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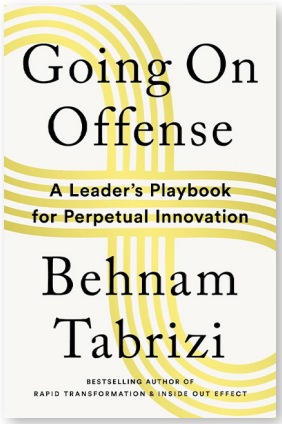
Going on Offense

A Leader's Playbook for Perpetual Innovation



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THE SUMMARY IN BRIEF

How do you transform a typical organization into one that is *perpetually* agile, innovative, fast-paced, and crackles with heightened expectations and intensity? What could you achieve if you harnessed the methods of the most innovative companies? Those with a *winning mindset* that drives relentless experimentation that runs through the entire organization, from top to bottom. These types of firms have key ingredients that enable them to pull it all off.

Going on Offense: A Leader's Playbook for Perpetual Innovation provides practical, actionable advice on how an organization can attain and sustain the mindset needed to continually adapt to new environments and expand into new territories–and minimize the need for radical transformation. Author Behnam Tabrizi draws on in-depth research from centerpiece companies and their leaders to share methods that can vault your organization to the same ultra-successful heights. Whether you are a frontline employee, a middle manager, an executive, or a CEO, this book is designed to show you the key characteristics companies need and give you practical steps so that you and your organization, or the area you control, can reach your full potential.

IN THIS SUMMARY, YOU WILL LEARN:

- The challenge that stops large organizations from being innovative.
- How a spirit of generosity lays the foundation for perpetual agility.
- The role ferocity plays in cultivating a start-up mindset.
- How companies can act courageously to make sustained change.

Seeing the Challenge

Many leaders treat the idea that large organizations can transform into perpetually innovative firms as a myth. Even tech companies that used to be nimble in the 2000s, such as Facebook, and Google, are now a shadow of their former, stunningly innovative, selves. Nokia had a major share of mobile phones before Apple's entry in 2007 but came to a devastating end due to a laser focus on operational metrics, failure to cultivate a cultural transformation, and a lack of courage in creating products that customers would love. Now, impressive advances in artificial intelligence are adding yet another disruption to many markets. Agile innovation is becoming more important than ever–and further out of reach for complacent giants.

Becoming an agile innovator requires always being on the lookout to reimagine and implement new processes, partnerships, products, markets, and services and improve existing ones. Innovation is essential in order to thrive in our increasingly disruptive markets. Agility is necessary to move quickly to address opportunities and threats. Being agile is about a mindset first and it's a critical element of a culture that responds quickly to change.

The impediments are daunting and human nature is the main obstacle to change. First off, people are conditioned to be dependent. In the workplace, we're comfortable ceding our power to the bureaucratic hierarchy so we settle into a predictable, stable set of routines and tasks.

Second, it's human nature to be self-interested and proud. Most managers in large companies have a touch of that, making them embrace command and control to maintain their fiefdoms.

Third, people tend to commit themselves and resist change when they have invested significant resources in a project or strategic direction. They persist even when abandoning that course of action makes long-term financial sense.

Finally, the sort of change that can break through the inertia of tradition takes tremendous resolve. Agility and innovation require a kind of alertness and flexibility that demands enormous mental and physical effort. And it definitely requires more energy than most people want to devote to their work.

Even with all of that, transforming big companies is not an impossible dream. They need a holistic approach that instills the discipline and generates the emotional energy necessary to thrive in a time of disruption. Leaders have to put aside personal wishes and transform for a larger purpose. In other words, they must open their eyes and "see" that they can't continue business as usual.

Part One: Generous

Setting an Existential Purpose

Perpetual Innovation is hard work, and only positive motivation can bring out the energy and enthusiasm necessary to sustain it over time. So the work has to start with a spirit of generosity. Like many big organizations, Microsoft became a victim of its own success. Responding aggressively to initial opportunities, it had brilliantly exploited a new and fast-growing market, but once it got there, it lacked an existential vision to stay dynamic.

Microsoft's board in 2014 promoted Satya Nadella to CEO. He had a simple solution: to "rediscover the soul of Microsoft, our reason for being." He had a larger vision than just corporate strategy. But the bulk of the organization remained in the old perspective.

Large, successful companies inevitably resist the effort necessary to remain perpetual innovators. They've built structures to scale up and deliver reliable profits, so they naturally resist bold, disruptive experiments. To change, they need something more.

People need a deep-seated conviction in order to summon the energy to recognize a powerful purpose to animate his or her life. Companies are not people, but they need a similar reason for being. An existential commitment provides direction as well as motivation.

