



Serial Innovators

Firms That Change the World

THE SUMMARY IN BRIEF

Firms are like living organisms. They're born, they grow and then they struggle to survive. In today's high-stakes, survival-of-the-fittest economy, keeping up with changing markets marks the difference between businesses that flourish and those that flounder and fold. *Serial Innovators* examines the aging process of the firm, identifying and explaining the factors that slow down its ability to adapt to an ever-evolving marketplace. Reviewing recent findings from across diverse academic fields — including economics, psychology, neuroscience, sociology and many others — *Serial Innovators* presents an exciting new understanding of how growing firms develop rigidities that prevent change — and how to resist them.

Using these findings, author and business administration expert Claudio Feser develops a model of organization that is adaptive, innovative and creates value for all stakeholders over long periods of time, forming a practical guide for building the ultimate firm that is able to withstand market changes. Feser also offers short, insightful, academically thorough reviews of recent developments in research related to company adaptation, innovation and growth, to make complex material easily accessible. To be successful, a firm must be able to adapt and thrive in dynamic markets, and continuously reinvent itself. *Serial Innovators* shows how to do this.

The average life expectancy of a firm is roughly 15 years, and only one out of 20 firms lasts longer than 50 years. *Serial Innovators* is designed for anyone with an interest in beating those odds.

IN THIS SUMMARY, YOU WILL LEARN:

- How to build an organization that can innovate continuously.
- How to capture value creation opportunities in the complexity of today's global and dynamic markets.
- How to transform your organization into a firm that can thrive and win for the long term.
- How to survive for long periods and create lasting value.



by Claudio Feser

CONTENTS

Introduction	Page 2
Corporate Life Cycle	Page 2
To Err Is Human	Page 3
The Greatest of All Time	Page 3
Rewiring Brains	Page 4
Long Live Bureaucracy!	Page 4
In Brain We Trust	Page 5
What We Value	Page 5
What Not to Pay For	Page 6
Fast Learners	Page 6
The Secrets of Serial Innovators	Page 7
Beyond Business	Page 8
Legacy Through Leadership	Page 8

THE COMPLETE SUMMARY: SERIAL INNOVATORS

by Claudio Feser

The author: Claudio Feser is a director of McKinsey & Company, where he leads the McKinsey CEO Network, a practice of the company that focuses on CEO training and coaching. Feser previously managed McKinsey offices in Switzerland and Greece. During his career, he has advised the CEOs of some of the world's largest and most renowned companies.

Serial Innovators: Firms That Change the World by Claudio Feser. Copyright © 2012 by McKinsey & Company. Summarized by permission of the publisher, John Wiley and Sons, Inc. 202 pages, \$34.95. ISBN: 978-1-118-14992-8.

To purchase this book, go to www.amazon.com or www.bn.com.

Summary copyright © 2012 by Soundview Executive Book Summaries® www.summary.com, 1-800-SUMMARY.

For additional information on the author, go to www.summary.com.

Introduction

The performance pressure on company leaders today is enormous. It is tough to stay at the top. Leaders work hard focusing on profitability and value creation.

Yet, despite all their efforts, value creation by most firms is short-lived. In fact, the whole life cycle of most firms is not very long. The average life expectancy of a firm is roughly 15 years, and only five out of 100 live longer than 50 years. Set up on the back of an innovative idea, firms grow and develop, and sometimes they blossom into admired, world-class organizations. But eventually — as if they were biological organisms — they age and die. There is a large graveyard of defunct firms, including household names such as Texaco, Union Carbide, RCA, General Foods, British Leyland, Pan Am, Uniroyal, Bethlehem Steel, Westinghouse, Commodore, Lehman Brothers, Trans World Airlines, Digital Equipment Corp., Polaroid Corp., WorldCom and Enron.

