

LIISA VÄLIKANGAS • MICHAEL GIBBERT
with LAKSHMI B. NAIR • MARKUS PAUKKU • INÊS PEIXOTO

STRATEGIC INNOVATION



THE DEFINITIVE GUIDE
TO OUTLIER STRATEGIES

Praise for *Strategic Innovation*

“This book makes an important contribution to new thinking about products and markets that do not yet exist. We know that strategies that worked in the previous industry transformation rarely work in the next one. This book shows the companies and strategies that will build the future.”

—**Jouko Ahvenainen**, Chairman and Founder, Grow VC Group

“Anyone can spot a winner with hindsight. As readers of business literature we eagerly follow the mainstream in digesting retrospective tales of excellence from proven performers. This book attempts to beat the crowd in turning to accounts of promising outliers in the midst of white heat emergence where performance outcomes are still undefined. That’s interesting! It is delivered through a varied set of rich cases, written from multiple vantage points with also external commentators. The prose that binds it all together is fresh, witty, and full of zest. Yeah! Wow! Oomph!”

—**Professor Arne Carlsen**, BI Norwegian Business School

“Getting past the conventional wisdom is critical and this important new work shows how to use strategic novelty to challenge your thinking.”

—**Bill Guns**, CEO, Strategic Business Insights

“From Silicon Valley to Scandinavia and practically everywhere in between, Liisa Välikangas is a pioneer in the realm of studying, supporting, and identifying early-stage innovations across sectors. The collection of authors that she has gathered here represents an incredible cross-section of perspectives on innovation around the world, and offer an illuminating view into the frequently misunderstood world of innovations in both technology and social practice.”

—**David Evan Harris**, Research Director, Institute for the Future

“Competitive environment is increasingly not only complicated but complex. Linear, accepted, strategies of the past, which might have worked in complicated-only competition, no longer work. This book gives vanguard thoughts on how to build strategic novelty to paddle the chaotic flow of the new-complex-environment.”

—**Jussi Jaakonaho**, Software Integrity Group, Synopsys Inc.; Toolcrypt Group and Former Chief Advisor, Enterprise Risk and Security for Nokia.

“This book reveals the importance of spotting outliers while their radically creative business models and practices represent opportunities, before they become mainstream when everyone, including your competitors, is copying them.”

—**Soren Kaplan**, best-selling author of *Leapfrogging*, and founder of InnovationPoint

“An intriguing selection of companies that may help shape the future.”

—**Roland Kupers**, University of Oxford and co-author of *Complexity and the Art of Public Policy*

“This book addresses an important topic—the study of outliers—that is long due.”

—**Professor Arie Lewin**, Duke University

“*Strategic Innovation* is a thought-provoking book about the quiddity of outlier organizations. The authors have a razor-sharp eye for the hidden markers that reveal strategic novelty as it unfolds. In this book, the authors introduce a methodology that unravels the concept of prediction outliers: how uniquely different companies with unconventional business models have lingering, staggering, and industry-wide effects. As in her previous writings, Ms Välikangas once again contributes a nuanced and insightful outlook for understanding effective business innovation.”

—**Claudia Medina**, Consultant in learning technologies

“Learning from outliers is THE challenge of the 21st century. Not because today is more complex than yesterday or tomorrow, but because right now we want to embrace diversity, anchor resilience in diversification, and find ways to align our capabilities to our aspirations for freedom. As the authors of this important book argue, the capacity to appreciate strategic novelty requires sense making that goes beyond the search for averages and the aggregation of common denominator statistics that obscure and ignore outliers. Getting better at learning from outliers is essential if humanity wants to take advantage of the richness of complex emergence.”

—**Riel Miller**, former Head of Foresight, UNESCO

“In a world of accelerating change and opportunity, innovation matters more than ever. Yet the greatest potential for disruption lies not in new products and services, but in models that challenge how business is done. That’s why learning from outliers to build strategic novelty is the next big management methodology—and mindset.”

