

The Harmonious Business

For many years the conventional business wisdom was that to make money, first find or create a niche in the market, exploit it and then defend it with patents, brand marketing, acquisitions and whatever other means are available to you.

The point is that to exist, you need to find room for yourself in the market and, since other companies already occupy the parts of the market they do, your only chance of success is to find or create new markets or muscle an existing player out.

The assumption therefore is that disequilibrium creates opportunity.

In his book, *Crossing the Chasm*, the marketing guru Geoffrey Moore describes how companies succeed by creating “disruptive” innovations that destabilise markets and create monopoly profits for the company concerned.

One of the best examples of a “disruptive” innovation was the Sony Walkman. Prior to its launch in 1979, it was assumed that people preferred to listen to music while seated and, as a consequence, the equipment manufactured for playing records, cartridges or cassettes was generally large, heavy and not at all portable. The Walkman changed all of that by creating an entirely new market – music for people on the move.

Even today disruptive innovations such as the Dyson bagless vacuum cleaner and the iPod can turn established markets on their head and deliver fantastic profits for the companies concerned.

However, whereas in the past the time taken for a new market to be created, grow, reach maturity and close could be measured in decades, today the same process can occur in years or even months.

For example, think back to when plain paper photocopiers were new and how long Xerox were able to dominate that market. Compare that to Apple's launch of the iPod towards the end of 2001 and the plethora of competing MP3 players that have swamped the market since then – I even received a free MP3 player the other day with a stationary order!

Moreover, companies must innovate faster and faster if they are to maintain their leadership in a market. For most technology companies, almost all of the products they are selling today would not have existed a year earlier. To prove this to yourself, visit a high street electrical retailer and write down the model names of all the flat-panel televisions on display. Then revisit the shop in eight weeks time and see how many of the same models you can find.

The point is that the speed with which new market niches are opening and closing has reached a point where the exploitation of such opportunities should be considered more luck than judgement.

In this new world, I would like to suggest that there is an alternative strategy that organisations can follow. Rather than constantly seeking the Holy Grail of the “killer product” by ploughing vast sums of money into R&D, why not instead set out a strategy of simply being the company that people want to do business with?

The appeal of such a strategy is that, although exciting, the effort necessary to create new market niches is huge and, if it is not successful, exorbitantly expensive! Imagine how much the Betamax fiasco must have cost Sony, or how much Dyson must have spent on their attempt to revolutionise the market for washing machines.

The opportunity therefore exists for companies to set out what I call strategies based on market harmony.

By “harmony” I mean a situation in which a company supplies good products and services, is liked (or even loved) by its customers, admired by its competitors and respected by its shareholders. It is also an organisation who respects and appreciates its employees and whose employees respect and appreciate it. If you think that this sounds just too good to be true, look around, such companies do exist!

NFU Mutual is an insurance company with a difference. While most insurance companies are targets of ridicule or even hatred, NFU Mutual finds that its customers are its best advocates.

In the aftermath of 9/11, American and Northwest Airlines invoked a *force*



majeure clause in its employment contract to avoid making redundancy payments to terminated workers. In contrast, Southwest Airlines made no redundancies as it places loyalty to its employees above short-term profitability. It was however the only US airline not to report a loss after 9/11.

The sports footwear company New Balance believe that it is better to build strong relationships with retailers than to pressure them into selling their products through high-profile advertising. They also manufacture around a third of their shoes in the US paying workers an average of \$15 an hour whereas their competitors are often paying only \$0.30 an hour in countries such as India.

There are many more such examples I could quote, and the interesting thing is that in all cases these organisations outperform their competitors, in some cases by a significant margin.

My conclusion is that the economist Milton Friedman's assertion that “a businesses' sole purpose is to generate profits” may need rethinking – for many organisations their sole purpose is to find the harmonious sweet spot where they prioritise the relationship they have with all their stakeholders and where, by the way, they are also making money.

About the Author
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