The signs of aging vary from firm to firm. Some firms become blinded by success and begin to resist external views and challenges. Some are locked into mental modes and become driven by habits. Some lose the sense of purpose that pervaded them in the early days. Some become bureaucratic. Some have processes and incentive systems that have put them on autopilot heading in a dangerous direction. Some develop dysfunctional organizational cultures. The process of aging is subtle, silent, stealthy and pervasive. As firms age, they struggle to keep up with changing markets and, in today's dynamic markets, slow adapters often become big losers. As a consequence, firms get taken over or go bankrupt. They die. Life is ephemeral even for firms.

Sometimes, however, but only sometimes, firms resist the process of aging and rise above this. They adapt and thrive in dynamic markets, they continuously reinvent themselves and they change their industries. They become serial innovators. Sometimes — by continuously inventing new products and services that make life healthier, better, safer — they change the world. These firms create value for decades, for their customers, their shareholders and their employees. ●

PART I: THE EPHEMERAL NATURE OF FIRMS

Corporate Life Cycle

In two studies published in 2009, Claudio Loderer and his colleagues Klaus Neusser and Urs Waelchli, all of the University of Berne, hypothesized that firms go through an aging process; that like humans, firms have a life cycle. Founded on the back of an innovation, they quickly establish themselves in the marketplace. Then they learn how to grow and how to capture value. They become more efficient; they find ways to standardize their processes; they find ways to specialize roles in the organization; they learn how to better market their products to their customers. They build knowledge and skills. However, as firms age, their development slows, they lose their vitality and momentum, and their knowledge and skills become obsolete. Their profitability deteriorates and, eventually, they die.

Using a sample of nearly 11,000 firms listed on the stock market from 1978 to 2004, Loderer, Neusser and Waelchli demonstrated that performance deteriorates as firms age and that few firms, if any, survive over long



1-800-SUMMARY
service@summary.com

Published by Soundview Executive Book Summaries® (ISSN 0747-2196), 500 Old Forge Lane, Suite 501, Kennett Square, PA 19348 USA, a division of Concentrated Knowledge Corp. Published monthly. Subscriptions starting at \$99 per year. Copyright © 2012 by Soundview Executive Book Summaries®.

Available formats: Summaries are available in several digital formats. To subscribe, call us at 1-800-SUMMARY (240-912-7513 outside the United States), or order online at www.summary.com. Multiple-subscription discounts and corporate site licenses are also available.

Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Andrew Clancy, Senior Editor; Amanda Langen, Graphic Designer; Chris Lauer, Contributing Editor

Summary: SERIAL INNOVATORS

periods of time. Most companies disappear because they are absorbed into other companies.

The life expectancy at birth of a human being in a developed economy today is roughly 80 years. The life expectancy of firms is much shorter. Defining firm age as the number of years since listing, the three economists showed that roughly half of the companies do not live longer than one decade. Only 15 percent of companies survive longer than 30 years, and only 5 percent make the 50-year mark. There are extremely few firms that make it to the millennium. Japan's Ho-shi (hotel), Italy's Marinelli (foundry) and France's Goulaine (winery) were all founded more than 1,000 years ago.

One of the reasons for the ephemeral nature of firms is that as they grow and mature — unlike biological organisms that suffer from cell death — they appear to develop two kinds of organizational rigidities that prevent them from adapting to fast-changing, dynamic markets.

First, they seem to suffer from what Dick Foster and Sarah Kaplan, the co-authors of *Creative Destruction*, have called a “cultural lock-in.” Firms that have successfully survived the early years seem to be locked into *mental models* that prevent change. For example, they discontinue new products too early because of fear of cannibalizing important, existing product lines.

Second, they codify their success through *rigid organizational constructs*, such as hierarchy, processes, rules of conduct and standard operating procedures. They seem to be subject to a process of ossification, which results in inertia. ●

PART II: INDIVIDUAL RIGIDITIES

To Err Is Human

Understanding mental biases and heuristics — optimism, loss aversion, status quo and representativeness in particular — is especially relevant when discussing organizational rigidities that hinder firms in reacting to changes in the environment. Why and how can they be addressed?