—**Nancy R. Murphy**, Director of Experience Design and Communications, Worldview Stanford

“*Strategic Innovation* delivers on three important promises: a fresh view of innovation ‘before’ it is obvious, a deep focus on organizations and business model innovation as the key focus, and a series of actionable steps to identify and implement on such ‘strategic novelty’ in your firm or agency. Great insights, excellent and varied case examples, and realistic ‘what to do now’.”

—**Marc J Ventresca**, Strategy and Innovation faculty,
University of Oxford and Wolfson College

“A refreshing new look at how you can learn from the outliers who are pushing envelope on new business models. Read this book and you will never look at strategy the same way again!”

—**Peter Williamson**, Professor, International Management,
University of Cambridge

STRATEGIC INNOVATION

*To all outliers who wow us:
With a relentless search for strategic novelty,
you lay the foundations for an awesome future.*

STRATEGIC INNOVATION

*The Definitive Guide to
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Introduction

For the Strategists Reading This Book

Johann Sebastian Bach composed *The Well-Tempered Clavier* for a keyboard instrument, or Clavier, without knowledge of the newly invented piano in Italy.¹ Since then, many leading artists have recorded his famous piece on piano. Leonardo da Vinci invented the flying machine long before airplanes ever came to exist. Arpanet—the predecessor to the Internet—came to exist before e-mail, Skype, or social media were even conceived of.

This book is about such inventions, which have great impact before they have actually happened; it is a book about what we call “strategic novelty.” Strategic novelty may seem like a truism—after all, isn’t all strategy novel and shouldn’t all novelty (at least in business management) be strategic? It should. However, all too often it is not. We will be talking about instruments, machines, and Internet applications, but in particular we expose what is potentially impactful out there in a number of pioneering companies; many of which you might have never heard of, and yet, they are already making a difference.

Because these companies are ahead of their time, we term them “outliers,” meaning that they are vanguards, they are off the beaten track. Whether or not they will be trailblazers, e.g., pioneers off-track, isn’t so clear (yet). They may sell and produce novel products and services too, but the most compelling story is about their business models. These vanguard outliers embody strategic novelty as they

¹<http://www.britannica.com/EBchecked/topic/639313/The-Well-Tempered-Clavier-BWV-846-893>.

reimagine and show the ways in which business will be conducted and impacted around the world in years to come.

You may dismiss these outliers as still unproven one offs. They may fail. Yet by the time either these companies or their imitators demonstrate their economic value by conventional metrics, beyond doubt and replicated many times over, their strategic novelty has become mainstream for all to see. They thus no longer provide a potential source of competitive advantage.

The time to learn about them is now. We remember Bach, Leonardo da Vinci, and Tim Berners-Lee for being pioneers, ahead of their time. They were courageous and brilliant in their vision. The rest of us—fast and smart learners—can at least follow the vanguards and outliers working on tomorrow before everyone else does so too.

Introduction

Strategists, both academics and managers alike, search for novelty, foresight, and what's next. When novelty becomes ubiquitous, what is “really” new? Boilerplate strategy is being challenged as theories of momentary competitive advantage are being disrupted by industry shifts and the strategic innovation that organizations, which do not fit established ways of doing things—*outlier* organizations—bring about. Such outlier organizations are often found at the fringes of industries where they are already challenging, uninvited, the prevailing industry or business logic.

Our focus is on *strategic novelty*, where to look for it, how to recognize it, and even how to harness it. We believe that composing music for a “clavier,” even before the instrument has been conceived, is useful—both for musicians as well as for creators of instruments. Outliers, and their perspectives at the frontiers of (not-yet-formed or to-be-challenged) industries, can provide valuable lessons for strategists, whether they are in that particular industry or not. We are not advocating generally applicable silver bullets, nor are we focusing on “lessons learnt” in the conventional sense.

Consider two quite opposite approaches for tackling the important task of distilling “generalizable” lessons learned. One is to look back at the historically successful, proven to be relatively stable bloc of incumbent organizations, i.e., those which are said to be driving and often dominating an industry. A second, alternative way, of looking for

novelty is to borrow the lens, insights, and visions of the outliers that are driving the not-yet fully formed businesses, or seeking to disrupt established industry models. They are outliers precisely because they lie outside, or at the very edge of, the conventional understanding of industry dynamics and even industry boundaries. By analyzing outliers that lie outside the boundaries of “something,” we can also gain more knowledge about that particular “something,” in new and important ways. By focusing on outliers, their business models, constraints, and opportunities, we also gain a better understanding of the industry, the incumbents, that the outlier differentiates itself from.

