

“The People Have Spoken ... the Bastards!”

Mo Udall, US Congressman, After Narrow Defeat

The Case for Insurgent Strategy

For years, partner and co-author Scott Miller and I have been accused of telling political leaders they need to learn to think more like brand marketers, while telling CEOs they need to learn to think more like political leaders. We're guilty. In fact, today's corporate leadership demands a combination of both.

Steve Jobs of Apple first asked our company to develop a political model for corporate strategy for his competition with IBM and Microsoft. He thought our experience of 40 or so gubernatorial and senatorial races in the US and a dozen or so global presidential campaigns had helped us develop sharper strategies and sharper elbows than his management consultants.

Back in the 1980s, Steve Jobs wanted our company to develop an insurgent “political” strategy for Apple. He wanted us to create a model for the difference between the Macintosh personal computer and the IBM PC. And he also wanted us to develop a model for a new kind of business leadership, what he called “*change leadership.*”

This began thirty-some years of developing and refining a new strategic approach—preaching and practicing in business the insurgent principles we had learned in politics. During this time, we have worked for start-ups and upstarts, but also with many incumbent market leaders who thought they could benefit from better understanding change leadership and insurgent strategies. And we have managed to keep a toe or two in politics.

Back in 2004, in our first book, Scott Miller and I called insurgent strategy “*The Underdog Advantage*.” It turns out we were right. Today, more than ever before, insurgents are changing and will be changing the face of business, politics, warfare, and sports. Insurgents disrupt or even dominate every commercial category.

Understanding the strategies and tactics of successful insurgents has been the core of our work for four decades. Fundamentally, appreciating these strategies and tactics is essential for any organization or leader today. Moreover, adopting these strategic principles, and creating an insurgent culture, is now the only way to gain or maintain control of a market or political dialogue.

We’ve been lucky enough to work with some of the great business insurgents—Jobs, Gates, Murdoch, Milken, Goizueta, Knight, Bonderman, Peterson, Iger. Of course, it is true that entrepreneurs, inventors, and change leaders have been pushing this revolution. But fundamentally, it is the *people*—the voters and consumers worldwide—who have been pulling it forward.

The digital information revolution has extended the reach of modern marketing—its form, character, verbal and visual vocabulary—into every corner of the world. This revolution has educated two generations of people on earth. And now, we must deal with what they have learned—with voters and consumers who are digitally-smart, savvy, and very cynical. These people feel they have lost control to mass marketing, mass manufacturing, and a political elite establishment built on outdated forces. Now, these voters and consumers want to regain control—and they believe choice and change provide the way to do this. In fact, it is these *people* who are now the insurgents.

The insurgent political model we created for Apple worked then and works today—especially, at this writing, in the reset environment that we will all face beyond the current Coronavirus crisis.

So, the question is: “How does any company, whether it’s a craft brewer or a mega-corporation, develop effective and winning strategy now? And, for most, this is not just a matter of success. It is a matter of survival.

It’s the Best Time in History for Insurgents in Politics, Business, and Warfare.

Remember, everybody votes. It is not just voters in democratic elections—it is consumers, employees, soldiers, high school students, athletes, shareholders, opinion makers, and homicidal killers. And more and more people have chosen insurgent candidates and insurgent brands with these votes.

- This is transforming global politics. Trump, Macron, Brexit, nationalism, populism, and upset-the-apple-cart-ism are challenging the political order and changing global politics. Consider the national leader with the world’s highest approval rating right now is Rodrigo Duterte of the Philippines—about as outside an outsider as you can get. The political establishment everywhere is under attack.
- The Drucker Institute’s recent “Top 250” list of the world’s best-managed companies is led by three insurgent companies, Apple, Amazon, and Alphabet.
- The merger of former competitors, Anheuser-Busch, Miller and Coors, was allowed only because not one mass brand in their vast portfolios was gaining volume or share. They were being over-run in their markets by craft beers. And this was even happening to Boston Brewing’s Sam Adams, which began the craft movement.
- The emerging craft and artisanal (local/fresh/non-mass) economy is a rising tide of change that affects almost all consumer businesses.

