

LITTLE
MONSTERS
BIG
REWARDS



STRATEGY GAGA

Jamie Anderson, Jörg Reckhenrich and Martin Kupp celebrate strategy the Lady Gaga way.

When people think of great business strategists, they might think of MBA educated executives or daring entrepreneurs steering their organisations towards continuous growth and profitability. They might focus on an insightful business leader who has navigated industry change, and kept the organisation focused on evolving customer needs. But in our research and teaching we frequently explore great strategists who are not in the usual line of business — people like Damien Hirst, Madonna and Joseph Beuys.

To this eclectic list can be added a new name. Consider the following: In 2010 this person was named the Artist of the Year by Billboard, just

one year after she earned the title of Top New Artist, and had been voted by Time as one of the Most Influential People of the year. More than one million fans saw her Born This Way tour up to the end of October 2011, grossing more than \$124 million with more than 50 concerts still to come. Her album of the same title was the best selling in the world. By the middle of 2012, nine consecutive songs of hers had reached the two million mark in paid downloads in the United States; the only artist that had managed to achieve this feat. The estimated sale of her recordings was 23 million albums and 64 million singles worldwide. This person: Lady Gaga.

Five dimensions

How has Lady Gaga achieved such success? And why should we care? Because the five dimensions of her successful strategy (vision, understanding the customer and

industry, leveraging competences and addressing weaknesses, consistent implementation and continuous renewal) are equally important to success in the business world.

The Gaga vision

Lady Gaga has demonstrated a clear commitment to the goal of superstardom that has been pursued with single-mindedness since she was a teenager. Other dimensions of her life have been either subordinated to or absorbed within her career goals. Rather than wait for industry trends, she has acted to shape the world around her. She claims to have always wanted to become a star; to entertain people and inspire them in doing so. She was and is outspoken about her idea of stardom: “Some people are just born stars. You either have it or you haven’t, and I was definitely born one.”

In the same way that Lady Gaga has developed career plans and long-term



goals to achieve success, firms must have a vision of where they want to go and how to get there. Consider the Virgin Group, an entity consisting of many separately run companies united by the Virgin brand of Sir Richard Branson. The Virgin Group's core businesses are travel, entertainment and lifestyle, and Virgin is one of the UK's best known consumer brands, associated with excellent service and having the consumers' interests at heart. In the words of Richard Branson: "I look for opportunities where we can offer something better, fresher and more valuable... I think one of the reasons for our success is the core values which Virgin aspires to. This includes those that the general public thinks we should aspire to, like providing quality service. However, we also promise value for money, and we try to do things in an innovative way, in areas where consumers are often ripped-off, or not getting the most for

their money. I believe we should do what we do with a sense of fun and without taking ourselves too seriously, too! If Virgin stands for anything, it should be for not being afraid to try out new ideas in new areas." This vision to win in markets through the delivery of service excellence, value for money and innovation has remained consistent for more than three decades.

Similarly, managers who are unsure of their career goals frequently send a mixed signal to subordinates, colleagues and superiors. We recently had a conversation with a French middle manager who was frustrated by slow progression in his career. When asked what he wanted to achieve, the manager was only able to answer in terms of level of hierarchy within the organisation, expected number of subordinates and projected salary. The assumption he made was that the organisation should deliver opportunities for him, and not the other way around. But in a world of collapsing hierarchies and the end of promotion based on tenure, managers must take a role in actively shaping their careers and delivering value for their organisations. The two are not mutually exclusive.

Understanding customers and the industry

It is clear that Lady Gaga's success has been underpinned by a deep and insightful appreciation of her customers and understanding of the music industry. Lady Gaga and the management of Interscope Records seem to have a strong understanding of the massive changes brought about by the transformation of the music industry. The rise of music distribution over the internet had a profoundly negative impact on the profitability of the music industry since the turn of the new millennium. Revenue from music sales had traditionally funded the lion's share of investment in new artists, with recorded music sales representing the platform for artists' careers. While much attention has been paid to the live music market and to revenues from branding and other non-recording revenue sources, the reality was that these revenue streams tended to be the privilege of established artists rather than new and developing acts. Thus the music industry faced two dilemmas; how to launch stars who could drive new

music sales in a digital world, and; how to shorten the time until an artist could start generating income from different revenue streams, like world tours, brand licensing and merchandising?

Lady Gaga has demonstrated a deep understanding of the opportunities of new technologies to connect with customers, and her approach to achieving "mass-intimacy" through social media platforms can be summarised as the 4Es of: emotions, experiences, engagement and exclusivity. These dimensions have allowed Lady Gaga to clearly position her brand in the mind of her target group.

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01

Emotions

She is an expert on building emotional ties to her audience, through her music and use of social media. She was an early adopter of internet and social media sites such as YouTube, Facebook and Twitter. She is an active Twitter user, communicating directly with her Twitter followers on average five times per day. In the words of Steve Berman, Universal Music's President of Sales and Marketing: "When you're dealing with someone as good as Gaga, a lot of it is how to stay out of the way... Gaga has worked tirelessly in keeping up daily if not hourly communication with her fans and growing fanbase through all the technology that exists now." She has evolved a unique relationship with her fans, addressing them as her "Little Monsters". She draws on being the weird girl in class and gives the message that the fans are okay the way they are. She has gone so far as tattooing her fans' pet name "Little Monsters" on her arm.