We believe that the second perspective is not only the more exciting, but also the more sustainable, approach. However, it is admittedly more challenging intellectually, cognitively, and even emotionally (more on these aspects of detecting outliers in our toolbox). Yet, it is precisely because such vanguards are underdefined—their outlook is less stable, their vantage points are less clearly defined, and their impact on incumbent structures and emergent markets is more uncertain—that these outliers are an often overlooked invaluable source of strategic novelty.

How to study outliers, then? In management and social science at large, there is a long-standing divide between those believing in quantitative methods, with a focus on large samples to come up with generalizable averages, and those who believe in deep, qualitative insight into idiosyncratic patterns of only a handful of cases. We believe both camps provide meaningful insight. There is a practical snag, though. Outliers by definition are small in number, so a method relying on large sample sizes just isn't feasible. In this book, we therefore use a qualitative analysis, deviant case methodology, to uncover characteristics of outliers as they evolve. The methodology and analysis are less concerned with generalizable, abstract insights—insights already well-known to any experienced student of management. Instead we aim to study examples of those few companies and the business models about to challenge you and the lessons outliers divulge as they do so. This is what Intel's long-standing CEO Andy Grove meant by “only the paranoid survive.” The deviant case analysis seeks to expose what is *really* different and novel about a particular company and its strategy. That is our focus here. It is curious to us that so much of strategy research is focused on understanding similarity when being different is at the very core of any strategy worth its name.

We find that outlier companies often exploit digital or industry leading technologies in new ways. However, though technologically

savvy, the novelty exhibited by these companies is largely strategic in that they have found new models by which to organize their business. For example, one of our outlier cases, Quirky, a New York-based consumer goods producer rapidly gaining a foothold in the market, is able to harness ideas for new product inventions from an open community of more than a million enthusiasts. Despite its digital innovation and technological and production capabilities, the decision on which ideas to develop and launch is made at a town-hall meeting, via show of hands. It thus brings together digital technology and onsite presence, to launch up to three new consumer products *per week* to the product development pipeline. Quirky is a pioneer in collective innovation.

Recognizing and Acting on Strategic Novelty (Before Everyone Else Does)

The deviant case analysis allows us to identify, track, and ultimately analyze real-time phenomena as they evolve, and in the contexts in which they evolve. This is critical as it helps us address a strange paradox: The emergence of important novelty often goes unnoticed in its early stages, i.e., before “novelty” starts to have an impact. Yet the impact is obvious in retrospect. It is easy to overlook (and dismiss) a company that is still experimenting with its business model, and is far from being able to prove its sustainability along conventional metrics such as business stability. So, one may ask, why should I pay attention to something that may still fail?

These outliers’ early commitment to experimental business models opens up the window for new discoveries of strategic importance—learning something others have not yet seen or understood. Subsequently, once this window closes, the impact of the novelty will have manifested itself and become blatantly clear and obvious for everyone to see. Business journals write about it, consultants repeat the story. Heard enough about Apple? It is easy to point at proven success stories and nod in unison. Unfortunately, by the time we are at this “nodding” stage, where any useful information has been masked as a myth, the very aspects that brought about the success are long gone. The sheen has worn off or expired—any instance of strategic novelty is neither strategic nor novel any longer. We might still not be able to easily imitate or learn the source of competitiveness, as its originating contexts would also have changed. Who would not wish to become another Apple today? (Despite many efforts and detailed historic analysis you don’t see too many likes of Apple replicating the company’s

profitability or novelty.) While you wait for the second coming of Steve Jobs, you might as well sit back, relax, and enjoy this book.

