

Think:Act

navigating complexity

REBEL

BREAKING
THE
RULES

Think:Act #27 02 | 2019 BREAKING THE RULES



In praise of rebels
Non-conformists are an asset, says Francesca Gino

Workplace whistleblowers
Why business needs to listen to the truth-tellers

Roland
Berger



"To be a rebel does not mean being an outcast or troublemaker. It's what I call constructive nonconformity."

FRANCESCA GINO
Award-winning researcher
and author of *Rebel Talent*

→ PAGE 48

PHOTO: PR



Hal Gregersen
Executive Director,
MIT Leadership Center

"When I move into situations, I need to say to myself: What's new? What's different here? I'm inviting myself to have that beginner's mindset, to be wrong about something. It's the starting point."

HAL GREGERSEN
Innovation culture expert and executive
director of the MIT Leadership Center

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PHOTO: AGNIESZKA STALKOPER



"Real leaders take care of their people so their people will take care of each other. Once that happens, the rest – customers, shareholders, finite success – takes care of itself."

SIMON SINEK
Leadership guru and author
of *Start With Why*

→ PAGE 80

PHOTO: START WITH WHY



"Rules are temporary. When they hinder innovation and no longer help an organization to run smoothly, it is our duty to break them!"

CHARLES-EDOUARD BOUÉE
CEO of Roland Berger

PHOTO: THOMAS DASHUBER

Think:Act 27

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BREAKING THE RULES

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COVER + BACK COVER ARTWORK: JONI MAJER/WILDFORRUNNING | PHOTOS: THOR SWIFT/START WITH WHY, GETTY IMAGES; RAGNAR SCHMUCK; CSA IMAGES/GETTY IMAGES; DAVID ZENTZ/RALPH ALSWANG | ILLUSTRATION: JONI MAJER

BREAKING THE RULES

BREAKING THE RULES

Wide angle

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Think:Act online

To read an exclusive interview with HR and leadership guru Dave Ulrich as well as the full version of our interview with Hal Gregersen, please visit: www.rolandberger.com/tam



Think in numbers

PUTTING A FIGURE ON... immigration and economic growth

>1/2

OF THE STARTUPS in Silicon Valley were founded by someone born outside of the US. The figure is similar when looking at the Fortune 500 companies, where some 40% were founded by an immigrant or the child of an immigrant.

44%

OF GERMAN COMPANIES founded in 2015 were spearheaded by people holding foreign passports, a more than threefold increase over figures reported in 2003.

+0.5

OF A PERCENT is the increase in the average French worker's wage for every 1% increase in immigrants' share of employment in the country, according to a recent study.

SOURCES: NEW AMERICAN ECONOMY RESEARCH FUND; THE ECONOMIST; SOUTH CHINA MORNING POST

Food for thought

Can we learn strategies from computers to improve our day-to-day lives?

BY Tom Griffiths

WHILE WE NORMALLY don't recognize it, many of the decisions that we face in everyday life involve computational problems. Organizing your wardrobe, choosing a restaurant for dinner and deciding what task to take on next are all problems that have parallels in computer science (in caching, reinforcement learning, and scheduling respectively). As a consequence, we can get insight into the structure of these human problems by looking at the algorithms that computers used to solve them, and in some cases come up with better strategies for human decision-makers based on the optimal algorithms. For example, the problem of deciding what to get rid of when your wardrobe gets too full is equivalent to the problem that computers have to solve when determining what information to keep in memory. For computers, the

best solution to this problem is based on the "least recently used" principle — you should get rid of the piece of information that was accessed least recently. The intuition is that this is the item that is least likely to be needed anytime soon. You can apply the same idea to your wardrobe!



TOM GRIFFITHS is co-author with Brian Christian of Algorithms to Live By: The Computer Science of Human Decisions. He is director of the Computational Cognitive Science Lab at Princeton University.

PHOTOS: GETTY IMAGES, PR

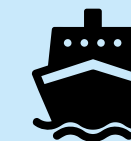
Thoughts to live by

"If you can't feed a team with two pizzas, it's too large."

— Jeff Bezos CEO of Amazon

Re-thinking buzzwords

Get to grips with new industry lingo in a flash with our stripped-down explanations of the latest jargon.



"Workation"

Not to be confused with bleisure — the millennial travel trend of extending business trips for a bit of "me time." For the busy entrepreneur or business leader, being away from the business can cause stress on a holiday. The workation solution? Take the work and your colleagues with you.

Go on a yoga retreat, or the Trans-Siberian railway, or a co-working cruise. Enjoy the view and relaxation for a few hours a day and then get down to that to-do list.

Think: Act

AT A GLANCE



The redacted read

In the age of AI implementation: a tale of two nations

Too busy to read the hot new books? We've got it covered for you. Here's Kai-Fu Lee's latest offer AI Superpowers cut down to the bare essentials.

THE COMBINATION of government support, deep reservoirs of data collected by Chinese internet firms about their customers and a cadre of experienced, hard-driving entrepreneurs suggests to Beijing venture capitalist Kai-Fu Lee that China will be the US' only real competitor in artificial intelligence in this century.

The former Google China chief argues that AI has made such tremendous advances that it's no longer in the realm of science fiction. Instead, the technology is now at the same stage that electricity reached in the late 19th century – mature and ready to be applied to all kinds of industries and applications.

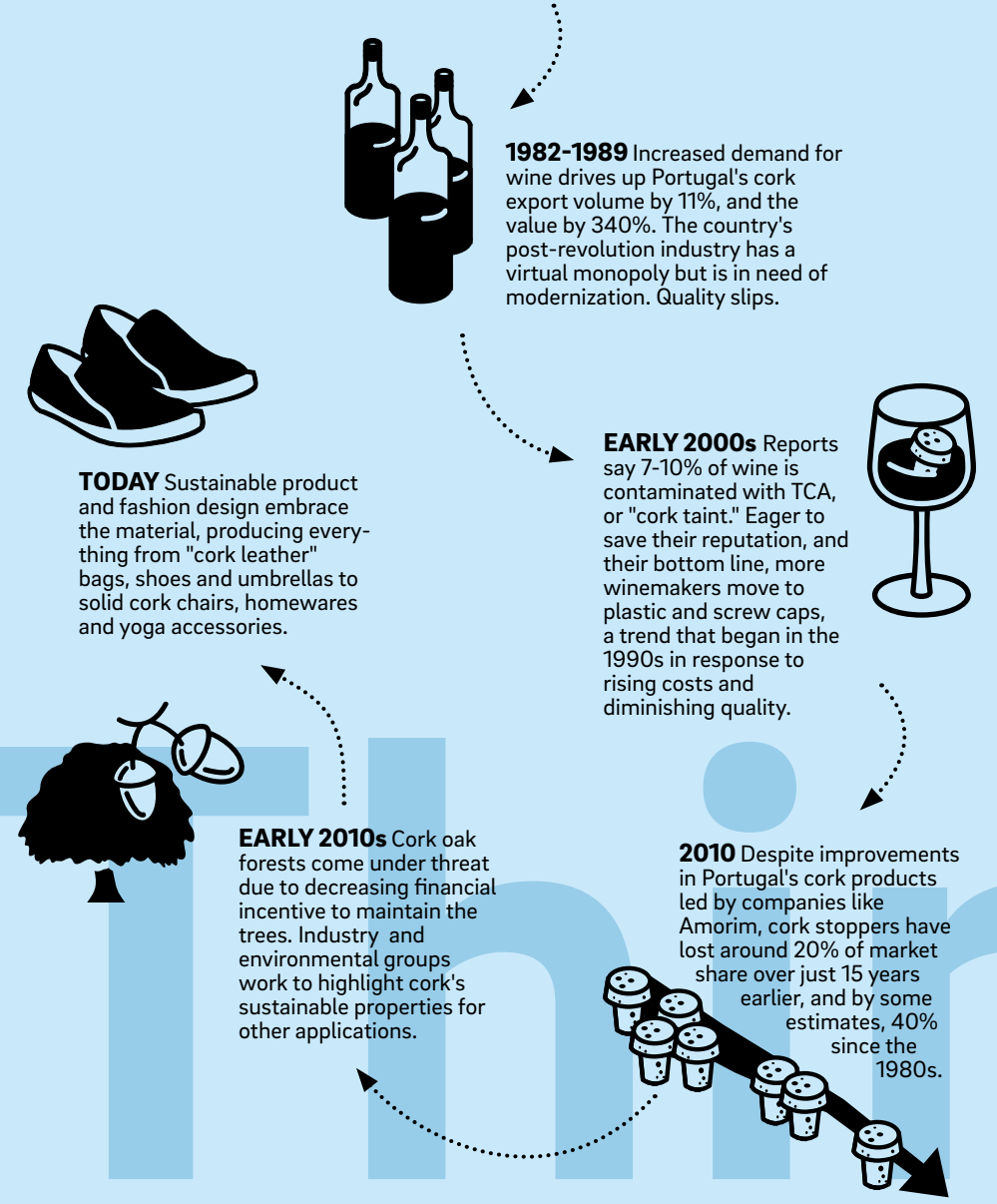
Economically, this is likely to be as transformative as the industrial revolution, but with a difference: As many as 50% of all of today's jobs may be replaceable by automation in the next 15-20 years. But unlike past technological waves, this one may not generate new jobs to replace those lost. A bout with cancer made Lee start to think that society will need to focus on humanity's last remaining comparative advantage: giving and receiving love.

→ *AI Superpowers: China, Silicon Valley, and the New World Order* by Kai-Fu Lee. 272 pages. Houghton Mifflin Harcourt. \$28.



Chain Reaction

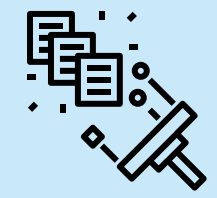
MILLENNIALS GET BLAMED FOR "KILLING" all sorts of industries, from napkins to diamonds – and most recently, the traditional wine cork. But before you point a finger at younger drinkers for the rise of screw caps and plastic stoppers, the story goes back before some millennials were even born. Here's how the wine boom of the 1980s helped spark a trend that challenged cork's dominance, but also helped turn it into one of the design world's favorite sustainable materials.



Best practice

How to ... do a digital clean-up

EMAIL. JPEGs. PDFs. APPS. Data flow can quickly clog up our systems but it's hard to know what to delete for good – leaving us prone to "cyberhoarding" and "cyberchondria," to use the latest buzzwords. So here are some quick tips for digital decluttering. On your smartphone, throw related apps into separate folders: put social media, maps and comms tools, for example, in discrete folders and then try to get them to fill only three pages. Delete any apps you don't use. You can always reload them later if you find you need them. Your computer desktop, like your real-life desk, shows just how tidy your mind is. Or not. It sounds brutal but here's a quick fix: Throw all those stray docs into one folder and go through it later. And if you haven't touched it in a year, bin it. Simple.



Economic impact

New vegan business is brewing

IN JANUARY 2018 Guinness announced that it had fully removed isinglass – a fish bladder product – from its filtration process, making the product suitable for both vegetarians and vegans for the first time since brewing began 250 years ago. Beyond the bar, sales of vegan-labeled foods reached \$12.8 billion worldwide in 2016 and the global meat substitute market is expected to grow at a compound annual growth rate of 7.7% between now and 2025. But food and beverage is far from the only industry adapting to meet growing demand for plant-based products. In September 2018, Adidas launched the first vegan leather version of its iconic Stan Smith sneaker, while three months earlier Tesla reported the hotly anticipated Model Y will be fully leather-free and even Bentley is exploring alternative luxury interior materials. Consumers have spoken: What was formerly considered fringe culture is now big business.

SOURCES: GEORGE M. TABER, FORBES, THE ATLANTIC, THE GUARDIAN, NWF, THE EVENING STANDARD

PHOTOS: GETTY IMAGES (2)

Act

AT A GLANCE

In focus

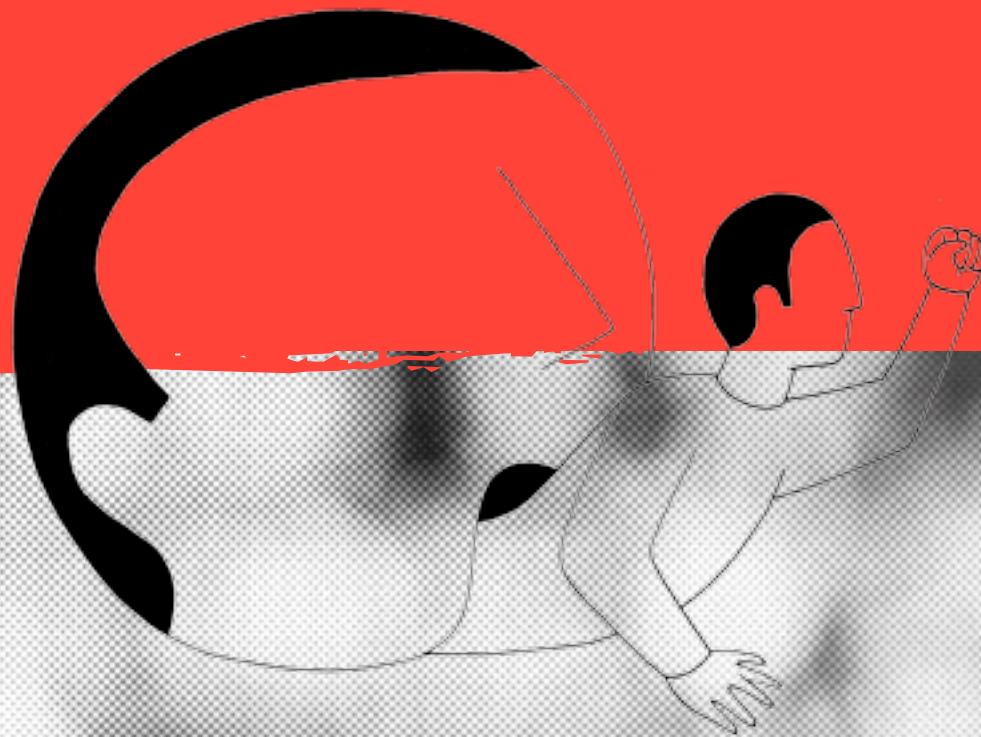


In this issue we take a close look at how rulebreakers have shaped the world of business.

BREAKING THE RULES

THE ART OF BREAKING THE RULES

BY **Detlef Gürtler**
ILLUSTRATIONS BY **Joni Majer / wildfoxrunning**



UNDERSTAND THE CONSEQUENCES

NFL quarterback Colin Kaepernick started a movement when he began taking a knee before his games. The 30-year-old has since been awarded the 2018 W.E.B. Du Bois Medal and has become the new face of Nike; he's also been without a team since 2016.

PHOTO: REUTERS / LOREN ELLIOTT

A

bout 2,350 years ago, a little town in the middle of Asia Minor held the key for ruling the whole continent. Or rather, the knot. An old prophecy said that whoever could disentangle the puzzling knot displayed in the temple of Zeus in Gordion would become king of Asia. Countless efforts had proven again and again, year after year, that it was an impossible knot to untie – until a young man named Alexander, then leader of the Macedonian army, came up with a solution. He simply took his sword and cut the knot in two. He – zap! – broke the rules and the knot to rule the region. A kingdom for a rulebreaker.

Cutting the Gordian knot. It's probably every leader's dream. And it's also every leader's nightmare. It's a dream, because the ancient legend shows how to eliminate complexity and the bureaucracy that surrounds it. And it's a nightmare, because you might just as soon end up not simply a rulebreaker, but broken as well. Someone younger or bolder, more audacious or more reckless, a latter-day Alexander the Great or Donald the Trump could come along and destroy in a moment what took generations to build. Yes, it's tempting to "unfollow" the rules – but is it really worth the cost?



