Building Creative Strategies with Patterns

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Originally published in Harvard Business Review in March 2004, “Building Creative Strategies with Patterns”succinctly captured Outthinker’s approach to strategy and innovation. The popularity of the piece opened the door to our work with a growing base of leading firms across a variety of sectors, helping them reach clarity on innovative strategies that shape businesses and markets. Our approach, tools, and processes have advanced considerably. But our foundational philosophy remains unchanged: great organizations delight their customers and outthink their competition by introducing Fourth Options®, strategic choices others do not expect and will not respond effectively to Outthinkers open new games.

A collection of ancient Chinese stratagems offers a stimulating new approach that moves beyond listing and choosing familiar strategies to finding the innovative new strategies that can give a company the competitive edge.

Building creative strategies with patterns

By Kaihan Krippendorff and AnaMaria Rivera

Executives facing the challenge of developing a new strategy typically follow one of two approaches. The first is rules-based, and involves extracting lessons from the experience of successful companies or individuals. Nearly every best-selling business book today takes this approach, and implies that if your company adopts these "21 rules" or "7 habits", you too can be successful. The second approach is to narrow options. It involves setting up a seemingly comprehensive set of options, then applying logical analysis to systematically rule out choices until you reach the optimum strategy.

This is the problem-solving process taught in business schools, and the one most corporate strategists rely on. Both approaches are scientific and broadly accepted. Both are critical to effective decision-making. But both share a similar limitation: they are designed to reduce possibilities, not increase them. They use logic, but not creativity. So if you rely solely on these methods you are limiting yourself unnecessarily, stifling the stimulating natural creative process that frequently leads to meaningful strategic advantage. Indeed, history's most successful strategists show an ability to pick options that our scientific logical approaches discourage.

We have found that by adding a third, fundamentally different strategy development approach to their arsenals, managers and corporations can significantly expand their creativity and competitiveness. This pattern-based approach more closely resembles the creation process of innovative thinkers than the analytical rational mindset of traditional strategic management. It offers several advantages: it removes the blocks that prevent us seeing creative solutions, reveals competitive options that might not have otherwise been considered, and neatly complements our traditional approaches.

Breaking away from logic to seize advantage

The world's most effective military strategists share an uncommon ability to set aside common logic and choose creative strategic options their adversaries never considered. Alexander the Great, Napoleon Bonaparte, Mao Tse-tung, Erwin Rommel, and Nathan Bedford Forrest, for example, won battles by surprise, by adopting strategies their enemies, governed by more traditional calculations, did not anticipate. Each proved capable of thinking his way out of seemingly impossible situations, defeating stronger armies with strategic creativity.

Similarly, successful companies seize advantage over their competitors by breaking away from the moves that rules and option-narrowing advocate, and instead choosing counterintuitive behaviors that take their competitors and markets by surprise. They seem to have access to options that others do not think of, or initially view as unattractive. Coca-Cola, Procter & Gamble, and Genomma Lab, for example, all owe their successes in part to making counter-intuitive choices. Coca-Cola regularly expands into markets facing economic problems, while its competitors, following the logical rule "exit in the face of economic uncertainty", pull out. It became the cola leader in Mexico and the leader in sodas in Colombia by doing so. Procter & Gamble expanded the Brazilian diaper market twelvefold by abandoning the unquestioned preference for new product advances, and instead stepped back in time to low-tech basics. Genomma Lab, an innovative Mexican pharmaceutical company, leveraged a revolutionary process for infomercial production to deliver its products directly to consumers. By choosing a distribution path its competitors, following traditional strategic logic, ignored, Genomma Lab has grown to become the largest purchaser of television advertising in Mexico. Only with hindsight, after such unorthodox strategies are proven, analyzed, and explained, do rules-based and option-narrowing approaches view them as viable options.