- Online content-streaming services and online news sources are allowing consumers to “cut the cord” to conventional cable and broadcast TV.
- The strategies of the Viet Cong, Mujahedeen, and ISIS helped cause a revolution in the U.S.’s own military thinking. Our Special Operations Forces reflect a conclusion that the only way to successfully defeat insurgent forces is with insurgent force.

And, while we focus on the success of the insurgents, it is equally important to focus on the failures of the incumbents—the decline of the big breweries, Pepsi and Coke, the fast-food industry, big box retailing, newspapers, media conglomerates, automobile companies, and the insurance industry. The failure of traditionally successful incumbent strategies—the failure to adapt to change—is also responsible for the sharp and unrelenting rise of the insurgents.

Of course, all this has made it the absolute worst time in history for incumbents.

Bigness Versus Change Leaders

As we have learned through experience and observation, there are fundamental strategic differences in the way incumbents and insurgents view reality and approach strategy. And, at bottom, the intellectual and emotional war is between bigness and change.

Incumbent “Bigness-Leaders” . . .

- . . . believe inherently in the power of size and scope—i.e., “number one-ness.”
- These Bigness Leaders take comfort in bureaucracy and hierarchical decision-making, and the promise of, “What was, will be.”

- They are formal in organization and operations—often highly ritualistic and superstitious.
- Their strategies are driven by heritage—the strategies by which they have succeeded and dominated in the past.
- And these Bigness Leaders almost uniformly hate and resist change—after all, when you are number-one, why would you entertain the idea of change?

Insurgent “Change-Leaders” . . .

- . . . value speed and mobility over size and scope. They use surprise as a key tactic—and depend on the fact that incumbents are unfailingly surprised.
- These Change Leaders hate bureaucracy: flat is fast. They instinctively use the military principle of “*driving power to the edge*”—to accelerate market feedback and market decision-making.
- They are informal to the point of irreverence.
- They create strategy based on a future vision that assumes a changed reality.
- And these Change Leaders love change. Change means opportunity; and they recognize that change is constant.

The most curious and dedicated-to-learning organization with which both Scott Miller and I have ever worked is Special Operations/Special Forces Military. Consequence of this organization’s decisions are final—and failure to recognize and analyze events in real time results in lives and objectives being lost. As a result, Special Operations/Special Forces are relentlessly curious and perpetually learning. As big, powerful,

and successful as they are, they are now change-leaders; thinking, planning and acting as true insurgents.

Adopting Insurgent Strategy and Culture

Size and history present challenges for incumbents wishing to develop an insurgent culture. Start-ups, by contrast, begin with a clean sheet—but still, remember that 96% of start-ups fail over their first ten years. So, the challenge for start-ups and insurgents is to *survive*—while the challenge for incumbents is to disprove the adage: "*Nothing fails like success.*"

From observation and experience, we have learned organizations of all sizes and circumstances can adopt the insurgent principles of the Change Leader. Here are key principles common to the best of them.

1) Define the Win.

Clearly understand what it is you want to accomplish. We call this defining "*destination*"—where will you be in two or three years, if you do everything right? What will be the metrics of this success? How will key stakeholders of your efforts think, feel, and act differently as a result of your win?

Create a vision of a changed world—the result of your success. Define the future toward which you want to lead others. Otherwise, why should they follow?

2) Organize for Speed.

In this age, as in most of history, speed wins; and discipline creates speed. Build the flattest-possible decision-making structure—one that is as close to the battlefield or marketplace as possible.

How far is the corner office from the heart of the marketplace or the problems you are trying to solve? Physical distance itself is

not the real issue—mutual trust, shared values, and commonly understood objectives within your organization allow you to shorten this distance dramatically. And if you do not have this level of absolute trust in information and execution at the edge of your organization, then you will not know what is actually happening in the next cubicle, much less the next country.

Organizing is not about creating lines of authority. Rather, organizing is about creating lines of *responsibility*. And if responsibility for reaching your destination is truly shared, you will develop incredible speed of decision-making.

Over the years, repeatedly, Rupert Murdoch has moved faster than his rivals, not just because he is decisive and bold—though, he certainly is. The reason Murdoch has been able to move faster involves the high level of trust he has in his managers; and they in him. These managers can make field-level decisions and provide real-time information from the field. In the military, again, this is called "*driving power to the edge*." Headquarters trusts field officers to make quick decisions and provide instant and accurate feedback. And trust is the glue of an insurgent organization.

