

1. Strategy and Competition

Kill or cooperate

Traditional societies have not benefited from the wisdom of business schools, consultants and professors who have perfected the art of strategy. Perhaps that is why traditional societies are so good at strategy. They are not blinded by sophisticated analysis. They have not bought the book or listened to the inspirational speech. Tribes do not employ consultants to tell them how to think. Instead, they have to think for themselves. They have a high incentive to get it right: get it wrong and they may die.

“Tribes do not employ consultants to tell them how to think. Instead, they have to think for themselves”

Traditional societies that get it wrong collapse and go out of existence. Any traditional society that still exists must be doing something right in order to survive. As we searched through many traditional and business tribes around the world, three strategic themes kept on coming up:

1. Adapt to your territory (market)
2. Deal with the competition: kill or cooperate
3. Use your resources well

These are mind numbingly obvious conclusions. What is less obvious is how the traditional tribes do these things and how the business tribe can learn from them.

OPPOSITE

Tree walking in Papua New Guinea: tending the banana crop.

RIGHT
*The Great Wall of
China: dividing
nomadic and pastoral
civilisations.*



Adapt to your territory: the search for fit, not excellence

For tribes, geography is everything. The Great Wall of China is built along the line where the rainfall is about 20 centimetres a year. South of the Great Wall, there is enough rainfall for agriculture: that means settled people, villages, towns, standing armies and the rise of civilisation as we know it, from roads to road rage. North and west of the Great Wall there is not enough rainfall for settled agriculture. Farms give way to the steppe: look for as far as you can see, and you will see no roads, buildings, telephone wires or even fences: fences are the sign of private ownership which simply does not exist on the steppe. In summer, the steppe is a green ocean as far as the eye can see. This is the land of the nomad where they herd horses and sheep. This was the perfect breeding ground for Genghis Khan and the Mongol hordes.

The difference between the two sides of the Great Wall was caught in a friendship treaty in 198BC which says, “Let the state holding the bows beyond the Great Wall follow the rules of the Shanui, and let the Han govern the state of the overcoat and hat which lies inside the Great Wall.” The initial shock was to discover that the Han defined civilisation over 2000 years ago by hats and overcoats (which could mean they would be disappointed with modern day New York or London). The second shock was to realise that rainfall dictated diplomacy: the rain starved parts of the world are rediscovering that rainfall drives diplomacy and conflict.

The two sides were divided by a wall, rainfall and different modes of survival. The two systems worked in their own environment: in context they fitted well. Neither system could claim to be perfect.

Each tribe adapts to its environment. In Mongolia, the land will not support farming, but it will support herds of sheep and horses who migrate on an annual cycle: individual families take responsibility for herding their own herds. In contrast, Papua New Guinea has rich land but the population is dense: organisation into villages that protect their territory makes sense. The Arctic, at first sight, appears completely different again. This is a harsh, barren environment where the land cannot support agriculture. However, it can support reindeer who migrate on an annual cycle between the coast and the mountains. Their environment is similar to the Mongolian steppe where temperatures can fall to -40 degrees Centigrade in winter. Perhaps not surprisingly, we find that the Saami in the Arctic traditionally organised themselves along family lines, in a similar fashion to the Mongols. Despite being separated by thousands of kilometres, similar environments gave rise to similar solutions.

FOLLOWING PAGES

*Arburd Sands,
Mongolia: the weather
dominates all life.*

BELOW

*Anne Margrethe looking
after the herd.*







In business, the search for excellence is a dead end. There is no universal concept of excellence: there is only what works in context. Look at the two lists of excellent American companies from around 1980 and spot the difference.