An analysis of competitive corporate behavior in Latin American shows that strategic creativity is particularly critical in developing markets, for two reasons. First, many competitive rivalries in such environments are uneven matches between small incumbents and multinational attackers, or between entrenched former monopolies and aspiring international entrants. In each case, the underdog's survival depends more on creativity than on financial strength or industry know-how. Second, the relative immaturity of regulatory structures expands a company's degree of competitive freedom, clearing more space for creativity

The mechanics of creativity

It is not surprising our traditional approaches to strategy development –option-narrowing and rules– hide creative winning solutions from us. These approaches were not intended to reveal such options; indeed their function is to achieve the opposite. They were designed to facilitate problem solving by focusing our attention on a limited number of variables and options. In other words, they are designed to narrow rather than expand our options. They are critical to effective decision-making, but using them exclusively, as we too often do, is unnecessarily limiting. Dissecting how creative problem solvers think (or how we think when we are being creative), points us in the direction of a fundamentally different approach to strategy development.

Human beings do not naturally perceive or create using logic. Rather, we use patterns. Patterns are the basis of human cognition. We are constantly asking, "Where have I seen this before?" and, "What does this remind me of?" We have evolved into outstanding pattern recognizers. We are superior to computers at recognizing handwriting and voice primarily because we recognize patterns more quickly and accurately than machines can. We recognize the faces of hundreds of acquaintances automatically, without measuring nose size, hair color or cheekbone structures, because we see with patterns.

More importantly, patterns, not logic, are the basis of creativity. Albert Einstein described his creative thinking process as combining and building on patterns: "The psychological entities that serve as building blocks for my thought are certain signs or images, more or less clear, that I can reproduce and recombine at will." The process of combining patterns is accepted as the primary source of product innovation. The first automobile was a combination of an internal combustion engine and a carriage, and the first plane a combination of the patterns of a bird and of architectural structures.

Our creativity and competitiveness are a function of the patterns we have collected, and our ability to combine these patterns to build creative strategies. A chess master can easily outplay a novice because he typically has access to about 50,000 piece/location patterns while the novice must build his strategy with just 10,000.

Patterns as strategizing tools

The process of creating a pattern-based strategy is available to all managers. A group of five to ten managers define a strategic problem and look at it through a series of patterns, each time asking questions such as "How would I apply this pattern to my problem?" and "What new options does it reveal?"

This approach helps managers remove two common blocks to strategic creativity:

Block 1: we do not "see" the solution. Sometimes creative solutions exist but simply do not occur to us. Nobody, for example, "saw" that a high jumper could clear a greater height by passing over the bar backward until Dick Fosbury won the 1968 Olympics by doing so. Mr. Fosbury "saw" a solution few of his competitors perceived. By offering a new perspective a pattern can reveal new solutions our current perspectives and assumptions hide from us.

Block 2: we do not consider the solution. Sometimes a creative solution occurs to us but we filter it out as too "crazy". This second block is very common. By offering historical precedence for seemingly "crazy" ideas, patterns give managers permission to keep crazy ideas on the table and consider them fully.

Adopting a pattern-based approach to strategy development complements our traditional approaches well. Patterns open our field of options. Option-narrowing helps us choose the right option, and rules help us adopt proven practices. Patterns increase our chances of approaching an optimal solution –or of finding a "silver bullet"– by funneling a greater number of more creative options into our already established strategizing processes.

A catalog of ancient patterns

But what patterns are available? Where can they be found? At the appropriate level of abstraction, a limited number of patterns compose all competitive interactions. The same patterns are at work in nature, war, politics, business, or any other competitive arena. Identifying them requires significant effort, but luckily a proven catalog already exists that provides effective building blocks for a pattern-based approach to strategy development. It can be found in a unique Chinese strategy text called *The 36 Stratagems*. (For a complete list of these strategies and their explanations, see http://www.hbral.com/estratagemas.pdf).

This text, well known in China yet almost unknown in the West, is a fascinating collection of thirty-six flowery, dramatic phrases such as "Kill with a borrowed knife" and "Lure the tiger down from the mountain." Each phrase describes a generic strategy, distilled through millennia of wars, revolutions and palace plotting. The text differs fundamentally from other strategic texts in several respects. It has no single author; rather, it concentrates the contributions of hundreds of political and military strategists. While other strategic texts offer the experience of one person or one generation, *The 36 Stratagems* captures the experience of 20 generations distilled into just 36 phrases, supported by a few sentences of explanation. Another crucial difference: while most strategic texts advocate principles or rules we should follow, *The 36 Stratagems* offers options from which we can choose. It thus opens options where most texts narrow them.

