animal and plant specimens. What he discovered raised hard questions about God's authorship and introduced a whole new vision of the way the world works.

Darwin's 1859 volume, *On the Origin of Species*, proposed an evolution scenario that has guided scientists ever since. Supported by vast research, as well as his personal

ρ **Charles Darwin**

(February 1809 – April 1882)

After becoming eminent among scientists for his field work and inquiries into geology, he proposed and provided scientific evidence that all species of life have evolved over time from one or a few common ancestors through the process of natural selection.



observations as an avid pigeon fancier and breeder, Darwin made three declarations:

1. Species always breed beyond available resources.
2. Those with favorable variations have a greater chance of survival and pass on their variations to their offspring.
3. Adapted species force out weaker ones, producing whole new species.

So that's life, real life—one, two, three. In the unending, tooth-and-claw competition, only the fittest survive.

This book is about real business life—namely, outsmarting the competition. Darwin has a lot to teach. As he might put it, businesses breed beyond available customers; companies with successful strategies have a better chance of survival; and successful enterprises force out weaker ones, creating whole new business models. In other words, the businesses that succeed not only survive, but grow, gaining more of the supply of customers and forcing their rivals to adapt or die.

DARWIN HAS A LOT TO TEACH. AS HE MIGHT PUT IT, BUSINESSES BREED BEYOND AVAILABLE CUSTOMERS; COMPANIES WITH SUCCESSFUL STRATEGIES HAVE A BETTER CHANCE OF SURVIVAL; AND SUCCESSFUL ENTERPRISES FORCE OUT WEAKER ONES, CREATING WHOLE NEW BUSINESS MODELS.

I usually don't write about my own failures as a consultant, but this is a good place to recall a client of mine who was saved from extinction only by an acquisitive competitor. In the late 1990s, the venerable European airline, Swiss Air, was threatened by the rise of British Air and Lufthansa; both had more routes and more ways to spread costs. Swiss Air asked me for advice on survival tactics. I concluded that the company could no longer compete simply by staying aloft. But it still owned all sorts of ground assets—hotels, duty-free shops, an advanced ticketing system, and significant control over Swiss airports. Why not reinvent Swiss Air as a truly friendly carrier focused on improving the entire travel experience? I urged its leaders to integrate all its assets and compete anew as Europe's first total air-travel company, featuring complete service from the ground up, as it were.

ρ **Swiss Air**

Swiss Air emerged from bankruptcy as simply "Swiss." The airline still operates under that brand, even though it was acquired by Lufthansa. A respected small airline, Swiss struggled against its larger competitors. The question now: How will Lufthansa leverage the Swiss brand?



Swiss Air's executives balked. My notion violated their traditional thinking. For airline industry managers—in those days, anyway—competing centered on adding new routes and dishing out edible food onboard. Hotel- and shop-keeping were just not part of their flight plans. So Swiss Air ignored my advice and bought interests in other European airlines, hoping to expand routes and capture customers from its rivals. Unfortunately, it bought into cash-poor carriers whose heavy borrowing eventually drove Swiss Air into bankruptcy. Lufthansa picked up the company for a song in 2002. So much for the wisdom of clinging to a defunct image in a world that couldn't care less.

In the end, Swiss Air, unable to escape its outdated perceptions, lost its independence and slightly tarnished the Swiss Cross. I still fly the airline from time to time as a matter of choice, and I think about what might have been or whether the company was destined to be overtaken by one of its European rivals. In some businesses, as this book makes clear, scale does play an important role.

AT HIGH ALTITUDES, EVEN THE SMARTEST COMPANIES ARE NOT IMMUNE TO DIZZINESS AND GROUPTHINK.

At the other extreme of Darwinian cautionary tales are the supersuccessful big corporations that succumb to hubris and begin overreaching. Embodying another form of adaptive failure, they throw caution to the winds and plunge ahead with what's been called a moon shot, typically some highly hyped

new product that fails in the marketplace. A recent example is the Segway. At high altitudes, even the smartest companies are not immune to dizziness and groupthink.

"CHAOS IS AN OPPORTUNITY"

My anecdotes gain greater meaning when placed in a larger context: the unprecedented dynamism of world capitalism today. Change is the very essence of business, of course—hence, its Darwinian imperatives. But nothing in the past compares with the speed and profundity of business changes in the early twenty-first century. Barring some worrisome exceptions, business-growth trends point sharply upward. Across the globe, opportunity is in the saddle. We live in a time of innovation and expansion—a world of smart and smarter strategic options, as the title of this chapter suggests. The catch is that the prize will go to the smartest competitor: In whatever field you're playing, you must outsmart all your rivals. But luckily, the world is expanding rapidly. Shrewd competitors can stake out new territory, define the boundaries, and even set new rules for the game.

