



THE BIKER'S GUIDE TO BUSINESS
When Business and Life Meet at the Crossroads

Chapter 5
THE TRAGEDY OF STRATEGY

By

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The Tragedy of Strategy

Don't get me wrong; I believe that strategy is important, I really do. But I refuse to dwell on it. Instead, I'll take for granted that your strategy is sound, because we're naturally good at it. Hell, the Dot Com Boom of the late 90's proved that. Back then killer strategies were everywhere; many became legends for being written on a scratch pad or the back of a napkin over a few drinks, and then receiving a ton of investment dollars. But few actually made it because they were all form with no substance. They were great ideas with no real plan on what it would take to make these ideas actionable.

Listen to the experts, and it's all about strategy. That's because strategy is big, strategy is sexy; strategy lets you dream, be bold, and go for it! Today, you are told to think globally, re-structure your business model, study the competition, and forecast where the marketplace is heading. So you hire big time consultants, bring together the best and brightest from your organization, hole up in meeting rooms for days, re-work the mission statement, and produce this big honking binder called a "plan". You then hold an all-hands meeting to announce it and get everyone on the same page. Yelling CHARGE, you hand a copy to everyone and still miss the mark. Why?

Just like the person who graduates college with initials after their name and believes that he's totally made it, only to find that the game's only just begun -- so do you after going through this exhaustive and often futile exercise. You spend so much time preparing to prepare, talking about it and covering every conceivable angle that it leaves everyone wrung out from the experience. And as for the actual *plan* that comes out of this process? Well, that's for the employees to execute; it was only your job to think it up. All

they have to do is read the brilliance on all of these pages and (somehow) make it happen. Turn one page at a time, and all will work out.

Then six months into the year, you wake up and smell the exhaust fumes as your competitor passes you by. Behind in your goals and woefully off track, you again turn to the experts who say that what you need now is a new, *revised* plan. Aside from the fact that it's often a consulting boondoggle and a great way to get into the company coffers (i.e. – it's profitable), strategy feeds our intellectual side. It's so much more rewarding and fun to talk about it and pontificate rather than the actual *doing*. It gives us conversation over coffee and allows us to display brilliance at the meeting table. After all, from time to time we're all legends in our own mind; something that gives us the sense that we're on top of things, while the company is slowly drifting off course.

But the fact is that business simply doesn't work that way. If it did, then all of those afore mentioned plans written on napkins would have worked out beautifully and there'd be -- as my dad used to say -- "more billionaires on Forbes's vaunted list than you could shake a stick at."

A prime example of the downfall of this strategic mindset took place early in my career. I began working for a client who was desperately looking for a way to gain market share against her main competitor and 10,000 lb. gorilla in her market. At the time, her company revenues were steady at the \$7 million mark, while her competitor sat at \$60 million.

When I walked into her office, she was in the process of going to every company her competitor had under contract and severely undercutting their prices, while offering the same services. This, she soon found out, was a loser's game -- as the competitor simply

went back in, matched her price, and maintained market share. This left my client feeling defeated and literally wanting to sell her company at any price.

It was then I asked why she was fighting this losing battle and was there a space in the market that the gorilla was completely ignoring. Turned out there were quite a few options; so for the next few years, my client changed her tactics and introduced new product after new product into the market. In doing so, she began gaining considerable market share and momentum that resulted in \$12 million of growth in a mere 14-month period.

Now, the twist here is that the tragedy in this strategy doesn't lie with my client, but rather with her competitor - the \$60 million industry leader. It seems that their CEO was quite pleased with her own strategic approach to beating this smaller competitor. And when applying the simple standard of having kept her clients, she did. But she failed to consider one key question - at what cost? With her eyes fixed only on the prize, the "gorilla" CEO failed to look at the ramifications of cutting her prices that deeply year after year; and over time, the company began to bleed financially. You see, along with introducing new products, my client continued to low ball the competitor knowing full well that she'd not get the business. This simple tactic consumed the competitor's ongoing strategy, and allowed my client to enter the market through a side door.

By the time her competitor recognized the problem, it was too late; and the company literally closed their doors and ceased to exist within three years of my client's initial attack. Over the next several years, my client became the market leader and methodically grew her company into a \$50 million market leader before merging into a publicly traded company -- allowing her to retire to a villa on the water.

This is not a solitary example. While it does seem on the surface to be something that you could simply chalk that up to flawed strategy, on some levels, the competitor's strategy was sound. The problem was she thought the game ended with merely keeping her clients. She failed to sense the opportunity in the wind and create new products to drive through her 'captive' market.

That's precisely why I focus so intently on the in-between. This is the place that displays all of the warning signs that, if ignored, will always lead to your company's demise. In biking, we are taught something called the Crash Ladder. This is a maxim that lists the factors which, if controlled while riding, will prevent you from ever going down. Failure to pay attention to even one or two on your ride causes your risk of crashing to rise considerably. On a bike, these factors are made up of little things -- like looking through a curve, and not outrunning your headlights at night. In business, its similarly modest details that make a difference -- like understanding your market and paying attention to margins. But unlike biking, where the factors are universal, those in business are often unique to the company and its industry.

So how do you avoid this *Tragedy of Strategy* and achieve more of what you want? Well, to paraphrase politics of a few years ago - ***"It's the tactics, stupid!"*** It boils down to identifying the 'small stuff'; and -- contrary to a popular new age slogan of a few years ago -- in business, we *do* HAVE to SWEAT THE SMALL STUFF!

Yes, for the most part we all have a grip on the little things, or else we wouldn't be where we are today. But reality is that the number of issues swirling around daily within the company makes it nearly impossible for you and your organization to maintain that grip on growth. To better preserve the proper focus and control, you simply need to identify

and map out the key items -- both large and small -- that are crucial to successfully navigating your chosen route. Applying a process to them and consistently watching the results will help you to stay on top of those critical day to day tasks.

In other words, there should be no big AHA's along your route. Talk to any good biker and they will tell you how important it is for there to be few, if any, big AHA's along the way. That's because a realization like this usually spells trouble and signals the fact that we didn't take the time to understand and account for all known factors along our ride. And that can be hazardous to our health.

This is why we break down our ride into one leg of the trip at a time, and assume an attitude of wary confidence that serves to guide our decisions. That way, we're ready when the sun goes behind the clouds and forces us to ride through a major detour or an afternoon downpour. Slogging through it ain't fun, and we'd love to go faster; but at least we're still safely going for it.

The main thing to remember is that no ride happens without performance; and that success always lies in the tactics because every road is riddled with obstacles that will toss you in a ditch if not navigated properly. And in business, misunderstanding and failing to master the necessary tactics to get from here to there won't just throw you into the proverbial ditch. It is, in fact, where even the *best* strategies go to *die*.