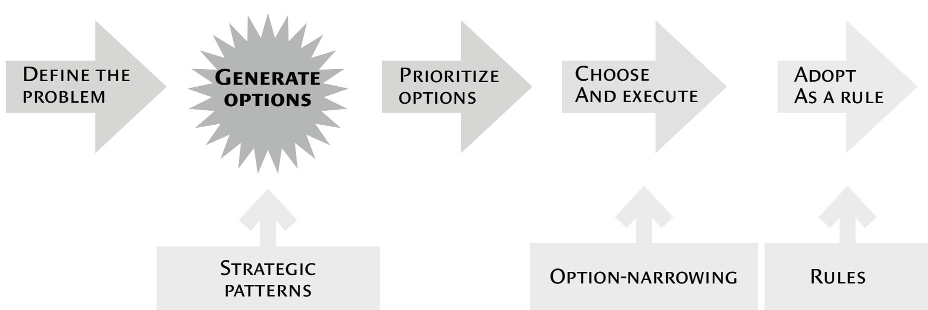
When we first happened on a translation of *The 36 Stratagems*, we asked ourselves whether this ancient Chinese text could play a role in today's business world. We tested the stratagems against competitive strategy cases, asking "Which stratagem explains this move?" and "Which stratagem would have led me to that option?" After analyzing 300 cases, we found every case, without exception, fit one of *The 36 Stratagems*. By analyzing an additional 100 cases from Latin America, we strengthened our conviction that these patterns are particularly useful for navigating fluid developing markets.

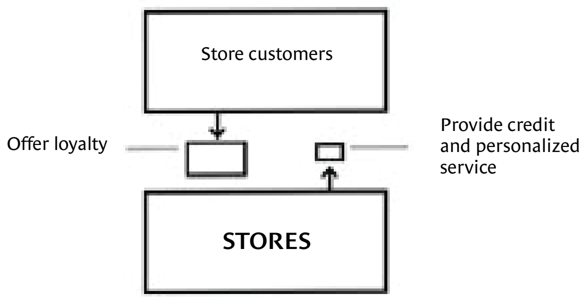
As both observers and consultants we have seen how the 36 patterns provide managers with a clearer understanding of their company's competitive dynamic. By using these stratagems in their traditional processes of strategy development they frequently see competitive options they might not otherwise have considered. In what follows we use case stories from Latin America to show how five of the stratagems account for the creative and successful strategic moves that allowed these companies to win solid competitive advantages.

"Tiendas" and stratagem 2
"Exchange a brick for jade"

On the surface, this strategy means simply to trade something of little value for something of more value, which may seem as insightful as "buy low, sell high." But

The pattern-based method complements traditional approaches





its deeper lesson has shaped highly successful military and business strategies. The underlying idea is that the value of things is relative. In part, the principle goes back to the Taoist philosopher Chuang Tsé, who was known for his colorful tales. One of his stories centers on an old tree most people found worthless. It was so knotted that it offered not an inch of flat wood, making it useless to carpenters. It was so ugly that no painter wanted to paint it, nor gardener decorate it. Because no one saw value in cutting the tree down, it grew unharmed for hundreds of years.

Chuang Tsé's lesson is that value depends on perspective, and this same concept has allowed many small companies to defeat much bigger competitors. A clear example is the Latin American convenience store. In the early 1990s, retail gurus predicted that *tiendas*, the little mom & pop outfits found in most Latin American cities, would succumb to the onslaught of the major supermarket chains. But more than a decade later, *tien-*

THE FIVE STEPS
to using strategic patterns

The 36 stratagems are useful tools for creating innovative competitive strategies, and they are available to every manager and every company. Using the method based on the 36 patterns involves a five-step process. We illustrate it using the case of a major Latin American credit card issuer we worked with.

