

PRACTICALLY RADICAL

A GAME PLAN FOR GAME CHANGERS

STRATEGIES TO TRANSFORM YOUR COMPANY,
SHAKE UP YOUR INDUSTRY, AND RECHARGE YOURSELF
BY WILLIAM C. TAYLOR

PART I “A CRISIS IS A TERRIBLE THING TO WASTE”

Paul Romer, the influential economist, is celebrated within the profession for his vital contributions to our understanding of the relationship between new ideas, technological change, and growth. To us civilians, though, he may be best-known for a quip that he made to *New York Times* columnist Thomas L. Friedman, a one-liner that has become the mantra of the moment from the corridors of the White House to the boardrooms of business: “A crisis,” Romer said, “is a terrible thing to waste.” >>

We are all struggling to make sense of the fallout from a once-in-a-lifetime crisis that promises to shape the economy for years to come, to learn lessons that will guide us as we recover and rebuild. My worry is that many leaders will learn the *wrong* lessons, that they will become conservative and risk-averse, that they will resist deep-seated change rather than embrace it as the only way to emerge from the depths of their (and our) despair. That would be a huge mistake. As the business environment gets tougher, meaner, more unforgiving, customers are going to get even more selective about whom they do business with.

The challenge for leaders in every field is to emerge from turbulent times with closer connections to their customers, with more energy and creativity from their people, and with greater distance between them and their rivals. You can't do big things anymore if you are content with doing things a little better than everyone else, or a little differently from how you've done them in the past. Now more than ever, companies and their leaders have to offer a compelling alternative to a demoralizing status quo—as the only way to create a compelling future for themselves.

Hard times can be a great time to separate yourself from the pack and build advantages for years to come.

The only thing more worrisome than the prospect of too much change may be the risk of *too little* change.

As leaders, we have no control over how fast markets grow or how wisely banks lend. But we do control our own mindsets and “animal spirits”—the phrase coined by John Maynard Keynes in the depth of the Great Depression. If all you’ve got is a spreadsheet filled with red ink and dire forecasts, it’s easy to be paralyzed by fear and resistant to change. But if you can summon some leadership nerve, then hard times can be a great time to separate yourself from the pack and build advantages for years to come.

Indeed, when it comes to creating the future, the only thing more worrisome than the prospect of too much change may be *too little* change—especially in an economy where there are too many competitors chasing too few customers with products and services that look too much alike. Now is the time to rethink long-held strategic assumptions inside your company, to challenge decades of conventional wisdom in your industry, and to push yourself to learn, grow, and innovate. As Albert Einstein famously said, “Problems cannot be solved at the same level of awareness that created them.” Or, in the spirit of some unknown Texas genius: “If all you ever do is all you’ve ever done, then all you’ll ever get is all you ever got.”

It’s time to do—and get—something different.

PART II MASTERING THE CHALLENGES OF CHANGE

There's nothing quite as exhilarating as watching a young organization reshape its field—a blank-sheet-of-paper startup that transforms an industry, a challenger brand that redefines a market. Alas, there's nothing quite as common as watching an established organization—a company that reached great heights in one era of technology, markets, and culture—struggle to regain its stature as a force for leadership in a new era. The work of deep-seated, sustainable change remains the hardest work there is. >>

Over the last two years, I've immersed myself in the struggles and triumphs of 25 organizations that are achieving dramatic results under some of the most trying conditions imaginable. I was privy to the strategies and tactics of a diverse collection of innovators in a wide variety of fields: a high-profile Internet company that reinvented customer service for the digital age and invented a powerful brand in the process; the irrepressible billionaire who rescued the Swiss watch industry from oblivion and transformed it into a global juggernaut; a health-care company that recovered from near-bankruptcy to thrive in a punishing field by unleashing an energetic and highly engaged workforce; an 85-year-old hospital, based in one of America's most distressed cities, that has redesigned how it works and what patients experience; the leader of one of the world's most famous crime-fighting organizations, who has visited 125 countries in a crusade to transform how police respond to the threats of the 21st century.

These innovators were not paralyzed by the degree of difficulty associated with their agenda. In fact, they were *energized* by it. They were making big things happen in new ways—unleashing innovations and driving transformations that will shape the fortunes of their organizations and the future of their fields. In the process, they developed a set of principles that define the work of leaders in every field. Here are four of those principles.