The answer to "Who am I and what is my purpose?" is central at the organizational as well as individual level. It inspires members to imagine what the organization could become. It also embeds and energizes everyone in the transformation to get there. It goes beyond the usual talk about purpose nowadays, which is shallow and feel-good.

Existential purpose is hard and deep; it gets to the company's identity and reason for existence. It has real trade-offs; it closes off attractive opportunities and strategies. It should make some people leave. But only a hard, existential commitment to that purpose will force companies out of settled structures and toward perpetual innovation. An existential purpose aligned with an individual's own existential commitment to the organization will make people feel they have a stake in the transformation process.

To sustain a company's discipline–to avoid the complacency and internal politicking that come from success, you need an external tug as well.

Customer Obsession

Existential purpose can falter after a while, especially when the business model proves itself. To sustain a company's discipline–to avoid the complacency and internal politicking that come from success, you need an external tug as well. You can leave your rivals in the dust and still lose sales at the cash register. People will still pester you for lower prices, higher quality, added features, or all of these at once.

To compete in this type of environment, you have to be obsessed with satisfying your customer. It's a kind of emotional commitment that makes the company accommodate, listen to, and attune itself to customer's challenges, no matter how frustrating or contradictory.

It forces the company to make some questionable choices in the short term to pay off over time, not just in customer satisfaction, but also in employee engagement and overall quality. Customer-obsessed companies also tend to be the first to realize when and how markets are shifting.

This obsession doesn't simply mean surveying to find out what people want and giving it to them. Customers must come alive to developers and that happens with cocreation and empathetic imagination.

To cocreate with customers means to obtain their input at every stage of production. Companies act based on what customers say they want, making the customers the experts. But it should be done with *empathetic imagination*. The focus should not be on finding out what customers think *right now*. Instead, they should ask, "What would a product that could improve the *future* lives of customers look like?" That focus may come into conflict with short-term profitability, but has a greater potential long-term payoff.

Beyond employee attitudes, customer-obsessed companies fret about satisfying customers. They invest in infrastructure to achieve high levels of customer satisfaction, not just through the usual call centers, but also by looking for potential pain points. Customers love knowing that their complaints are being listened to, but nothing can top the experience of having no complaints at all. Mistakes happen everywhere, obsessed companies want to make up for problems that you nearly notice, on principle. Customer obsession plays out in many ways, but its foundation is a deep-seated commitment to the well-being of users.

Pygmalion

Existential commitments and obsession are qualities that are hard to promote through direct personal interactions. As companies grow to thousands of employees, how can they create cultures that drive agility and innovation?

The solution comes from the simple ancient story of Pygmalion, a male sculptor in Cypress who had contempt for the women around him. In his frustration, he shaved his ideal woman out of ivory. After generously pouring his heart and soul into the sculpture, he named it Galatea and fell in love with it.

At a festival in honor of Aphrodite, Pygmalion offered sacrifices and wished for a bride that would be the "living likeness of my ivory girl." On returning home he discovered that Aphrodite had granted his wish. The statue had become a real woman. Pygmalion married Galatea, had a daughter, and lived the rest of his life with the woman of his dreams.

The key to the story is that Pygmalion imbued the best characteristics he could imagine into Galatea. His deep-seated commitment and attention to detail enabled him to create something beyond what should have been humanly possible.

Steve jobs, Jeff Bezos, and Elon Musk did the modern equivalent in their companies. They achieved a Pygmalion effect, instilling values and mindsets into the fabric of their company as a whole through their company culture.

Curating an organizational culture becomes more difficult as a company grows. Founders and CEOs can easily mold those around them, especially those who they interact with personally, but it's nearly impossible to mold an entire organization. That's what makes modern-day Pygmalions so special.

To achieve the Pygmalion effect throughout their organizations, leaders must not only live out these values in their management, but also instill them into the fabric of their

company. That's especially difficult as a company grows. By chiseling specific attributes into a company's DNA, they sculpt employees they never see.

Part Two: Ferocious

The Start-Up Mindset

Existential commitment is necessary for companies to thrive in our current era of rapid technological advancement and uncertainty. There are practical consequences of that commitment, and how it can energize not just a few leaders, but many people in the organization. The challenge is to turn that commitment into the kind of mindset that helps start-ups succeed despite immense obstacles.

Grit, along with a deep purpose, enables people to start driving for ambitious goals. After all, most start-ups aren't really trying just to earn more than the cost of capital. They have a big agenda.

To spread that feeling beyond founders or leaders, large companies need people not just committed to an existential purpose, but who feel a sense of ownership for the company's trajectory. These people believe that if they don't perform, then the company can't achieve its noble purpose. They're missionaries, not mercenaries.

Here it helps to follow the lean start-up loop of build, measure, and learn. Companies can design, launch, assess, and iterate on new and old goods thanks to this never-ending cycle. Each stage in the loop involves developing a minimum viable product and testing hypotheses against market reactions, then embodying new hypotheses in an adjusted version.