First, Dan Lovallo, a professor at the Australian School of Management, and behavioral economist Daniel Kahneman believe that companies can address the *optimism bias* by regularly bringing outside views and data into the organization. Firms use different approaches to accomplish this goal. Some use the board of directors or a strategic advisory board as a source of information. Others use second opinions or critical challenges of plans and strategies by external industry experts.

Second, the *loss-aversion bias* may be reduced by making people less accountable for the losses caused by individual decisions. For example, managers can be evaluated on the basis of the performance of a portfolio of investments but not on losses on individual investments. The law of large numbers would then apply, and counterbalance the loss-aversion bias on individual investments.

Third, the *status quo bias* may be addressed by changing the default option. By making sure that the status quo is simply not among the available solutions, managers may get the members of the organization to move. Then, their response will be: “Yeah, I’ll do whatever everybody else does.”

Fourth, the *representativeness bias*, or mental model problem, may be addressed by fostering diversity in an organization. People with different experiences and backgrounds tend to have different mental models, and see things differently. A diverse set of mental models in an organization increases the chance that at least one person will pick up, and correctly categorize, new information. Diversity works by getting a mix of different mental models into an organization. ●

The Greatest of All Time

A number of studies have demonstrated the positive relationship between belief of self-efficacy and behavioral effectiveness in organizational settings, in areas such as adaptability to advanced technology, managerial idea generation and learning.

Evidence from numerous field studies and experiments shows that setting explicit, challenging goals significantly enhances motivation and work-related performance. Goals have more impact when combined with feedback, and even more so when combined with selected training to close performance gaps.

Developing Self-Efficacy

The three most effective approaches to developing a strong belief of self-efficacy in individuals are enactive mastery, vicarious experience and verbal persuasion.

First, and most effective, is *enactive mastery*, which is defined as repeated performance accomplishment (achieving goals and learning by doing). Mastery is facilitated when gradual accomplishments build the skills and abilities needed to perform a given activity. Leaders should set goals that are perceived by those whom they lead as ambitious, but achievable. Achieving such goals builds confidence and gradually gets people to set more ambitious goals for themselves. In contrast, by setting unrealistic targets, a leader risks reducing the engage-

Summary: SERIAL INNOVATORS

ment of the people he or she leads and lowering their self-confidence.

Second, the next most effective, is *vicarious experience*, that is, learning from *role models*. This is most effective when people can relate to the role models (similar background, age and so on), and when role models succeed after overcoming difficulties, rather than when they achieve success easily. Role models who succeed in seemingly difficult and challenging situations are inspiring, produce followership, and cause followers to copy their behavior and — if they are successful — to achieve enactive mastery.

Third is *verbal persuasion*, which is aimed at convincing a person of his or her ability to perform a specific activity (“Yes, you can do it!”). Verbal persuasion is, however, believed to be less effective than enactive mastery or role modeling. ●

Rewiring Brains

How can leaders address the mental rigidities, not just of one person, but of several thousand, or at least of those in positions critical for the change required by an organization? In other words, how can management change mental routines on a large scale?

First, management may want to provide a positive frame, or context, for change. Rather than painting a doom-and-gloom picture of reality, and articulating why the firm is failing, management may need to paint a convincing, exciting and engaging picture of the journey ahead. Framing matters. To make the change story appealing, leaders need to frame it positively. This helps to reduce stress and the anxiety level, and sets the preconditions for creativity, learning and change.

Steve Jobs’ turnaround at Apple shows the impact of telling a story that is simple, positive and emotional. When he returned to the company after a long exile, he reframed the image of Apple from being a marginalized player fighting for a small percentage of market share to the home of a small, but enviable, elite: the creators who dared to “Think different.”

Second, management may create the organizational preconditions for people to solve problems, to generate insights from within. *Self-managed teams*, such as the kaizen at Toyota, have proven to be a good vehicle for creating the conditions for continuous learning and improvement, and to be more innovative and more adaptive than other forms of organization.