WHAT HAD TO BE DONE

Step 1

DEFINE THE PROBLEM

To ensure the problem-solving process remains focused and efficient, first clearly articulate the problem to solve, defining four elements:

1. The situation: What can we say about ourselves and our environment? What brought us here? What challenges are we facing? This should be a succinct description, no more than two sentences.

2.The objective: What do we want to achieve or what future do we want to create? This should be no more than 20 words, and written in plain language.

3.Key players: Who are the key players in this situation including you, your direct adversary, and others who influence the situation?

4.The obvious answers: What answers have you already identified and which immediately come to mind?

Step 2

IDENTIFY 4 TO 6 STRATAGEMS

One or two people familiar with both your situation and the 36 stratagems should sift through all the stratagems and identify a few that, based on the nature of your problem, seem most promising. Include one stratagem chosen entirely at random.

WHAT THEY DID

Step 1

The situation: "We are facing new regulations that could damage our business."

The objective: "We want to maintain our current profitability levels in every country."

The key players: A long list that included "consumers, regulators, rivals, and the companies that supply plastic cards".

The obvious answers: "Adjust fee and rate structures."

Step 2

The company identified four stratagems.

1. Lure the tiger down from the mountain. (Explanation: draw your rival out of his stronghold and then face him in the open field or attack his camp.)
2. Kill with a borrowed knife. (Explanation: use a third party to attack your enemy.)
3. Replace the beams with rotten wood. (Explanation: attack the support structures that give your adversary its advantage, to weaken him.)
4. Shed your skin, like the golden cicada. (Explanation: create a façade so your adversary focuses on it, and then move the action elsewhere.)

das still capture 45% to 60% of consumer goods sales. The storeowners offer their customers advantages that many of the big stores cannot match, including informal credit arrangements and personalized service. In exchange, they receive something much higher in value for them and their survival: client loyalty. Customer credit is expensive; but if the reward is loyalty (jade), the loans become the brick of the stratagem. And vice versa: it costs the customer nothing to be loyal (it is his brick), but he gets something he values in exchange (his jade), which is credit. (For a more detailed account of the stores' business model see "Creating value for emerging customers", by Guillermo D'Andrea, E. Alejandro Stengel and Anne Goebl-Krstlj, in **HBR América Latina** November 2003).

FALABELLA AND STRATAGEM 11

"Shut the door to catch the thief"

"When dealing with a small, weak enemy, surround and destroy him. If you let him retreat, you will be at a disadvantage in pursuing him." This is how the Chinese text explains this stratagem, and as a military strategy it has worked well for millennia. In 260 BC, for example, the armies of two great Chinese states, Qin and Zhao, were locked in an even battle when the Zhao army replaced its experienced commander with a less-experienced but promising new one. The Qin general saw this switch as an opportunity to "shut in" the enemy. He attacked the Zhao army, then feigned a retreat to draw the Zhao troops out. The inexperienced Zhao commander pushed his troops in pursuit into Qin

The company faced a dilemma. In several of its main markets governments were planning to impose new restrictions on the interest rates issuers can charge. These could significantly depress the issuer's profitability and make it vulnerable to attack by foreign banks. Each time the management team debated the challenge, they returned to the same, familiar solution of adjusting fee and rate structures. The team knew other solutions must exist, but for some reason could not "see" them. Using the five-step process, however, allowed them to add two creative and effective solutions.

GENERATE OPTIONS

Look again at the definition of the problem. Divide the group into sub-groups, with a maximum of five members, choose a stratagem, and formulate questions like "What results would I get if I used this stratagem to solve our problem? How are the elements of this stratagem analogous to those in my situation? When looking for answers think beyond the obvious. The key is to keep this phase fast-paced and fluid. Do not judge answers, and spend at most five minutes with each stratagem.

STEP 3

Obvious options for "borrowed knives". Our competitor's competitor, our supplier's competitor. More creative options: the government, our client's best friend, among others.