BREAKING THE RULES

BREAKING THE RULES BRINGS IN THE NEW

BREAKING THE RULES

It seems like a common pattern: The person who breaks the rules gets praised to the skies. That moment when someone does something no one's ever done before and enters the history books – like taking your seat on a bus (Rosa Parks), picking up grains of salt (Mahatma Gandhi) or crossing a border river (Julius Caesar). Even if "there's nothing more powerful than an idea whose time has come," to paraphrase French writer Gustave Aimard, it still requires a definitive action to bring the effects of that idea into the real world. And that action is, more often than not, an action that breaks the rules.

Rulebreaking heroism should nevertheless be taken with a pinch of salt. There's an obvious "survivor bias": Less successful rulebreakers don't find their place in the history books. Take Fritz Wandel. He called for a national strike in Germany the day after Hitler came to power but only the workers in his hometown of Mössingen followed his call. Wandel survived the Third Reich in prison, and after 1945 worked in Mössingen's cemetery.

THE MOMENT YOU BREAK A RULE, you simply don't know if it will break the system or break your life. One of the most iconic of these moments in business came in 2007 when an absolute newcomer to the mobile phone industry (Steve Jobs) decided to equip his first phone (the iPhone) with none of the physical interface elements used up until that point, putting his money on the touch screen



A WINNING HAND

Apple's iPhone has been a huge success. 6.1 million were sold 2007-08. The 3G device sold 1 million in its first weekend.



instead. The obvious question was: "Will users be willing to give up everything they know for something they've never used before?" Internet pioneer Marc Andreessen asked Jobs that very question just before the iPhone was launched. Jobs' answer? "They'll learn." And we did.

One of the most outspoken protagonists of rulebreaking business is Seattle-based aerospace engineer and tech philosopher Venkatesh Rao. The world is "breaking smart" from its own past, Rao says – and to emphasize this, he published his essay series *Breaking Smart* not as a book, but as "Season 1," a 20-episode blog designed for binge reading. For the new to succeed, the old rules need to be broken. As soon as they "start to collapse under the weight of their own internal contradictions, long-repressed energies are unleashed," he says. If we want the gains from the new to be bigger than the losses from the old, the world "depends on free people, ideas and capabilities combining in unexpected ways."

Yes, it happens, and often. Rupert Murdoch's 1986 anti-union crusade in the UK ended trade unions' grip on the British economy and set a hypercapitalist wave in motion. Only by scrapping the postwar rules for the German economy in 1948 could Ludwig Erhard ignite the "economic miracle," while the collapse of the Shogunate era in Japan in 1867 paved the way for the Meiji Restoration and the creation of a modern and powerful country.

But, no, not every collapse of the old ways will lead to a thriving new world. The Dark Ages that followed the implosion of the Roman Empire is one historical example. And the demolition of the rule-based world order we are currently witnessing may become equally historical. The Trumpian transformation may lead to a deal-based world order or the collapse of the last remaining superpower, unleashing a lot of long-repressed energies. Whether that will lead us into a new era of enlightenment or into a new Dark Ages remains to be seen.



PHOTO: DAVID PAUL MORRIS / GETTY IMAGES



TAKE THE RISK

The original iPhone certainly wasn't the first device to feature mobile web functionality, but it was the first to do away with a physical keyboard. Would users take to this new interface? It was a risk – but one that's now proven itself with over one billion units sold over the entire history of the device.

BREAKING THE RULES

THREE USUAL SUSPECTS FOR PROFITABLE RULEBREAKING

1.

Middleman muddle

The chances are good that any institution that stands between user and producer can be replaced by technology.

2.

Customer friction

Whatever enhances customer experience and satisfaction is worth a try. Whatever stands in the way of customer centricity is worth breaking.

3.

Legacy processes

If everyone in your industry takes something for granted, see what happens if you don't do it. Possibly it's just some kind of legacy and dropping it produces value for you and your customers.





TECH CRUNCH

Berkshire Hathaway shied away from tech, but Buffett changed his mind – the company now holds \$50 billion in Apple stock.



Why not just keep the rules we have if there's so much risk in breaking them? According to Leonard Mlodinow, that's because we're human. "The human species likes change and is attracted to change." Mlodinow, a theoretical physicist and science author, calls this human capacity "neophilia, the love of the new." He sees this "elastic thinking" as a unique feature of our species: "Squirrels don't get bored if they do the same thing all the time. They just keep doing it. But humans do."

And according to history, it's also because times are changing. Almost nothing seemed to change in the communist parts of Europe after Josef Stalin's death in 1953: brutal, but steady dictatorships; lousy, but self-sustaining economies; a quasi-frozen superpower status. Until Mikhail Gorbachev started thawing the icy fortress and the whole Soviet empire melted. Could someone else, a leader like Vladimir Putin, have saved the empire by sticking to the rules instead of breaking them? Unlikely: The pillars of its imperial power were brittle, or rotten, from within. And there is almost nothing in the world of politics or business as difficult as changing the (dysfunctional) rules of a (formerly) highly successful organization.

THIS IS WHERE THE MANAGER'S NIGHTMARE kicks in. If the need for change collides with a company's rules, change wins – and the company loses. The problem here is not the change in itself: The R&D departments and the creativity of the workforce are great sources for innovation and industry-changing revolutions. Xerox invented the PC and the mouse, photo giant Kodak was the first company in the world to build and market digital cameras and Sony was one of the first movers in the field of digital music players. But these inventions didn't fit into the architecture of the companies, so their potential could not be fully unleashed and someone grabbed the prize. In fact, in all three of these cases, it was Apple.



BREAKING THE RULES

THE NEW KID ON THE BLOCK doesn't have to follow any of the rules established organizations have written for themselves, argues Rebecca Henderson. The professor at Harvard Business School identifies rulekeeping as a competitive disadvantage for incumbents: "They may invest heavily in the new innovation, interpreting it as an incremental extension of the existing technology or underestimating its impact on their embedded architectural knowledge. But new entrants to the industry may exploit its potential much more effectively, since they are not handicapped by a legacy of embedded and partially irrelevant architectural knowledge."

"Disruption occurs when successful firms fail because they continue to make the choices that drove their success," says economist Joshua Gans, professor for strategic management at University of Toronto and author of *The Disruption Dilemma*. So keeping the rules is effective – until it isn't. And you can only know in hindsight when the right time to break them was, or might have been. One of the most successful players in contemporary business, Warren Buffett, stuck to one of the most simple rules ever: "Purchase, at a rational price, a part interest in an easily-understandable business whose earnings are virtually certain to be materially higher five, 10 and 20 years from now." Buffett publicly doubted his approach during the dotcom frenzy in 1999/2000 as others reached higher returns – but he didn't break his rule. This was the right decision, of course; but who could have known that at the turn of the millennium?



STICKING TO THE RULES IS EFFECTIVE – UNTIL IT ISN'T



PHOTO: MARION CURTIS / STARPIX / REK / SHUTTERSTOCK



KEEP IT SIMPLE

Warren Buffett is known for breaking with billionaire convention. The famously frugal "Oracle of Omaha" admits to "eating like a six-year-old" and always adheres to one rule: He never pays more than \$3.17 for his daily breakfast from McDonalds.

DON'T BUY A TICKET TO GOING BUST
On October 19, 1985, the first Blockbuster Video store opened its doors in Dallas, Texas. At its peak in 2004, the company had over 9,000 stores located around the world. And just six years later, it went bankrupt, was sold at auction and eventually disappeared – replaced by a scrappy disruptor it had the opportunity to purchase years earlier for a mere \$50 million: Netflix [see article p. 28]. Blockbuster stood by the rules of the video rental business it had written, but by the time it realized its mistake, the competition had already written it out. Its very last franchise-owned store in Bend, Oregon is now more a destination for nostalgics than the start of a good night curled up on the sofa.

BREAKING THE RULES



HOW TO BUILD NEW RULES

1

Experiment

The more you try, the better you see what works and what doesn't. Unleashing your people's creativity has a better chance of succeeding in turbulent times than betting the whole house on one horse.

2

Building by doing

Perfection is a dream. Reality changes too fast to ever achieve it. The "rough consensus and running code" can get things done – lessons learned and rules built at the same time.

3

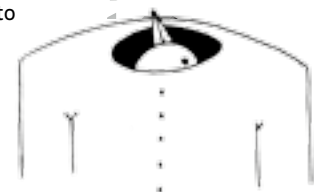
Customer first

Don't try to produce stuff. Produce benefits. Focusing on customer benefit might – and should – completely rewrite your company's rulebook.

4

Sticky values

When everything flips, there should be a reason why people build or buy your products. Clear and simple values (such as Google's "don't be evil" or Daimler's "the best or nothing") are the best starting point for a journey into the unknown.



COMMUNICATION IS KEY

The investigation that followed the 1986 *Challenger* disaster led to an overhaul of NASA's safety and reporting policies, which were largely blamed for the tragedy.

PHOTO: BETTMANN ARCHIVE / GETTY IMAGES

BUILDING ON RULES BUILDS A BETTER FUTURE



Breaking the rules is, of course, best done when you're like Alexander – young, bold, have nothing to lose and everything to gain. Take Steve Jobs, Bill Gates and Mark Zuckerberg. Other entrepreneurs acted less brilliantly. For example, Travis Kalanick left Uber because of controversies about his unethical behavior and Elon Musk's Tesla might be on track to hit a financial wall: Annoying traditional capital market participants while still burning billions of cash each year seems not to be the best survival strategy.

EVEN THE MOST CHARISMATIC conquerors won't be successful in the long run without keeping some of the old rules – or building new ones. Alexander the Great secured his impact by "remixing," literally marrying Greek and Persian culture in 324 BC. The offspring, Hellenism, ruled the Occident for half a millennium and is still one of the strongest legacies of Western culture. Google's "don't be evil" mantra served as a useful guideline for a company sailing towards uncharted territories, just like Ken Olsen's "do what's right" was partly responsible for the rapid growth of the computer builder Digital Equipment Corporation during the 1970s – because it attracted the best computer engineers



ICE BREAKER

The -1°C forecast for Cape Canaveral, Florida on Jan. 28 1986 was ignored with tragic consequences. Despite warnings that the O-ring seals had not been tested under 12°C, the *Challenger* launch went ahead and it cost the lives of all seven crew members. The disaster shut down the US Space Shuttle program for nearly three years while new safety rules were implemented.

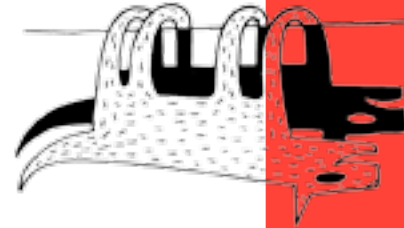
in the world. Just like sticking to the same rule a decade later accelerated its decline because the same engineers had a deeply rooted aversion to the toylike PCs that attacked their beloved mainframe machines and transformed the whole industry.

SO THOSE WHO MAKE THE RULES should break them. And the others, the ones who break the rules, should make new ones. It seems like they all could meet somewhere in between, doesn't it? Leonard Mlodinow makes one recommendation: build new rules bottom-up while in the process of change. In the traditional top-down method, people are obedient and follow authority. But if work is organized bottom-up, "all the individuals somehow work together in a way where the whole is greater than the sum of its parts." There's no need to burn the company's rulebook, "but you really have to be able to face the change and go with it, not resist it."

Venkatesh Rao favors a slightly different solution. In his view, the guideline created by the Internet Engineering Task Force for software engineering can serve as a business rule, too: "rough consensus and running code." You don't have to agree on everything, as long as you head more or less in the same direction, the results will be just good enough. Business in the Age of Software will generally lead to "pragmatic approaches prevailing over purist ones." Rules simply become too flexible to be broken. But that won't work for every business. The best-known counterexample is, of course, rocket science. Landing a man on the moon doesn't work with rough consensus – only with strict protocols. The 1986 *Challenger* disaster proved with disastrous consequences what happens if you overlook the rules to get things done.



ASSERTING YOUR POSITION



T

he more a company relies on complexity and perfection, the tougher it is to thrive in an approximation-only atmosphere. One solution is to find an equilibrium between breaking, keeping and building rules not by gathering everyone in the middle, but by manning the extremes. This is a rather common strategy in family businesses when preparing for generational change. The younger generation often gets a first leadership position in a "new" business segment – working with new technologies and/or developing new products. This way they are able to find their own business and work style. Outside of the parental shadow, the offspring gains experience of how to rewrite the company's rulebook – and how not to.

In non-family businesses, similar strategies are less widespread, but can nevertheless be the best solution to renew a company, or parts of it. Take Nestlé's Nespresso: In the early 1980s, the coffee capsule brand was marketed within Nestlé's established coffee division. It failed miserably. The B2C Nescafé managers couldn't grasp the B2B system of selling machines and capsules as a bundle. Office clients didn't like the price; hospitality clients didn't like the look and feel and then problems in production and logistics came on top. Then, in 1986, Nestlé established Nespresso as a separate, wholly Nestlé-owned company, its top management was recruited externally and the brand philosophy was focused on selling convenience, not just coffee. This was of course still incompatible with the traditional Nescafé world – but it succeeded.

BREAKING THE RULES



PHOTO: JONATHAN BACHMAN/REUTERS



PREPARE TO MEET RESISTANCE

To break the rules is to break with the status quo – and that may cause friction at first. The image of Ieshia Evans' arrest at a 2016 Black Lives Matter protest in Baton Rouge remains an iconic inspiration for grace under pressure.



PLAYLIST

RECOMMENDED FOR
ROLEBREAKERS AND
ROLEKEEPERS

1.

Joshua Gans:
The Disruption Dilemma.
The MIT Press, 2016.

2.

Rebecca Henderson:
Generational Innovation.
The Reconfiguration of Existing Systems and the Failure of Established Firms.
HardPress Publishing, 2013.

3.

Leonard Mlodinow:
Elastic: Flexible Thinking in a Constantly Changing World.
Allen Lane, 2018.

4.

Venkatesh Rao:
Breaking Smart: Seeking Serendipity Through Technology.
Online edition, 2015.
(breakingsmart.com)

BREAKING THE RULES

RE-ENTREPRENEURING THE ORGANIZATION

Most organizations believe that the time for being entrepreneurial is only during the startup phase. They are woefully wrong.



BY **Charles-Edouard Bouée**

Great power brings great responsibility. If you are the CEO of a big company, you often wonder if you should choose between the opportunities that present themselves but carry inherent risks with the possibility of a potential reward, or if you should take comfort in the known and continue to preserve the organization's business as usual? A lot of CEOs, whether they admit it or not, end up taking comfort in the familiar, reasoning to themselves: "My role is to preserve the organization's advantages, not to take on new risks that might jeopardize the company." History is rife with examples of organizations that took this defensive approach, only to be outwitted by smarter rivals.

Then on the other extreme are the startups. Entrepreneurs are admired because of the very qualities many executives abandon as they climb to the top:

agility, boldness and the spunk to rely on their gut feeling while taking tough decisions. It's a fallacy to think that the time for entrepreneurial thinking is only when a company is starting up, or to believe that entrepreneurial thinking cannot coexist with the dominant mindset of an established organization. That's the wrong approach. To understand why, let's take a look at the incredible story of the Dutch Kidney Foundation (DKF).

THE DUTCH KIDNEY FOUNDATION is a health charity whose key mandate was to collect funds, educate patients, lobby the government and raise awareness among scientists and other players about kidney disease. For nearly 30 years, DKF tried to improve the lives of patients suffering from this disease. But complex treatment protocols and debilitating side

effects continued to keep patients in a state of misery. Patients were slowly losing hope and the possibility of recovering any sense of normalcy in their daily life was becoming a distant dream.