The key to an effective, fast, and agile organization is not about the org chart—it is about the emotional bond that holds that organization together. Satya Nadella's desire to build a "culture of empathy" at Microsoft is not some kind of corporate group hug; it is practical, and, from his point of view, necessary to their continuing success in the world.

Working with the Walt Disney Company, we developed a definition of what creates a truly healthy and productive culture. In this kind of environment, any employee feels ... "*I am a part of something great.*" "*The work I do makes a difference.*" "*And somebody is aware of the difference I make.*"

Adopt a Culture of Change-Leadership:

- Develop an organization designed for action; one that values speed and mobility over size and scope.
- Learn to be comfortable with discomfort. Your organization must stress fitness and health; sorry, there is no way around it. The team must be physically, psychologically, and emotionally fit. Stress must only be imposed by the individual on herself or himself. Honesty, a collaborative spirit, faithfulness to the goals and values of the team and pride must all be the fundamentals of your team.
- Forget optimizing. Forget mass-anything. As HBO believes under Richard Plepler: "More is not better. Only better is better." Customize to the needs of your best customers. Nobody ever went out of business by doing too much for their best customers.
- Base strategy on developing a road map to your vision of a changed future. Don't assume that what was will be—a heritage of success will not win many battles in the future.
- Banish bureaucratic behavior. The world has too many bosses, and not enough leaders.
- Diminish superstitious or ritualistic behavior ("*we do it that way, because that's the way we've always done it*"). Instead, encourage irrepressible curiosity. Encourage lateral thinking and incessant learning.
- Never play defense. Recognize that in every challenge and every crisis there is opportunity.

Assume Constant Change:

In the science of particle mechanics there is a recognition that molecules are constantly in motion, even in what seems to be the most stable object.

In markets, these molecules are constantly and often quickly moving. Think of decisions in the market as those that *move molecules*—and there may be hundreds or thousands a day. So, you must develop a system of constant and credible situational feedback. Again, this depends on trust, shared values, and mutually understood objectives within your organization.

Challenge your assumptions about the marketplace constantly. Do not simply do polling—i.e., taking a snapshot of current perceptions and attitudes—but instead *anticipate* attitudinal changes by testing hypotheses of future events, actions, or communications.

Recognize the Incumbent's Inherent Weaknesses:

"King of the Mountain" is a precarious position. Yes, incumbent market leaders are big and intimidating. Nevertheless, they have inherent weaknesses. Much of their size essentially acts as ballast, slowing movement and restricting flexibility.

At the core of this is the fact that the power of all incumbents is diminished in a world of informed and cynical consumers and voters. Voters and consumers question the authority and superiority of elites and established institutions in politics and society as a whole.

Increasingly, the burden of market proof is on the "known quantity" more than the new choice. While "One-Size-Fits-All" was acceptable in the age of mass production and mass marketing, today, and certainly since the advent of web search, finding "that one size that fits just *me*," drives most consumers' behavior.

- When IBM forced users to learn the arcane language of their personal computer (MS-DOS) in order to communicate with it, they were saying to these users, "Man serves machine."
- To provide choice and change, the graphical user-interface of the Macintosh learned the users' language. And as the The Coca-Cola Company's former CMO Sergio Zyman used to put it: "Consumers choose to choose."
- Today, almost no one is allowed to offer the only choice in the marketplace, or to use their power to limit choice in this marketplace. In the terms of the consumers you want to sell, you must be the best choice.
- Incumbent behavior is organized around protecting their own organizations against change. In a sense, it is the same for political elites or market leaders, for the Revolutionary Guard Corps in Iran, or the management of Procter & Gamble in Cincinnati.
- Incumbents are big, but they are slow. A Caterpillar D11 bulldozer is massive, but Julio Jones of the Atlanta Falcons can beat it on a hook-and-go route any day of the week.

When incumbent organizations are challenged in the marketplace, they move through this cycle:

- First, they don't notice. They do not have trusted, real-time feedback from the field. And the rounding errors of their distribution, sales, and market research allow huge gaps for insurgents to exploit.
- Second, they deny. They will say you are wrong or crazy. This means you offend their sense of order in the marketplace. Most often, though, their sense of order conflicts with consumers' desire for choice, change, and customization.