My friend Peter Drucker, the late, great management thinker, was famous for declaring in the fairly peaceful 1980s, "Chaos is an opportunity, not a threat." Good minds may differ on whether chaos describes the twenty-first century. But if this century is defined by an endless torrent of problems that people will pay anything to solve, then we live in promising times. The problems (a.k.a. opportunities) begin with the immense impact

ρ **Peter Drucker**

I had the privilege of having Peter as a friend and adviser. We shared speaking engagements from time to time. Often, he would take a half hour to answer a question, because he liked to set the answer in its historical context. In my opinion, he was the great business pragmatist of the last century.

ρ **Delhi, India**

I travel to India three times a year on business. The quality of talent is exceptional, but the country's infrastructure is challenging at best. Still, it is nothing short of inspiring to see the country's emerging middleclass. India, from my point of view, is both an enormous source of talent and an enormous, developing market.

of ever more humans seeking better lives on a planet whose size is fixed.

According to the McKinsey Global Institute, over the next 10 years, nearly 450 million newcomers will join the middle class in China and India alone. The drive for a better life in emerging countries has created huge new markets for low-cost housing and building materials, for amenities ranging from cell phones to detergents, and for new public facilities such as hospitals and airports. In July 2007, Boeing unveiled its new 787 jetliner (capacity: 210 to 330 passengers, depending on the model), with a record 634 orders already firmly booked, mainly from airlines serving emerging countries.

Only 15 years ago, the world's total gross domestic product (GDP) was \$13 billion; now it's \$65.95 trillion. Major American



companies are scrambling to keep up with the rising economic clout of Brazil, China, India, and Russia. In a recent nine-month flurry, Goldman Sachs's chief executive, Lloyd Blankfein, opened more new offices than ever—in Dubai, Qatar, Moscow, Mumbai, Sao Paulo, and Tel Aviv. In a day when General Electric (GE) is growing twice as fast outside the United States as at home, its CEO, Jeffrey Immelt, spends three months a year traveling abroad to garner even more emerging-market business.

Not that GE is hurting at home. Developed countries are doing well. But the big global story is that former have-nots are surging even faster in population and prosperity. Since 1998, GDP per capita in the developing world has risen by 4.5 percent a year, twice the rate of the so-called advanced economies.

ρ **Dubai**

In infrastructure, the Middle East more than makes up for what India lacks. These countries aspire to be the number one place where business is done, and they are investing heavily to turn that dream into a reality.



▷ Cash

As credit tightens, cash becomes more important—and many large corporations have lots of money on their balance sheets. Investors need to allow companies to use that cash to improve their businesses, rather than just returning money to shareholders as dividends.

Is all this global prosperity simply another boom-driven delusion masking the inevitable bust lying in wait? Yes, no, maybe—take your pick. Whatever happens, the world will keep turning. The great economist Paul Samuelson was once asked what would happen if a great monetary crisis, then looming, actually happened. “The sun will come up tomorrow,” he said, “and the bridges will continue to bear the traffic.” It took me years to grasp his message: In any conditions, business keeps going—and the winners will outsmart the losers and keep growing.

In summer 2007, for example, governments and gurus hailed the world’s economic health. Credit ruled; liquidity abounded. Investors splurged on ever-rising equities; bargain hunters snapped up shaky businesses, leveraging everything on the road to El Dorado. The world was awash with easy money.



Then, suddenly, it dried up. Billions upon billions of subprime mortgage debt had been sliced and diced like so much sausage meat, and pieces of it were sold and resold to ever more remote holders at questionably high prices. Finally, no one knew what its real worth was and prices plummeted. At that point, trust vanished, credit of all kinds evaporated, and central banks poured billions of dollars of reserves into the financial system, hoping to prevent a total credit collapse. Nevertheless, the crunch radiated outward, alarming not only mortgage-debt holders, but corporate shareholders as well. Fearful of losing recent gains, millions of former equity buyers abruptly switched from euphoria to escape mode, causing big stock sell-offs on bourses from Beijing to New York. British bankers shuddered at a sight unseen since the Great Depression: a classic run on a bank, with lines of depositors clamoring for their money outside the mortgage lender Northern Rock in spite of the British Treasury's promise to bail out any banks in trouble.

A world heady with options had suddenly glimpsed the reverse—a potentially bleak future of shriveled lending, stalled expansion, bankruptcies, and unemployment.

The upshot of all this ferment is that business has never been more complex, volatile, and demanding, yet so full of opportunity. Technological advances in a world made flat have spawned a time of almost hyperbolic risk and reward. So we pursue the old grail of competitive advantage with powerful new weapons: high-velocity concepts, unprecedented products, and sophisticated marketing tools. The combat is unforgiving, the casualties unremitting.