Excellent American companies A	Excellent American companies B
DEC	GE
Dana	FedEx
Wang	Coca Cola
Amoco	South West Airlines
Data General	Citigroup

The first, obvious, difference is that the A team no longer exists. These are the companies that were lionised and held up as models of excellence by Peters and Waterman of McKinsey in *In Search of Excellence*. They chose to define excellence only by looking at American companies, a myopia that exists in management literature to this day. The B list companies they ignored completely: they did not meet any of the rigorous selection standards they set for identifying excellent companies. Peters and Waterman successfully analysed what made large American organisations successful in the 1970s: not surprising that the formula has not worked in the next thirty years. The digital revolution, globalisation and the rise of Asia have changed the rules of the game out of all recognition.

In response to this change there has been an explosion of new management techniques: supply chain management, re-engineering, value innovation, TQM, balanced scorecard and Strategic Intent and Core Competences, to name a few. Some are useful, some are not. Managers have learned to surf all the fads. At some point, everyone has been through the same mill. A game for tired managers on a bad away day is to play the A–Z of fads (plus the one to ten). The rules are easy: first, name a tool or fad for every letter of the alphabet and for every number from one to seven. Then one member of the group calls out a letter and a number, and another member of the group has to explain why that alphanumeric combination of fads (like A7, Q3 or R4) offers the complete solution to the organisation's problems. You soon find that more or less any combination of fads can offer a plausible solution to more or less any organisation.

Tribal survival is not about fads. Fads blind us to the basic realities of survival. The essence of survival means having a secure source of food (or revenues) that you can defend against rivals (competitors) and that support the community (business).

The survival formula may be easy to state, but it is very hard to achieve. The formula works differently in different contexts. The people of the highlands of Papua New Guinea, the Tuareg in the Sahara, the Aborigines in Australia and the nomads in Mongolia all have their own unique survival formulas: they may not work in theory, but they do work in practice. As with the indigenous tribe, so with the corporate tribe: there is no universal success formula. There is only what works in practice. It is that which helps to make the task of management infinitely varied, frustrating and exciting.

Deal with the competition

Of the top 100 public companies in the UK 25 years ago, only 20 survive today. Many of the great and seemingly invincible giants of yesterday have disappeared. In endless industries, mighty giants have been felled by competitors who would not even have appeared on the radar screens of the giants of the past. Take a look at the list below.

Giants from 25 years ago	Upstarts over the last 25 years
GM, Ford and Chrysler	Toyota, Nissan, Honda
Pan Am, TWA, BA	Southwest Airlines, Ryanair
IBM, DEC	Lenovo, Dell
BBC, NBC, ABC	CNN, MTV
BT, AT&T	Vodafone, Verizon
Caterpillar	Komatsu

From Microsoft to Google and YouTube, new technology has created new industries and new giants.

Of course, there is an alternative to competition: cooperation. Cooperating with competition is a far safer way of securing success than competing. The problem with competition is that you might lose. Tribal people understand this principle well: they like to have friendly neighbours,



LEFT
Mongolian wrestling.

How to kill a lion: the art of unfair competition

To become a warrior, tradition holds that each cohort of aspiring young warriors must kill a lion. This sounds like a serious test of valour for anyone. I imagined young warriors taking on a lion single handed and bare fisted. If they tried that, they would indeed prove to be very brave. They would also prove to be very stupid and completely dead. So I asked them how they kill a lion.

As they patrol their territory, they see all sorts of wildlife. Occasionally, they will see a lion. If they are lucky, it is upwind of them, so it cannot smell them. Hopefully, it is still groaning, grunting and digesting a recent kill. It will be lying down thinking of nothing very much.

At this point, the young warriors will pull out a few arrows and dip them in some poison. Creeping up as close as they can to make sure they hit, they then shoot the arrows at the lion. Next, they run like crazy to the nearest cover they can find: the chances are that there is going to be a reasonably angry lion nearby looking for some retribution.

Provided they have all escaped, the young warriors now try to follow the lion at a safe distance. Eventually, it falls over and dies from the poison. Then the young warriors will creep cautiously up to it (just in case it is not really dead), cut its tail off and return to the village for some major celebrations.