The work of deep-seated, sustainable change remains the hardest work there is.

1 What you see shapes how you change. Or, to use a term that's become popular in creativity circles, the best leaders demonstrate a capacity for *vuja dé*. We've all experienced *déjà vu*—looking at an unfamiliar situation and feeling like you've seen it before. *Vuja dé* is the flip side of that—looking at a familiar situation (an industry you've worked in for decades, products you've worked on for years) *as if you've never seen it before*, and, with that fresh perspective, developing a distinctive point of view on the future.

Humana, the health-insurance giant based in Louisville, Kentucky, has responded to the turmoil in its industry by asking questions that demand fresh thinking. Humana is a huge company with 30,000 employees, 11 million covered lives, and annual revenues of \$21 billion. How does an organization with such a vast reach, under so much pressure from competitors and the government, engage in a radical rethink of its assumptions and practices? By creating a high-powered team whose job is to develop a new line of sight into the organization's most pressing problems.

The Humana Innovation Center is an unremarkable name for a game-changing approach to strategy and creativity. The 50 or so members of the team, many of whom have never before worked in healthcare, are charged with helping to shake up the company's culture, challenge its assumptions, and experiment with new technologies, products, and services. It's not just (or primarily) about research and development. It's about questions and answers—new ways to think about what's wrong with healthcare and how to fix it. There's a reason the team's Web site is called "Crumple It Up." That's what it does—identify established practices, throw them away, and sketch out alternatives. It is, in effect, a Department of Fresh Eyes to take a fresh look at Humana's (and the industry's) long-standing problems.

The best leaders are the ones with the most distinctive point of view about the future.

“We are trying all sorts of experiments, crumpling things up left and right, testing products and services,” said Grant Harrison, Humana’s vice president of consumer innovation. “But we are also advocating a point of view. Every time we present a program, it is in the context of our philosophy: Can we move this company, and perhaps the whole industry, from the land of sickness and death to the land of life and happiness?”

2 Where you look shapes what you see. The most creative CEOs I’ve met don’t aspire to learn from the “best in class” in their industry—especially when best in class isn’t all that great. Instead, they aspire to learn from innovators far outside their industry as a way to shake things up and leapfrog the competition. Ideas that are routine in one industry can be revolutionary when they migrate to another industry, especially when those ideas challenge the prevailing assumptions that define so many industries.

Consider the transformation of Virginia Mason Medical Center (VMMC), a 90-year-old hospital in Seattle, Washington with 400 doctors and nearly 5,000 employees. For years, despite a rich history, Virginia Mason struggled with deteriorating finances, inefficient processes, and uneven quality. Its new CEO, Dr. Gary Kaplan, who took charge in February 2000, didn’t focus on what other hospitals were doing. (Many of them, after all, had the same problems.) Instead, he became fascinated with the legendary Toyota Production System. Eiji Toyoda had used the Toyota Production System to drive Japan’s flagship company to global prominence—and Kaplan came to believe that his organization could borrow methodologies from the automobile industry to fix its problems.

So the CEO began leading 14-day trips to Japan in which doctors, nurses, and hospital staffers get exposed in the intricacies of how Toyota organized work, tracked quality, and solved problems. There are classes and meetings, of course, but a defining piece of the experience is when doctors, nurses, and hospital staffers spend several days working eight-hour shifts in a factory. They staff the lines, do the work, and, like their Japanese counterparts, are expected to use the Toyota Production System to solve problems. “This is a real eye-opener for the team,” Kaplan explains. “We stick a bunch of doctors on an assembly line. We use the methods and tools we’ve learned, we come up with suggestions, and the Japanese put them into place! They did things they never thought they were capable of doing. It changes the way you think.”

Years of in-depth study of Toyota have transformed Virginia Mason. The hospital eliminated millions of dollars of inventory, cut the time required to deliver lab results by 85 percent, and reduced staff walking distances by 60 miles per day. One frontline team redesigned how nurses interact with patients and with each other—allowing nurses to spend 90 percent of their time at the bedside, as opposed to 35 percent before. Indeed, the student is now a teacher: The hospital has become so proficient at Toyota’s techniques that it created an institute to show other companies how to practice what it has learned.