02

Experiences

With specially designed clothes, sometimes haute couture (sometimes no clothes), dance and art, Lady Gaga gives her fans inspiring and unique performances, experiences that they remember. Many of Lady Gaga's music videos appear custom-made for the online world, having extended introductions that extend the complete clip to eight or nine minutes in duration, compared to the typical four minute clips produced for radio and television. This four minute standard is based upon the duration of music that could be cut on a vinyl record single, but has remained unchanged for decades. All of Lady Gaga's videos clips are free to view or download on her own website and YouTube (but if fans want to buy her tracks as audio files they are directed to online music stores such as Amazon or Apple's iTunes). Critical to her continuing success has been a deep understanding of the ingredients for sustaining popular appeal. The frequent reinvention of her style and sound has reflected an acute awareness of changing styles, social norms and attitudes in a fast moving industry.

03

Engagement

She gives people things to talk about, myths, often spread through social media by the lady herself, thus engaging fans all over the world into two-way conversations and storytelling, promoting the lady and her music, and reaching new fans. She changes her clothes several times a day, often sporting a different outfit arriving at an airport and then boarding a flight; she changes costumes up to twenty times during a typical concert. She often carries around a purple teacup and saucer for drinking her signature ginger tea. The teacup and saucer get plenty of media attention.

04

Exclusivity

Moreover, Lady Gaga is about breaking boundaries, being interesting, standing out and distinguishing herself from other artists. Thus, she is exclusive. Some industry insiders believed that Gaga's

close and 'exclusive' interaction with her fans explained her significant sales through services such as iTunes, even though many of her audio tracks were quickly pirated and could be downloaded illegally. Said one industry expert: "Maybe Gaga points a way to the future — to make your fans your trusted friends. After all, who steals from their friends?"

During concerts she tweets messages to her audiences so that people in cheaper seats still have the feeling they receive a personal interaction. She also typically announces her new singles and albums directly to her fans — even before the media is informed.

Over the past several years Interscope has invested heavily in building the visibility of Lady Gaga, and supporting a 360-degree marketing approach that has had the effect of building a huge hype around the artist in a relatively short period of time. This has dramatically shortened the time that it took for Lady Gaga to start generating income from different revenue streams, like single and album sales, world tours, brand licensing and merchandising. Lady Gaga is a living example of the new business model of the twenty-first century music industry — what the industry calls the "360 deal" in which music companies

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share a proportion of revenues from every aspect of the artist's business. She is one of the first major artists to have been launched under this model, with a portion of her income from all of her different commercial activities shared with Interscope Records.

In an increasingly competitive and global world, companies must develop a keen understanding of their customers and industry as Lady Gaga and Interscope have done. Poor attention to industry dynamics and evolving customer needs can result in companies being side-stepped by their rivals. Witness one-time great companies, such as Compaq, DEC and Nokia whose internal focus and lack of industry and customer insight propelled them from market leadership to industry has-beens. Or think of managers who have been locked into mental models of past success,



unable to interpret the implications of competitor moves or evolving customer needs. High performers with a history of success have seen their careers take a nose-dive.

Leveraging competences, addressing weaknesses

Another important element in Lady Gaga's success has been the ability to acknowledge her own competences and weaknesses. Looking at her career, it becomes obvious that one of her most valuable competencies is the ability to bring people with various talents together with herself as the hub. Through the use of her extensive network of support personnel, including musicians, technologists, producers, dancers and designers, she is able to address her weaknesses and even compensate for them.

Lady Gaga has been able to exploit her abilities to develop and project her image and to exploit emerging trends, while protecting areas of weakness. Her personal relationships have often been important in building her career. Lady Gaga works with a group of people (she refers to them as close friends) that became known as the Haus of Gaga. This group of artists, designers and creatives travel with Gaga on tour and help her

realise her musical vision, design her clothes and act as a sounding board.

Although Lady Gaga has a contract with Interscope Records, the company does not 'control' her strategy completely, and rather provides her with the complementary resources and capabilities that she needs to implement her vision.

Troy Carter, Worldwide Manager for Lady Gaga since 2007, has described their dynamic as "95-5": "Ninety-five percent of the time I won't comment on creative, and 95 per cent of the time she lets me run the business. The other five per cent is where we debate about things."

The same keen awareness of strengths and weaknesses is critical to the success of firms and individuals as well. Companies can be guilty of managing obsessively for the short-term rather than developing or acquiring the skills needed for long-term success. One European company with whom we have worked has spent the past five years engaging in a form of corporate liposuction to cut costs and consolidate operations. Financial performance has improved impressively, but this masks a hollowing out of the organisation's capabilities to drive top-line growth. Similarly, many of us know managers who have been unable to progress in an organisation due to poor networking skills or have had an inability to develop beyond functional specialist to general manager and have seen their careers come to a screeching and frequently traumatic halt.