Some 20 ideas were thrown up from the four stratagems.

PRIORITIZE YOUR OPTIONS

Here you should highlight the options generated in step 3 that you feel offer the greatest potential or return on effort. Begin by having the group rewrite each option, so every member shares a common, clear understanding of its meaning. >From your rewritten list, identify your top choices. As we did with the credit card issuer, we suggest each member votes anonymously for their top three to five choices.

STEP 4

The company focused on two stratagems.

"Kill with a borrowed knife": after analyzing the problem in the light of this pattern, the managers identified three points of leverage. They found three players, a government agency and two trade associations, who would also suffer from the effects of the legislation.

"Shed a skin, like the cicada": this stratagem let the managers see that by diversifying their product portfolio they could reduce the impact of the new legislation significantly.

ANALYZE YOUR OPTIONS

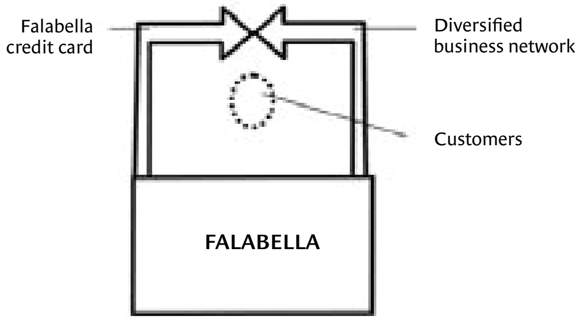
After voting and identifying the top three choices and priority patterns you must launch a formal, analytical process to test each option. At this stage the traditional scientific approaches to strategy development come into play. You should now put facts and figures behind your options to see if they can be executed viably and successfully.

STEP 5

Two strategic solutions.

Set up a lobby with the three agents identified; and launch a new line of products immune to the legislation territory. But he soon realized his mistake. The Qin army had retreated to the sides rather than straight back, and reassembled behind the Zhao forces. The Zhao general and his 40,000 troops were shut into enemy territory.

The Qin could have attacked their surrounded enemy, but they held back. They maintained their position for over a month, during which time the Zhao army repeatedly tried to break Qin's grasp. Qin never gave in, but never closed in either. After 46 days under siege, the Zhao commander gathered his best troops and made a final attempt to break out. He died in the process. With the Zhao soldiers leaderless, hungry, and desperate, the Qin army marched in and slaughtered them, thus ending a long war.



This strategy has proved as efficient in modern business as in the ancient art of war. Naturally, in the case of a customer the stratagem should not be understood literally, for the customer is an objective to be taken and held, rather than attacked. But the pattern of the stratagem can help create an effective strategy with customers. Surrounding them makes it possible to exercise control with the minimum of force, as the Qin army demonstrated.

One case that shows how consistent use of this competitive pattern can drive a company is the story of Falabella, the Chilean department store chain. It has effectively surrounded its customers, giving them little reason to spend money outside its doors. Just as a captured enemy may attack you later if you release him, a captured customer may shop somewhere else, if you let him go. So Falabella offers its customers virtually everything they need, so they have little cause to leave a Falabella store. It offers an array of consumer services, from a travel agency and an insurance company to a pharmacy, and even a retail bank. Linking all these services is the Falabella credit card. The card, which is not networked to other branded systems (so the user is "trapped" by the company), enables customers to purchase Falabella goods and services without using cash. Customers can pay their credit card bill at the credit card payment center in, of course, a Falabella store.

By surrounding its customers, Falabella has leveraged its position as the largest retailer in Chile to become the owner of the largest national credit card program. The success of the credit card reinforces Falabella's retail strength, helping the company maintain its dominant position. The company has expanded its model to Argentina, where it is also the largest retailer, and to Peru.