As a non-profit, DKF's role was to raise funds and create awareness, and not to address the problem of medical innovation. But that's exactly what it did. It took upon itself the onus to solve an unsolvable problem by completely reimagining its role and reframing the problem. For Tom Oostrom, the managing director of DKF, the puzzle to be pieced together was as follows: His one clearly defined target was to liberate kidney patients from clinic-based dialysis and provide them with a portable dialysis device that would give them more freedom. And he knew that the technology existed to make a dialysis machine in the size of a shoe box, which could dramatically improve the patients' quality of life through wearable dialysis machines. But he could not get it financed, as existing manufacturers of dialysis machines had little incentive to innovate. If successful, this innovation would disrupt their current business and choke existing revenue streams. Major medical breakthroughs would imply that health insurance companies would bear the risks of costly medical research.

THE TEAM TOOK A STEP BACK and pondered over what their original founding mission had been: to improve the lives of kidney patients. And to achieve it, they had to make this portable dialysis device a reality. Once they identified the end point as the wearable artificial kidney, they worked backwards from there, unbundled the "kidney" into its component parts and then figured out who could help them find these components and integrate them into the prototype. The foundation gathered key players of these fields and pooled their collective knowledge to crack this problem. But to overcome this huge market failure that prevented them from delivering a wearable dialysis device, the DKF also had to change its whole organization and operating model. It started the Neokidney Foundation, and that group formed a company, Neokidney, which is for-profit, with the clear goal of developing the portable device patients were missing. To cut a long story short, the DKF managed to find a solution to a problem that was in deadlock for 70 years, by going back to its original mission, reimagining its role and framing the problem it was tackling differently – in a very entrepreneurial way.

This is what we call "re-entrepreneurial." The idea, as we see it, takes inspiration from the French phrase *reculer pour mieux sauter*: stepping back to go forward more strongly. In re-entrepreneurial, the "re" part

stands for the company's long-term history and the assets it consolidated over time (know-how, experience, skills, brand, etc.). The "entrepreneurial" part is the spark that has the power to reignite what lies dormant in the "re" and unleash new energy in the company and take it to a new phase in its evolution. As they grow bigger, a lot of organizations relegate their entrepreneurial energy to history. That's a mistake.

Re-entrepreneurial is not a matter of thinking "outside the box" – it's about thinking *with* the box, applying the company's existing assets and qualities to

**"BY SEEING THE
WORLD THROUGH
FRESH EYES...
A COMPANY CAN
OPEN ITSELF UP TO
EXCITING
POSSIBILITIES."**

a new purpose. It's about using the box itself as a stepping stone that will carry the company across a difficult time to a better time. By seeing the world through fresh eyes and giving employees the freedom to reimagine their business, a company can open itself up to exciting possibilities. And once they do that, they will realize that obsolescence is not something thrust upon them by fate. It's a choice. And they can very well choose to avoid it. ■



CHARLES-EDOUARD BOUÉE

Charles-Edouard Bouée is the global CEO of Roland Berger. He has written a number of groundbreaking books on modern management and China – where he lived for over a decade. His books include *Light Footprint Management*, *China's Management Revolution* and *La chute de l'Empire humain*. He is the editor (with Roland Berger Deputy CEO Stefan Schaible) of *Re-entrepreneurial: How Organizations Can Reignite Their Entrepreneurial Spirit* (Bloomsbury, 2018).

THE NEW DREAM MERCHANTS

Conventional logic would have doomed Casper's business model to failure, but the US mattress retailer has proven that when it comes to waking up a tired industry, you have to set your own rules.

BY **Michael Hann**

ILLUSTRATIONS BY **Katharina Gschwendtner**

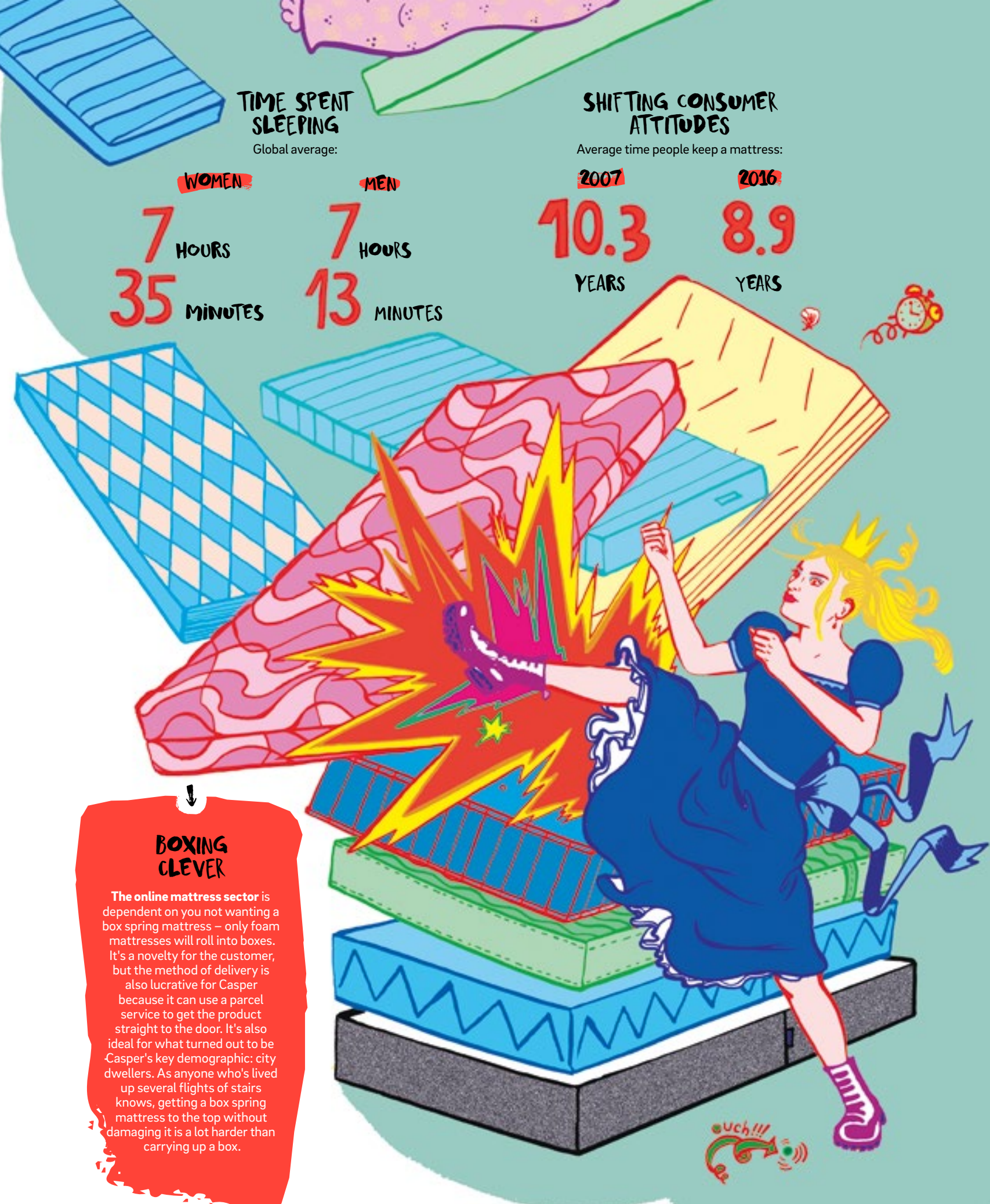
BREAKING THE RULES

Manhattan, early September: It's a warm morning and the mattress shop at 627 Broadway is empty. That's not entirely surprising – given that it's recommended to replace a mattress every seven to 10 years, a mattress store is unlikely ever to be teeming with shoppers. What's more surprising is that Casper, the online retailer revolutionizing the mattress business, exists at all – and that this is just one of 18 stores that have opened so far out of a planned 200. A Casper store is nothing like a normal mattress retailer: There are no strip-lit acres of beds with lengthy information sheets on top of them. And when you lie on these mattresses, it's inside of miniature houses at the back of the shop. Or you can make an appointment at The Dreamery, where you book a 45-minute slot in a private pod. It feels much more like a lifestyle brand than a bedding company.

Casper was the brainchild of five co-founders – Philip Krim (now its CEO), Neil Parikh, Luke Sherwin, Jeff Chapin and Gabe Flateman. "The

idea for Casper was born when my co-founders and I realized that everyone in our co-working space was downing green juice and wearing fitness trackers — but still falling asleep at their desks," says Parikh, now the company's COO. "It seemed they were taking healthy eating and fitness seriously, but not sleep. So we set out to elevate sleep as a pillar of wellness and improve how people are getting their shut-eye."

THE GENIUS OF CASPER was that the industry it launched into on April 22, 2014 was inefficient, dominated by complacent big players and had low levels of customer satisfaction. Casper's opportunity lay in those weaknesses. Mattress retailing required large, expensive spaces for an item that was not sold in bulk and cost a great deal to deliver. Mattresses were sold at a massive markup, without yielding great profits. "One of the things that made it a bad industry was that if you looked at the stock prices on the few publicly traded firms, →



they were for many years prior to Casper's launch stalled or declining. "High cost, high margin, but low profitability – that was the issue," says Len Sherman, a Columbia Business School professor who has studied Casper. Casper's idea was simple: sell one single type of mattress over the internet, then roll them into boxes small enough to be delivered by UPS. But how to persuade people they wouldn't be cursed with something horrible, given they didn't have the chance to try it out first? Tell them they could return the mattress within 100 days, which proved to be "an extremely important part of our shopping experience," Parikh says.

BUT NO CHOICE? Just one kind of mattress? Didn't that go against every piece of received retail wisdom? Sherman remembers Philip Krim explaining the logic of no choice to him. "If you go to stay in a quality hotel, you don't get a menu that asks if you want a room with a hard mattress or a soft mattress. You assume you are paying a premium price to get a high-quality mattress. I was a road warrior, traveling for three to five years, four days a week. I can't count the number of hotels I slept in, and I can't remember ever waking up, ever, and saying 'Boy, that sucked.' That was his analogy: 'If hotels can compete on the basis of offering a single high quality product, so can I.'"

Casper assumed people wanted something new from the mattress-buying experience, and they were right. It sold out of inventory – 40 mattresses, which its founders had expected to take six weeks – on its first day of trading. It reached its first-year target of \$1.8 million in sales within 60 days, and then just kept growing. It ended up selling \$100 million in 2015, its first full year of operation, and

"THE SHOPPING LANDSCAPE IS NO LONGER MONO-CHANNEL – CUSTOMERS ARE TRAVERSING BETWEEN ONLINE AND OFFLINE WORLDS."

Neil Parikh, Co-founder and COO of Casper

FROM A SNORE TO A DREAM

Casper's 100-day return policy is certainly a practical incentive to buy, but what helped it thrive was the intangible element of an "event" surrounding the purchase, which they built up with shrewd commercial nous. Casper encouraged its customers to create "unboxing" videos and post them to YouTube. They also gave customers Amazon vouchers in return for new customer referrals – and people making videos would post their own referral codes. Something apparently unforced became a hugely successful and cheap advertising campaign.

\$1 MILLION THE AMOUNT OF MONEY CASPER MADE IN ITS FIRST 28 DAYS OF TRADING.

\$100 MILLION THE SALES FIGURE CASPER REACHED IN 2015, ITS FIRST FULL YEAR OF OPERATION. THAT FIGURE ROSE TO \$200 MILLION IN 2016.



2 MATTRESSES THE NUMBER OF MODELS OFFERED BY CASPER, IN COMPARISON TO THE 100+ OFFERED BY OTHER US MANUFACTURERS.

doubled that in 2016. It raised enough venture capital funding to have the firm valued at \$750 million, prompting a \$1 billion takeover bid by the mass market retailer Target, which was rejected – with Target investing instead. (Casper remains private, so its full results are unknown.)

All that success came by doing the opposite of what anyone might have expected. "Casper is a great example of breaking the rules," Sherman says. "They broke this rule about there being good and bad industries, and that you waste your time going into bad industries. Point two, some products just aren't suited to an online purchase. The last thing you'd want to sell online is a mattress, but they proved it could be done. The third thing is the need for personalization. A mattress is such a personal product: It has to be right for you. And Casper concluded, no it didn't."

Parikh takes a little issue with that assessment. "Casper's growth strategy was not about breaking the rules of business, but instead focusing on creating a superior customer experience," he says. But

he accepts the company was all about doing things differently. In short, "The mattress industry is notorious for sky-high markups and aggressive sales tactics. With Casper, we saw an opportunity to modernize the industry."

But Sherman thinks the key rule Casper broke was spending a huge part of their startup funding on hiring the brand agency Red Antler. "Conventional wisdom says that the last thing a startup should do is spend a lot of money worrying about brand strategy and building emotional bonds. But that's exactly what they did. They made a very distinctive brand image ... I would argue that the most clear difference between Casper and the 100-plus online mattress sellers is that they took the time right from the get-go to develop a very, very strong brand image that had elements of approachability and hipness and coolness. You can fill in the adjectives." There, he and Parikh are in agreement. "We knew from very early on that we wanted to create an identity unlike anything else in our industry," Parikh says. "Building our brand in the early stages

allowed us to engage with our customers and create a community immediately upon launching."

CASPER DID SILLY, FUNNY THINGS – putting vintage books into the boxes of early customers; launching a chatbot to entertain people who couldn't sleep; using social media brilliantly, from encouraging customers to post "unboxing" videos on YouTube, to a Twitter account with "sorry, I overslept" letters for customers to use. "They took an industry that was reviled and hated and made themselves into a likeable, trustworthy company," Sherman says.

After having broken the rules to break into the market, Casper is becoming more conventional – in addition to its own stores, it sells through Target in the US as well as Amazon: "The shopping landscape today is no longer mono-channel – customers are traversing between online and offline worlds," Parikh says. Now offering two designs of mattress and other sleepwares, Casper is on its way to being more than a mattress company and what its founders dreamed of: "the Nike of sleep." ■

CHANGING THE CHANNEL

Her unorthodox approach to human resources once helped power up Netflix. Now Patty McCord is broadcasting her message beyond Silicon Valley: To make an impact and be proud of what we do, we have to be radically honest, never stop learning and trust the people around us.

BY *Bennett Voyles*



PHOTO: THOR SWIFT

Netflix is such a big part of the entertainment landscape now that it's hard to remember that only 20 years ago the media leviathan was just one more Silicon Valley startup. But what

Netflix had was good timing, a smart strategy – and Patty McCord. While Silicon Valley has always had a reputation for being culturally freewheeling, many of the differences were superficial: using first names, no ties, more dogs. As chief talent officer of Netflix, McCord pushed for substantive changes aimed at fundamentally remaking the relation of the employee to the company. Out: performance reviews, personal expense reports and fixed weeks of paid vacation. In: paying top dollar for top performers, giving honest, immediate feedback – and a pink slip for anyone who is no longer necessary [see box p. 31].

PATTY MCCORD

After 14 years as chief talent officer at Netflix during which she wrote the company's famous "freedom and responsibility deck," McCord now works as an independent speaker and writer spreading her philosophy of honesty in the workplace.