People can follow the loop as masters of their own destiny, free to pursue what needs to be done, even if it's quite different from what's been done before. The lean start-up approach has the advantage of working under tight budgets, which makes it easier for leaders to give product teams the autonomy they need. Those teams can now go boldly and ask for forgiveness rather than permission.

Some people fall behind, unable to keep up. But the intensity of the start-up mindset usually attracts more than it repels people's best work. That's the heart of the start-up mindset. It pushes people to overcome daunting challenges by calling up energies they didn't realize they had.

It's not for everyone, but many talented people find it exhilarating. And together they can shake a mature company out of its settled ways.

Managing the Tempo of Change

The world of business is about more than just speed. It's also about tempo–controlling the pace of activity, speeding up or slowing down as needed. Moving fast all the time isn't sustainable, but too many companies settle for a fairly fixed, somewhat relaxed speed. Perpetual innovation companies have a high tempo culture.

Tempo is about decisions as well as movement. That's the first simple rule. Jeff Bezos outlined something similar in business when he distinguished between type-one and type-two decisions.

Type-one corresponds to high magnitude decisions with low reversibility. They involve a lot of data and deliberation, as the stakes are high. You're still on offense, but you move deliberately. Type-two decisions on the other hand are highly reversible and less important. These can be made by a skilled person quickly, with limited data.

Differentiating between these types of decisions can be the difference between a slow-moving organization and a quick one. Getting a type-two decision wrong can be a bump in the road, while extending thinking on it is disastrous.

The reverse is true for type-one decisions, where deliberation is appropriate–though even these decisions can't be put off for long. At some point the organization has to move. Bottling up skilled workers, in an organization too scared to push the limits, is the recipe for stagnation.

Tempo is more than just speed, though. Here are a few more simple rules:

- Stay alert
- Stay paranoid
- Look broadly
- Eliminate barriers
- Purge inefficiencies
- Set clear goals
- Establish frequent check-ins

Big companies have a lot of advantages, but they'll get passed if they lose control over the tempo. Don't let up.

Bimodal

Perpetual innovators tend to operate in two modes: compression for predictable or commodity activities, and experiential development for new or differentiated areas.

A tepid, cautious approach to products and services won't work because it won't draw on the emotional energy that comes from boldness.

Other companies typically settle into a single mode, usually a lighter version of compression, so they fall short both in cutting costs and in creating new kinds of value.

At least since the 1990s, companies have been shedding non-core assets and activities. Many have contracted for everything from managing the cafeteria to marketing, manufacturing, distribution, or even product development, when these are not intrinsic to the strategy. This outsourcing led to a wave of downsizing as companies focused on their core competencies.

Yet a great many activities have remained that companies cannot fully outsource, usually because these are too complex or integrated into the main operations. The solution for ambitious companies is compression, or accelerating the overall ongoing push for efficiency.

Compression adds discipline and urgency, especially for complicated operations that haven't already been routinized. The goal here is to standardize, automate, and push hard to remove cost.

Agile innovators relegate complex but predictable projects to compression. But they go in the opposite direction for most of their core strategic operations. Here they downplay efficiency altogether and encourage managers to pursue multiple options and hypotheses. Their experiential approach emphasizes learning and discovery, though still with a focus and milestones to ensure discipline and accountability.

The bimodal approach divides the organization into activities to be compressed and activities to be developed experientially. That division continues over time, separate from short-term changes in speed.

Part Three: Courageous

Go Boldly

Companies need to act courageously to make sustained change. A tepid, cautious approach to products and services won't work because it won't draw on the emotional energy that comes from boldness. Overcoming tough problems can create enormous value.

Elon Musk, at Tesla, SpaceX, and other companies, has essentially turned that approach into a strategy. Boldness is risky, but success is the ultimate differentiator, and it catapults his companies from their competition. After all, if you refrain from boldness, you'll always have to deal with rivals, and you'll never get much respect from investors.

Besides impressing investors, a strategy of boldness has two major benefits. One is that trailblazers can achieve sustainable competitive advantage if they continue to invest and focus on innovation. Even now, Tesla's cars offer features that the legacy car makers, from their foundation in combustion engine technology, have failed to match.

The second is that boldness attracts high-level talent. Ambitious people want to work for ambitious companies because they know they'll work on major innovations that could change the world. With high-level talent, bold companies are in a better position to achieve their goals than companies with less-skilled employees. Boldness, when carried out with the other elements discussed in this book, becomes a positive feedback loop.

It's easy for a startup to move boldly, but much harder for a large, established company that has already achieved success. Big companies have established structures and routines designed around reliability, not major innovation. Even if the founders are still in charge, they're likely to remember their difficult early times and prefer the current smooth sailing.

