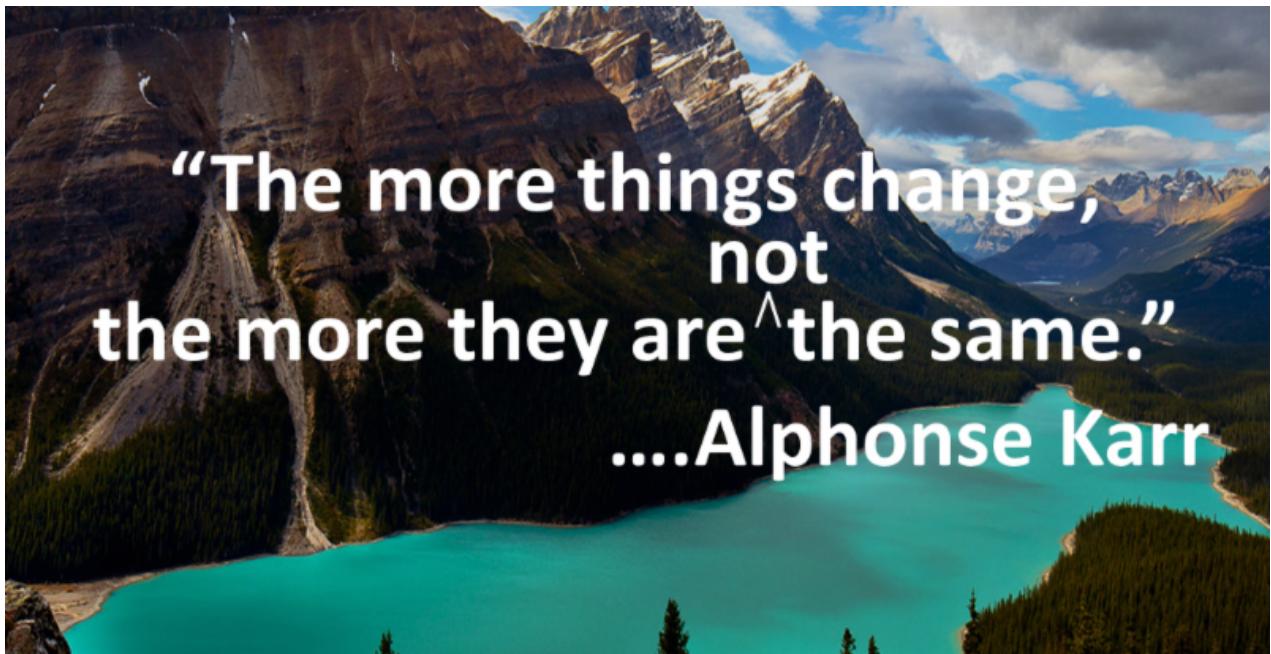




Achieving radical and sustainable improvement in top line performance

Strategy Update: Change as a Constant



December, 2017

The Challenge:

This famous quote by French novelist Alphonse Karr has withstood the test of time, until now. I respectfully disagree with his original notion, that things stay the same. Witness, the introduction of terms like "bitcoin," "blockchain," and "cryptocurrency." Some of it is hype, but some of it points to important forces in the financial services industry that are likely to change the way we transact business forever. It reminds me of the hey days of the internet as we all tried to figure out, what it all meant.

For reference, Blockchain is the technology that enables the existence of cryptocurrency (among other things). Bitcoin is the name of the best-known cryptocurrency, the one for which blockchain technology was invented. A cryptocurrency is a medium of exchange, such as the US dollar, but is digital and uses encryption techniques to control the creation of monetary units and to verify the transfer of funds.