None of this is remotely fair on the unfortunate lion. It is 100 % unfair. That is the whole point. The best sort of competition is unfair: a fair fight tends to be very costly and will as often be lost as it is won. There are some people who think that, in true Olympic spirit, taking part is more important than winning: this is patently not true of nuclear war or of business. The point is to make sure you win. Successful businesses always find some source of unfair advantage. Unfair advantage can come from technology and patents (pharmaceuticals and software); ownership of key supplies (oil and gas, film companies); distribution muscle (local utilities); government licences, protection and regulation (telecoms licenses) or from a carefully built up brand loyalty (fast moving consumer goods).

If your company talks about feeble “points of differentiation” or “competitive advantage” be afraid, very afraid: that is the language of an organisation that lacks the killer, unfair advantage. If you want to win, work for an organisation that has mastered the art of unfair competition.

not hostile neighbours. It is better to trade goods than it is to trade blows with each other. Normally, governments take a dim view of industrial cooperation, for the same reason that Adam Smith thought that business people should not cooperate: “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public” (*Wealth of Nations*, 1776).

“The problem with competition is that you might lose”

I first discovered the art of cooperation when working for a petrochemicals giant. They never referred to their competitors. They only referred to their “co-producers”. It was a friendly and profitable industry at the time. In practice, rivals cooperate where possible. Industry associations are explicit cooperation forums that lobby government and manage the PR of the industry. Rivals even cooperate competitively, without any murmur from the anti-trust authorities. For instance, P&G and Unilever appear to be locked in mortal global combat in detergents and personal care products. Closer examination shows that in each category there is a market leader that normally also acts as the price leader. When the market leader puts up prices, everyone else duly follows. There is no need for pricing discussions at secret locations: the market etiquette is understood and followed by everyone. In airlines, you will find the same effect at work on business class fares which are remarkably similar for competing full service airlines on the same route. Competing on price would be possible (and etiquette allows for occasional and temporary price reductions), but it would be industry suicide. Any short term market share gains would be wiped out in an orgy of competitive price cutting which would benefit the consumers, but not the shareholders or the CEO’s stock option plan.

Just as indigenous groups invest in having good neighbours, so too do corporate groups. The price of failing to invest in having good neighbours was clear in the highlands of Papua New Guinea: burned houses, destroyed crops and displaced people.

Camels, Christmas and cooperation

A camel was lost. It wandered to the nearest boma, or thorn fence that surrounds the small villages in the bush. One of the children inside the boma saw the camel and ran out to gather it in. This was like Christmas come early: a camel is worth serious money.

The elders gathered to decide what to do with the camel. From the markings on the camel, it looked like it came from a nearby village. With little hesitation they summoned the boy who had found the camel and told him to walk the camel back to the neighbouring village. The reasoning was simple: although they could have claimed the camel, the last thing they needed was to have neighbours with a grudge. You never know when their support might be needed. Returning the camel was a good way of ensuring they had good support from their neighbours.

Tribes, like managers, learn to pick their battles. Sun Tsu laid down three conditions for any battle to be worthwhile. They are as applicable to corporate battles as they were 2500 years ago:

- Only fight when there is a prize worth fighting for
- Only fight when you know you will win
- Only fight when there is no other way of gaining the prize

Most corporate battles fail at least one of these three conditions. In many cases, as with the camel, it is better to win a friend than to win an argument.

A quick glance at different industries and success stories show that the rules of corporate survival and success depend as much on their environment as they do for the tribes.