3 *There’s nothing wrong with your organization that can’t be fixed by what’s right with your organization.* The virtue of *vuja dé* is that it reframes how organizations make sense of their situations and build for the future. But that’s different from a wholesale break with the past. For even the most determined change agents, history and tradition can be unrivaled sources of strength—as the foundation for an enduring sense of purpose that newcomers can’t begin to copy; as a reservoir of professional wisdom that gets more valuable as times get more volatile; as an engine of expertise that competitors can’t hope to match; as a reminder of founding principles that never go out of style, regardless of how styles change.

I'm convinced that one of the big reasons for the failure of so many change programs is that by focusing almost solely on what's *wrong* with their organizations, and by importing *off-the-shelf* strategies devised by outside experts consumed with what's new, leaders undervalue what's *right* with their organizations, and overlook *home-grown* strategies rooted in the wisdom of the past. In his first inaugural address, President Bill Clinton offered his perspective on national renewal. "There is nothing wrong with America," he argued, "that cannot be cured by what is right with America." That sentiment speaks to the renewal of companies as well as countries—it's a political insight with big implications for making change in business.

The transformation of the Girl Scouts of the USA is an all-American case study of just this point. CEO Kathy Cloninger took charge in late 2003 as membership was stagnating, traditional programs felt out of sync with demographic trends, and the brand, while ubiquitous, was uncool. In other words, based on the track records of most big organizations in most fields, conditions were in place for years of slow decline, or, at best, modest progress. Instead, the CEO and her colleagues devised one of the most ambitious, far-reaching, fast-paced change programs I have seen—an agenda for transformation that should be the envy of CEOs in *every* field.

How did the Girl Scouts experience so much change so quickly? When I posed this future-focused question to Kathy Cloninger, she immediately turned to the past. Sure, she and her colleagues relied on demographic surveys, competitive mapping, market research—all the tools of "modern" management. But some of their most eye-opening insights came from getting reimmersed in the ideology, philosophy, and "business plans" of Juliette Gordon Low, the social activist who started the Girl Scouts in 1912. The CEO and her colleagues came to understand what a firebrand, risk-taker, and entrepreneur their founder was—and this appreciation for the group's hard-charging history created a sense of permission to push harder for far-reaching change. What's past really can be prologue.

Ideas that are routine in one industry can be revolutionary when they migrate to another industry.

Indeed, as Cloninger and her colleagues wrestled with an array of controversial decisions, one of their guiding mantras became WWJD—that is, What Would Juliette Do? “Even though we use the word ‘transformation’ it’s not like we’re breaking from our historical roots,” the CEO explained. “Juliette Gordon Low was a revolutionary. She founded this movement at a time when women didn’t have the right to vote. Her idea of what girls could and should be doing was way out on the cutting edge. Juliette’s work was much more ‘out there’ than what this organization eventually became.”

4 The best way to change your business is to make change a normal part of doing business. It’s one thing for leaders to use fresh eyes to devise a new line of sight into the future. It’s quite another to muster the rank-and-file commitment to turn a compelling vision into a game-changing performance. Your job is not just to surface high-minded ideas. It is to summon a sense of urgency, and to use that urgency to inspire action. The most direct way to increase urgency is to redefine how the organization monitors results, measures success, and evaluates its track record—and, in so doing, to make business as usual look like it’s bad for business.

The best technique I’ve seen for confronting this challenge was developed by Gamal Aziz, president and COO of MGM Grand Las Vegas, one of the largest hotels in the world and one of only two billion-dollar properties on the Strip. Aziz took over in 2001, when the hotel was big, profitable, but nothing spectacular. Over the next few years, in a good-enough setting that could have sustained years of business as usual, Aziz and his colleagues unleashed a torrent of innovations that remade the hotel and generated rave reviews. Revenues jumped, profits soared, and the experience began to live up to the promise of delivering “Maximum Vegas.”