The old adage about only searching under the streetlight reminds us to widen our perspective and to peer fearlessly into the dark. The challenge lies in recognizing, tapping into, and experimenting with novelty in a meaningful way, and while it is still relevant to do so, before the novelty becomes the new normal. Yet some courage is required: Novelty is intricately tied to humor, novelty makes you smile, and perhaps therefore is also often ridiculed by those inclined to sarcastic upmanship. Novelty often fails, but in the process of experimentation, you may have learned something very valuable, serendipitously. You may have found something you were not looking for, which is the only free lunch there is! You have met *serendipity*, and *she* is powerful; indeed many if not most valuable things in the world are side effects, unintended consequences, or unexpected discoveries of the pursuits of something else, from love (most likely) to penicillin to Viagra.

Far too seldom do people go out looking to be surprised. Far too seldom are we ready to be WOW-ed, least of all in strategy! We find inspiration thinking of a young chef examining the gifts of Nordic forests and gathering wild ingredients, while also exploring Helsinki's city parks to examine what is growing there naturally, finding *Polypodium* ferns and spruce. A few years later Sasu Laukkonen's Chef and Sommelier restaurant gains its first Michelin star.

Surprise, while often seen as negative and dismissed as a failure of strategy, outliers have been clinically shown to have tremendous impact in terms of learning. Neuroscientists have found that young learners learn best when expectations are defied (Stahl and Feigen-son, 2015). However, in order to process all that we see efficiently, we need to look through serendipity and surprise and ask ourselves the infamous question, SO WHAT? We need to systematically interrogate the significance of what we see for ourselves, for our companies. Indeed, learning happens when existing predictions and patterns are found to be wrong and windows of opportunity open in which we are challenged to try to figure out how the world really works, or could work. Unfortunately many companies that rely on uncertainty minimizing corporate strategy have developed a tin ear for surprise and serendipitous discovery. Instead, they favor and reward the familiar using established, safe, and proven metrics, to which, they together with their competition, have decided to limit their strategy. Receptivity to surprise requires a certain degree of vulnerability. Like Odysseus, we have to hear the sirens' song in order to know when to tie ourselves to the mast. This means accepting the risk of a possibly painful

unsettlement of one's beliefs, with the attendant need to rework one's expectations and redirect one's conduct (Scheffler, 2010). The outlier companies featured in this book seek to reawaken this natural curiosity for novelty and bring it back into strategy.

Being a strategic novelty hunter may be a lonely undertaking. This book keeps you company: It offers guidance on how and who to learn from, ahead of others, but also addresses the risks related to strategic novelty. In other words, we invite you to learn from things that have not yet happened. Are you ready?

Vignette 1: Why to Learn from Outliers

"There is no use trying," said Alice, "one can't believe impossible things."

"I dare say you haven't had much practice," said the Queen. "When I was your age I did it for half an hour a day. Why, sometimes I've believed as many as six impossible things before breakfast."

—Lewis Carroll

There is ample reason to focus on outliers that are ahead of their time, precisely because they are ahead. First, there is a paucity of theories, methodologies, and perspectives in the strategy literature that support the study of the novel, unique and uniquely novel. To begin with, methodologically, the study of the "unique" has been eclipsed by a rife infatuation with the "general." What is unique and idiosyncratic is often dismissed as insufficiently rigorous, in terms of scientific evidence, as it does not generalize to a larger population.

So why study outliers in management?

Consider a provocative analogy from medicine: Why study the handful of smokers worldwide who turned out to live to a hundred, when most others (smoker or non-smoker) die well before? While the very reason for strategic management is to provide the insights by which to achieve the difference—the long life—the field has by and large concentrated on the replication of typical causal models and average outcomes. But consider the strategic (or plainly, the managerial) relevance of such research findings. What's the value of learning from yesterday's average outcomes and the typical? These insights are by their very nature not strategic, since they perpetuate

known, average (rather than outlying, surprising) performance. We submit that it is more fruitful (and interesting) to focus on those couple of centenarians and learn about their psychology, way of living, genetic make-up, and uncover unknown factors by actively searching for possible explanations that have not yet been shared—discover the novelty that is strategic.