Third, management may help people’s insights to develop into routines, and thus into changed behavior. *Embedding insights into processes* that are repeatedly per-

formed (changing a form or procedure so that people are obliged to continuously repeat a changed activity) is an example.

Another approach is to use learning sessions. Lean teams involve people in developing an understanding of their processes and how to continuously improve them. In workplace sessions that occur daily — typically at the start of the day — people systematically talk about ideas for making things better. They make changes to processes and, in doing so, train their brains to make new neuronal connections. ●

PART III: ORGANIZATIONAL RIGIDITIES

Long Live Bureaucracy!

Organizational design matters a lot. If an organization is designed as a complex, multilayered matrix with several units depending on one another, it will develop a deep, dense hierarchy and will be very slow to react to changes in the environment. If the same organization can be designed to implement the same strategies equally effectively with a simpler business unit or functional organization, it will be faster and more adaptive.

Three key principles govern the creation of an effective and adaptive organization.

First, *objectives and scope of organization need to be prioritized* thoughtfully:

- *Prioritizing organizational objectives.* A thoughtful prioritization of the organization’s objectives should answer questions such as “What do we want to change in terms of business focus in the next five years?” A thoughtful prioritization includes, first and foremost, the decision on the dominant axes of management — functional, product, customer or geography.

- *Clarifying scope.* Making choices and setting priorities in terms of scope (for example, business portfolio strategy, product portfolio strategy, stock strategy) should be an early consideration in any organizational redesign.

- *Using skunk works.* Organizations can keep parts of the business separate using so-called skunk works to create completely autonomous units and to separate them from the rest of the organization. This gives them the autonomy to react quickly and seize opportunities as they arise.

Second, the number of interdependencies needs to be reduced by *creating self-managed performance cells complemented by knowledge networks*. Whatever the level at which performance cells are being set up, they share

Summary: SERIAL INNOVATORS

three characteristics: They are guided by performance metrics, they have the autonomy to organize themselves, and they have periodical learning cycles.

Third, *the organization needs to build on standards*. Standardization decreases the level of ambiguity, increases predictability and allows networks to function more effectively. ●

In Brain We Trust

In their report, *A Spiritual Audit of Corporate America*, Ian Mitroff, a professor at the University of Southern California, and Elizabeth A. Denton, an organizational consultant, write that employees hunger to bring their spiritual values, their whole person and not just their (left) brain to work. They also found that companies that acknowledged spiritual values and that aligned them with corporate ones, outperformed companies that didn't.

Insights on Company Ideologies

Whatever importance leaders assign to the topic, there are a few insights that may be helpful. Corporate ideologies are probably more effective when they meet three criteria: They are altruistic, they are told through stories and metaphors, and the organization is visibly committed to them.

- **Altruistic.** Firms can have very different missions or purposes. Insights from psychology and anthropology suggest that people have an altruistic bias, an innate need to help and support others, especially if these others are less healthy, as is the case for patients, or less fortunate in life. We may hypothesize that mission statements focused on helping others are powerful in providing meaning to members of organizations. For example, most statements of the core purpose of firms cited by Jim Collins and Jerry Porras in *Built to Last* are focused on helping customers.
- **Stories and Metaphors.** Company mission statements are likely to be more powerful when brought alive with inspiring stories and metaphors. Mission statements are often composed of a list of generic phrases. However, our brain has difficulty memorizing lists and blank statements. It can handle stories and metaphors better. "Narrative imaging — stories — is the fundamental instrument of our thought," writes neuroscientist Mark Turner in *The Library Mind*. Most of our thinking, our experience, our knowledge, is organized as stories.
- **Visible Commitments.** Company ideologies and mission statements will be more powerful

when the organization is visibly committed to them. Commitment means that the organization is willing to devote precious time, spend money and incur financial losses or forgo gains in adhering to its mission or purpose. ●

What We Value

In recent years, numerous studies and books have discussed building so-called learning or adaptive corporate cultures. The authors often argue that organizations need to create the environment for people to exchange perspectives, to debate matters, to learn and progress. While this sounds noble, organizations are essentially set up to implement and execute strategies and business plans.