What was the secret to Aziz’s success? A technique he calls “working backward.” He and his colleagues engaged in an exercise to look at every aspect of the hotel’s performance—rooms, restaurants, shops, shows—and evaluate performance in a new way. The question was no longer: How do we make marginal improvements over current results? It was: What is the highest and best use for this venue or shop, if we could start from scratch and build it today? And how do we work backward from the future to achieve this performance?

The simple technique led to huge changes in mindset—and a staggering array of innovations. Aziz and his colleagues pledged, using the working-backward methodology, to unveil a major initiative every three months for 48 months. Not only did they meet this commitment, they more than doubled it, launching 30 major innovations that transformed a middlebrow brand into a darling of the Strip. “It’s easy to make small improvements in what you are doing already,” Aziz explained to me. “It’s harder to capture what you’re missing. That’s what we did with working backward.”

My first conversation with Gamal Aziz was in 2007—boom times for Vegas. My final conversation was more than two years later, after the boom had turned to bust. Yet the MGM Grand was weathering the downturn far better than most of its competitors. Aziz, meanwhile, even as he continued to run one of the world’s largest hotels, was exporting the brand around the world, in his role as CEO of MGM Mirage Hospitality, which was opening locations in Egypt, the United Arab Emirates, Vietnam, and China.

Indeed, the true appeal of Gamal Aziz’s methodology is that it treated the process of making change as a routine part of doing business. For decades, the Las Vegas model of innovation has been to “blow things up.” Companies would dynamite a hotel or casino that has lost its luster, and, from the ashes, build something more glamorous. At the MGM Grand, Aziz demonstrated that organizations can make deep-seated change without deep-sixing what came before. “We have kept morale high even in this environment,” Aziz says. “Our people are coming up with extraordinary ideas. There is an ongoing conversation, a commitment to innovation, that is as powerful in tough times as in good times.”

To increase urgency, make business as usual look like it’s bad for business.

PART III TEN QUESTIONS EVERY CHANGE AGENT NEEDS TO ASK

As the cofounder of a magazine called *Fast Company*, I've always been struck by the slow-going rate of change inside most organizations. In the earliest days of the magazine, after we had a business plan but before we published the premiere issue, we convened a conference around the theme, "How Do You Overthrow a Successful Company?" It wasn't a gathering of hotshots eager to take on the corporate establishment. It was a gathering of big-picture thinkers and change agents from illustrious big companies who sensed that there were massive shifts on the horizon, but that there wasn't a commitment among their colleagues to reckon with what was coming." >>

It was a great conversation, ahead of its time in many ways (this was 1994)—and the outlook was grim. Roger Martin, now dean of the Rotman School of Management at the University of Toronto, warned that “the role of big companies is to turn great people into mediocre organizations.” Mort Meyerson, the much-admired CEO and philanthropist, then at the helm of Perot Systems, compared leading an organization in fast-changing times to “floating in lava in a wooden boat.” His plea to the group: “We need a new model to reach the future.”

What a difference 15 years *don't* make. Are those misgivings any less relevant today than they were back then, or the prospects for genuine transformation any less daunting? Here, then, are ten questions that leaders at every level must ask of themselves and their organizations—questions that speak to the challenges of change. The leaders with the best answers win.

1 Do you see opportunities the competition doesn't see?

IDEO's Tom Kelly likes to quote French novelist Marcel Proust, who famously said, “The real act of discovery consists not in finding new lands but in seeing with new eyes.” The most successful companies don't just out-compete their rivals. They redefine the terms of competition by embracing one-of-a-kind ideas in a world of me-too thinking.

2 Do you have new ideas about where to look for new ideas?

One way to look at problems as if you're seeing them for the first time is to look at a wide array of fields for ideas that have been working for a long time. Ideas that are routine in one industry can be revolutionary when they migrate to another industry, especially when they challenge the prevailing assumptions that have come to define so many industries.

3 Are you the most of anything?

You can't be "pretty good" at everything anymore. You have to be the most of something: the most affordable, the most accessible, the most elegant, the most colorful, the most transparent. Companies used to be comfortable in the middle of the road—that's where all the customers were. Today, the middle of the road is the road to ruin. What are you the most of?

4 If your company went out of business tomorrow, who would miss you and why?

I first heard this question from advertising legend Roy Spence, who says he got it from Jim Collins of *Good to Great* fame. Whatever the original source, the question is as profound as it is simple—and worth taking seriously as a guide to what really matters.