Second, even industries that have been thus far the exclusive domain of large corporations or tried-and-tested business models are now being entered by small start-ups and other would-be innovators aiming at disrupting wide sectors. Indeed, we are currently living through a veritable Cambrian Explosion of new organizational forms. Just as during the Paleozoic Era long ago, not all experiments in diversity will survive. However, the ones that do—such as the more advanced multicellular organisms of the Cambrian times—may indeed have a profound and disruptive effect out competing those less evolved.

Technology is allowing for the rapid emergence of, and experimentation with, different ways of organizing complex processes that were, until now, only possible to efficiently transact within the boundaries of a large corporation. Web-based and mobile technologies are connecting individuals at negligible costs. This enables architectures of contribution whereby hitherto unimaginable numbers of individuals could efficiently participate in these unbundled yet sophisticated processes. Piecemeal consulting projects, global social biomedical research or crowdsourced consumer goods design have quickly become commonplace resources supporting innovative strategies. The spaces from which these outlier organizations, business models, or social movements emerge can be the source of considerable knowledge on strategic novelty. The great variation (and lack of common denominators—or generalizable strategies which can easily be applied and replicated across the board) can either be seen as strategic novelty to learn from or something dangerous and disruptive, depending on how one is prepared to deal with outliers. With this book, we encourage you to attune to the former perspective: learning about strategic novelty through studying cases of outliers. Strategy, after all, is about experimenting with variation. The goal of this Case Book with its careful (and intentionally serendipitous) selection of caselets is precisely to provide you with some examples of these sources of inspiration and variation as well as to guide you on your own journey of discovery.

Learning from Outliers and Benefitting from Their Strategic Novelty

So what does the process of “Learning from things that may not quite have happened yet” look like?

An essential first step is to get over the attitude of dismissal, by embracing what can be learned serendipitously. “You cannot be more wrong than be right, before your time.” Dismissal or wariness of the unfamiliar seems hardwired into humans. Indeed, we would have trouble making sense of the world without some resistance or skepticism to every new idea that we come across. However, strategists must, in the process of finding a useful middle ground between all novelty-denying skepticism and all-accepting radical credulity, avoid resorting to strategic management dogmas—denying or overlooking important evidence simply because it does not support existing paradigms or known business models. Instead of epistemic apathy (Scheffler, 2010), the inherent surprise of novelty ought to be capitalized on and investigated further.

Outlier organizations are outliers precisely because they are unique and different. Once they become mainstream, they no longer lie outside the main distribution of organizations on the industry scatterplot. Therefore, unless we open our minds during this fleeting window of opportunity we will miss the strategic novelty and all that can be learned about pioneering new ways of doing business. Think of how to integrate this hypervigilant learning approach into your company’s strategy process. Outliers may be potential disruptors to your industry or may indicate a new reference group that you can compete or collaborate with. This vigilance may also be directed inward allowing for learning to be gained and better metrics to be developed that capture the experimentation of overlooked divisions and undervalued subsidiaries within your company. There may be outliers inside your organization to learn from also.

By studying such cases that deviate from the mainstream, especially incumbent companies can draw important serendipitous lessons for inventing the future before it happens.

A Methodology with Tools

Innovators are intuitively interested in what’s new. We are intrinsically geared to consider situations that are incongruous to our expectations, recognize that which does not fit in. However, translating this

inherent human sensibility to discovery into equally powerful strategic insights is often challenging. While what is incongruous may be interesting, its very incongruity makes it difficult for us to integrate with our existing knowledge. In short, it is difficult to learn from novelty. In seeking out lessons from outliers we reframe strategy from a science of studying the average and minutiae of the already known, to an art of potential serendipity and discovery of that not yet widely known. To provide guideposts along this reorientation toward the novel, we suggest the following tools and methodology to the strategic-novelty hunter: First, identify the WOW (strategic novelty), then, execute the SO WHAT? (decipher the significance for your company). Finally, amplify the OOMPH (leverage learning for outsized impact). The following pages will provide you with a methodology to accompany each step in your journey. The accompanying tools and their instructions can be found in Chapter 3.