In fact, the business world has become a great dynamo of fascinating new practices that can sharpen any company's competitive edge. That's why I often say that there is not much new in management. But there is a lot new in business. And much of what's new in business today has to do with the strategy needed for growth, the goal of any successful business. I can testify that the new trends in strategy bear no resemblance to the days when haughty executives joined outside consultants for meditations on the future while golfing on plush green courses.

THAT'S WHY I OFTEN SAY THAT THERE'S NOTHING NEW IN MANAGEMENT, BUT THERE'S MUCH NEW IN BUSINESS.

Exciting change is underway. Sure, a lot of companies haven't gotten the message and are still doing business the same old way—I call them “incumbents,” like lazy politicians sure of being reelected. But sooner or later, if they don't wise up, the incumbents will get an unpleasant surprise from a smart company like the ones I've observed. In their offices, the obsessive Captain Queeg-like CEOs of yesterday are gone. Their successors realize that big egos produce big problems; they welcome the bracing truth that strategy is best shaped by a company's collective wisdom, not by the occupants of the executive suite alone. Strategy rises organically from whatever happens on the front lines and everywhere in between. Hence, my exemplary companies are outsmarting and outgrowing their competitors by finding distinctive market positions and sustainable advantages in all kinds of ways—whether it's thinking innovatively, simplifying complex problems for their customers, or finding ways to tap into the success of others.

WINNERS IN THE GROWTH RACE

Research for this book has been rigorous and far reaching. In Darwinian mode, I have collected specimen companies and analyzed their successes, pinpointing the methods by which they unarguably beat their competitors. I began with the premise that any company growing by more than 15 percent a year for the past three or more years had to be pursuing a notable strategy.

The facts were even more stunning: My colleagues and I actually spotted a few businesses growing at phenomenal rates of more than 5,000 percent a year. This exercise yielded a total of 1,000 high-velocity businesses with growth rates above 15 percent, enough to keep us toiling for the next 20 years. We began winnowing this down to a more manageable number and conducting extensive personal interviews with company leaders. It turned out that some of the candidates with exceptional growth rates weren't being driven by their strategies; they were just lucky, or riding a trend. The finalists were a fascinating lot, creative companies with unusual strategies that, as noted in the Introduction, combined an irresistible promise to customers with an enviable record for delivering it.

The rest of this book is a series of short studies describing these fast-growth companies and the often counterintuitive practices their leaders have used to outsmart the competition—and get better at what they do. Here's a quick rundown of the businesses and the uncommonly smart leaders I want you to meet:

- ▶ Panos Panay was a guitarist who never made it but a talent agent who did—and he never forgot how tough it is for hungry musicians to connect with the promoters who might hire them. No talent agency can afford to do that job—the commissions are too small. Then Panos had an idea. As set forth in Chapter 2, “Compete by Seeing What Others Don’t: How Sonicbids Spotted a \$15 Billion Market,” he created Sonicbids, where promoters—10,000 of them, at last count—can list the events for which they need musicians, and the 120,000 musician-members can look over the list and make their contacts. Sonicbids also helps members prepare electronic press kits that they can easily and rapidly e-mail to promoters. Though the individual gigs are small, they are huge in the aggregate; the annual payout for wedding bands, for example, is \$2.5 billion. That’s only one of the very promising markets Panos is now pursuing, thanks to his knack for recognizing an opportunity that no one else saw.

- ▶ After an exasperating emergency-room experience with his son, Rick Krieger came up with an idea: a kiosk staffed by a nurse practitioner to handle those common medical problems—say, a sinus infection, strep throat, or an allergy—that don’t need a doctor’s expertise. Mike Howe had the retailing smarts to shape the idea and give it a national footprint. In Chapter 3, “Compete by Thinking Outside the Bubble: MinuteClinic Delivers Healthcare Retail,” you will read how the company known as MinuteClinic has evolved despite all sorts of challenges. It’s a powerful example of how borrowing an idea from a seemingly unrelated industry can be a great way to outsmart your competitors.

- ▶ Smith & Wesson was 155 years old and nearly dead. Sales and the stock price had plummeted, and federal agents were looking into accounting problems. But instead of administering last rites, CEO Mike Golden dosed the gun company with powerful medicine: his own rebranding expertise. He knew nothing about the weapons business—he'd never fired a gun in his life—but he had learned all about brand management at the Kohler Company and marketing at Black & Decker, where, Golden quips, employees “did hand-to-hand combat at the retail level.” Chapter 4, “Compete by Using All You Know: Basics Are Blazing at Smith & Wesson,” demonstrates that nothing beats the impact of a driven CEO determined to apply his personal savvy.
- ▶ In the beginning, Shutterfly was just an online photo finisher. Then Jeffrey Housenbold became chief executive and brought with him a far grander vision of the company. He saw it as being at the nexus of a new era in the worlds of photography and communication. Within a couple of years, he transformed it into a community united by a love of photographs and their power to capture family memories. Chapter 5, “Compete by Changing Your Frame of Reference: How Shutterfly Saw the Bigger Picture,” shows how Jeff worked his magic at Shutterfly. His wide-lens vision, combined with a finely honed sense of people's ever-growing need to connect, helped Jeff reimagine the company as a social-expression business. Now two million members trade experiences and feelings as well as photos. They buy not only Shutterfly's photo-printing services, but everything from calendars to scrapbooks, to posters and more.