Eric Beinhocker, an economist and the author of *The Origin of Wealth*, takes a more nuanced view and believes that a good culture is able to combine these two elements.

First, the tacit assumptions, values and norms need to facilitate execution of the current strategy. High performance cultures include, among other elements, strategy execution and organizational unity. Beinhocker calls these norms *performing and collaborating norms*.

Second, a good culture contains elements that foster learning and adaptation, and that facilitate change. Beinhocker calls these *innovating norms*.

In his study, Beinhocker portrayed a good culture with 10 norms, which he called "The Ten Commandments." They are set out here:

Performing Norms

1. **Performance orientation:** Always do your best, go the extra mile, take initiative and continuously improve yourself.
2. **Honesty:** Be honest with others, be honest with yourself, be transparent and face reality.
3. **Meritocracy:** Reward people on the basis of merit.

Cooperating Norms

4. **Mutual trust:** Trust your colleagues' motivation, and trust their skills to get the job done.
5. **Reciprocity:** Live the Golden Rule: Do unto others as you would have them do unto you.
6. **Shared purpose:** Put the organization's interest ahead of your own, and behave as if everyone is in it together.

Innovating Norms

7. **Nonhierarchical:** Junior people are expected to

Transforming Culture

One of the most distinguished thinkers and academics in the area of organizational culture is Edgar Henry Schein, a professor at MIT. He is generally credited with creating the term *corporate culture*.

Changing a culture is a matter of leadership, and the most effective and efficient architect of the culture is the most senior leader of the organization, typically the CEO. Schein argues that leadership is the creation, management and, at times, the destruction and reconstruction of culture. In fact, he says that the “only thing of importance that leaders do is to create and manage culture.”

challenge senior people, and what matters is the quality of an idea, not the title of the person saying it.

8. **Openness:** Be curious, open to outside thinking and willing to experiment. Seek the best wherever it is.
9. **Fact-based:** Find out the facts. It is facts, not opinions, that ultimately count.
10. **Challenge:** Feel a sense of competitive urgency. It is a race without a finishing line.

Cultural change efforts are typically most effective in situations of crisis or when the leader changes. The members of the organization are then insecure, and their attention to changes is heightened. They are sensitive to ongoing changes, including subtle ones. Importantly, leaders should frame the change story positively to reduce individual stress and anxiety, and to create the preconditions for creativity, learning and change. ●

What Not to Pay For

Incentives are important in steering behavior and adaptation. Ill-designed incentive schemes that focus people and organizations on short-term objectives can create disincentives to investing in the future and adapting for the long term.

Monetary incentives tend to be most appropriate when they lead to measurable, direct results that have an impact on the bottom line (profit and loss statement) or key performance indicators (KPI) clearly linked to the desired and incentivized behavior.

Money also works well when there is little room for cheating, that is, when there are no excessive rewards and when controls are rigorous. Monetary incentives typically work well with sales jobs.

Money Is Not a Great Motivator

However, money is not a great motivator. When basic factors, such as fair and sufficient pay, are in place, the additional performance boost from financial incentives is minimal and nonmonetary incentives then become better motivators. These may include achievement, meaning, recognition and advancement. As an example, 3M and Google provide free time to their employees so that they can spend work hours on special pet projects they are passionate about pursuing.

Ideally, therefore, a system will combine monetary and nonmonetary incentives. While highly effective, the use of nonmonetary incentives is more demanding — in two ways — for those, the leaders, who have to administer them.

First, the application of social recognition and performance feedback requires leadership skills. Social recognition and performance feedback are most effective when:

- Conveyed in a positive manner
- Delivered immediately after observing performance levels
- Represented visually, such as in a graph or chart form
- Specific to the behavior that is being targeted for feedback
- Leaders are trained to administer nonmonetary incentives effectively.