In her new book *Powerful: Building a Culture of Freedom and Responsibility*, McCord recounts her role in developing the hard-driving culture that helped the San José company grow from a handful of employees and a dream into a global giant. Looking back now, she insists that it was more or less an accidental revolution. "I never invented anything. My underlying philosophy was not so much about breaking the rules; it's about questioning why we are doing something," she explains. One of the key moments came early, when she

"MY UNDERLYING PHILOSOPHY WAS NOT SO MUCH ABOUT BREAKING THE RULES; IT'S ABOUT QUESTIONING WHY WE ARE DOING SOMETHING."

realized that focusing on long-term retention no longer made sense in today's fast-moving business world. "I realized that rather than try to retain people, I wanted to create a company that would be a great place to be from," McCord recalls. "That was really freeing. It's hard if you've spent 50 years working on retention alongside 500 other companies that have spent 50 years working on retention. And all of them now have huge groups of employees that have gotten very good at being loyal but don't really belong there anymore. And everybody knows it, but we can't break the false promise that we made to each other without drastic action."

This insight made hiring a lot easier. "When I'm interviewing, I'm looking at where they worked, what they did, who they worked with. 'Wow, you're an Apple man? That's pretty cool. What were you working on there? And then you went to Facebook?' I'm reading their resume to see where they're from, what problems they solved. Not to see if I want to have a beer with them." Instead the Netflix hiring policy was about "maintaining our talent density," as McCord puts it in *Powerful*.

OTHER INSIGHTS FOLLOWED that were equally freeing. McCord abolished formal expense and travel policies – employees were just told to try not to waste company money. Formal vacation time also went out of the window: just take the time off you feel is appropriate. The results of her experiments were all positive, she says: less overhead for HR to manage, fewer details for employees to worry about – and more time to focus on growing the company. But not everything McCord did was a matter of subtraction. She and CEO Reed Hastings wrote a 124-slide PowerPoint deck that summarized Netflix's talent management ideas, which has since gone on to be downloaded over 13 million times. Facebook COO Sheryl Sandberg has called it "the most important document ever to come out of Silicon Valley."

For McCord, the culture she helped build may have had an ironic personal consequence: In 2012, Hastings, the CEO, let her go. As a *Fast Company* profile put it, "She had played a good game, but the team no longer needed her as a player." She says walking away from Netflix after 14 years →



was painful, but the company has turned out to be a good place to be away from too: She's since moved on to a career as an independent consultant for startups and other companies that want to learn the Netflix way.

One of her prime goals is to encourage people to embrace her doctrine of radical honesty by avoiding such practices as anonymous surveys in favor of group meetings. "One of the reasons I hate anonymous surveys is that they teach people you can only give honest feedback anonymously," she explains. Such group meetings also offer a great opportunity to clarify your cultural priorities, she adds. "You can say, 'No, actually, we're not going to be bringing back the kiwi-flavored water. We all know you were upset about that, but we're not. Any other questions?'"

BEYOND THE CULTURE OF RADICAL SIMPLICITY that she continues to evangelize, McCord also suggests that human resource managers need to change their approach. In the past, HR has often been a function that is a little out of step with the rest of the business. "What I find when I talk to executives about their HR people, they have a lot of preconceived notions: A) They are not very smart. B) They're not good business people. C) They are people-people

THAT'S A WRAP

Former Chief Talent Officer **Patty McCord** (left) worked with Netflix CEO **Reed Hastings** (center) for 14 years. She left in 2012 as the company increasingly moved away from DVD distribution centers (right) in favor of a business model that holds streaming and original content at its core.

and sensitive," she says. "I say to them, 'Okay if you really think that the person who's running HR isn't very smart, doesn't understand your business and isn't able to hold their own with the rest of your executives, then get a new one. But before you do that, start by just demanding more.'" HR should be seen as more than just a support function. It "should be able to weigh in on a business decision with an equal weight. Because every business decision is going to involve an employee, somehow, someday," McCord maintains.

A good first step for the HR person to earn that place at the table, she says, is to learn more about the business itself. "HR people need to learn the

"HR SHOULD BE ABLE TO WEIGH IN ON A BUSINESS DECISION WITH AN EQUAL WEIGHT."

Patty McCord, Former chief talent officer at Netflix

PHOTOS: FREDERIC NEEAMA / LAIF; MARTIN E. KLIMEK / ZUMA PRESS / ALAMY

PHOTOS: MCT / GETTY IMAGES; PATRICK T. FALLON / BLOOMBERG VIA GETTY IMAGES

language of the business. Everyone needs to be able to read a profit and loss statement. They need to understand who their competition is. They need to understand the marketing cost of acquisition per customer. They need to have a more than rudimentary understanding of the technology that underpins their business," she says. The effort will pay off not just for the HR executive, McCord insists, but the company. "Aligning HR's goals with the goals of the company, the way we did at Netflix, can help employees stop focusing on things that don't matter," she noted.

ALTHOUGH MCCORD may have been among the earliest adopters of this new doctrine of radical simplicity in HR, she doesn't think she is alone. "I think there's a fundamental reexamination going on right now of who it is that we work for. Are we representatives for the employees or are we representatives for management? Are we gatekeepers? Are we rule-makers? Are we protectors of the employees? Or do we protect the company from bad employees?" All of that self-questioning can be put into a big basket and just tossed out the window. The real answer is simple: We work for our customers – not just HR; everybody – that's why companies exist. ■



NETFLIX'S TAKE ON CULTURE

No big happy family "We've got to dispel this myth that companies are families because we're setting people up to be disappointed." It's better to come clean: "When HR people start to realize that their job is to help match people with the right company at the right part of the journey through their probably six-year career path at the company, things work better for everybody," she says.

No underpayment For key talent, Netflix always paid the top market rate. "In my experience, if you focus intently on hiring the best people you can find and pay top dollar, you will almost always find that they make up much more in business growth than the difference in compensation."

No bonuses Netflix did not have a bonus system. "If your employees are adults who put the company first, a bonus won't make them work harder or smarter," McCord writes in *Powerful*.

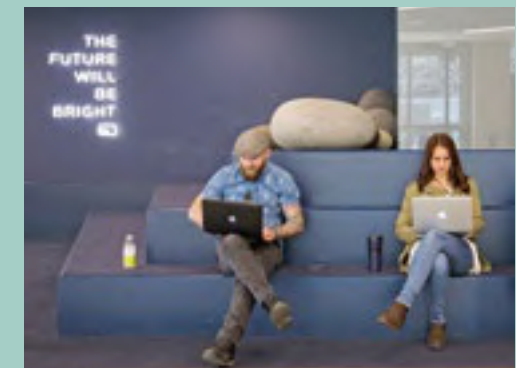
No vesting period Unlike most startups, which used equity options that vested over time as a way to retain

people, Netflix options vested immediately – and they were optional. Employees could choose how much of their compensation they wanted in equity versus cash.

No expense accounts McCord abolished formal expense and travel policies. The new policy: act in the company's best interests. Result: People didn't abuse the system. "We saw that we could treat people like adults and they loved it," McCord writes.

No set vacation time Instead of scheduled leave, employees were told to "take the time off they thought was appropriate, just discussing what they needed with their managers." The result: "People took a week or two in the summer and time for the holidays and some days here and there ... just as before," McCord writes.

No annual review "Why do you do the annual performance review? If it really is about giving feedback, it's too infrequent, right? You need to give people feedback the moment they're screwing up, not eight months later in writing."



Work different: Even in Silicon Valley, Netflix has built a reputation with its pioneering HR model.

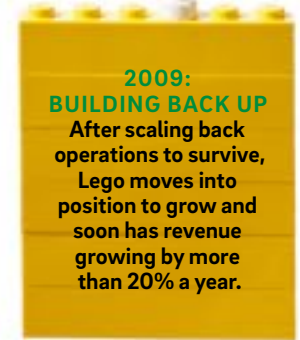
HOW LEGO REBUILT ITSELF TO TACKLE DISRUPTION

BREAKING THE RULES

BREAKING THE RULES



2003



2009

2014

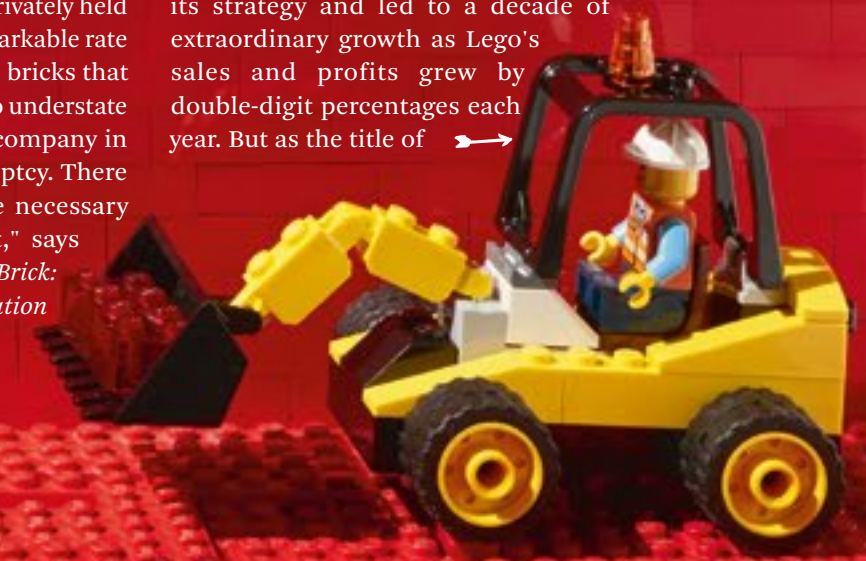
BY **Richard Milne**
PHOTOS BY **Ragnar Schmuck**

Fifteen years ago Lego was staring into the abyss of bankruptcy, so it decided to write its own rules for success. Going back to basics helped the Danish toymaker become a major player again and it showed that achieving such a turnaround is anything but child's play: it takes leadership, a willingness to rebuild from the ground up and, most of all, vision.

WHEN YOU THINK OF LEGO'S products, Galidor, Jack Stone, and Steven Spielberg Moviemaker are not the first names to trip off the tongue. But they are the symbols of something darker – the Danish toymaker's brush with near bankruptcy at the start of this century. Amid the dot-com boom and the first dawn of digital play, the privately held company was bleeding money at a remarkable rate as experiments away from the plastic bricks that had brought it fame failed. "It's hard to understate how grim things seemed inside the company in 2003. How close they were to bankruptcy. There was a belief that it was going to be necessary to sell the company or liquidate it," says David Robertson, who wrote *Brick by Brick: How Lego Rewrote the Rules of Innovation*

and Conquered the Global Toy Industry. Radical proposals floated around. One came from Anders Drejer, a professor at the department of business and management at Aalborg University, who suggested Lego jettison its most distinctive product. "I actually proposed to Lego that they should stop making the brick because the physical brick wasn't essential to them. They could outsource that."

Enter Jørgen Vig Knudstorp. With the look of a grown-up Harry Potter, but without the scar, he was just 32 years old when he joined Lego in 2001. His message to Lego's then COO, the founding Christiansen family and the board in 2003 was unflinching. "I [told them] we are on a burning platform. We need to take action, because the problem is not going away," he told Robertson. Knudstorp was handed the top job at Lego in 2004. His restructuring upended the company, reversed its strategy and led to a decade of extraordinary growth as Lego's sales and profits grew by double-digit percentages each year. But as the title of →





2014

2016

LEGO'S FIVE STEPS TO A TURNAROUND

BREAKING THE RULES

the book by Robertson, a senior lecturer at MIT's Sloan School of Management, suggests, his approach was less about a new way of thinking than a return to the company's roots. Asked if Knudstorp tore up the rules, Robertson replies: "In a way it was the opposite. He was going back to the rule book." He quotes a crucial executive in Lego's turnaround – Mads Nipper, a marketing manager – who said the company needed to focus on seven-year-old German boys. "That's it. That's our goal as a company. If we can't make seven-year-old German boys happy, then we don't have a future."

LEGO WAS FOUNDED IN 1932 by failed carpenter Ole Kirk Christiansen based on the Danish words *leg godt*, play well. In 1958, his son Godtfred came up with the invention that changed everything – the interlocking Lego brick stud-and-tube design. The company expanded, adding lines like its Duplo bricks for toddlers and extra experiences like Legoland. It was one of the top 10 largest toymakers by 1990. By the end of that decade, it had become a global success with theme parks on

several continents and other businesses such as video games as well as products that moved away from the traditional brick. Despite – or perhaps because of – many of the new products, the results took a turn for the worse. When Knudstorp took over as CEO, the situation was critical.

Drejer says Knudstorp's turnaround was based on three main things. "One is the awakening to the reality that this will not go away. The signal came from a new CEO who said things very clearly; he was very good at communicating. The second is focus. Cut away all the sick limbs of Lego to get control and focus. Then after a couple of years, everybody thought it was over. Jørgen then launched a revitalization, saying this is only the beginning, there is a long journey to success."

Knudstorp himself places his journey with Lego into five stages: survive, purpose, let growth loose, step up and leap. In the first, he put the emphasis on controlling cash, selling off peripheral businesses such as the Legoland theme park and video games. He slashed the number of parts Lego made in a bid to reduce complexity while many foreign operations were scaled back or closed down, putting the small town of Billund at the heart of the group again. The second involved work on productivity by moving much of Lego's production away from Denmark to Hungary and Mexico as well as boosting the brand. By 2009, Knudstorp felt he was able to go for growth again in the third phase. Revenues were soon

"IF WE CAN'T MAKE SEVEN-YEAR-OLD GERMAN BOYS HAPPY, THEN WE DON'T HAVE A FUTURE."

Mads Nipper,
Former chief marketing officer at Lego

increasing by more than 20% a year, leading to the fourth phase as he made sure Lego's supply chain still worked even as it expanded into Asia. His fifth and final phase during his years at Lego's helm was trying to keep the company successful despite increasing growing pains.

KNUDSTORP NOT ONLY SHOWED GUTS, as Robertson puts it, but a "remarkable empathy and emotional awareness" in his turnaround. He has even compared him to Steve Jobs in terms of fostering innovation. "I think he's a tremendous innovation leader. His whole style is to create a situation where other people can be the stars, where other people can have the opportunity to innovate," Robertson adds. One example is the fire engine that Nipper championed for the Lego City line early in the restructuring. It was a traditional Lego product designed to appeal to the seven-year-old German boy and it galvanized designers at the company behind the idea that the physical brick was back at the heart of its efforts. Drejer does not sound bitter that Knudstorp failed to take his advice, but he still wonders if Lego is living up to its full potential. "Jørgen did the opposite to what I suggested: He made the physical brick core to everything they do. Even when they make computer games – when Indiana Jones is killed, he's not reduced to mush, he's reduced to bricks," he says. He adds: "They are not making as much money as they could because of their connection to the brick. There →

BREAKING THE RULES



"ONE OF THE KEY THINGS IS THAT NOTHING LASTS FOREVER."

David Robertson, Author of Brick by Brick

2017: LOSING GROUND After years of growth, Lego sales fall for the first time since the company's brush with bankruptcy.

2018: LAYING A STRONGER FOUNDATION In response to falling sales numbers, Lego changed management in 2017: CEO Jørgen Vig Knudstorp took a position as chairman with Niels Christiansen coming on as chief executive. Lego is still solidly profitable and sees the move as an opportunity to shore up the foundation it built under Knudstorp's leadership.

2017

BREAKING THE RULES

are experiments that they won't do. They won't allow side businesses - video games, etc. - to take away from the main business. Mads Nipper said to me: "The brick is so important that there has to be a balance otherwise the culture would break up."

LEGO IS CURRENTLY FACING its trickiest time since 2003: Sales fell in 2017 for the first time since the brush with bankruptcy. Perhaps most remarkable is that Knudstorp saw the problems coming but seemed powerless to stop them. Knudstorp told the Financial Times in December 2016 that he was afraid of forces that push big companies away from what made them successful in the first place. "It is bureaucracy, it is because you are getting bigger, the pressure of scaling, of finding the right talent, of having the entrepreneurial spirit despite being a very big company," he added. Drejer says it is striking that Knudstorp concentrated on the right things but was unable to prevent a turn for the worse. "It's extremely interesting from an academic point of view when they know what is going to go wrong but they are incapable of doing anything to stop it. What my recommendation always is, is to have a change of management," he adds.