COCA-COLA AND STRATAGEM 17

"Seize the opportunity to lead the sheep away"

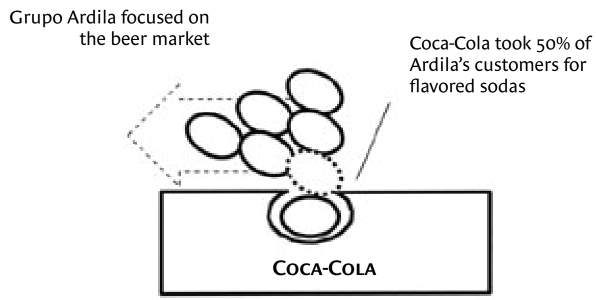
The name of this stratagem originates from a Chinese folk tale about a destitute traveler who comes across a flock of sheep. As he makes his way through it, he notices that the shepherd is preoccupied. So he seizes the opportunity. He emerges from the flock with a sheep in his arms and walks away so calmly and naturally that by the time the shepherd notices the theft, the traveler is gone.

The military application of this strategy was less benign. In 770 BC, following a campaign against the state of Chen, the Song army on its way home passed through the small state of Tai. Tai had refused to support Song in the war against Chen, so Song decided to take the Tai capital in revenge. The Song army surrounded Tai's stronghold and prepared for what promised to be almost certain victory over the weaker Tai state. Tai, facing defeat, sent an appeal to Chen for help. When the Chen army was seen approaching, the Song army called off its siege and hurried home.

The Tai army rejoiced; the presence of Chen's powerful army had saved them. The Tai king opened his city gates to welcome the Chen duke and his army. The Chen duke was presented with an unexpected opportunity. He stood with his army at the open city gates of a strategically important state. (Tai was in proximity to Song.) Knowing that an attack on Tai would provoke little or no resistance, he marched his soldiers into the welcoming walls of the Tai capital, kidnapped the Tai king, and took over the city.

Less bloodthirstily, but no less effectively, Coca-Cola used this stratagem in the late 1990s to gain market leadership in Colombia, one of the few countries where it was lagging. At that moment the soda market was equally divided between "flavored sodas," which Postobon monopolized completely, and "black colas", in which Coca-Cola commanded a 90% share and Pepsi (franchised in Colombia by Postobon) 10%. The popularity of the "flavored soda" market meant that, despite Coca-Cola's dominance of the cola market, Postobon had 55% of the overall soda market.

But in 1995 a beverage war broke out. Grupo Ardila, the owner of Postobon, decided to enter the beer market with its Leona brand to challenge the established leader,



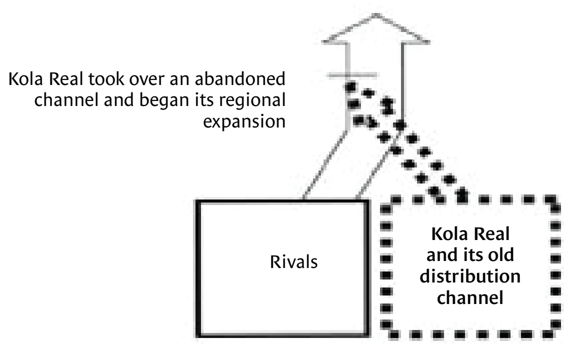
Bavaria. The fierce price war that followed lasted four years, and distracted Grupo Ardila from the soda market. In the absence of competitive attention, Coca-Cola attacked Grupo Ardila's crown jewel –the flavored-soda segment– by introducing Quatro, and then Tai and Lift.

By 1999, Grupo Ardila discovered they had not only failed in their attempt to capture a worthwhile share of the beer market from Bavaria, but had also lost 50% of the flavored soda market to Coca-Cola. By seizing an opportunity when its adversary was distracted, Coca-Cola took 70% of the sodas market in Colombia. Just like the traveler in the Chinese folktale, Coca-Cola took advantage of a moment when its adversary was distracted to seize a sizeable slice of its market. This is the essence of the stratagem. When your adversary is unlikely to react, seize power. When your adversary is passive, either for structural reasons (like Grupo Ardila's decision to focus on the beer market and take its eye off the beverages market), or through negligence –move in.