1. Identify the WOW

Curiosity is piqued when one comes across an outlier. This reaction may be provoked by any number of reasons but is characteristic when one discovers outliers. We ask you to consider, what intrigues you in the case? Why? It may be the emotion that stems from discovering an unexpectedly diverse group of people creatively advancing biotech or an improbable number of people participating in the R&D process of product development. This initial reaction is highly informative and provides a wealth of insights about the observed outlier phenomenon. The reaction may also be instructive about you as a strategist: What is your attitude toward novelty and surprise? These reactions may well range from wonder to anger to relief depending on your relative vantage point. All too often these reactions are rationalized away and dismissed.

One must note that those engaged in the outlier cases are accustomed to that which may be considered novel and unsettling for you or your industry's established norms and practices. For example, at BioCurious, one of our outlier companies, the citizen scientists working in an open biotech laboratory see their creative workspace open to a diverse community as contributing factor, not a deterrent, to scientific innovation. For the multitudes involved in the R&D processes at Quirky an organizational model benefiting from the perspectives of thousands of peers is the new normal, not a managerial nightmare. For a strategist unfamiliar with these business models these organizations

may seem lacking in legitimacy, manageability, and/or credibility. Yet they may thrive.

Outliers provide a natural experiment of ideas and business models that counter industry incumbent groupthink. Incumbents, the dominant or established companies, can learn from paying attention to an organization that attempts something that was thought implausible, improbable, or even impossible. Even if the outlier fails, one is better off knowing exactly why the idea did not succeed. If it succeeds you are paying attention to the emergence of novelty. Dismissing failed companies like Napster may mean turning a blind eye to the iTunes and Spotifys that follow.

If you dismiss these cases one must ask, why? The reaction and potential resistance to the outlier cases you come across in this book and elsewhere are highly informative of the strategic mind-set you inhabit, and the boundaries or limitations of your perspective. To emphasize this point, outliers lie “outside” the boundaries of the usual and commonplace. Thus, by their very nature, they also point to the boundaries within which companies pursue the already known and potentially average. In a nutshell: Take this as an opportunity for a personal discovery. What kind of resistance does the case instantly evoke in your mind (e.g., it will never work because . . .)? Is the outlier company too small to be competing in an industry dominated by large incumbent companies? Do the outliers lack the formal qualifications and methods generally deemed necessary to participate in the advancement of science, development of products, or diffusion of ideas? Is their business model unproven, open, and inclusive, when the industry norm is closed and proprietary? What are the strategic implications for you if your industry’s practices are outdated, these outliers are onto something, or even succeed?

As the Harvard philosopher of education Scheffler pointed out, “Surprise is, after all, unsettling; it risks the distress of disorientation and the potential pain of relearning” (2010).

2. *Execute the SO WHAT*

Take the next step. What can incumbent firms and strategists learn from these outliers? After all, many start-ups and new companies are incapable of maintaining their innovativeness for extended periods of time. Many more simply disappear without a trace. Indeed, it is because outlier companies are fleeting windows into the leading

edge of ideas and new industries that they provide an opportunity to imagine and develop novelty of strategic importance. When studying outlier companies one does not benefit from the certainty of comparing one's relative position to a known industry average, benchmark, or best practice. Instead one aims to gain from the outliers' perspectives—vantage points at the leading edge. In contrast, the average companies with which strategic management texts are generally concerned are relatively stable and well-known, and thus information sources of limited strategic value in terms of novelty.

Being receptive to new ideas is not enough. Knowing what ideas can enrich your organization is where novelty benefits strategy. This is where the “SO WHAT?” begins. The outliers that provoke the most resistance often demonstrate the kind of novelty that either the industry as a whole, or perhaps only your company, is least receptive to. As the future is not distributed evenly across organizations—it only converges on the average as the industry matures—we argue that strategists' idiosyncratic reactions to outliers can guide this process.