Second, the use of nonmonetary incentives requires a high level of integrity and ethical behavior from leaders. The administration of nonmonetary incentives is effective only when the administering leader visibly performs the expected social behavior. In other words, role modeling is essential. ●

Fast Learners

Companies rarely possess all the capabilities they need to succeed in new businesses and new environments. But, strategically, they can choose between four approaches for fast-forwarding the development of capabilities.

First, firms can fast-build capabilities. Engaging the front line in solving problems, having self-confident people in pivotal roles and embedding changes in organizational processes can fast-forward the building of new capabilities.

Second, firms can borrow capabilities. They can borrow them from other organizations by embarking on alliances, partnerships or licensing agreements.

Third, firms can buy capabilities. They can buy them

Summary: SERIAL INNOVATORS

by hiring new people, procuring additional technologies or acquiring entire companies.

Fourth, firms can keep spare capabilities in stock. By making venture investments and by pursuing several smaller strategic moves in areas of potential interest, firms can hold a large number of capabilities, larger than those needed for the implementation of its current strategy.

Holding in stock means experimenting. It may mean running different strategies, even competing ones, in parallel. Microsoft's strategy in the late 1980s is one of the best examples of this tactic, since it simultaneously pursued six quite different strategies to gain the leadership of the market for operating systems.

Organizations that do not reward smart experimentation and smart risk-taking, even when the outcome is unsatisfactory, may risk losing valuable, courageous, innovative and creative people to other organizations. They may lose the very capabilities most needed for adaptation. ●

PART IV: SERIAL INNOVATORS

The Secrets of Serial Innovators

While the connotation may imply something negative, rigidities per se are neither good nor bad. They are simply necessary for human beings and organizations to function effectively and efficiently. However — sometimes, and in particular in times of change — they can become the reason for organizational failure, decay and firm death.

So the question isn't how can we prevent rigidities from developing, but rather how can we contain them and how can we complement them to maintain organizational adaptability and to cultivate innovation?

Reviews of the various academic fields have shown that informed and thoughtful interventions can interrupt or at least slow down the process of the aging of firms.

Seven interventions seem particularly relevant:

1. Cultivating the firm's members' desire to make a difference. The first intervention is to leverage the desire of human beings to contribute to something that matters and to make a difference in life. It is to define the purpose of the firm as being to make a difference to people, by developing new products and services that make the life of their customers safer, healthier, richer, better, more valuable.

- 2. Building a team of learners at the top.** It is essential to have teams made up of people with diverse mental models, people with a strong belief in their own self-efficacy and people whose purpose is aligned with that of the firm, staffed in positions that are important for the company in adapting to changes in its environment.
- 3. Framing the vision and strategy positively.** Members of an organization are more likely to engage in problem-solving and behavioral change that happens in a positively loaded emotional context. A *positively framed direction* — engaging visions of the future and convincing strategies to get there — appealing to positive emotions, helps nudge people into continuous problem-solving and learning, and makes firms adaptive.
- 4. Building on self-managed performance cells.** The fourth intervention is building on self-managed performance cells, autonomous organizational units that leverage the goal orientation, drive to succeed and creativity of human beings. Self-managed performance cells have three characteristics: They are guided by *performance metrics*, they have the *ability to organize themselves*, and they have *periodic sessions for learning* and joint problem solving.
- 5. Promoting the firm's members' drive to perform and grow.** The fifth intervention is to go beyond pay for performance and monetary incentives to motivate employees. The fifth intervention wants to recognize the performance of the firm members, to build their self-confidence, to foster their passion to achieve ambitious goals and to help them to grow their abilities.
- 6. Investing in capabilities to quickly develop new assets and skills.** Firms may use four approaches to fast-forwarding the development of assets and skills: It can *fast-build* assets and skills; it can *borrow* capabilities; it can *buy* capabilities; or it can *experiment*.
- 7. Cultivating a culture that fosters execution and promotes challenge.** Organizational culture can be leveraged to complement the organization's formal structure by reducing the need for dense hierarchies and processes. Culture can help guide the daily activities of employees in the absence of written rules or policies. It enables greater decentralization, providing general guidance, but leaving the specific *how* up to the individual, allowing more space for adaptation at the front line. ●

Beyond Business: The Medici, Oxford and the Catholic Church

There are institutions — families, academic institutions and religious institutions — that have lasted for centuries and fundamentally influenced the development of humanity, changed the world and seem to have implemented at least some of the interventions described earlier.