KOLA REAL AND STRATAGEM 27:
"Borrow a corpse for the soul´s return"

The story most often used to illustrate this strategy is the tale of Xiang Liang, who reconquered his home state, Chu, from the grip of the Qin Empire. Xiang Liang aspired to the throne, since none of the king's heirs had survived Qin rule. Unfortunately, dozens of other men shared his ambition. So Xiang Liang consulted a wise man to devise a strategy to maintain control of Chu. This wise man told him to find a true descendant of the former Chu king. Although Xiang Liang would not rule Chu directly, he could exert influence over the new king. This would also invoke the spirit of the dead Chu king, ignite patriotism, and win Xian Liang broad support from the Chu people for having discovered a true heir of their beloved former king.

So Xiang Liang launched an exhaustive search, and discovered a grandson of the former Chu king –a poor shepherd. The shepherd agreed to become king and took his grandfather's name. His coronation marked a turning point for Xiang Liang and the Chu state. It lit the fires of the Chu rebellion against the Qin Empire, and helped Xiang Liang become the rebel leader and finally overthrow the empire.



The competitive lesson hidden in this strategy, and widely applicable in the business world, is that when companies change from one model to another, from old to new technologies, they leave behind them a trail of valuable innovative sources, a junkyard of patterns, ideas and discarded technologies. Often they have invested so heavily in innovation they can only return with great effort and cost; meanwhile, their scrap heaps may contain hidden treasures for the competition.

This was precisely how Peru's Kola Real laid the foundation for its surprising expansion in Latin America, which took its well-known, experienced rivals by surprise. In the late 1980s, Coca-Cola decided to centralize its Peruvian bottling operations, putting rural bottlers practically out of business. It worried little about the excess capacity this created in the industry, because it trusted its two "unbeatable" advantages: its brand strength and lock on distribution.

The Añaños family proved Coca-Cola's assumptions wrong. They partnered with the "corpses" of the bottlers Coca-Cola left behind and with beer distributors to bring their Kola Real to rural and low-income families who were less loyal to Coke. They returned to an outdated model of business, competing on price rather than marketing or brand name, and offered their product at half the price of Coke. By applying stratagem 27 in full, Kola Real has achieved unprecedented results, taking 19% of the Peruvian market, 10% in Ecuador, and 4% in Mexico, Latin America's biggest market for sodas and previously considered Coca Cola's invulnerable stronghold.

There are numerous examples of the use of this strategy. In 1990 Proctor & Gamble dominated the disposable diaper market in Latin America. But this represented only 5% of the overall diaper market because most parents used cloth diapers. This posed a useful question: What "innovation" might persuade them to switch to disposables and increase P&G's market share?

P&G chose an unusual path. It abandoned most of the innovations that had secured it a leading position in the European and US markets. Instead it stripped the product down to basics to create Pampers Uni, focusing only on the key characteristics valued by medium and low-income Latin American families. P&G thus eliminated non-essential costs and was able to make deep discounts in the price of the new Pampers Uni. By going back to an abandoned product, the basic disposable diaper, P&G increased the Brazilian diaper market 12-fold, took much of this market, and transformed its business in the region.

GENOMMA LAB AND STRATAGEM 30
"Openly Repair the Walkway, Secretly March to Chen Cang"

The 36 Stratagems explains this stratagem thus: "To pin down the enemy, expose part of your action deliberately, so you can make a surprise attack elsewhere."

The story occurred in 207 B.C., when the Qin dynasty in China was in revolt. Two rival rebel leaders struggled for control of Guanzhong. Liu Bang, who had originally conquered the kingdom, was forced to concede it to a stronger leader, Xiang Yu. Despite his rival's capitulation, Xiang Yu was wary of Liu Bang's ambitions and devised a plan to keep him as far away from Guanzhong as possible. He divided the kingdom into eighteen parts and appointed Liu Bang leader of a remote area in the west.

As Liu Bang and his soldiers marched out of Guangzhong's capital, one of his advisors suggested they destroy the wooden road that connected their new home in the west with the capital. This would lull Xiang Yu's suspicions, reassuring him that Liu Bang had no intention of returning east to seek revenge. So his soldiers destroyed roads and bridges as they traveled.