Consistent implementation

Without consistent implementation, even the best strategies are unlikely to succeed. As already discussed, Lady Gaga has surrounded herself with individuals and organisations that have enabled her to deliver upon her vision. She is a very good example of the critical importance of energy and focus in strategy implementation, as well as consistency of purpose. This consistency is demonstrated by three fundamental storylines (Who am I, Who are we, Where are we going?) that she has built over time, and which have remained constant.

The three storylines guide the overall implementation of her approach. While her music is undoubtedly a powerful draw for her fans, a closer analysis of Lady Gaga reveals how she has also leveraged the

storylines as a broad narrative to link her various creative activities together as a consistent whole. In doing so, she has succeeded in persuading a wide international audience that she is a 'leader' in the sphere of music and (some would argue) contemporary art in a very short period of time.

01

Who am I?

Even early on, before she had achieved international acclaim, Lady Gaga was unabashed about her potential: "Some people are just born stars. You either have it or you haven't, and I was definitely born one." She talks about how she learned to play piano from the age of four, went on to write her first piano ballad at thirteen and began performing at the age of fourteen. She often speaks about her childhood and teenage years, describing herself as a freak and a misfit. In her own words: "I was and I am a freak, a maverick, a lost soul looking for peers." She always refers to herself as a contemporary artist rather than a musician.

02

Who are we?

Lady Gaga has evolved a unique relationship with her fans through social media sites such as Twitter and Facebook. Technologies such as Twitter and Facebook have created platforms for "mass-intimacy", but often this intimacy does not work, because followers know that communication is not directly intended for them as an individual person. In almost every interview and performance she thanks her fans for supporting her, and attributes her success as much to them as to her own creativity and hard work — she communicates that her every success and breakthrough is also theirs.

03

Where are we going?

Lady Gaga communicates to her fans that together they can change the world. Speaking about her six nominations for the 2010 MTV Music Video awards, she declared: "I'm so honoured for all the little monsters and self-professed freaks of the universe, to have more VMA nominations in a single year than any artist in MTV history. Ironically, I'm even more proud it's an unlucky number: 13."





A long time ago, the world told me and my little monsters we would never be heard. Together we changed the rules.” She is involved in a number of social causes that resonate with her fans, and is passionate about how they can together make a difference. As an example, just hours after the earthquake and tsunami hit Japan on 11 March 2011 she launched her own fundraising effort, raising more than US\$1.5 million within just two weeks.

Consistent implementation is also key for organisations and the people within them — strategy is the easy part, but, as any wise manager knows, the devil is in the details of getting the job done. Many companies spend months or years on elaborate strategies while failing to develop the structures, processes and mindset to implement them. The German telecoms giant Deutsche Telekom has been trying to reinvent its business for close to a decade. Top-management at the company has not lacked strategic intent, but an entrenched cultural resistance to change has made organisational transformation an arduous task.

At the individual level, many managers are great at setting ambitious targets but lack the ability or motivation to follow through. As the late Sumantra Ghoshal’s research with Heike Bruch showed, as few as 10 per cent of managers are truly purposeful in their work. These purposeful few make the seemingly impossible happen by bringing both focus and energy to the tasks before them. The remaining 90 per cent of managers are either distracted, disengaged or procrastinating in their roles.

Continuous renewal

The final ingredient of Lady Gaga’s success has been her ability to renew her popularity again and again. Lady Gaga appears to be one of the few musicians that fully understand the new clock speed of the industry whereby a single is released every six weeks. This can be compared to the ‘old’ music industry clock speed whereby albums were released about every two years, as demonstrated by the biennial changes in Madonna’s music and appearance. Unlike Madonna, Gaga re-invents herself or comes with something new every four to six weeks! This element also links back to implementation and

the three storylines that provide an underpinning consistency to her high-speed innovation.

Some say that in the corporate world you cannot teach old dogs new tricks. But, to mix our animal metaphors, companies and individuals who are one-trick ponies can expect market or career derailment unless they are able to renew and reinvent themselves. Witness the challenges faced by firms across history in industries such as chemical photography, printed encyclopaedias and department store retailing that have struggled to reinvent themselves in the face of industry disruption. Just a handful of firms, such as Apple, have shown an uncanny ability to radically redefine their businesses to respond to evolving industry trends and customer tastes.

In today’s world it is equally important for managers to be able to reinvent themselves. How many IT programmers in developed markets will still be in their roles a decade from now as the IT industry continues to rush into outsourcing and off-shoring to lower-cost countries such as India and the Philippines?

There has been a lot of hype about the business impact of the “new” internet and new internet access technologies — especially peer-to-peer platforms, social networking sites, tablet computers and smartphones. But has the ongoing evolution of the World Wide Web and the technologies that we use to access it truly changed the world of business, or are the established truisms of strategy and marketing still relevant?

As Lady Gaga has demonstrated, despite the emergence of new technologies, successful strategy still involves establishing an overall direction that incorporates five key elements — vision, customer and industry insight, leveraging competences and weaknesses, consistent implementation, and a drive towards continuous innovation and renewal. These five elements are as equally important to companies as they are to global popstars, and organisations that fail to take into account all of these dimensions risk being sidelined by more nimble and strategically-oriented competitors. □

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