

# THE INNOVATOR'S MINDSET: RADICAL CAN-DO

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When business leaders are quizzed about what it takes to succeed today, they tend to suggest the usual suspects. Innovation is one constant refrain. But, look around. While radical innovation is a common aspiration, incremental innovation is the more frequent reality. Very few products or services are truly innovative.

Is leadership to blame? Harvard Professor Rakesh Khurana estimates that anywhere from 30 to 40 per cent of the performance of a company is attributable to 'industry effects'; 10 to 20 per cent to cyclical economic changes; and perhaps 10 per cent to the CEO. Our experience suggests this is a maximum figure rather than a mean.

Originality is similarly over-rated. Research by Costas Markides and Paul Geroski of London Business School has highlighted the myth of the importance of being the 'first mover'. Markides and Geroski point out that Amazon was not the first company to focus on online retailing; nor was Charles Schwab the originator of online share dealing. The commercial genius of Amazon and Schwab was to take existing technology and bring it to the mass market. Hardly original—but hugely successful.

So, if it's not leadership or originality, what accounts for innovative success?

The reality is that time and time again, the most innovative organizations are characterized by what we describe as relentless execution driven by a radical 'can-do' attitude and aptitude. They realize that the best strategies in the world will get you nowhere unless you relentlessly make them happen.

Consider how **Henry Ford** revolutionized the auto industry at the turn of the 20th century. More than 17,000 Model Ts were sold during the first year of production. Four years earlier, the world's entire automobile industry produced 22,000 cars. In the 19 years of the Model T's existence, Ford's production total amounted to half the auto output of the world. Along the way, the entrepreneurial crowd that had set out to conquer the new auto market became a select corporate few. In 1914 the Ford Motor Company, with its 13,000 employees, produced 267,720 cars; the other 299 American auto companies with 66,350 workers produced only 286,770 cars combined. Ford had 48 per cent of the American car market, with \$100 million in annual sales.

Ford's route to success was not about originality. There were a host of others ahead of him in terms of automotive technology. The fledgling automobile market was highly competitive and crowded. People like Charles Edgar and J. Frank Duryea, Elwood Haynes, Hiram Percy Maxim and Charles Brady King were all chasing the great automotive prize.

Ford's much-vaunted production process was actually an adaption of something that was already being used elsewhere: The assembly line had been used in the food processing industry in the Midwest United States since the 1870s. Ford himself is reputed to have toured Chicago's meat-packing plants in search of inspiration, noting that the meatpackers had an overhead trolley to speed up production. He also would have noted the operations of Sears, Roebuck's Chicago mail-order plant, which opened in 1906. At the time, it was the largest business building in the world, with three million square feet of floor space.

Time and time again, when you analyze the route to significant commercial success, you find that the magical, sexy stuff of innovation and entrepreneurialism isn't the main reason why an organization succeeded. Innovation and entrepreneurship are, of course, crucial, but successes like Ford and Amazon show us that there is a premium on making things happen and getting things done.

Unfortunately, this is something modern organizations—backed by the full panoply of technological marvels at their disposal—remain poor at. A full 90 per cent of respondents to a 2017 global survey of 500 senior executives from companies with annual revenues of over \$1 billion, conducted by the Economist Intelligence Unit (EIU), admitted that they had failed to reach their strategic goals because of flawed implementation. More than half (53 per cent) of respondents admitted that ineffective implementation of strategic initiatives had a profound impact on the organization's competitive advantage and performance. In addition, the 2017 Project Management Institute's Pulse of the Profession Survey found that for every \$1 billion invested, \$97 million is wasted through poor implementation performance.

The trouble with executing innovation is that, unlike formulating a clever strategy in a boardroom, it has to take shape in the real world. And that involves making hard decisions—and taking risks.

## Can-do Capabilities

The relentless execution of innovation has four key characteristics:

### Clarity

The beauty of relentless execution is that it concentrates managerial minds. At its best, it cuts away superfluous activities and targets all of an organization's resources on what really matters to get things done. While other auto-makers made their models more complicated and expensive, Henry Ford provided extreme clarity: the company would produce just one affordable car, in just one colour (black). This brand of smart simplicity is common in radical can-do organizations.

Consider the Chinese bike sharing company ofo (always in lower case to mimic the shape of a bicycle). "Of course was created for sharing and aims to unlock every corner of the world by making bicycles accessible to everyone," says the company's website.

Ofo began life in 2014 when CEO Dai Wei and his co-founders saw an opportunity to leverage smart technology to improve cycling as a sustainable form of transportation. As students at Peking University, Wei and his partners convinced about 2,000 students to add their bicycles to a private registry. The registry could be accessed through a mobile app and allowed participants to use any registered bike, anywhere, at any time.