As a result, most successful companies lapse into conformity. Sometimes that conformity is obvious, as when the firm copies every move of a successful competitor. Sometimes it's sneaky, where the company digitally replicates a physical product that people already love, without making improvements.

It takes boldness to actively resist the tendency to stick to the safety of conformity. A heroic leader, for example, can move a mass of people in a new direction through force of will or charisma. Yet organizations can become bold at every level.

Start with you. Boldness has to start somewhere, and it has the greatest effect from the top. Know, be, lead: This organizing principle should guide how company leaders go

about any sort of institutional change.

First, articulate your great dream for the organization. Then know yourself, your strengths, your weaknesses, and your ultimate desires. Know what compromises you can make, and know what you absolutely will not settle for.

Then, actually become this bold person, inwardly and outwardly. Take advantage of your strengths, improve on your weaknesses, and ensure that your inner values are reflected in any changes you make. Finally, lead others to do the same, and trust that they are emboldened by the example you have set. The energy you'll get from pursuing your dream will catalyze energy in others.

Radical Collaboration

More often than not, two heads are better than one. At work, at school, and at home, the biggest challenges we face are always easier to overcome as a team than alone. It stands to reason that the larger the organization, the more complex its challenges. So why do some organizations achieve collaboration more than others?

It comes down to the power of silos. When companies are small, everyone knows everyone else and it's both easy and essential to collaborate across the organization. But if the company succeeds, it typically grows and expands its offerings. It now has so many people and so many complicated activities that each function becomes a world in itself, with less to do with the other functions.

In this new state, leaders often take survival for granted and start building mini-fiefdoms under their management. Everyone is looking for security, and a solid organization that they control often appears to be the best way to get there. The most successful companies grow and diversify so much that they must create discrete, stand-alone operations. All those silos are good for handling complexity, but at the cost of making it difficult for people to work across functions and divisions.

Silos are essential for scaling up complicated processes. You need people specialized in each area who can run those processes reliably and at a low cost. Silos are how we got the abundant, high-quality products and services of the mid- to late-twentieth century.

Silos made sense then, but now they're risky as companies face upheaval from technological advances. Upheaval doesn't happen in a neat way; it affects activities throughout the organization, and overcoming it requires rapidly collecting information, generating new ideas, and pivoting to exploit them. Hence the need for radical collaboration–an environment where people seek solutions for their organization unhindered by structural or cultural constraints.

The problem is not the structures themselves, but the attitudes that turn those structures into silos. Perpetual innovators still need to organize their activities, and those structures need not be counterproductive. What matters is the company's readiness to reap the benefits of extensive collaboration regardless of how it is organized. That readiness comes from the following:

- An openness to new solutions, no matter where they come from or how unprecedented they are.
- A company ethos that encourages collaboration and puts little emphasis on fiefdoms.
- A structure that's porous enough to allow broad collaboration.

People need to be comfortable working with others across functions, people who may respect them only for their expertise. The company must value results and be willing to disrespect silos and hierarchies in order to achieve them.

That's the essence of radical collaboration. It goes beyond the ordinary collaboration that encourages people to get help for complex problems. Perpetual innovators believe that only by collaborating aggressively can they keep up with fast-changing markets. The key to their radical collaboration is as much structural as cultural.

A collaborative organization can take many forms. Some perpetual innovators are extremely decentralized. Others, like Apple, are highly centralized and organized functionally, in order to generate revolutionary, user-friendly innovation.

Another approach is to employ a conventional organizational structure but lay over it collaborative work teams that do the main work of innovation. That's what Amazon does. By relying on cross-functional teams for innovation, it makes this internal collaboration necessary for success.

At the end of the day, embracing collaboration in all its forms, and organizing your company around it, is vital. Companies that collaborate not out of necessity but as a way of life make collaboration truly radical. If they can sustain that embrace, they can achieve impressive results.

Putting it All Together

In order to transform your organization for long-term success, you'll likely need all eight drivers described here

to some degree. Above all, you need a deep commitment–transformation is not a one-day event or corporate initiative, but a continual and self-sustaining effort.

A company that has been losing steam can still achieve a significant transformation. But getting there takes the strong direction and concerted effort that only someone in leadership can achieve. It helps if that person is the CEO, but if you are a manager or above, you can still apply the concepts eight to your team or department and succeed beyond expectations.

Behnam Tabrizi is a renowned expert in Transformation, bestselling author, and award-winning teacher and scholar. He is a Professor (consulting) at Stanford University's Department of Management Science and Engineering and an authority on corporate and leadership transformation. He has written seven books on managing change and transformation, and as an advisor to many Fortune 500 companies, the U.S. President, and several governmental agencies, he has helped thousands of leaders plan, mobilize, and implement transformational initiatives that have elevated organizational performance and created unprecedented results.