

UNCOMMON SENSE, COMMON NONSENSE

**Why some organisations consistently
outperform others**

Jules Goddard and Tony Eccles



PROFILE BOOKS

This edition published in 2013

First published in Great Britain in 2012 by
Profile Books Ltd
3A Exmouth House
Pine Street
Exmouth Market
London EC1R 0JH
www.profilebooks.com

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10 9 8 7 6 5 4 3 2 1

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Typeset in Caslon by MacGuru Ltd
info@macguru.org.uk

Printed and bound in Great Britain by
CPI Group (UK) Ltd, Croydon CR0 4YY

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A CIP catalogue record for this book is available from the British Library.

ISBN 978 1 84668 602 3
eISBN 978 1 84765 821 0



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Introduction

“Both the ideas that science generates and the way in which science is carried out are entirely counter-intuitive and against common sense.”

Lewis Wolpert

THIS IS A BOOK on corporate performance and organisational capability. It puts forward a new explanation for why some companies consistently outperform their rivals; it suggests that beliefs and assumptions rather than goals or values separate winners from losers; it argues that the model of management that prevails in most organisations is both antiquated and harmful; and it proposes a radically different method for how to lead and drive the work of an organisation effectively. It integrates a theory of corporate success with a model of strategic thinking and a method of operational effectiveness.

It is not a textbook. It is more like a handbook of innovative ideas and contrarian perspectives. It challenges the fashion for panaceas, formulae and notions of best practice, and it reflects a view that most business strategies are generic and banal, and most management theories are little more than sophistry or folk wisdom. It seeks to clear away the undergrowth that has made management and strategy far more difficult than they need to be. In a sense, it represents a return to core principles by setting out to reformulate an integrated model of the effective business.

In this endeavour, we seek to engage the creativity of the reader.

Some of the arguments of the book are grounded in recent economic and psychological research, but most of them are the fruit of working closely with executive teams attending management-development programmes at London Business School, INSEAD and elsewhere over the past 25 years. These workshops are hugely revealing of the joys and sorrows of modern managers and the problems they face. This book was written with these managers in mind.

Our approach to competitive strategy derives from a return to economic fundamentals – and, in particular, to the basic law of wealth creation. This is the principle of asymmetric knowledge – that is, any situation when somebody in a market knows something that nobody else in the market knows, and then has the courage to act on that knowledge. We call this type of knowledge “uncommon sense”. When such knowledge is acted upon illegally, it is called “insider trading”. But when acted upon lawfully, it is called “entrepreneurship”. Of course, not just any knowledge will do. It has to be knowledge that can be utilised and packaged in ways that create unique value for buyers. These are the conditions that define the moment of truth that we call “strategic discovery”.

In the absence of knowledge asymmetries – and the acts of entrepreneurial courage that turn inert knowledge into incremental wealth – markets would lose their potency. As P.J. O'Rourke, an American satirist, observed:

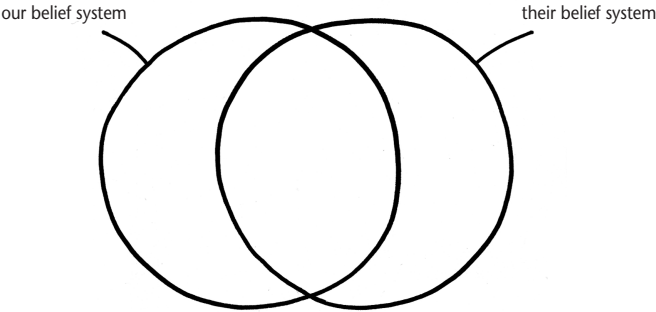
If everybody believed what everybody else believed, everybody would set the same price on everything. The middle-aged men on the stock exchange floor could quit hollering and go have lunch.

Markets are battles between belief systems. The winners are those whose beliefs are more grounded in “truth”. The beneficiaries are the entrepreneurs and their customers who capture the value embedded in this new knowledge. Market competition is an exploratory process that rewards those who make such discoveries.

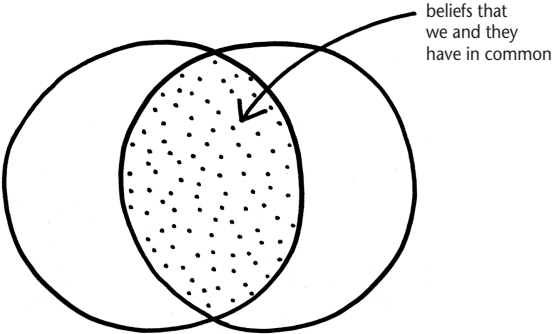
As humans we are all fallible. Misconceptions, illusions, blind spots and false beliefs are part of the human condition. When the same sources of error unite all the competitors in a given space, they become what we call “common nonsense”. An important aspect of strategy for the individual firm is the skill of identifying such nonsense and discarding it.

Adopting the perspective of a particular firm (“us”) competing against other firms (“them”), we can, at the risk of oversimplification, summarise our main argument as follows.

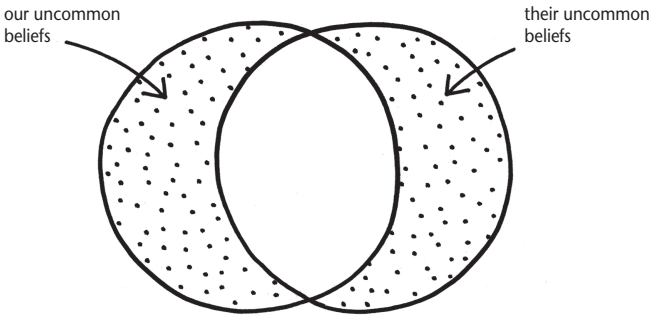
1. As competitors, we differ from each other, knowingly or tacitly, in the beliefs that drive our respective decisions and actions



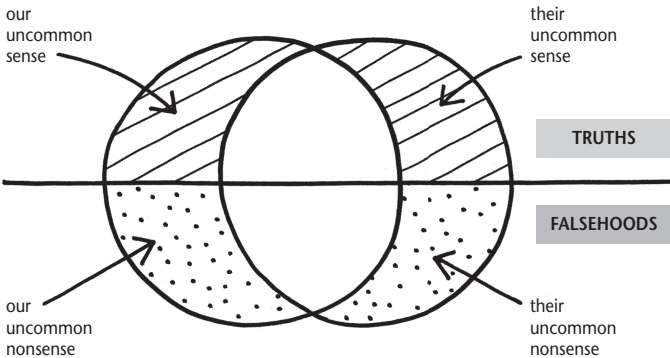
2. Because we inhabit the same reality, most of these beliefs will be shared between us and our competitors



3. Only those beliefs that differentiate us and our competitors, including those beliefs that underpin the skills of implementation, can explain differences of performance between us



4. Winning strategies are based on belief systems that are closer to the truth than those of losing strategies



5. Beliefs that we and our competitors share, whether true or false, cannot be the cause of differential performance between us