Today, ofo is operating in over 250 cities across 20 countries: China, Singapore, the UK, the U.S., Kazakhstan, Malaysia, Thailand, Austria, Japan, Russia, the Czech Republic, Italy, the Netherlands, Australia, Spain, Portugal, Israel, Hungary, India and France. It generates 32 million transactions daily and is valued at more than \$3 billion. In 2017, it raised \$700 million of funding from, among others, Alibaba, Hony Capital and CITIC Private Equity.

Once again, ofo is not breathtakingly original. Thanks to Airbnb and Uber, the sharing economy is an increasingly mainstream idea. The Velib bike-sharing network was introduced in Paris in 2007 and a similar program was introduced in London in 2010. Ofo's differentiator is its 'dockless' technology: Its eye-catching yellow bikes are hired through a smartphone app and can be picked up and dropped off anywhere that bike parking is allowed. In addition, Ofo does not require riders to pay a deposit before use. To access a bike, they can simply download the ofo app and unlock their nearest bike via Bluetooth. Once their ride is complete, users close the lock to complete their ride and make it available for the next person to use. Ofo uses 'geo-fencing' technology to ensure that riders use the bikes within the designated 'Home Zone' shown in the app.

Such simple, practical technology is driven by a bold sense of purpose. Ofo is engaged in a constant round of raising finance and opening in new territories. Success in any highly competitive global market requires constant momentum, relentless execution enabled by clarity of purpose.

## Redefining Focus

"You have to continually prioritize," says David Marlow, company transformation lead at Bristol-Myers Squibb. "There are always competing activities going on in any organization and different functions wanting to do things with a different view of what to prioritize. This requires a senior management team to look at the enterprise level, at the overall amount of activities going on, and conduct a pri-

oritization assessment once or twice a year. This will ensure a focus on where the big value drivers are and that they are being properly resourced and prioritized.”

Such focus is a powerful commercial weapon, but it needs to shift and change with time. Today’s focus will not be appropriate tomorrow. This was something that Jack Welch practiced impressively as CEO of GE in the 1990s. Welch had a knack of distilling down his company’s strategy to memorable phrases: ‘Number one or two in every market’; ‘getting the work out of the company’; ‘dot-com your business’. Each slogan was repeated endlessly by Welch as he travelled through GE and beyond, providing focus for the company; but then he would always move on to provide the next focus.

A similar approach has been taken by the CEO of Chinese white-goods manufacturer Haier. As the company has evolved from a small local player into the world’s leading white goods company, its CEO Zhang Ruimin has changed the company’s focus time and time again.

“In the last three decades of dedication to entrepreneurship and innovation, Haier has been through five stages of strategic development, each of which represents a major endeavour of management innovation,” he explains. “Our most recent strategic adjustment began in 2012, when we transitioned our company from being a traditional manufacturer to become a platform-based and networked organization in line with the lifestyle changes brought about by the internet.”

During the 1980s, Haier dedicated itself to brand building. Its realization was that to compete internationally it had to raise the standards of its products. Zhang Ruimin proposed the principle of “a late starter with a high starting point”. Famously, in 1985, after receiving letters from consumers complaining about quality problems with Haier refrigerators, Zhang joined employees in demolishing 76 of the sub-standard refrigerators with sledgehammers. The point was made: Haier had to match or exceed the highest quality standards.

In the 1990s, the company’s focus shifted to diversification, with a variety of mergers and restructurings. The Haier refrigerator brand was extended to a range of other home appliances—washing machines, air conditioners, microwave ovens, televisions, computers and more. From there, Haier moved to focus on internationalization, with an emphasis on localized R&D, manufacturing and marketing. Its international moves were bold: Eschewing easier and closer markets, it headed to the United States and Europe, where markets were highly competitive and quality expectations high. Following this stage, the focus was on was Haier’s global brand stage—it’s acceptance as a powerful brand presence worldwide.

In December 2012, Haier announced its entrance into a fifth development stage: networking strategy. “The ‘Internet mindset’ for a business should be zero dis-

tance and networked mindset,” Ruimin has explained. “The Internet has eliminated physical distance and enabled businesses to become networked. The competitive tension among a company, its employees and its partners should be defused with the aim of building a collaborative, win-win ecosystem.”

## Commitment to Change

For companies dedicated to relentless execution, the only danger is to press pause. Yet this is a fairly regular occurrence. As small entrepreneurial companies expand into larger ones, there is a temptation to ‘bring the grown-ups in’ to add bureaucracy and processes. Sometimes, this works, but it can bring an entrepreneurial rocket to an abrupt halt. Just look at Steve Jobs’ initial departure from Apple as the company sought to bring management discipline to bear.

