

ON THE RECORD

Sydney Finkelstein

In addition to teaching at Dartmouth's Tuck School of Business, **Sydney Finkelstein** advises some of the world's most successful companies on strategy and leadership. His 2003 book, *Why Smart Executives Fail*, was a bestseller that dug beneath implosions at Tyco, WorldCom, and other titans. He spoke recently with Deputy Business Editor Rick Newman about his latest book, *Breakout Strategy: Meeting the Challenge of Double-Digit Growth*.

So what is a breakout strategy?

It's a growth strategy that pushes a company in new directions. There are big, established companies that have pursued breakout strategies, and there are some relatively young companies, like Google.

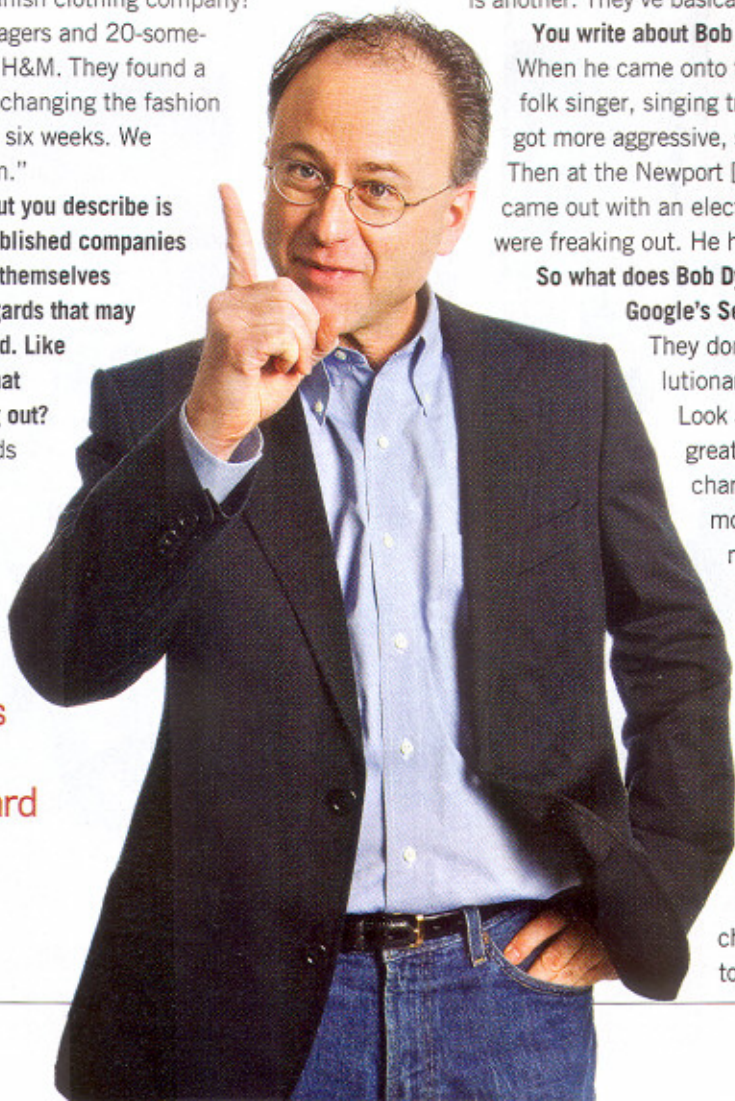
The book talks about a lot of well-known companies, like Starbucks, Toyota, and Harley-Davidson. What's an example of a less well known company that has broken out?

How about Zara, the Spanish clothing company? They sell clothes to teenagers and 20-somethings, like the Gap and H&M. They found a new way to compete, by changing the fashion cycle from six months to six weeks. We call that "taking by storm."

One category of breakout you describe is "laggard to leader"—established companies that fall behind, then turn themselves around. But there are laggards that may not turn themselves around. Like Ford and GM—or Gap. What keeps them from breaking out?

Most of the time, laggards will not recover. It's very difficult for an existing management and cul-

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ture to break out. That's one of the reasons many of the private-equity plays of the last few years have been successful. They can go in and say, do we need all these overlapping divisions? Some of these laggards are like tentacles tangled up in weird ways. You'd never start a company that looked like an octopus.

What's different now about how companies stay ahead?

Well, one thing is, companies find themselves in a position of being a laggard much faster than before. We talk about "shifting shape," which is adjusting your strategy before you have to. Today, it's more important to shift shape more often.

What are some examples?

Gallo Wine. They started to go upscale before the big rush into inexpensive wines, because they didn't want to compete on price; they wanted to compete on quality. Samsung is another. They've basically taken over from Sony.

You write about Bob Dylan's breakout strategy.

When he came onto the music scene, he was a folk singer, singing traditional songs. Then he got more aggressive, singing protest songs. Then at the Newport [Folk] Festival in 1965, he came out with an electric guitar, and all his fans were freaking out. He has always innovated.

So what does Bob Dylan have in common with Google's Sergey Brin?

They don't assume that one revolutionary idea will be enough.

Look at AOL. They had one great idea, and they never changed it. They just did it more—all the disks in the mail, 50 free hours, 100 free hours, 1,000 free hours. Google had one good idea, and they've turned that into a dozen more. Bob Dylan and Sergey Brin . . . I'd say they're both unafraid to challenge convention, they're not afraid to fail, and they challenge their customers to stay a step ahead. ●