Knudstorp moved from CEO to chairman at the start of that year with a mandate to deal with the founding family and look at ways of expanding Lego's brand. In place since October 2017, the new CEO is the first to have never worked with the company before. Niels Christiansen, no relation to the founding family, came from privately owned industrial group Danfoss where he executed a turnaround similar to Knudstorp's. Drejer summarizes it as if a football team had both Lionel Messi and Cristiano Ronaldo. But the star duo is confronting a difficult situation. Lego is still solidly profitable, yet like the rest of the industry, it is facing competition from digital as well as physical products. "I try to study innovation stories," says Robertson. "One of the key things is that nothing lasts forever. Lego built its turnaround on Apple's. From 2001 until 2007, Apple were doing things just like Lego did a few years later. They made the Mac more valuable and more compelling to customers. But while the iPod



GROWTH IS MOVING AHEAD

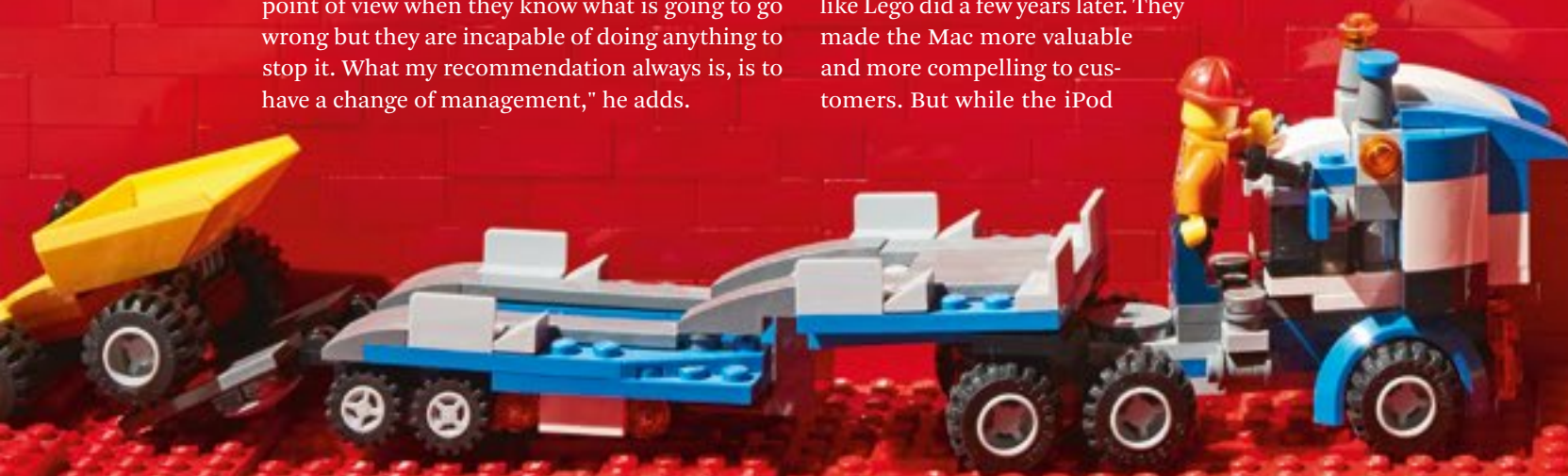
started out as a peripheral to the Mac, it morphed into the iPhone and it became its own center of profits and growth. The core of Apple's profitability moved from the big screen to the small screen ... Lego hasn't found that new growth path."

Robertson argues that Lego should be more like Disney with theme parks, movies and other things tangential to the brick. "I think Lego has steadily ignored what the market is telling them. They've added apps, digital toys and online activities." Many have been flops. Lego Dimensions, an attempt to jump on the toys-to-life

bandwagon, and Nexo Knights, which allowed players to scan shields into an app that gave them extra powers, were both scaled back fairly quickly after launch.

Drejer agrees with Robertson: "I don't think they should compare themselves to Mattel and Hasbro but somebody like Amazon. Online selling is the future. In that perspective, they are lagging." He says that Christiansen was known at Danfoss for accelerating the power of execution. "They became leaner and faster in the management - it was about optimizing the machine. That was one thing that Lego was lacking. But I fear they need to change the machine." As Robertson sees it, Lego is standing at a crucial juncture. It needs to decide whether to upend its strategy again or plod along on its current trajectory. "If they really wanted to emulate Apple's turnaround, they have to use their past success to find the next area for growth. I think they've found it but are ignoring it [movies, theme parks, etc.]. What they're doing now is in some ways repeating the failures of 1999 and going too much after the digital play experience. I think they're too threatened by digital."

BREAKING THE RULES



HOW YOU CAN LEARN FROM PIRATES

From organizational agility to fostering active team engagement, those salty buccaneers may have more to teach us digital-age landlubbers than we thought.

BY Nicola Davison

T

he most successful figure of the Golden Age of Piracy did not care for it much at first. Born in Wales in 1682, Bartholomew "Black Bart" Roberts was the second mate on board the slave ship *Princess* when it was captured by pirates in 1719 and he was forced to join the crew. Six weeks later, the captain was killed and Roberts was elected chief. Until his death during an altercation with a British warship off the coast of Africa three years later, Roberts traveled from Newfoundland to Brazil, capturing over 400 vessels – by far the most of any pirate captain of his time.

There is something about Roberts' legacy, and pirates in general, that speaks to today's entrepreneurs. Pirate flags decorate the offices of startups in Silicon Valley. Originally said to the Macintosh team by Steve Jobs in 1982, "it's better to be a

pirate than to join the navy" is now a famous maxim. Facebook founder Mark Zuckerberg's motto, "move fast and break things," has a similarly pirate-like spirit. A number of recent business books examine pirates as quasi role models more explicitly. "Pirates went head-to-head with the world's mightiest military forces, the enormous resources of the first state-backed multinational corporations and the combined strength of the global superpowers of the day," writes Sam Conniff Allende in *Be More Pirate: Or How to Take on the World and Win*. "And for nearly 40 years, they won." Pirates, in other words, were the original disruptors.

THERE IS NO SHYING AWAY from the fact that pirates were thieves, and often murderous. They stand apart from other criminals, however, because of their organizational and social innovations. Sailors were drawn to the pirate movement of the 17th century as a means to escape the dehumanizing work of the navy or merchant shipping; according to Conniff Allende, they were a generation



... THE ORIGINAL DISRUPTORS



BREAKING THE RULES

"BEING MORE PIRATE ISN'T ABOUT FLOUTING THE LAW!"

Andrew Wolfin, Partner at Mishcon de Reya

that felt "excluded from their own future." Aboard their ships, pirates introduced a fair ratio of pay among crew members and gave everyone a vote, even women (of which there were a few) and non-whites (of which there were many). Roberts asserted in the first article of his 1722 pirate code: "Every man has a vote in affairs of the moment; has equal title to the fresh provisions, or strong liquors, at any time seized, and may use them at pleasure unless a scarcity makes it necessary, for the good of all, to vote a retrenchment."

Enlightened as it may seem, this approach was not to address the gaping social inequality of the time, says Peter Leeson, author of *The Invisible Hook: The Hidden Economics of Pirates*. "You can steal a purse by yourself, but you can't overwhelm a merchant ship without the help of others," he points out. Pirates' organizational problem of maximizing profit was also a problem of governing to promote cooperation and prevent conflict. This is why, at a time when the world was organized autocratically, pirates formed democracies. As Leeson says. "They did it because democratic ship organization was profit-maximizing." Devotion to maximizing profit, he adds, is "essential for entrepreneurs who want enormous success."

PIRATES WERE ALSO QUICK TO ADAPT to regulatory changes. When governments started to crack down on piracy, pirates pretended that they were coercing new members to join, even advertising the fact in port newspapers. That way, if a new recruit was captured he could testify that he had been forced to become a pirate. "Being more pirate isn't about flouting the law," says Andrew Wolfin, a partner in the corporate department at Mishcon de Reya. "Pirates challenged authority. The spirit of piracy is probably not a million miles off the

FIVE "PIRATE" COMPANIES

1. NAPSTER

Created by American student Shawn Fanning in 1999, Napster enabled P2P sharing of digital music files stored on users' personal computers. Though Napster was shut down in 2001, it's credited with paving the way for the online music industry.

2. UBER

Uber began with a fleet of just three cars in San Francisco in 2009. Alongside innovative digital technology, its success can also be attributed to Uber's unique "pirate code": not seeking permission from regulators and recruiting from competitor taxi companies.

3. TESLA

Elon Musk's appetite for risk knows no bounds: "My proceeds from the PayPal acquisition were \$180 million," he famously said. "I put \$100 million in SpaceX, \$70 million in Tesla and \$10 million in SolarCity. I had to borrow money for rent."

4. AMAZON

Amazon's "pirate" innovation was contending from the start that the site was not just a book retailer, but a technology company simplifying online transactions for consumers. This mindset has allowed it to grow far beyond selling books.

5. VIRGIN

Richard Branson showed a pirate-like disregard for rules in 1971 when he failed to pay duty on several vanloads of imported records. But Virgin Records became the label for punk and new wave and the Virgin name went on to stand for a new attitude in business.

spirit of punk. It's the healthy disregard that I think business owners, and particularly entrepreneurs, are exhibiting but also need to exhibit in today's market."

When the East India Company attempted to trademark their routes in the 17th century, they were challenged by pirate ships, leading to the creation of "international waters." Startups must also find a way to navigate the ever-changing regulatory environment, according to Wolfin. "The fun bit of working with young businesses and entrepreneurs is helping them to work within the increasingly restricted business landscape to maximize their potential for innovation," he says. "With huge corporations or institutions, it's inevitably harder to be flexible or to pivot quickly, not least given that decisions often need to be run past committees and stakeholders."

IT WAS THIS KIND OF EXPERIENCE working in large corporations that compelled the founders of Fount, a US-based digital product design and development studio, to think radically. Determining that they wanted to build a business that was not only profitable, but also fair and sustainable, the partners studied the pirate codes of the 18th century and found that entire crews were involved in the making of significant decisions. Leaders at Fount are not appointed from above. Instead, project "crews" anonymously elect a "captain," ensuring that the project leader has the full faith and confidence of the team.

Pirate captains knew they needed to be transparent about pay – inequalities would lead to jealousy, lack of trust and an unwillingness to collaborate. Aboard Black Bart's ships, the captain and quartermaster got two shares of a prize; the master, boatswain and gunner got one share and a half, and the other officers one and a quarter. At Fount, ownership is directly proportional to active involvement in the organization, explains Founding Partner Ryan VanMiddlesworth. Every quarter, a set number of new shares are issued and these shares are distributed evenly among employees, meaning that the newest Fount "crew member" and the original founders accrue ownership at the same rate. "This was a critical realization for us," he says. "When you give everyone a non-trivial stake of ownership and a vote in the corporate decision-making, people are much more invested, emotionally and financially, in the strategy and success of the company."

ILLUSTRATIONS: CSA IMAGES / GETTY IMAGES (2)

RYAN BLAIR, TOP-FLIGHT BUSINESSMAN



Ryan Blair's path to success came through the school of hard knocks rather than the fast-track from Harvard. But the self-made millionaire entrepreneur and author of *Nothing to Lose, Everything to Gain* has never cared much for convention. Growing up in Los Angeles, he dropped out of school in the ninth grade, joined a gang, was arrested 10 times and spent time in a juvenile detention facility. His first encounter with computer technology occurred when he borrowed a friend's computer to doctor his report card, changing bad grades into passable ones. Then he started breaking into computer stores and stealing books on how to program computers.

HIS LIFE-CHANGING MOMENT ...

... came when his mother met a real estate entrepreneur and the family moved out of the gang-ridden neighborhood where he grew up. He got a job in the customer service department of a Logix computer data center; within two years he was made vice president of the company. At age 21, he founded his first company, a technical support service, 24/7 Tech. Since then he has made millions investing in startups. Blair recently stepped down as CEO of ViSalus, a marketing company, and is concentrating on his venture capital firm HashtagOne.

IN HIS MEMOIR ...

... *Nothing to Lose, Everything to Gain*, Blair ascribes his success as a businessman to the survival instincts honed during his scrappy adolescence. His "philosophies from the jail cell" include the idea that in business "if you give people the impression that you can be taken, you will be." He also stresses that adaptation is key – staying abreast of market trends, "changing your game plan as the technology shifts" and fine-tuning corporate strategy in line with a company's competitive advantages.



BREAKING THE RULES

"HERE'S TO THE CRAZY ONES..."

The misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently. They're not fond of rules. And they have no respect for the status quo. You can quote them, disagree with them, glorify or vilify them. About the only thing you can't do is ignore them. Because they change things. They push the human race forward. And while some may see them as the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do."

Those were the famous words that Apple used for its Think Different campaign alongside pictures of everyone from Picasso to Maria Callas and John Lennon. As our homage in celebrating the crazies we have come up with a few surprising rebels who have made us think differently. Be inspired – and spread the word.



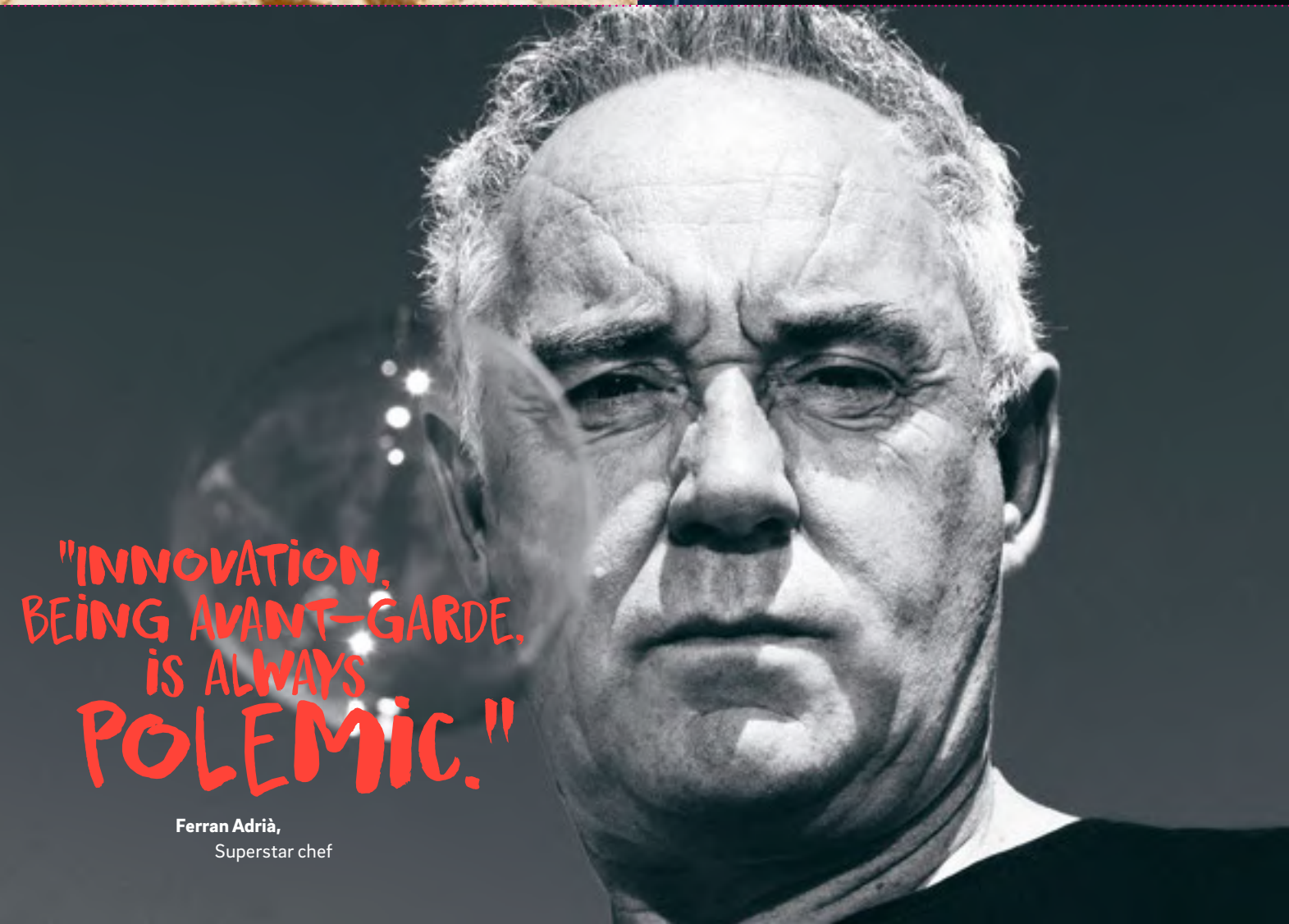
"I DON'T
KNOW IF I'M
BRAVE."

