

What Playing Chess Can Teach Business Innovators

By Stewart Noyce

Principal, TruNorth Consulting

www.trunorth.com

noyce@trunorth.com

In high school, a friend got me interested in the chess team. I played dozens of matches over the next three years, improving steadily. The intellectual challenge helped me gain confidence and also humility. Yet only after years of work as a manager and innovator did I fully understand the lesson it taught about business innovation, where success is defined as complete market domination.

Playing in my last chess tournament, I was matched against the top seed and eventual regional champion for a chance at a trophy. I can't remember whether I lost or played to a draw, but I will never forget his message to me. "You played very well through the opening moves, but I was surprised that you were so ready to trade pieces and clear the board," he said. "You need to wait until you have a clear advantage before initiating the end game."

I realized then that the best chess players follow a three-phase approach to the game. They employ traditional opening moves, which are then followed by a period of complication in which an opportunity to seize an advantaged position is realized. After obtaining such advantage, the skilled chess player allows his or her opponent no escape in the end game, trading pieces and clearing the board as necessary. This approach mirrors the one-business innovators use to disrupt existing markets and create sustainable advantage out of mere opportunity.

Business innovators take their startup companies through opening moves that feature predictable business models from which they deliver unique value to targeted customers in existing markets. After establishing steady, predictable and profitable revenue streams, they allow the business model to become complicated as they race to an

advantaged strategic position based on their core value. Once advantage is clearly attained, the innovator drives out competitors in the end game to ensure sustainable competitive advantage. The game is over and the business innovator has won.

Consider Microsoft. As an opening move, the company sold compilers and other tools into a growing market of software developers. Not content, Microsoft then created complication by introducing an operating system and interface for personal computers that satisfied demand for user productivity at the desktop. After a period of chaotic and turbulent growth with thousands of software and hardware partners, Microsoft's advantaged position as industry standard allowed it to clear the board of competitors. This had led to a winning outcome of sustainable profitability and huge cash reserves.

Business innovators continue to enter the market, but their ultimate success is only proven after many years. Google offers a case in point. It opened as an Internet company with a system for delivering superior ad hoc search results. By applying this technology to the needs of businesses for measurable and predictable web advertising results, Google generated revenues and subsequent investment capital, which it has used to acquire additional Internet businesses. Google has allowed complications to evolve, but how can its leadership team be sure that it doesn't enter the end game too quickly? What will be Google's advantaged position? That's something many want to know.

If you believe that you know what lessons Google can learn from a game of chess, please send email to Stewart Noyce at noyce@trunorth.com.