	Incumbent strategies: raise entry barriers and layer in advantages	New entrants: fight asymmetric battles
Customer focused	Branding and distribution: Pepsi, Coca Cola, Mars, McDonalds	Exploit white spaces (new territory): Sony, Whole Foods, WalMart, Starbucks
Competitively focused	Build network and scale economies: utility companies, Microsoft, Search engines	Exploit black holes and overlooked segments: Komatsu, Canon, Honda
Product focused	Internal innovation machines: pharmaceuticals, aerospace	Build a better mousetrap: Dyson, Freeplay, iPod
Efficiency focused	Learning curve, scale economies: chip makers, banks	Re-engineer costs: discount airlines, Dell

Even this map of strategic choices is simplistic: many companies shift the basis of competition over time, or mix and match advantages. The salient point is that there is no single source of competitive or strategic advantage, nor is there a single approach. If there was a single approach, everyone would home in on the same solution and the result would be a competitive stalemate and profit collapse. The frustration and the beauty of business is that there are an endless variety of solutions to an endlessly changing variety of challenges.

Use your resources well

Directing and using resources well is a central part of strategy: it drives everything from strategic plans through to budgets, rewards, measures and your bonus and promotion. Tribes also understand about resources. If they run out of key resources, like food and water, they starve.

Maintaining good water flow is as important as maintaining good cash flow. Failure to do either leads to disaster.

In the tribal world, good use of resources means three things:

1. Find and protect your key resources
2. Waste nothing
3. Be creative in how you use limited resource

RIGHT
Who do you get your advice from? Author and friends, Kenya (AW).



Finding and protecting key resources

When you live on the edge, you find that complexity and confusion are luxuries that you cannot afford. You need total clarity, focus and alignment:

- Clarity about the challenge
- Focus on what is important
- Alignment of everyone behind the same focus and clarity



LEFT
Mali Tuareg territory map: all that counts are wells and water.

The corporate world enjoys the sophisticated luxury of complexity, which does not help with clarity, focus or alignment. Different departments may have complete clarity and focus, but often on different things. This difference of focus and priority leads to endless low level internal corporate warfare. This warfare is unproductive for the individual but productive for the institution: internal competition is the way in which modern organisations decide where to invest limited resources and who to promote. It is a gruelling way of finding out where the best ideas and people are.

An oasis of common sense

I asked Ahmed to draw his world and what was important in it. He disappeared for a few minutes and came back with a simple black and white picture which represented part of the salt caravan from Mauretenia to Timbuktu.

I asked him what the scene at the top of the picture was. He looked at me as if I was stupid as he patiently explained: “You asked about my world: it is the salt caravan. You ask me what is important in it. We are in the Sahara Desert. I will tell you what is important in the desert: water. That is a well in an oasis.”

That seemed fair enough. So I asked him about the scene at the bottom of the picture. Ahmed was even more direct in how he looked and spoke this time: “Bottom of picture? Sahara Desert. Oasis. Well. Well means water. That is what is important.”

I looked at the picture a little harder. In the middle I saw what looked like four dead dogs with their legs sticking up in the air. I asked about them. Ahmed was now convinced that I was not just stupid, but mad. “Those,” he said with a hint of exasperation in his voice, “are water bags. For carrying the water from the well. Across the desert. So now you know. When you live in the desert, the most important thing is water.”

Sometimes, when we are locked in combat with other departments over projects, roles, bonuses, assignments, delivery dates and all the other standard corporate battles, it is easy to lose focus on what is really important. Corporate maps rarely have the clarity and focus that Ahmed achieved. What is the most important thing you must find and preserve in your corporate caravan?

Waste nothing

The corporate world is getting leaner and meaner every year. The corporate Olympics have one race, called “betterfastercheaper”. It is a race that cannot be won. As soon as you get your nose in front of a competitor, another competitor appears with an improved version of betterfastercheaper. Everyone is running faster and faster (and better and cheaper). Although we are running faster than ever, we are in more or less the same position relative to competition. Like hamsters on a wheel, no matter how fast we run we seem to make no progress.

“The corporate Olympics have one race, called betterfastercheaper”

Despite this, the corporate world is full of luxuries that are beyond the wildest dreams of survivors on the edge: running water, air conditioning, comfy chairs, tea and coffee (sometimes even free tea and coffee), telephones and all the conveniences of modern life. Imagine for a moment what would happen if you got into the lift, pressed 6 for the sixth floor and found the doors opened out into the dusty bush of Northern Kenya. The doors shut behind you and you are left in baking heat.