Sacha Baron Cohen,
Actor and satirist



"THE JIG IS UP:
I'M NOT A NICE LADY!"

Michelle Wolf, Comedian



"INNOVATION,
BEING AVANT-GARDE,
IS ALWAYS
POLEMIC."

Ferran Adrià,
Superstar chef

BANKSY,
WE
WOULD HAVE
LOVED
TO HAVE
YOU HERE!

Sincerely,
Team Think:Act



"WHEN I SEE
THREE ORANGES,
I JUGGLE,
WHEN I SEE
TWO TOWERS,
I WALK!"
Philippe Petit,
High-wire artist

"HIDDEN
POWER
CAN BE FOUND
IN THE MOST
UNASSUMING PLACES."

Magda Sayeg,
Mother of yarn bombing



BREAKING THE RULES

Sacha Baron Cohen is famously reticent when not in costume as one of his many characters, but the British comedian uses a unique brand of satire to take stabs at prejudice and hypocrisy.
PHOTO: PICTURE ALLIANCE/EVERETT COLLECTION

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BREAKING THE RULES

Michelle Wolf went from American late-night TV contributor to international fame with her politically incorrect performance as host of the 2018 White House Correspondents' Dinner.
PHOTO: PETER KRÄMER/NBC/NBCU PHOTO BANK/GETTY IMAGES

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BREAKING THE RULES

Ferran Adrià is hailed as one of the best chefs in the world. The Catalanian master and former head of Michelin three-star restaurant elBulli is often associated with molecular cuisine, but he'd rather call his craft "deconstructivist" or "avant-garde."

PHOTO: JOËL SAGET / AFP / GETTY IMAGES

OUR RULEBREAKERS



BANKSY

With his secret identity, Banksy is the superhero of street art. His work ranges from graffiti to guerrilla pranks on the art world – like this piece auctioned in London. After its sale for \$1.3 million, it self-shredded in a machine the English artist concealed in the frame. Sadly for us, Banksy didn't want his work turned into a postcard.



MICHELLE WOLF

After working as a contributor on American late-night TV, Wolf gained international attention for her politically incorrect performance as host of the 2018 White House Correspondents' Dinner.



FERRAN ADRIÀ

Hailed as one of the best chefs in the world, the Catalan master and former head of Michelin three-star restaurant elBulli is often associated with molecular cuisine. Himself, he'd much rather call it "deconstructivist" or "avant-garde."



SACHA BARON COHEN

Famously reticent when not in costume as one of his many characters (e.g. Borat and Ali G), the British comedian's unique brand of satire takes stabs at prejudice and hypocrisy.

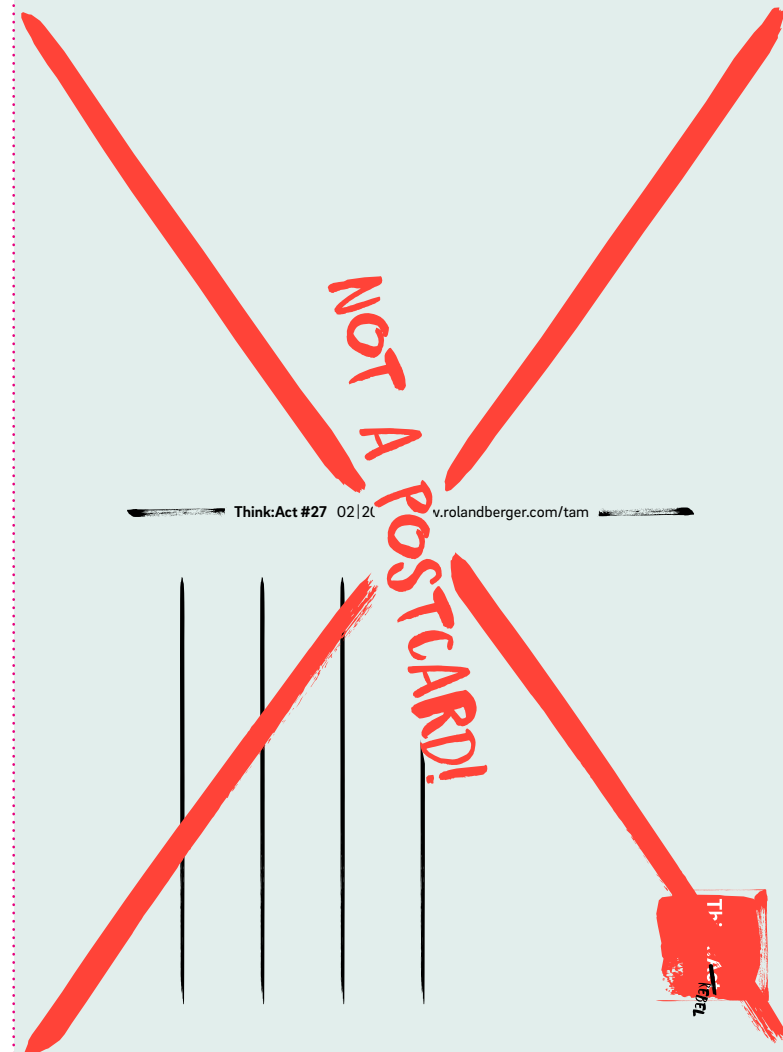
PHILIPPE PETIT

On Aug. 7, 1974, the French aerialist staged the "artistic crime of the century" when he walked a wire for 45 minutes at a height of 417 meters between the Twin Towers in New York City. The unauthorized stunt took six years of planning.



MAGDA SAYEG

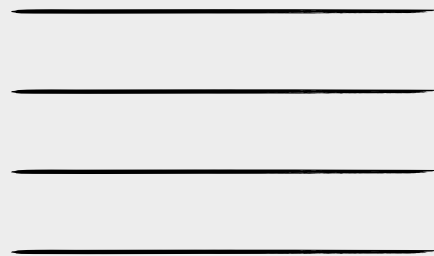
It all started by wrapping some colorful knitted textiles around a few stop sign poles near her home. Sayeg is now called the mother of "yarn bombing" – or Guerrilla Knitting – a movement producing knitted urban art around the world.



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BREAKING THE RULES

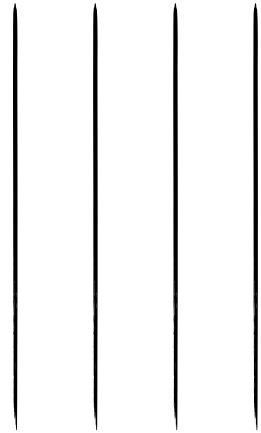
Magda Sayeg changed her whole life when she wrapped colorful knitted textiles around several stop sign poles near her home – now she's a full-time artist and known as the mother of "yarn bombing," or Guerrilla Knitting, a movement producing urban art around the world.

PHOTO: THOMAS SHAWN

BREAKING THE RULES

Phillippe Petit pulled off the "artistic crime of the century" on Aug. 7, 1974 when he staged a 45-minute unauthorized high-wire walk between the Twin Towers in New York City. PHOTO: PICTURE ALLIANCE/ASSOCIATED PRESS

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BREAKING THE RULES

PHOTOS: PEST CONTROL OFFICE; PETER KRAMER/NBC/NBCU PHOTO BANK/GETTY IMAGES; JOEL SAGET/AFP/GETTY IMAGES; PICTURE ALLIANCE/EVERETT COLLECTION; PICTURE ALLIANCE/ASSOCIATED PRESS; THOMAS SHAWN

CHANNEL THE REBELS AT WORK

If you want to maximize your potential, a little rebellion can go a long way. Fortunately, the key to unlocking your inner rebel is easier – and far less dangerous – than you may think.

BY **Francesca Gino**

ILLUSTRATIONS BY **Sasan Pix**

BREAKING THE RULES

Conformity: It's almost as if it's hardwired into us. Very early on, we learn to fit in. And as we grow up and climb the ladders of success, we learn to play the game and behave the same as others do around us. Consciously or unconsciously, organizations pressure employees, including their leaders, to check a good chunk of their real selves at the door. But the pressure to fit in has a significant negative impact on worker engagement, productivity and innovation. We need to change that. We need to rebel and we need to create rebels. To be a rebel does not mean being an outcast or troublemaker. It's what I call constructive nonconformity: behavior that deviates from organizational norms to the benefit of the organization. Effective rebels are people who break rules in ways that are positive and productive – and encouraging the right kind of rulebreaking is what today's leaders need to do to help their organizations adapt. When we rebel, we find more enjoyment in work.

For some, being rebellious is uncomfortable. But becoming more aware of our own rebel profile can help us become more comfortable with the uncomfortable. The four rebel types I



FRANCESCA GINO

A professor of business administration at Harvard Business School, Francesca Gino is also an award-winning researcher and the author of two books. Her most recent, *Rebel Talent*, was published in May 2018.

identified show how we are prone to embracing some talents more regularly than others and how we can challenge that (you can try a short version of the test on the opposite page to get an idea of which you might be).

As I explain when people take the more in-depth test, it's designed to assess a person's behavior at work and in life. Two dimensions are relevant for describing a rebel's behavior: (1) rebelling against external pressures to conform; and (2) rebelling against internal pressures to choose the comfortable and familiar over the novel and challenging.

THERE IS NO GOOD OR BAD TYPE. Each rebel type comes with advantages and disadvantages – we all stand to learn. What's important is knowing your own rebel potential. So, once we are more aware of our rebel type, we can think of talents we do not use as regularly. That's an opportunity. So, imagine you're the type that lacks on novelty. Then, you'd consider strategies that can help you – such as creating more challenging experiences for yourselves and others, whether at work or in your personal life. It's easy to get bored and fall back on routinized behavior when there is little

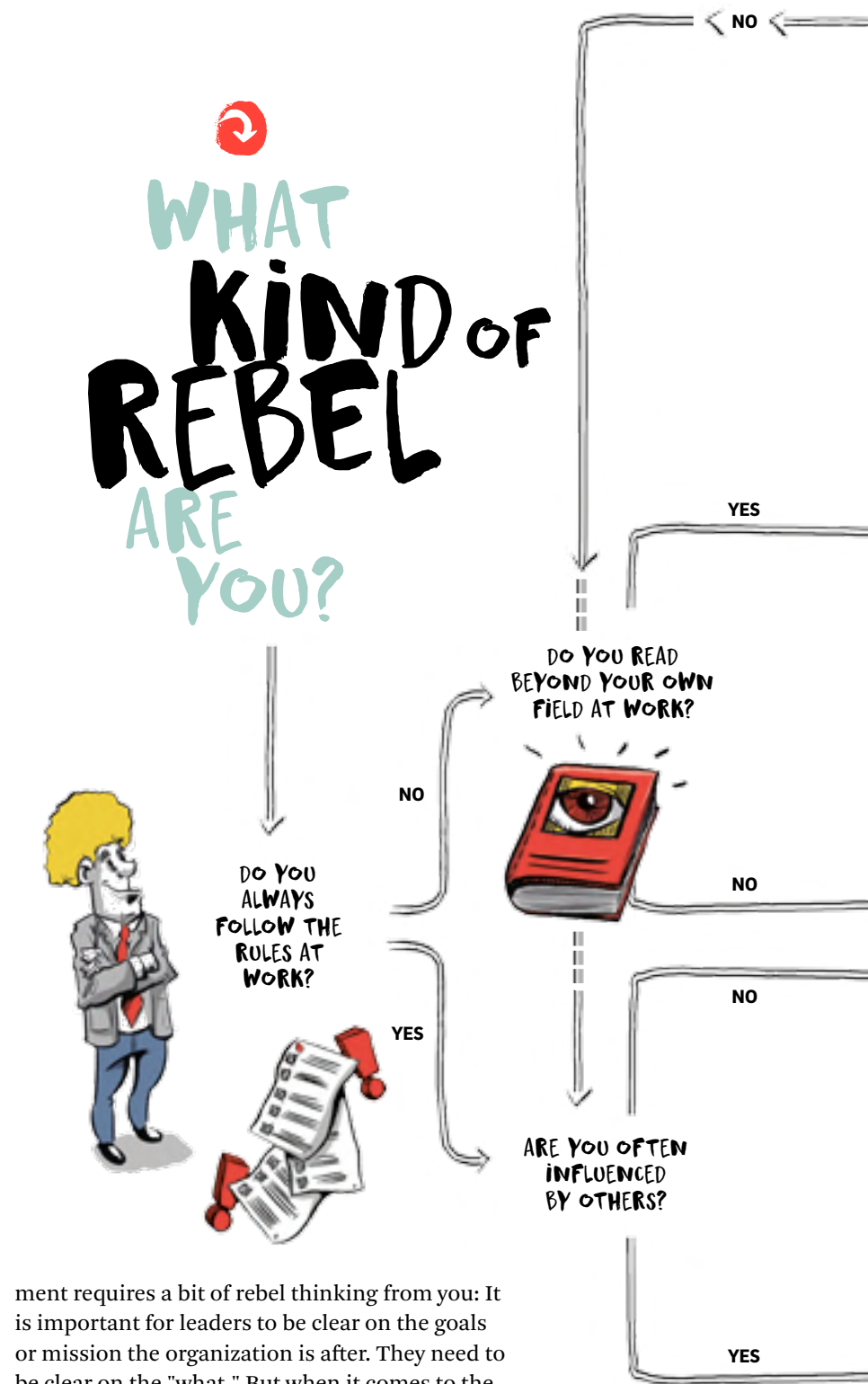
variety or challenge in one's job. When we perceive our work as boring we lack the motivation needed to perform well and creatively; challenging work enhances engagement.

Three tactics you can easily employ – and which might be rebellious for you as a manager – will have an impact on your employees and even nurture some positive rebellion in them as well. First, maximize variety: Varying the tasks that employees perform makes it less likely that they will go on autopilot and more likely that they will come up with innovative ways of improving what they are doing. Try rotating employees through tasks in a different order or find new ways to promote their career trajectories. Second, inject novelty into work: It is a powerful force. When something novel occurs at work, we pay attention and tend to better remember it later on. How to do this? Try staffing a project with a few people who feel a bit out of their comfort zone or periodically present your team with a new challenge. Third, identify opportunities for learning or growth: Giving people such experiences is an essential way to promote rebelliousness.