- ▶ “From concept to creation” is the mantra at S.A. Robotics of Loveland, Colorado. The maker of custom robotic arms and lifting devices goes to great lengths—literally, up to 100 feet (the size of some of its robots)—to prevent humans from coming into contact with nuclear waste, lethal chemicals, and other dangerous substances. The robots, which cost between \$1 million and \$2 million apiece, are selling as fast as S.A. Robotics’s 140 satisfied employees can make them. The turnover rate at the company is nearly zero, while its annual growth rate is a whopping 70 percent. Chapter 6, “Compete by Doing Everything Yourself: S.A. Robotics—Reaching Into Every Detail,” examines how the company’s decision to do in-house design, engineering, testing, and manufacturing has enabled it to leap ahead of its competitors to capture contracts from around the world.
- ▶ Have you ever noticed how a product, new or old, can suddenly take on such cachet that it gains almost cultlike status among certain groups of consumers? Chapter 7, “Compete by Tapping the Success of Others: Jibbitz Wins by Riding a Croc,” recounts the stories of Jeff Grady and Sheri and Rick Schmelzer, who made their fortunes by developing accessories for two such must-have items. Jeff found his niche accessorizing the iPod after Apple failed to provide consumers with protective cases for their beloved gadgets. The Schmeltzers’ story is the same but different: They accessorized the popular Crocs’ molded plastic clogs, customizing the ubiquitous footwear with their Jibbitz decorations. So smart was their strategy that Crocs wanted to be part of it, so it bought Jibbitz and kept the Schmeltzers on to run it.

- ▶ I've never understood why appliance manufacturers and retailers of consumer durables can't find a better way of getting the parts customers need for their washers/dryers, television sets, refrigerators, and the like. Finding the right person to talk to when you need, say, an ice-maker bucket or a remote control is always a hassle, with customers bouncing from retailer to distributor to manufacturer. Then they have to wait weeks for the new part to arrive—weeks without a crucial appliance. That was the aggravating system that Partsearch set out to fix. Chapter 8, "Compete by Creating Order Out of Chaos: Partsearch Finds the Item You Need," describes how Glenn Laumeister put together a catalog of eight million parts and accessories encompassing more than 560 brands.
- ▶ Some of the great business success stories of our time are built on a three-word strategy for corralling customers: Keep it simple. No one wants to buy a product or service that's so complicated that it's hard or even dangerous to use. When Becky Minard discovered that her beloved horse Westley was not getting the supplements the veterinarian had ordered, she wanted to know why. The answer: The method used to deliver and distribute supplements at horse barns was impossibly complex and invited error. Becky and her husband developed a technique for packaging supplements and medications that has evolved into a \$40 million company called SmartPak. Naturally, it wasn't easy. As H. L. Mencken memorably noted, "For every complex problem, there is a solution that is simple, neat, and wrong." But as Chapter 9, "Compete by Simplifying Complexity: SmartPak Brings Stability to the Stables," shows, this couple found a way to build a thriving business by keeping it simple.

These vignettes might already have you thinking about how you will apply the lessons from these companies to your own. It won't be simple; each example in this book is unique, and none of these companies has a formula you can follow without changes to how you operate. But these companies do share some characteristics. First, they follow Drucker's simple advice to know where you are, where you want to be, and how to get there, and that approach blurs the traditional line between strategy and execution. In almost everything they've done, the people you will meet in these pages have carved out paths that are both distinctive and competitive. Their search for the future has opened their eyes to opportunities that others have overlooked and led them to places where others have not dared to go. And in making the journey, they have found the holy grail of strategy: an unmet customer need.

Outsmarting the competition requires more than intelligence, experience, and business sense; you also have to be quick, flexible, and ready to adapt to the transforming world. The penalty for failure is Darwinian extinction, but the prize for success is survival, growth, and the rich rewards of a life spent in the brave new world of business. As you read each of the following chapters, keep your mind open to new ways of seeing and doing.

Taken together, the companies that you are about to meet represent what is really working in business today. They have a lot to teach us.

OTHER *OUTSMART!* ELECTRONIC CHAPTERS AVAILABLE

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