- Third, they form a reaction emphasizing their size and power. Incumbents love to have and exert control. They are likely to respond predictably. But consumers also love to have and exert control today. And therein lies a conflict that provides opportunity for the insurgent.

Incumbents come from a different belief system, shaped by a heritage of success, and often anchored in the past. In a recent article, Unilever's marketers referred to competitive insurgents' offering cosmetics made of more local or fresh ingredients as "ankle-biters." They see these insurgents as an inconvenience to their world view. But consumers apparently do not share this opinion.

3) Create Momentum.

The New England Patriots under coach Bill Belichick never seem like an overwhelming team on paper. On the field, though, they constantly build an overwhelming sense of momentum. In sports, business, politics, or warfare, momentum is magical and self-sustaining.

Momentum is constant and unrelenting: four yards and four yards and four yards more, not the "Hail Mary." It is based on an immutable law of football that is true in all human pursuits: *"Take what they give you."*

If the defense is allowing a quick hit off tackle, or a quick out pass, take it—and take it and take it and take it, until they reform to take this away. Do whatever it takes to "move the sticks." And remember there is no more powerful sound in sports than the silence of a home stadium in which the visiting team has create this sense of momentum.

Two key principles of building momentum are also two key principles of creating a successful insurgency:

Do the Doable:

The insurgent begins with insufficient resources and must marshal them carefully. So, you must never take on the impossible or even the long-reach goals. Chances are you will only demoralize your team and invigorate the opposition. Instead, go for the small-yard gain. Pick up the fruit on the ground, even before you reach for the low-hanging fruit. Do whatever it takes to create an internal sense of momentum, because it will grow inside-out.

Move the Movable:

Focus on moving just the “votes” and “voters” you need in order to gain momentum toward your ultimate destination. Think in terms of attitudinal segmentation: Hard Opposition (they hate you, and work actively against you); Soft Opposition (they prefer another brand or candidate, but aren’t activists); Undecided (they make very uninvolved decisions); Soft Support (they may like your brand or candidate, but not enough); Hard Support (your activist loyalists).

An attitudinal map of an electorate or market (or any group) looks like this:

HO SO Undecided SS HS

- Nail down the HS (Hard Support). Never stop improving and customizing to their needs. Provide them with the information they need and want to communicate to others about your brand, company, or candidate. Hard support creates viral communications that can be the most effective and credible channel of advertising on the planet.
- Move the SS (Soft Support). They need more reasons to come back more often to buy more. After all, increased usage (loyal repurchase) is what creates loyalty, more efficient marketing, and net profit. Most often Soft Support

need to know and feel about your brand like the Hard Support loyalists do. So, understand your brand meaning and position according to the Hard Support—and try to develop this meaning for the Soft Support.

- Consider dividing and disrupting the Hard Opposition and Soft Opposition. The Hard Opposition and Hard Support are small, highly informed, and highly involved groups consisting of only about 5-8% of the whole. Still, they have outsized influence because of their emotional attachment to the brand or candidate of their choice. Their behavior and social communications have influence in the marketplace.
- In developing your own strategy, while you want to secure your own Hard Support, and give the Soft Support more reasons to be more loyal, you want to monitor the arguments of the Hard Opposition. These arguments have little effect on the total market, unless they are compelling to the Soft Opposition, and unite them in active opposition to your cause (Harvey Weinstein may have learned this). If Hard Opposition arguments are moving the Soft Opposition, you must do what you can to disrupt their communications and divide the two groups. And you must convince the Soft Opposition that they have no reason to actively oppose you.
- Many consumer-focused companies direct their marketing to the Undecided. This is often the largest group of consumers in the market by a wide margin. And most people are undecided in most categories—and are simply driven by price, convenience, whim, or the appeal of a new option. Importantly, because the Undecided are so uninvolved, successfully and consistently moving them is a very expensive proposition. This is why focusing on Hard Support and Soft Support as above is so critical to building momentum and success.

Incumbent strategies are most often volume-focused, projecting a philosophy of optimization of their development, their factories

and distribution systems. Incumbents provide complex and arcane explanations of this philosophy—which have proved persuasive to business analysts and shareholders for several decades. But these incumbent arguments have been less and less persuasive to consumers, most of whom remain undecided because of circumstances or character.