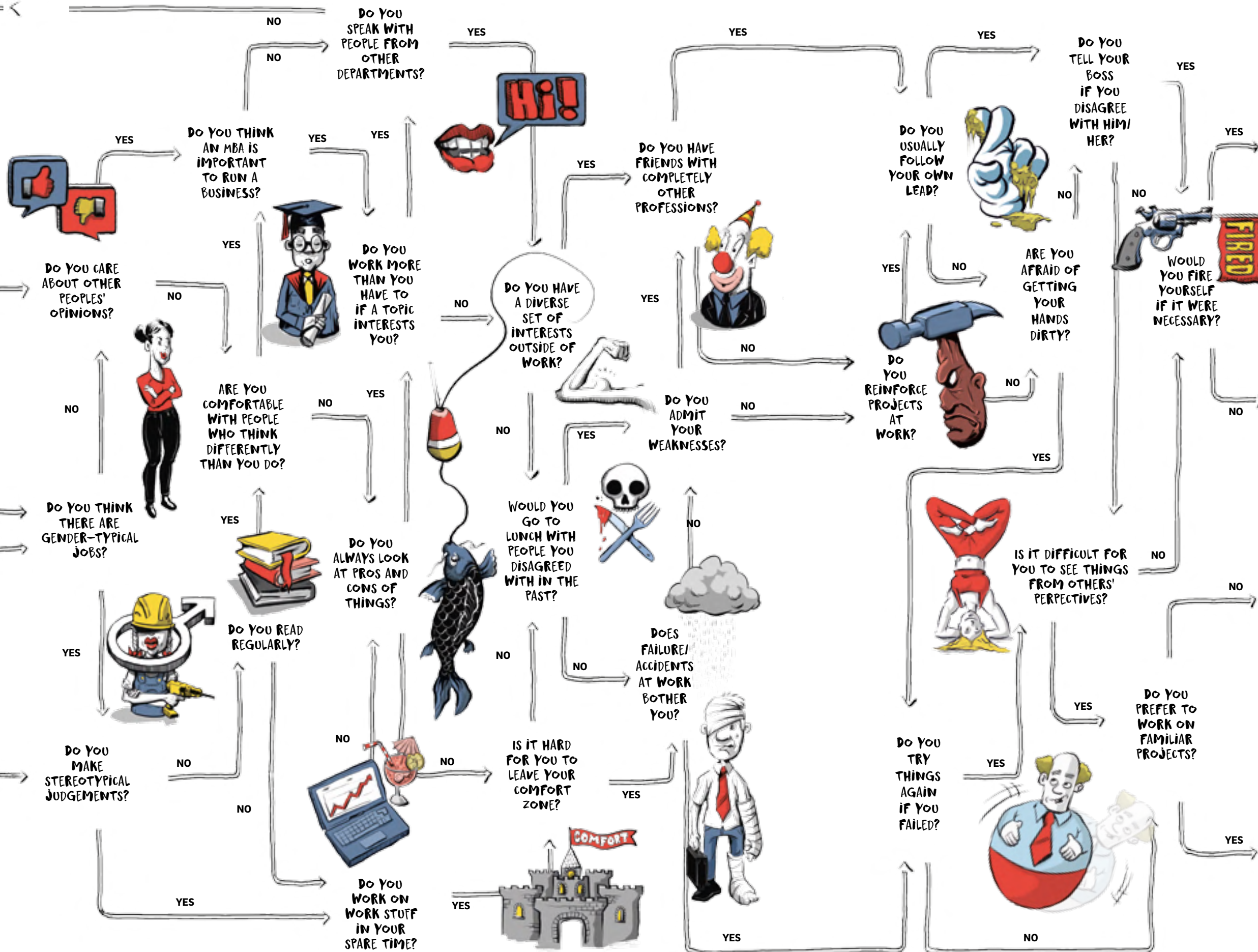
SO WHAT IF YOU GET A COMPANY OF REBELS, and then they all rebel all the time? When people ask me what the exact right percentage of rebels to have in an organization is, I simply answer 100%. The rebel talents I discuss in my book are not threatening: If used with a respectful approach, they can lead to positive change in an organization, and also in one's life. When we break rules by relying on these talents, we experience full engagement in the work we do. It is thanks to this engagement that rebels perform at higher levels in their jobs, stay innovative and reach their success.

But what about dangerous rebels, I hear you ask? The rebels on the edge who might overly disrupt things? I would give them the benefit of the doubt and try to understand the intentions that are driving their behavior. Often rebels are on the edge because of frustration. Learn from them – they may have something innovative to offer. So, bringing out the inner rebel is all about encouraging free thinking. And that encourage-

PHOTO: PR



ment requires a bit of rebel thinking from you: It is important for leaders to be clear on the goals or mission the organization is after. They need to be clear on the "what." But when it comes to the "how," they can give employees more flexibility. For instance, leaders can tell employees what job needs doing rather than how to do it. Leaders can create opportunities for employees to use their minds at work and decide how to best address problems. Free your own inner rebel and you'll be surprised at what it releases. And, with a company of new rebels, you'll be astounded at how productive rebelliousness can be. Not to mention how much fun.



THE PIRATE

You seek uncharted seas and are (mostly!) fearless. You resist pressure to follow the actions and thinking of others and you don't let bad psychological habits such as close-mindedness hold you back. You make use of all five of the rebel talents: novelty, perspective, diversity, authenticity, curiosity. Particularly curiosity.

To develop your rebel talent, consider how you might encourage others to constructively break the rules. Think of someone you know who has a lot of potential but seems reluctant to share it. Think of what you could do to help them see in themselves a strength they may be missing.



THE CLIMBER

A talent for perspective and novelty allows you to see problems from many angles and challenge your own thought patterns. You look beyond the obvious and embrace risk. You have succeeded by rebelling against the internal pressures that hold people back, surprising people with your ability to change.

To develop your rebel talent, you should work on combating external forces, such as the pressure we often feel to surround ourselves with like-minded people. Identify someone you socialize or collaborate with who is different from you or challenges you and get to know them better.



BREAKING THE RULES

THE TRAVELER

You enjoy moving freely and sharing your talents and experience. You tend to look past stereotypes and draw energy from being with all kinds of people. You have succeeded by breaking some of the external social rules that hold people back, and by inspiring others to do the same.

To develop your rebel talent, combat your own internal pressures, such as the tendency we all have to think we know all the answers. In conversations, say "yes, and...": Even if you disagree with someone, think of what you can add in order to keep the conversation going.



THE GUARD

Like a guard, you appreciate the value of order and understand that routines can help people succeed. Your respect for tradition and the feelings of others is valuable, but, like many people, you may be missing opportunities to develop as a person and to challenge others to do the same.

To develop your rebel talent, you should think of all your daily routines – what you wear, what you have for breakfast, how you get to work, etc. – and see how many of them you can disrupt, just for one day. Before bed, take a few minutes to reflect: What worked out well? And what else might you change?



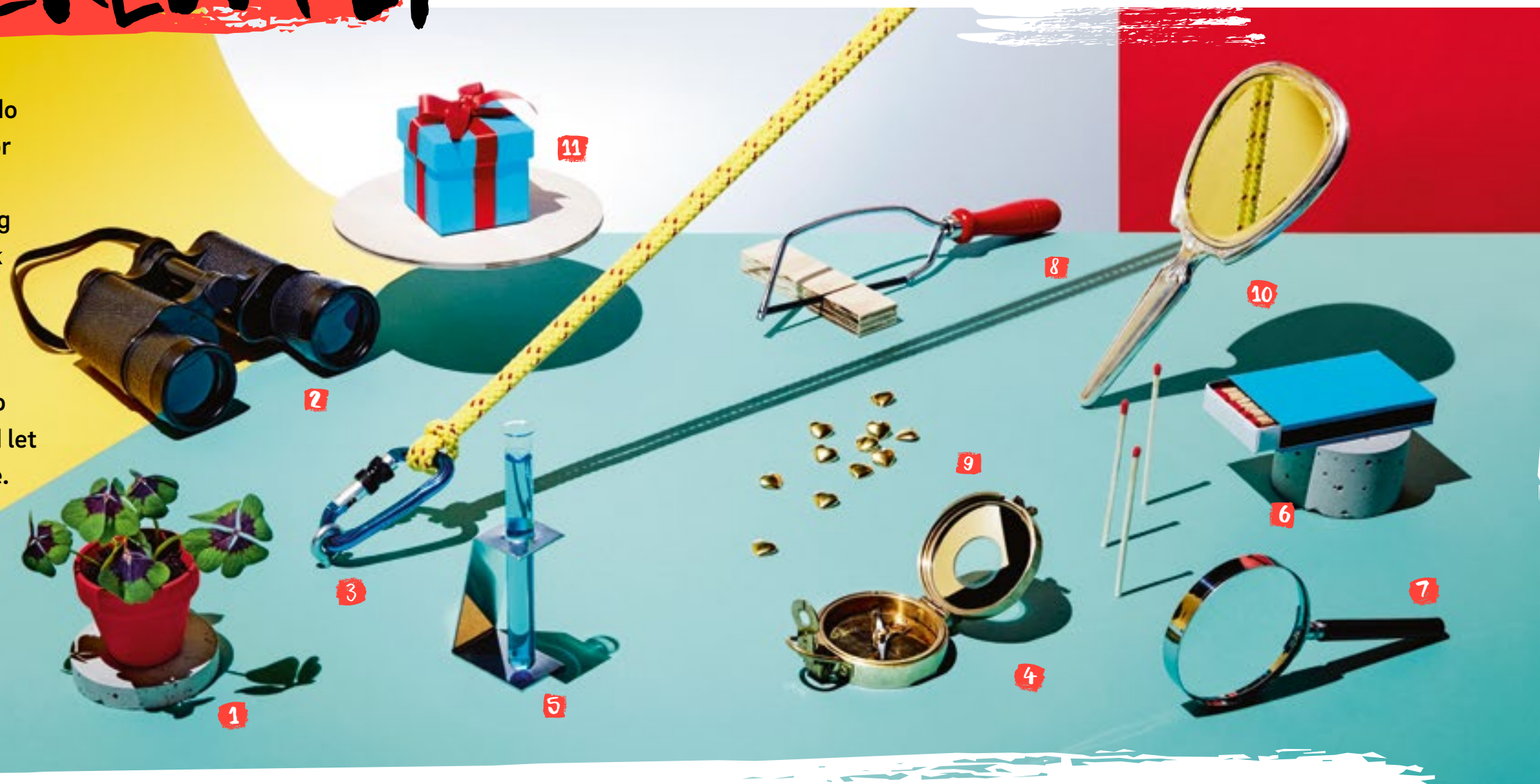
HOW TO CULTURE CREATIVITY TO THINK DIFFERENTLY

What can an organization do to maximize its potential for success? If you ask Andrea Breanna, the key is knowing when – and how – to break the rules. Here the former *Huffington Post* CTO and current RebelMouse CEO shares how she's learned to throw out the rulebook and let creativity take center stage.

BY **Andrea Breanna**

SET DESIGN BY **Eva Jauss**

PHOTO BY **Ragnar Schmuck**



1 PUT HAPPINESS FIRST

Make decisions based on your happiness and good things will follow. We are tempted to sacrifice our happiness for the good of the company, but in fact it's better for the company if we don't sacrifice our happiness. By following our happiness, we can tap into vitally important creative processes.

2 VISIT YOUR VISION — IT IS ALIVE

A rulebreaker can determine which stops on the roadmap are vital to spend time on fixing. It is often more important to sit with your core vision and its complementing priorities and values. Don't be distracted by sparkly projects that are ultimately tangents that can be handled by team members you trust. Your vision is the roadmap. Keep it alive.

3 STOP STARTING AND START FINISHING

Avoid turning your team and yourself into task monkeys at all costs. Rulebreakers are always looking forward. A hefty to-do list is not a hill to climb, but a means of transportation to arriving at the core mission. Instead of dreading to start, begin to finish and reap the benefits of hard work.

4 SIMPLE IS HARD

Keeping your mission, your product and your culture simple is the hardest thing to do – but it also is usually the most valuable thing you can do. Often this means changing everything when you have an epiphany about simplicity.

5 KNOW WHEN TO BREAK PROCESS

There will be times when you or someone on your team needs to break away to tackle an important task. Make sure you have built out a network of support for this kind of individual momentum. Even if it isn't on the roadmap, it's important to fuel passions that could lead to big payoffs. Be fluid when it feels natural.

6 NURTURE FIRE STARTERS

Find and support people on the back end of your operations who need little direction and guidance to create something amazing out of nothing. What's important with fire starters is developing a history and legacy upon which a foundation of trust can be built. Keep them close to you.

11 GRATITUDE IS THE MIRACLE MUSCLE

The saying may seem corny, but gratitude is the best attitude. Instead of constantly thinking "how much more?" begin feeling thankful for every moment of progress. It's a muscle you have to tone. Work it into your daily exercise routine. Gratitude is magically contagious and brings with it more productivity, motivation and cheer.

10 DO WHAT MAKES YOU UNIQUE

Every one of us is a unique individual, but often we feel like we have to squash our uniqueness to fit into corporate culture. This is a grave mistake. Fostering your own individuality and that of others leads to a better work environment and gives rise to groundbreaking ideas.

9 BUSINESS DECISIONS ARE PERSONAL DECISIONS

It is a mind-boggling misconception that business and personal emotions can remain separated. Make every decision with the emotional health of you and your team members in mind. There are no heroes in choices made without heart. Pursue your happiness within your daily work. It will be rewarded.

8 KEEP BONFIRES BONFIRING

The job of the bonfire manager is to decide which projects are most important and then assemble the team to execute them while maintaining the proper pace through feedback. What's key is removing the obstacles in front of fire starters and helping coordinate the process to see a project come to life.

7 TURN EMBERS INTO BONFIRES

Ember tenders are the project leads who take a fire starter's work, integrate it into the broader company process and then maintain and iterate it further so that an ember can grow into a bonfire. Their job is to streamline communication by cutting out long feedback loops.

THE BUSINESS CASE FOR WHISTLEBLOWERS

Speaking out can be terrifying. It can also save an organization – which is why a growing number of companies are now taking lessons from those who've put their own reputations on the line.

BY **Ben Knight**

Wendy Addison's professional life was going well in 2001. She was the international treasurer at a major South African gym operator, LeisureNet – a job that she loved and that had seen her rise to the company's board. A year later, she found herself sitting on a cardboard box outside the railway station in Kingston-upon-Thames in London, 10,000 kilometers from home, begging for money while her son was waiting in a squatted house.

The downfall came after she reported that two senior LeisureNet executives were committing major fraud. She was sacked and moved to the UK only to find that her actions had left her virtually blacklisted from the whole profession of accountancy. It took 11 years of legal struggle for the two executives to be jailed – a period that Addison mostly spent in poverty and isolation while LeisureNet was liquidated as part of an ugly episode often called "South Africa's Enron." As with many whistleblowers, the destitution was mental as well as financial. She recalls the moment

when she realized that colleagues who had also known about the fraud failed to support her: "Psychologists call this a 'social death,'" Addison says now. A doctor in the US put it in more melodramatic words: "You know, Wendy," he told her, "people like you are destined to wander in the desert alone until you die." Looking back, she remembers: "That was an awful thing to say, but it was so powerful because I knew what he was talking about."

A lot has changed since that disturbing doctor's visit. Whistleblowers like Edward Snowden, Chelsea Manning and Christopher Wylie have changed the public attitude about reporting abuses of power and subtle but fundamental shifts are now happening in the business world. Part of this is down to legal prodding. Several European countries have followed the lead taken by the United States in 1989 and introduced their own whistleblower protection laws, including France in 2016. That same year, the UK's Financial Conduct Authority (FCA) issued new whistleblowing guidelines and created a central →

WENDY ADDISON

After exposing the scandal that became known as "South Africa's Enron," Wendy Addison received anonymous death threats that prompted her move to the UK. Finding herself virtually blacklisted in her field, she eventually founded SpeakOut SpeakUp to advocate for what she calls "courageous conversations."

