critical review

By Adam Brandenburger, Professor at Harvard Business School.

A central paradox of business strategy is that while newcomers to a business surely face many disadvantages relative to incumbents, they sometimes succeed in toppling a giant. Well-known examples include Netscape versus Microsoft (at least for a while), start-up airlines (People Express, Frontier, and others) versus the major carriers, Sega versus Nintendo in video games (and then Sony versus Sega).

Judo Strategy resolves the paradox – and in so doing, also gives useful strategic advice to challengers and incumbents alike. Why judo? Because, as the authors explain, the Japanese art of judo teaches how to use an opponent's weight against him, to turn his strengths into weaknesses. The book lays out three "steps" in judo, i.e. Movement, Balance, and Leverage. First, use movement to surprise a weightier opponent. Second, destabilize the opponent while maintaining one's own balance. Third, use leverage to magnify ones own strength and throw the opponent. The authors use these three steps to classify and explain numerous mini-case studies of judo in business. They also present three extended cases on Palm Computing, RealNetworks, and CENT Networks. However, readers may rest assured that the book contains examples from both the "old" and "new" economies. These examples include both successful and unsuccessful challengers, and suggest some general dos and don'ts. Looking at the game from the opposite perspective, we can also learn how incumbents whose position is challenged have responded more or less successfully.

Judo Strategy is inspired in part by a well-known article in economics called "Judo Economics" (by Judith Gelman and Steven Salop, Rand Journal of Economics, 14, 1983, 315-325). In this game theory model, a new market entrant deliberately chooses to target specific niches with low prices. The incumbent is then faced with the choice of aggressively cutting prices to recapture the whole market or cede a small share to the challenger. If the challenger (and the incumbent) figures correctly, the incumbent will choose the second option and the entrant will gain a toehold. Here, the incumbent is actually "weighed down" by its existing customer base. A large customer base makes it expensive to cut prices, which places the incumbent at a disadvantage. This presumes that the incumbent cannot charge different prices to different customers. However, this assumption has been the undoing of several start-up airlines. Using yield management techniques, the major carriers have found ways to match the low prices the start-ups charge to their target customers, without cutting prices across the board.

Judo Strategy goes beyond the specific game of Judo Economics to many other games between "nimble" challengers and "weighty" incumbents. This makes the book very practical. Academics also have the opportunity to develop formal game-theory models – akin to Judo Economics – from the different judo stories described in the book, and to test and refine these models. Like many good books on business strategy, then, **Judo Strategy** should intrigue both practitioners and academics, and enliven the conversation between these two groups.