Insurgents do not waste their money on these uncommitted “voters.” As the late Congressman Dan Rostenkowski reportedly said: “You can buy those votes, but they don’t *stay* bought.”

Besides, nothing is more effective and efficient in moving at least some of the Undecided than the momentum of Soft Supporters moving to greater loyalty and support . . . with their buzz and demonstrative behavior.

4) Use Change to Gain and Maintain Control of the Dialogue.

One consequence of the information revolution has been a sense of loss of control over one’s personal and family security—physical, economic, and against the sway of powerful institutions. It is a result of knowing too much, much too often.

Consumers and voters have looked to increased choice and more frequent change, along with customization, to provide a greater perception of control. And they are much less driven by habit, and even less so by traditional mass marketing tactics.

This has made it a safe bet to take on the *status quo* in most markets and most elections. Americans, like most consumers and voters in information economies, love change.

Nothing unites American voters more than their dissatisfaction with politics-as-usual, with the existing political establishment, and the practices of the political elites.

So . . . promise choice, change, and customization. In any contest, change helps gain or regain control. And in the market dialogue of competitive products, or a political campaign, it is also change that creates the opportunity for reshuffling the status quo. And consumers/voters are tuned into this change, often more than willing to give it a try.

5) Make Everything Matter.

We have a lot of scar tissue to show for the political fact that, "*everything communicates.*" One of our candidates, after all, was Gary Hart.

Every detail communicates to some important audience: everything you say and do, what you say on camera and off, what you wear, who you are with, where you are, and often what you *fail* to say or do.

Tiny details communicate. And not one of them is neutral, having no meaning or no effect. So, a successful insurgent makes *every* detail important to the team. Every little thing is either adding to or subtracting value. Ideally, you will align all details of communications with your brand meaning—creating an engaging and consistent total brand experience.

Think of a Starbucks shop: logo and color, aroma that greets you at the door, sounds of steam-frothers and their own soothing music, an inviting menu-board, cup with your name (and Starbucks) on it, smiling faces, delicious, hot coffee (okay, "double-macchiato, vanilla bean, decaf"); the yin and yang of relaxation and caffeine.

6) Communicate Inside-Out.

Since everything communicates, an insurgent organization is essentially a communications machine. And since marketing is a process to add value to transactions, everything you do should have an element of marketing, of value-adding.

By communicating inside-out, your team amplifies the power of its messages as it moves out—from leader, to team members, to suppliers, to market partners, to Hard Support and Soft Support customers, to the friendlies among press, regulators, legislators, and influencers. This is called getting “*buy-in*” . . . but it doesn’t cost anything; in fact, it pays for itself.

Transfer ownership of your strategies inside-out, as well. Give everybody a sense of *owning* them. Make the assessment of personal performance and *team* performance as parallel as possible.

The further out you can cascade and transfer your key themes and messages, the better. When your employees, suppliers, partners, friends, and best customers, and even your competitors’ customers, know your brand’s value proposition, you are doing this right.

7) Play Offense.

Insurgents really do not need to be encouraged to be aggressive. Still, “playing offense” isn’t just about shoving forward with head down or taking a swing at every competitor. It is about driving an offensive strategy all the time—never departing from this strategy, and constantly forcing the competition to react to change, even in very challenging market situations or in crisis. And again, above all: never, ever play defense.

When you make a mistake, admit it quickly. Be proactive when you see a problem for your customers or voters. Do all you can and must to make up for it. And remember, when your customers think you are wrong, you are wrong.

- *When a disappointed customer brought a half-gallon of milk back to Stu Leonard Jr.’s famous dairy store, the employee or manager was not allowed to smell it to confirm it had turned sour. They were taught to take the customers’ word for it. And they were taught to go a lot farther than*

just providing a new, fresh half-gallon—give them some ice cream, too; whatever it takes to make it okay. "Look," the company founder would say. "They've come here, shopped, paid, lugged the groceries into their house, put the milk in the refrigerator, then poured it on their kids' cereal. 'Yuck!' Then they have to work themselves up into enough anger to get in the car and bring it back, expecting an argument."

At the same time, when you are falsely accused, defend your brand quickly and firmly. In doing so, you are defending all of the people on your team responsible for this brand and your brand loyalists, too. And never, ever, settle a false claim against yourself.

For more information go to www.playoffense.com