5 Have you figured out how your organization's history can help to shape its future?

Psychologist Jerome Bruner has a pithy way to describe what happens when the best of the old informs the search for the new. The essence of creativity, he argues, is "figuring out how to use what you already know in order to go beyond what you already think." The most creative leaders I've met don't disavow the past. They rediscover and reinterpret what's come before as a way to develop a line of sight into what comes next.

6 Can your customers live without you?

If they can, they probably will. The researchers at Gallup have identified a hierarchy of connections between companies and their customers—from confidence to integrity to pride to passion. To test for passion, Gallup asks a simple question: "Can you imagine a world without this product?" One of the make-or-break challenges for change is to become irreplaceable in the eyes of your customers.

7 Do you treat different customers differently?

If your goal is to become indispensable to your customers, then almost by definition you won't appeal to all customers. In a fickle and fast-changing world, one test of how committed a company is to its most important customers is how fearless it is about ignoring customers who aren't central to its mission. Not all customers are created equal.

8 Are you getting the best contributions from the most people?

It may be lonely at the top, but change is not a game best played by loners. The first rule of innovation is that the most powerful contributions come from the most unexpected places—the “hidden genius” inside your company, the “collective genius” of customers, suppliers, and other smart people who surround your company. Tapping this genius requires a new leadership mindset—enough ambition to address tough problems, enough humility to know you don't have all the answers.

9 Are you consistent in your commitment to change?

Pundits love to excoriate companies because they don't have the guts to change. In fact, the problem with many organizations is that all they do is change. They lurch from one consulting firm to the next, from the most recent management fad to the newest. If, as a leader, you want to make deep-seated change, then your priorities and practices have to stay consistent in good times and bad.

10 Are you learning as fast as the world is changing?

I first heard this question from strategy thinker Gary Hamel, and it may be the most urgent question facing leaders in every field. In a world that never stops changing, great leaders can never stop learning. How do you push yourself as an individual to keep growing and evolving—so that your company can do the same?

PART IV MORE ON *PRACTICALLY RADICAL* AND BILL TAYLOR

William C. Taylor is an agenda-setting writer, speaker, and entrepreneur who has shaped the global conversation about the best ways to compete, innovate, and succeed. His new project, *Practically Radical*, is the latest chapter in a two-decade career devoted to challenging conventional wisdom in business and helping business leaders win. *Practically Radical* will be published in 2010 by William Morrow, an imprint of HarperCollins. Bill blogs about the book at www.practicallyradical.com >>

As a cofounder and founding editor of *Fast Company*, Bill launched a magazine that won countless awards, earned a passionate following among executives and entrepreneurs around the world—and became a legendary business success. In less than six years, an enterprise that took shape in some borrowed office space in Harvard Square sold for \$340 million.

Fast Company, which published its premiere issue 14 years ago, has won just about every award there is to win in the magazine world, from "Startup of the Year" to "Magazine of the Year" to two coveted National Magazine Awards. In recognition of *Fast Company's* impact on business, Taylor was named "Champion of Workplace Learning and Performance" by the American Society of Training and Development. Past winners of the award include Jack Welch of GE and Fred Smith of FedEx.

In 2006, Bill (with coauthor Polly LaBarre) published *Mavericks at Work: Why the Most Original Minds in Business Win*. Just weeks after its release, it became a *New York Times* Bestseller, a *Wall Street Journal* Bestseller and a *BusinessWeek* Bestseller. *Mavericks* was been the subject of high-profile articles, reviews, and columns in many top publications, including *U.S. News & World Report*, the *Financial Times*, and *The Economist*, which called the book "a pivotal work in the tradition of *In Search of Excellence* and *Good to Great*." He is the co-author of three other books on strategy, leadership, and innovation: *The Big Boys: Power and Position in American Business*; *No-Excuses Management*; and *Going Global*.

Bill has published numerous essays and CEO interviews in the *Harvard Business Review*, and his monthly column, "Under New Management," ran in the Sunday-Business section of the *New York Times*. A graduate of Princeton University and the MIT Sloan School of Management, he lives in Wellesley, Massachusetts, with his wife and two daughters.