A commitment to change must be real and constant. The challenge of change is to instigate it from a position of strength. Repeatedly, companies attempt to change things as their performance deteriorates or their market strength evaporates. Not Haier nor the other relentless can-do companies. Indeed, the more successful they become, the greater their apparent appetite for change.

This continuous appetite for change is exemplified by Netflix CEO Reed Hastings. “You have to fight the idea that as you get bigger, your culture gets worse. At Netflix, we’re significantly better [than we were] because we have more brains thinking about the problem. If you have 1,000 really thoughtful people thinking about how to improve, you’ll make a lot more progress than if you have 100,” he says. “Some companies operate by the principle of the product genius at the top. There’s this whole motif that to be a great CEO you have to be a great product person. That’s intoxicating and fun, but you build in incredible amounts of dependence on yourselves. You’re much stronger building a distributed set of great thinkers.”

In 2010, Netflix began operating in Canada; in 2011, Latin America, Central America and the Caribbean; in 2012, the UK, Ireland and Scandinavia; in 2013, the Netherlands; in 2014, Austria, Germany, France, Belgium, Luxembourg and Switzerland; in 2015, Australia, New Zealand, Japan, China, Italy, Portugal and Spain; and in 2016 it expanded into more Asian countries. “You are witnessing the birth of a global TV network,” proclaimed Hastings as another 130 countries were added to the company’s reach to take the global figure to nearly 200 countries from Afghanistan through to Zimbabwe.

## Radical Failure

Of course, with a radical can-do mindset comes the inevitability of failure. Role modelling failure starts at the top of any organization, division, team or small company. “If we’re not making mistakes, we’re not trying hard enough,” observed James Quincey when he became CEO of Coca-Cola in 2017. Amazon’s Jeff Bezos has been similarly vocal in making it clear that failing is an integral part of succeeding. “If you’re going to take bold bets, they’re going to be experiments. And if they’re experiments, you don’t know ahead of time if they’re going to work. Experiments are by their very nature prone to failure. But a few big successes compensate for dozens and dozens of things that didn’t work.”

At Netflix, where the culture is built around what they call ‘radical candor’, Hastings is an outspoken champion of failure. “You should have more things that don’t work out,” he has observed. “As you grow, the drive towards conformity is substantial. As a leader, you want to drive people to take more risks.” Speaking at a recent conference, Hastings lamented: “Our hit ratio is way too high right now. I’m always pushing the content team. We have to take more risks. We have to try more crazy things, because we should have a higher cancel rate, overall.”

## Getting Close to Customers

“Innovators and entrepreneurs rarely fail because their initial idea was stupid,” observes Alex Osterwalder, co-author of *Business Model Generation*. “They don’t succeed because they fail to listen to the reality of the market. They fail to iterate their idea and adapt their value proposition and business model until it’s scalable and profitable.”

The radical can-do mindset is not about pressing ahead and blindly doing things for the sake of doing them. As indicated, it requires clarity and focus, but it also demands an in-depth knowledge of what your customers want and what they aspire to. In the most successful projects we have witnessed, there is a strong correlation between employee engagement and awareness of what customers want and need.

“Insight into customer needs and competitor moves, combined with the speed and agility to capitalize on this insight, will be increasingly critical for competitive success,” predict Perry Keenan and his colleagues at the Boston Consulting Group.

It is especially challenging for companies in fast-moving markets to connect with the future aspirations and needs of customers. It is interesting to see the work of the modern-day Ford Motor Corporation in this area—given the identification with customers exemplified by its founder. “Henry Ford’s mission was to help people move. That’s still at our core, but now we’re looking at the larger scope of

what 'mobility' means," observes Jamel Seagraves, an advanced research engineer at Ford.

For Ford, re-connecting with this original purpose has brought the company to Silicon Valley. Among its interesting takes on 'its place in the world' is that tech companies are increasingly automotive suppliers. In 2015, it opened the Ford Innovation and Research Centre in Palo Alto. The Center is led by a former Apple engineer and is charged with exploring the future of mobility with a team of 160 researchers, engineers and scientists. Among its projects are autonomous vehicles and helping cyclists and motorists share roads.

## In closing

Getting things done with a relentless can-do attitude demands a degree of boldness and bravery that few executives and organizations are encouraged to demonstrate. These characteristics are founded on a deeply-held belief that the status quo is not good enough—that things can and must get better; that getting out there and connecting with people is preferable to building internal walls; and that failure is inevitable along the way. As indicated by the stories of Amazon, ofo, Netflix, Haier and many others, fortune truly favours the brave.