Consider the Medici family, for example. The Medici family ruled Florence, in Tuscany, between the 14th and 17th centuries. The Medicis can be considered the founders of modern banking, transforming money lending — which until then was considered usury — into a respectable profession. In 1397, they founded the Medici Bank, which became Europe's largest bank in the 15th century, and supported the family's ascent to power in Florence, where they dominated the city's government for many centuries.

The family passionately promoted a liberal and open-minded culture in Florence, where art and humanism could flourish. The Medicis were among the most prominent families inspiring and fostering the *Rinascimento*, the opening phase of the Renaissance — the period of great cultural change and achievement in Europe that spanned the period from the end of the 13th century to about 1600, and that marked the transition between the Medieval era and modern Europe.

The University of Oxford

The University of Oxford is one of the oldest surviving universities and is regarded as one of the world's leading academic institutions. Although the exact date of its foundation is unclear, there is evidence of teaching in Oxford as far back as the 11th century. Most undergraduate teaching at Oxford is organized around tutorials in self-governing cells (colleges and halls), supported by lectures and laboratory classes organized by the university's faculties and departments.

Oxford consistently ranks among the world's top 10 universities. There is a long list of notable alumni (called Oxonians) including 26 British prime ministers (among them Margaret Thatcher, Tony Blair and David Cameron), one U.S. president (Bill Clinton), two prime ministers of India, and several leading economists and philosophers, including Adam Smith and John Locke.

Finally, the Roman Catholic Church is both the largest and oldest continuously operating institution in the Western world, having existed in its current form since the fourth century. It is probably the most striking example of a large institution that provides meaning to its members and promotes a strong value system.

Despite scandals and setbacks over the many centuries, the Church is a successful and fast-growing organization. In the 1950s the Church had more than 400 million members, in the 1970s it had nearly 700 million members and today nearly 1.2 billion people are members of the Church.

If families, schools and institutions that shape societies and change the world are a possibility, can we apply our model of the firm that thrives in dynamic markets to create more of them? Can we build more great institutions in our society? The answers are obvious. ●

Legacy Through Leadership

The term *leadership legacy* is often referred to in the context of leadership transition, and many academics and scholars have published on the matter, often from different angles. They define *legacy* as what one wishes to be remembered for after one's departure.

I would like to offer another concept of leadership legacy, one that has two elements.

First, developing a legacy is building an organization that builds human passion, self-confidence, values and capabilities. Inspired by the mission statement of the Stanford Graduate School of Business, which aims to "... develop innovative, principled and insightful leaders who change the world," building a leadership legacy is building a firm that develops individuals who are individually and collectively passionate and energized to contribute to something bigger, to something that matters and to make a difference in life; it develops individuals who are motivated to achieve ambitious goals; individuals who have the self-confidence and perseverance to master difficult challenges; it develops individuals who are open to challenge and eager to learn; individuals who are principled; individuals who can change the world.

Second, developing a legacy is building an organization that has a positive impact on society. It is building an organization that — with its mission, values and scale — continuously invents new products and services that make life healthier, better, safer; an organization that can change the world. ●

RECOMMENDED READING LIST

If you liked *Serial Innovators*, you'll also like:

1. ***Beyond Performance* by Scott Keller and Colin Price.** Keller and Price describe how organizational leaders can achieve and sustain excellence.
2. ***The Progress Principle* by Teresa Amabile and Steven Kramer.** The co-authors explain how managers can foster progress and positivity every day.
3. ***The Innovator's Prescription* by Clayton M. Christensen, et al.** Christensen analyzes the strategies that will improve health care and make it affordable.