What if established companies experimented with radical business models? Industry incumbents often have the benefit of resources, complementary knowledge and know-how, industry presence, legitimacy, and, of course, examples of prototypes of outliers that serve as trailblazers. The largest hurdle for many companies is to instill an internal cultural sense of curiosity, receptiveness to surprise, and strategic experimentation that would allow for renewal and transformative learning. You may ask, how can your company experiment with novelty in a controlled yet meaningful way? While outlier companies are fully committed to a single experimental business model, you can experiment with strategic novelty on a project or a business unit basis. To further lower the perceived threat of newness leaders must remember that strategic novelty need not be something never before tested. Outlier companies are often able to create the new by transposing existing tools and organizational ideas into original contexts. For example, BioCurious looked to the maker movement and open innovation culture prevalent in Silicon Valley, and the well-known TechShop working spaces as inspiration for its biotech laboratory rather than incumbent university or closely guarded corporate laboratories. By following outliers one can develop portfolios of different strategic options that can then be deployed across the organization in strategically novel ways which scale up impact.

How to de-risk discovery and experimentation in your company? Experimentation, deploying red teams, and exposing strategic plans

to contrarians, internal or external, can test existing business models with little or no risk. Industry incumbents have secured their position by developing valuable networks and platforms by which they do business. Outliers have typically had to build versions of these from scratch or have had to develop business models that innovate around these resources. Strategists in established companies can benefit from their position while exercising the option of partnering with strategically novel organizations. Making small, early investments into such relationships could better leverage or optimize existing networks and platform assets, and at the very least, keep your company informed and externally oriented.

The biggest risk is not to try. Many of the established organizations that are following the industry logic are underperforming or failing. Politically, conventional mediocrity is safer than experimenting with novelty. Strategically however, it is not.

3. Amplify the OOMPH

The strategic novelty employed by the outlier companies identified in this book, as well as those that you will discover hereafter, serves to amplify the results of the business model. Outliers do not seek to innovate new practices and challenge established strategies simply to be different or for the sake of being novel. They experiment in order to better achieve impact. How can your company gain from these lessons in impact or scale (“OOMPH”)?

To leverage strategic novelty your company needs cultural leadership that empowers a receptive audience. An organization that does not want to be surprised will often miss, if not readily dismiss, innovation and opportunities for serendipitous learning. Will you act as an example of being open to novelty that others dare follow? Outliers only seem odd because incumbents have developed practices and methods that are so similar to each other. We argue that group consensus, while warm and fuzzy, is strategically unsustainable and should be avoided at your own competitive peril.

Here are some ideas on how to achieve impact both inside your organization, and externally in the marketplace. They are also addressed in the tools provided.

How to Create OOMPH Internally:

1. ***Leadership.*** How might you show an example that others can follow? How might you de-risk experimentation for others so

that they dare to join you? How might you communicate that the mission is important enough for it to be worth the risk?

2. **Resource Leverage.** How would you gain outsized benefits with a small, early investment? How would you secure a portfolio of real options that you can learn from? How might you move faster than your competitors based on these early resource commitments? How might you commit the absolutely best global resources to your venture?

How to Create OOMPH in the Marketplace:

3. **Multiplying.** How would you make the impact of novelty scale in your markets? How would you make it in others' interest to join you? (e.g., “issue spreading” so that others support the cause; “product enhancing” so that others develop complementary products or services; “agenda shaping” so that others buy into a strategy of experimentation; “niche creating” so that there is a particular market that is being co-created) (Alexy et al, 2013).
4. **Scaling/Combining.** How might you scale this up, either by scaling the experiment or combining many different experiments together? (Try enlarging or integrating.)
5. **Network/Platform Effects.** What kind of strategy would give your company a large role in the unfolding of novelty, or how would you punch above your weight? Whom could you partner with? What would give you a decisive competitive advantage (e.g., cost, timing, lock-in, speed, distracting competition/strategic signaling)?

Table 1.1 provides a summary of why to learn from outliers in the context of the methodology. The WOW! is a reminder of the nature of outliers as momentary windows into the future. The SO WHAT? invites interested intrapreneurs to experiment with the meaning of novelty and contribute toward the company's strategic renewal. The third step of OOMPH! calls for impact. Strategic novelty can be leveraged to determine or build the future—develop “next” practices or define the “new” normal. Thus, there is competitive value that can be captured via learning from outliers before novelty fades. Ideas and outliers often regress to the mean over time and by then, the leading edge of novelty would have moved on.