Walk for a few hours through the baking heat and you reach a form of civilisation: a dusty strip of road with two or three shacks selling warm soft drinks. There was a school nearby with

RIGHT
Waste nothing. Bottle tops make a chequers board in Northern Kenya.



classrooms that had roofs but no walls and no books. However, there was plenty of hope: this was the place where futures were being built and dreams were coming to life. Outside, there were some bottle tops on the ground. Closer inspection showed that they were neatly arranged on an old piece of torn cardboard packaging. A child had drawn a chequers board on the cardboard. The face-up bottle tops were the white chequers, the face-down bottle tops were the black chequers. This was a place where nothing was left to waste.

Perhaps the bottle tops remind you just how thirsty and dusty you have become. Fortunately, the lift doors reappear, you step in and find yourself back in your office. The air conditioning cools you down, the water is clean from a tap, not brackish from a river five miles away, and you have all the books, internet and facilities you need.

The necessities we need are luxuries to others. When the pressures of the corporate Olympics become too much, take a moment to be grateful for the everyday luxuries that we can take for granted.

Be creative about how you use resources

Many years from now an archaeologist wandering through the remains of the industrial era will wonder what happened to all the mighty business empires that vanished as mysteriously as the dinosaurs. Entire industries simply disappeared. The original industrial revolution in the UK was built on coal, steel, shipbuilding and textiles. Those industries are now more or less extinct in the UK. The same industries transformed the agricultural mid west of America, first into its industrial heartland and then into its rust belt.

At their height, these industries appeared invincible. They had all the resources that any megalomaniac could wish for, and many megalomaniacs did run those industries: they were the “great malefactors of wealth” who were lambasted by President (Teddy) Roosevelt.

These business empires disappeared for two reasons:

- Their environment changed: being in a commodity business in a high cost country is not a good position when markets go global.
- Competitors became creative and changed the rules of the game. Ideas and creativity beat the dull weight of money every time.

“Creativity beats the dull weight of money every time”

The power of creativity over money is very clear in the tribal world, not least because they mainly exist outside the money economy. As you walk into the outback near Kununurra, in the heart of Australia, it is inconceivable that anyone can survive here. Credit cards and cash will not get you anywhere: there is nothing to buy. This is the world where original European explorers starved, while surrounded by food that the Aborigines would recognise and use. Whatever resource advantages the Europeans had, they were useless in the wrong environment. Resources are only valuable if they are well used and you know where to find them.



ABOVE
(left) Find the pharmacy... (right) Spot the grocery store...

The world's largest shop

Walking through the Australian bush, Jack invited me to spot the grocery store. I could see no buildings, only dust and bush. He then asked me to spot the pharmacy. If he could see a grocery store and a pharmacy, I thought he must be hallucinating or I must be going blind. Then he started tapping various trees and bushes and showing how they could be used as food or medicine. We were in the middle of the world's largest grocery store and pharmacy, but I had not been able to see it. We are always surrounded by resources, if we know where to find them and how to use them.

Each tribe showed highly creative use of minimal resources. Self-sufficiency means being able to use the local plants and animals for everything from transport, to food, clothing, containers and even housing. The warmth of the gers (tents) in Mongolia comes from having felt lining: each family makes its own felt from the wool of the sheep that it herds. The felt lining can also be used to make warm inner boots and coats. They are also experts at using dung effectively: it can be used for fuel, making walls, deterring mosquitoes in summer or insulating cows in winter from the intense, arctic cold. This is highly creative use of resources born of generations of experience.

Most businesses have to be sustained by large amounts of resource. Some industries, such as semi-conductors and consumer electronics, are on a never ending treadmill of innovation and big capital spending simply to keep pace with the competition. However, most businesses do not need vast amounts of resource to get going: they need vast amounts of creativity and commitment. If new entrants fight on the same terms as incumbents, they will be defeated by the weight of resource being used against them. Creativity is a far more valuable resource than money. Most of the successful dot.coms, from Dell to MySpace and beyond, have started in a bedroom or a garage.