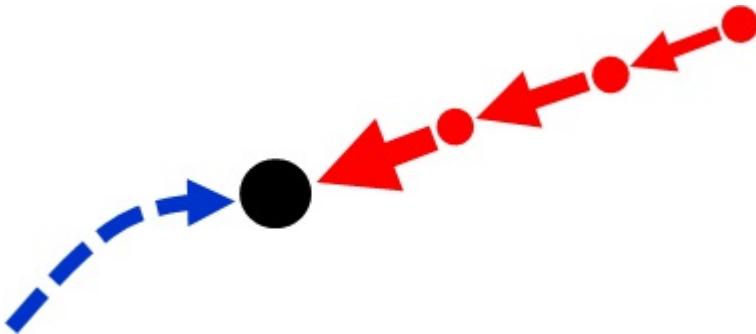
As buzz words come and go, one of the few that has had some staying power is the idea of disruption. As an example, how can disruptive technologies transform life, business and the economy? As the list of next big things grows longer and louder, not every emerging technology will find its way to success with a company that will boast at least a \$1B market cap. With ideas such as the mobile internet, the cloud, robotics, 3D printing and renewable energy gaining daily mind share, the ultimate success of these technologies by their owners requires that they can effectively cause disruption not only within the market, but more importantly within their strategic competitors. Companies backed by their investors will have to fight to win every new business opportunity for each disruptive technology and need to adopt the teachings of Sun Tzu, the renowned author of *The Art of War*. Sun Tzu was arguably the first proponent of disruption with his now famous quote below. What follows is a brief explanation of the concept.



"Indirect methods will be
needed to ensure victory."

.....Sun Tzu

The Direct Approach:

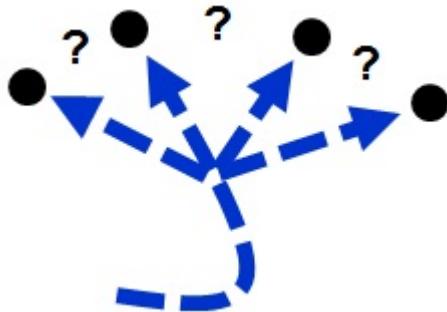


If you think that your loss rate is higher than it should be, perhaps its time to rethink the basics of your playbook, especially if your organization is set in its ways and hasn't made any major recent changes to its strategic thinking. Imagine if your strategic competitors have been able to intelligently guess your next moves based upon your organization's history and predictable behavior. We call that the Direct Approach which typically manifests itself as follows:

- Announcing products and services at the same time each year (at the annual trade show).
- Providing small incremental updates and releases to products and services on a predictable basis.
- Following the same pricing guidelines for all your offerings.
- Offering the same levels of support.
- Using tried and true messaging (same old, same old, same old).

While proven methods yield predictable results, in fiercely competitive markets it may not be sufficient to maintain aggressive growth goals. Consider a different approach, known as the Indirect Approach.

The Indirect Approach:



The idea of the Indirect Approach was developed by B. H. Liddell-Hart, a famous British military historian. After studying the history of warfare his experience led him to the discovery of the idea of the Indirect Approach. Simply stated: "Identify the enemy's Achilles heel and strike it quickly in order to secure a swift and decisive victory." In other words, avoid the classical thinking of launching frontal assaults against the enemy/market because they are too predictable. Frontal assaults only work when you have overwhelming numerical superiority, otherwise the leader must adopt indirect methods. It must be noted that the theme of the Indirect Approach resembles ideas from Sun Tzu's writings in *The Art of War*. In which he states, "Appear at points which the enemy must hasten to defend, march swiftly to places where you are not expected."

Psychological Dislocation

When planned and executed properly the Indirect Approach results in "Psychological Dislocation" of the enemy. These results come from the element of surprise that is achieved by attacking from an unexpected direction or through the use of unexpected tactics, force, weapons or speed. A few examples in military history are:

- The 7am, Sunday morning, December 7th attack on Pearl Harbor
- The Egyptian attack on Israel on Yom Kippur
- George Washington crossing the Delaware on Christmas night
- The attack on the World Trade Center and the Pentagon on 9/11 by Al Qaeda

In business Psychological Dislocation via the Indirect Approach can be achieved by launching an attack with unusual or expected:

- Promotion techniques (The Hunger Games)
- Speed (Casio - new watch releases)
- Technology (The Chevy Volt)
- Applications (The iPad and iPhone)
- Channels of distribution (Facebook)
- Timing (Twitter)
- Selling propositions (Nike: Just Do It)
- Pricing (Free apps)

Just Try It:

The above marketing examples can easily be applied within your business and especially within your targeted accounts. Rather than business as usual, try achieving Psychological Dislocation against the competition. It can help you win your fair share by:

- decreasing your competitors' morale
- putting their plans off balance
- increasing their fear of decision making
- reducing their fighting spirit
- and especially increasing their internal descension

Please drop us note if you would like to discuss your ideas about the Direct Approach, Indirect Approach or any other Competitive Disruption.

Next Steps:

For additional information about your Strategy Update, please contact KappaEast at kappainfo@kappaeast.com.

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