Table 1.1 How to Learn from Outliers: A Methodology

Nature of Outliers		Nature of Learning	Nature of Strategy
Outliers offer a fleeting window to strategic novelty that guides trailblazers.	WOW!	Learning is at its most effective when expectations are deliberated, defeated, or defied.	Research on strategic management tends to eliminate outliers, i.e., data that is very different from the average performance.
Outliers experiment with different business models and thus expand the horizons on what is possible, plausible, or profitable.	SO WHAT...?	Emotional responses—such as dismissal—indicate important limits to learning, worth exploring and potentially expanding.	Any decent strategy is about breaking new ground, being different, not the same as other organizations.
The experimental novelty can be amplified (or scaled)—and possibly even become mainstream.	OOMPH!	Such serendipitous learning is the only free lunch there is, i.e., you find something you were not looking for.	By the time strategic novelty has become mainstream, it has likely lost its capacity to be a source of strategic learning or offer a source of competitive advantage.

Punching Above One's Weight: Strategy Amplification

In the pages that follow, we describe how the outlier companies not only experiment with novelty but punch above their weight, or create out-sized impact. How do companies amplify their strategy, and for example, achieve a significant impact despite limited resources? This is something that large companies need also to learn—how to use resource scarcity as a lever for innovation, not merely a limitation (Gibbert et al, 2007).

Rather than scaling up their strategy with large investments, vanguard outliers smartly and cost-consciously amplify their strategy and its global or inventive impact. We selected our case companies for their potential insights into such strategy amplification.² Some,

²A *Note to Incumbents*: All the companies we examine use resource scarcity as a lever for innovation; rethinking their business models at a much lower cost points to deliver value. This is not only a starting point, or a necessity for survival for many start-ups, but also a useful technique for incumbent companies seeking to contain costs. Rather than cutting costs with 10 percent, try cutting 90 percent and experiment on the emergent solutions.

like Quirky, reached out to a community of inventors and thus used massive search for ideas through *inclusiveness* as an amplifier. Grow VC Group, a pioneer in finance, is another example where building *a novel contributor architecture* enables disproportionate potential competitive advantage. Taking modularity to the extreme of *plug and play* provides amplification for Shapeways in rapid design and manufacturing of industrial products. And of course, doing something so radical that *the costs plummet*, like in the case of Organovo and its revolutionary contribution to clinical drug trials (providing 3D-printed cell tissue replacing the need for testing on living animals or humans), is a tried and true amplification strategy applied first by outliers in ways not conceivable before. An organizational design fostering *generativity* for problem solving could be an amplifier when used skillfully to invite people to address the issue from different angles and then to build on these multiple perspectives and adjacent ideas. Robin Hood Minor Asset Management Coop is generative in its approach for redefining, and democratizing access to equity.³ Kaggle is highly generative in inviting leading scientists and amateurs to compete on big data problem solving and develop new solution approaches.

Vignette 2: Strategy Amplification, or “Punching Above One’s Weight”

The strategic capacity of a resource-constrained organization may be potentially transformative in its competitive environment, for example, by

- Building an architecture for contribution that draws a large number of voluntary actors via inclusiveness and/or enabling modularity through plug and play like Quirky or Shapeways
 - Radically reducing cost in a particular industrial activity like Organovo
 - Being highly generative in problem solving/opportunity identification like Kaggle
-

³*Disclosure:* One of the authors is in the board of the Robin Hood organization and another is a minor asset investor.

In Chapter 2, we introduce the theoretical and methodological perspectives that support our study. In Chapter 3, we offer the Workbook which includes tools for facilitating learning from the cases and, broadly speaking, from novelty and outlier organizations. Then, in the chapters that follow, the cases, some with commentaries from the CEOs, founders or analysts, and participants in organizational activities, are presented in the order of their strategic novelty, or how far out we deem their business model innovation to be from the current mainstream. We start with Fondia, a new kind of a legal firm, and end with Robin Hood Minor Asset Management Cooperative that is in the process of launching its own synthetic finance instruments based on Blockchain technology (an emergent Internet technology for transacting records). Bang & Olufsen, a 90-year old high-tech, high-design sound system veteran, provides a final incumbent perspective on strategic renewal. We conclude with a reference summary of the cases and an outlook for the strategist.

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