LEFT
*Mongolian ger
(household tent) in
morning fog.*

When we started Teach First, we had more or less no money. We wanted to become a top graduate recruiter in the UK. Within five years, Teach First beat 97 % of the top 100 UK public companies in this market, despite being comprehensively outspent by organisations that have big brand names, large recruiting machines and well-established networks. The Teach First innovation was simple. Unlike most recruiters who like to brag about how wonderful they are (and they all tell the same story to increasingly cynical final year students), we made the radical decision to listen to what the students really wanted after graduating. We then tailored our offering to what they wanted and started talking about them, not us. Very little money went far with a little creativity and high commitment from all the staff.

Many organisations struggle to get out of the resource trap. If a group has a \$2 million operating budget, the discussion is anchored around \$2 million. The budget owner will try to raise the budget, others will try to cut the budget. In practice, the best predictor of next year's budget is this year's budget plus a bit for inflation, if you are lucky. Everything is geared to fine tuning the \$2 million machine. No one asks if we need the \$10 million machine, or perhaps a \$100,000 machine instead. Organisations become trapped by their past.

Escaping the resource trap requires challenging the machine, challenging the basic assumptions on which we work. Teach First challenged the basic way recruiters recruited. Dell challenged the way computers were made and sold with the most radical of re-engineering

approaches. The traditional computer manufacturer had a process that can be simplified down to two steps:

1. Make computers
2. Sell computers (we hope)

This is a nightmare process: it requires great demand forecasting, and hence market sizing and competitive analysis. Get it wrong and either you are left with mountains of unsold stock, huge discounting and a major cash flow problem, or you cannot meet demand and forego huge sales and profits. Within the resource trap mindset, each department strives to forecast demand more accurately, market more effectively to shift stock and to reduce the cycle time of the supply chain to minimise inventory. No matter how well you manage the process, it is still a bad process and will yield bad results. It is a huge waste of management time and talent.

Michael Dell had no resources when he started, so he never fell into the resource trap. He was forced to come up with a new process that can also be simplified down to two steps:

1. Sell computers
2. Make them

With that one change, all the problems of forecasting market demand, inventory management, stock-outs, fire sales and cash flow crises largely evaporated. If you have already been paid for a

RIGHT
*Looking out , Northern
Kenya (AW).*



computer you have not yet made, you are unlikely to have a problem with cash flow or unsold inventory.

Conclusions

Many organisations become victims of history: they are prisoners of success. Once they find a formula for survival, they rightly stick to it. This makes them very vulnerable to change: either the environment changes (steel and cars in the US rust belt) or the competition changes the rules of the game (the rise of Japanese consumer electronics companies). Few legacy organisations survive a fundamental shift of environment or competition. This means that the search for the universal formula for success is like the search for the alchemist's formula for turning base metals into gold: it is a search that is doomed to failure. There is no universal formula for success or survival. This is an obvious point which is completely missed by eminent professors of strategy and highly paid consultants and gurus who tout their latest formula.

If there was a universal formula for success, management would be very boring. Everyone would be required to apply the same formula and there would be little by way of innovation, creativity or change. If everyone applied the same formula, at best you would have competitive stalemate; at worst you have collective suicide as all the competitors attempt to do the same thing at the same time.

As with businesses, so with tribes. We did not find a universal formula for survival and success. Instead, we found that each tribe adapted to the unique conditions of its environment: pastoralists, hunters, nomads all had their own way of life adapted to their own environment. In strategic terms, their survival depends on answering three questions successfully:

- What is our territory/environment and how do we adapt to it?
- How will we deal with the competition?
- What are our resources and how can we best use them?

If your organisation can answer these three questions successfully, it is on the way to success.