Once established in his new base, Liu Bang rebuilt his army to defeat Xiang Yu, but two barriers stood in his way. First, three generals ruled the territory surrounding his new fiefdom and stood between him and the capital. Second, the wooden road leading to Xiang Yu was in ruins. However, Liu Bang and his general crafted a clever strategy to overcome and even take advantage of these obstacles.

Liu Bang set a contingent of men to start rebuilding the wooden walkway. That had a double effect on his adversaries: First, they dropped their guard, because the workforce was so small it would clearly take them years to do the job. Second, the activity focused his enemies' attention on the "obvious" route. Both Xiang Yu and the general of neighboring Cheng Cang saw that if Liu Bang ever did rebuild the walkway, they could easily block his attack by concentrating their forces at the mouth of the narrow bridge.

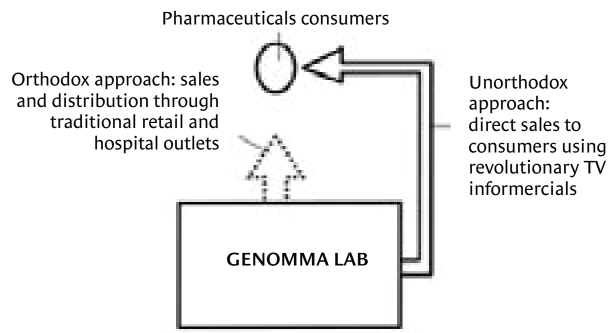
But Liu Bang had no intention of using his walkway. His construction project was merely a diversion, for he planned to attack Xiang Yu by an unorthodox route. While his opponents watched the slow rebuilding of the walkway, Liu Bang ordered his troops to attack Cheng Cang, the neighboring state. The move caught his adversaries off guard, and unable to withstand him. The invasion marked the start of a campaign in which Liu Bang steadily expanded his power base, defeating the states between him and Guangzhong's capital, until he reached Xiang Yu. Liu Bang finally won back control of Guangzhong, took command of the rebel movement, unified China, and became the founder of the Han Empire.

Using the same competitive pattern (drawing the enemy's attention to an obvious point of invasion to attack by an unorthodox route), Mexico's rising pharmaceutical company, Genomma Lab, upset far more powerful rivals. It combined two apparently unrelated capabilities into an unorthodox approach its rivals never anticipated could succeed. The company has grown rapidly to become the largest purchaser of television advertising in Mexico.

Genomma Lab was a pharmaceutical company that specialized in selling herbal and cosmetic treatments to upper middle-class consumers. The much larger pharmaceutical companies never considered it a credible threat, because they dominated the traditional distribution and sales channels. They thought Genomma Lab had little chance of beating them in the traditional field; it was planning to distribute directly to consumers' homes and so never threatened to steal shelf space. Finally, the company planned to use infomercials –an untested departure from industry practice.

So, shielded from pre-emptive competitive action, Genomma's youthful managers developed two critical capabilities: (1) by studying human eye movements they discovered they could compress an infomercial into one sixth its original length without diminishing effectiveness; and (2), they learned how to commercialize a product in a fraction of the time their larger competitors required.

With these two capacities in place Genomma Lab was able to efficiently sell pharmaceutical products directly to Mexican television viewers. The results are



clearly visible. This young company earned over) million in 2003, nearly e its revenues the year before. Genomma Lab and Liu Bang each focused their adversaries on the obvious, orthodox path. They then capitalized on their opportunity by taking an unorthodox path, catching their adversaries by surprise, and seizing victory.

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Following successful rules or using an analytical rational process to devise an appropriate strategy is useful, but it rarely produces profound advantages. If, however, you incorporate a pattern-based approach, you will stimulate the strategy creativity that can differentiate you, sometimes fundamentally, from your competition. The method we have described, using the 36 Chinese stratagems as a tool to stimulate creativity, is an excellent base from which senior managers can break loose from the bonds of traditional analysis spectives and strategies that will hit their competitors where they least expect.