"PSYCHOLOGISTS CALL THIS A 'SOCIAL DEATH!'"

HOW BLOWING THE WHISTLE CAN IMPACT YOUR LIFE

SHAHMIR SANMI

blew the whistle on Vote Leave's Brexit campaign after discovering spending irregularities. The UK's Electoral Commission found Vote Leave guilty, but Sanni's actions have come at significant personal cost. Here's his story:



"There's a plethora of obstacles that make whistleblowing a significantly traumatic experience. My own journey was a significant blow financially, professionally, politically and socially. My revelations not only got me fired from my workplace – which was not the organization I was whistleblowing – but also outed as a means to silence me.

There's no way to prepare because each situation is unique. Your gender, race, social class or disability all can play a role in how the public perceives you and how you might be character assassinated. The media is either your best friend or your worst enemy. They make or break your story. The most traumatic experience I found was being silenced. A lack of coverage can be the worst blow. It makes you more vulnerable to the organization you are whistleblowing – and their supporters.

Therapy helps tackle the trauma but many whistleblowers spend years dealing

with the severity of their experience. So my advice to future whistleblowers would be to ensure they have a solid group of friends and family members to fall back on. To ensure that the journalists they speak to are genuine and to always have their mind focused on the goal, never on the attention.

My depression and anxiety was triggered by whistleblowing. I found it difficult to adjust to the onslaught of attacks on my integrity, race, religion, sexuality and beliefs from all sides of the spectrum. But if you believe in the end goal of justice and retribution then, at least for me, it's a risk worth taking."

PHOTO: ANTONIO OLMOS / THE OBSERVER / E/REDUX / LAIF

reporting hotline. Indeed, the European Commission itself finally gave human rights lawyers a reason to celebrate in 2018 by proposing EU-wide standards to protect whistleblowers from reprisals. And other measures have become more sophisticated. The FCA has also mandated that every financial institution with over \$325 million in assets must appoint a senior manager as "whistleblowers' champion."

A SMALL INDUSTRY HAS EMERGED that offers the many companies now starting to go beyond their legal requirements ways to create anonymous reporting channels and administer cases. Karin Henriksson is a founding partner at one such firm, Stockholm-based WhistleB, which offers "whistleblowing plans" from a buffet of options ranging from a standard anonymous reporting system to case management and expert support services. When WhistleB was founded in 2011, companies would often ask whether all this was really necessary. "We never get that question anymore," Henriksson says. She thinks companies are waking up to the advantages of whistleblower services. Her customer studies show that nearly half of the reports relate to financial crimes – fraud, theft, bribery and corruption – and the Association of Certified Fraud Examiners (ACFE) has found that 40% of all fraud-related cases are first reported by whistleblowers. "The problem with internal audits is that you cannot really detect things like that," says Henriksson.

For Marianna Fotaki, professor of business ethics at Warwick Business School in the UK, there is no alternative. "You need to have measures within an organization to encourage people who have witnessed wrongdoing to come forward," she says. For those reasons, anonymous channels like those that WhistleB installs can be very useful, she says, as long as they are internal but still independent – and transparent. "Ideally, the person being reported to should be outside the management structure," she says. "And the channel should be easy to use and people in the company should know what happens to the disclosure, and what happens to the person who discloses."

The issues surrounding whistleblowing, however, go much deeper than this – they reach, if you want to go that far, to fundamental questions about human psychology and social structure. Whistleblowing violates a human instinct for group loyalty, one reason why whistleblowers are often abandoned by their co-workers and suffer reprisals from their superiors. "There is a need for a bigger societal shift to understand that whistleblowers should be able to speak up without being either lionized or undermined," says Fotaki. The ultimate aim is to create a culture in which

whistleblowing, and the sophisticated measures being put in place to enable it, are no longer necessary at all.

This new awareness is one of the reasons why Addison did not end up dying in a desert. Instead she now runs a company in the UK, SpeakOut SpeakUp, which advises firms that want to provide better conditions for whistleblowers – or rather, conditions in which whistleblowing is not necessary in the first place, something she calls having "courageous conversations." It was hard work. "It took years and years to even get companies to speak to me," she says. "The fact that I'm getting a foot in the door, as a whistleblower, signals to me that companies are starting to engage. Even two years ago, she remembers, "they would actually say, 'why would I want Edward Snowden in my organization?' It's been a really hard battle to convince them that I have practical, objective intentions." Addison supports whistleblowers too, either with practical advice or psychological counseling. There are bewildering layers of legal conundrums to resolve: What law, for instance, applies to a British citizen working in Singapore for a company that is listed on the New York Stock Exchange?

THEN THERE ARE THE MORAL DILEMMAS and the stress involved with being a whistleblower, which is still very real. "What I'm seeing is something I call 'pretaliation,'" says Addison. "Where they'll have a report, maybe from a hotline or innocuously through a conversation, and then the organization attempts to shut that down before the regulators get wind of it – and the way they do that is provide some kind of settlement with the employee – and part of that is non-disclosure." That leaves the whistleblower with an awful question to answer. "Do they take the payment, leave the company and just let the wrongdoing go on? It's a heavy choice to make, especially when life has already become unbearable."

The crucial challenge remains the same: creating a new culture of trust and transparency. Whistleblower support services are of no use if employees don't trust them or don't know about them. "This is not like a clock that needs fixing or a box that needs ticking," says Addison. "You're asking people to do something really, really difficult. It's not easy even to approach a hotline. A hotline seems very ambiguous and gray: Is it really encrypted? Does my boss really not get to see the report? Will I really remain anonymous? Am I able to use my office computer?"

Equally important is training employers to listen to reports of wrongdoing. As Addison describes it, that can be a deep psychological challenge. "It's very difficult to listen to bad news, especially when →

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Wendy Addison,
Founder and CEO of
SpeakOut SpeakUp



you've got skin in the game and emotions enter the room," she says. There is also something she calls "optimism bias" – the fact that many managers are convinced, based on internal surveys, that their employees would report wrongdoing if they found it. "Most of us believe that we're good moral people, but we know from whistleblower stats that under 50% of people actually do report," says Addison.

MORALITY IS ONLY PART OF IT – it's also simply a matter of responsibility. "Whistleblowers should not be seen as heroes or martyrs," says Fotaki. "That's good for the movies, but the mundane reality is quite different: These are just people trying to do their job." The recent #MeToo movement has also helped change attitudes to whistleblowing. WhistleB reported in June 2018 that the number of reports from its customers increased fivefold between the fourth quarters of 2016 and 2017, a spike which Henriksson puts down to a new attitude to reporting abuse of power. In sensitive matters like this, companies often have to enter into a dialogue with the whistleblowers to draw out all the information – which is where anonymity can be really useful. "Sometimes, like with child labor, these are also issues where people are a bit ashamed that they know about it," Henriksson says.

Anna Romberg, an ethics and compliance officer at Cargotec, a Finnish cargo handling solutions and services company, is one of WhistleB's clients. She has also noticed that some issues are still best addressed

by providing an anonymous reporting line. "The tool has been instrumental, especially when it comes to very sensitive matters, such as discrimination and harassment," says Romberg. In her career at Cargotec and elsewhere, she has been involved in cases where fraud schemes have been revealed by whistleblowers. But Romberg is keen to emphasize that "the cases that lead to the most tangible benefits for the company, cases with great financial implications, are usually cases where an employee speaks up and makes contact directly with my team. The anonymous cases may be more challenging to investigate, especially if the person with information about the case is hesitant to meet and provide more information."

THERE ARE BENEFITS TO ANONYMITY, however. "The whistleblower system, in its structure, is very democratic," says Henriksson. "You can be a worker in a factory in Bangladesh and you can be the CFO at the headquarters in Frankfurt and you have the same rights to use this channel if you feel there is a deviation either to your own ethical code or that of your company." It has taken a while for this to sink in. In one company WhistleB provided its services to, middle management levels were very hesitant about introducing a new whistleblowing service, Henriksson recalls. "But then when we had implemented it and everyone had understood what it was all about, it was something that people were extremely proud of," she says. "Some of the companies are actually treating the whistleblowers internally as heroes now." On average, WhistleB's tools are used once a year per 400 employees, which the company considers a relatively healthy rate. "If you detect wrongdoing at an early stage, you strengthen your brand and you can work preventively. And if you have a whistleblowing system, you can avoid the wrongdoing in the first place," she said.

Should attitudes change too much, of course, the opposite problem could arise: that companies are actively encouraging people to report wrongdoing openly. "That would be a problem, but a very positive one," says Henriksson, smiling. "That would actually be the ultimate goal, wouldn't it? Then I would have to do something else." Addison is also optimistic that the narrative is changing in business. "There are still stories like mine," she says. "By the time whistleblowers approach me, they're already in the quagmire – I get whistleblowers from all over the world connecting with me who are living in their cars, who are separated from their families because of jurisdiction laws, and they're having a pretty miserable time of it. But I also see corporations starting to handle what they perceive to be very hot potatoes."

PHOTO: RICHARD AWBERY

"LIFE SHOULD BE
LIVED ON THE EDGE.
YOU HAVE TO EXERCISE
REBELLION:
TO REFUSE
TO TAPE YOURSELF TO RULES,
TO REFUSE
YOUR OWN SUCCESS,
TO REFUSE
TO REPEAT YOURSELF,
TO SEE EVERY DAY,
EVERY YEAR, EVERY IDEA
AS A TRUE CHALLENGE
– AND THEN YOU ARE GOING
TO LIVE YOUR LIFE ON A
TIGHTROPE."

PHILIPPE PETIT

French aerialist and high-wire artist
→ read the full story on page 42

Wide angle



Read on for diverse insights into the wider world of business and ideas.

The changing geography of innovation

The small area on the US west coast where some of the first tech startups clustered has since become synonymous with digital innovation. But in today's new high-tech world, the factors that drove Silicon Valley's success no longer apply.

BY **Shila Meyer-Behjat**

PHOTOS: KEVORK DJANSEZIAN / GETTY IMAGES; STUART C. WILSON / GETTY IMAGES



1976: Apple

Steve Jobs and Steve Wozniak created the first Apple computer in the garage of Jobs' childhood home in Los Altos, California (left) in 1976.

Back then, they could only dream of the technology that would lead to the iPod, iPhone and iPad – let alone an international tech empire with stores and product launches around the world (top).

BACK IN THE DAY when the tech industry was just starting out, the area now known as Silicon Valley could have died before it got going. It had a rival: the tech cluster around Boston known as Route 128. The competition was legendary with each region wanting to be at the forefront. Yet while it was in Boston that venture capital as we know it today was created, it was in the Bay Area in California where innovation and so-called disruption truly happened. By the late 1980s, the Valley had outstripped its east coast, urban competitor and in 1994 a much-acclaimed study offered the first – and still most valuable – explanation: “The roots of the difference lie in the emergence of a decentralized, *network* system of technological and industrial organization in Silicon Valley that encourages innovation, collaboration and collective learning,” as leading urbanist Richard Florida

Route 128

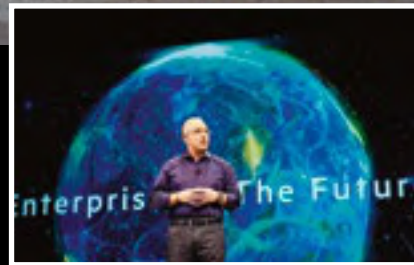
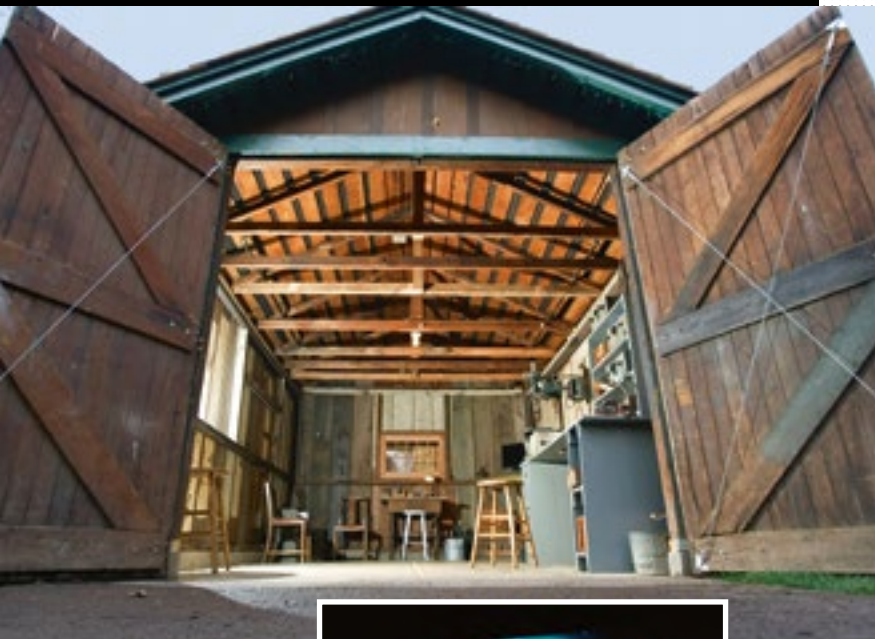
Referred to by *Businessweek* as the “Magic Semicircle” back in 1955, the 93-kilometer road outside Boston, Massachusetts was home to the first tech cluster in the US.

summed up AnnaLee Saxenian of University of California, Berkeley’s now-famous analysis in a review published that same year.

While Route 128 was dominated by large, hierarchical companies that valued loyalty and strongly discouraged employees to leave or start out on their own, no one frowned upon those who left one corporation to start one on their own in Silicon Valley. In fact, a new generation of startups like Cypress Semiconductors, Sun Microsystems or Cirrus Logic were flexible and diversified enough that they could almost seamlessly react to the demands of a fast-moving market. Both regions had universities with leading research and training programs in engineering. But compared with Boston’s MIT and Harvard, the Bay Area’s Stanford and UC-Berkeley universities encouraged local firms to participate more in their activities. Hewlett-Packard also helped to set the tone in Silicon Valley by welcoming and even helping startups, while its 128 counterpart, DEC, was largely closed to the regional economy.

THE REST IS HISTORY. Over decades, a stretch of land just a 30-minute drive from San Francisco’s rolling hills became the single reference for tech innovation and the home to three of the world’s largest companies with a combined value of \$2.5 trillion: Apple, Alphabet and Facebook. Saxenian’s study *Regional Advantage*, which came out as a book in 1996, has since become a classic and a standard reference for the requirements of a successful startup ecosystem for it offered not only the analysis, but it also predicted the Valley’s dominance over any other region in the US (or the world for that matter). In 2018 however, it may need a new afterword – or at least a little rewriting.

A real-life problem of Silicon Valley today was put in a rhetorical question by an investment fund manager in a recent article in *The Economist*: “How are you supposed to have a startup in a garage if the garage costs millions of dollars?” The success of the world-famous tech cluster has led to the third-highest per capita income in the world – but also the highest costs of living in the US. At the same time, technology and digitization have led to an unforeseen surge in tech entrepreneurship around the world. First, there was what people in the Valley called “the rise of the others”: cities and regions in the US starting to build tech hubs, regional governments luring entrepreneurs with benefits in taxes and overall lower costs and local universities sharply heading towards →



**1939:
Hewlett-
Packard**

Widely regarded as the "birthplace of Silicon Valley," the Palo Alto, California garage (top) that Bill Hewlett and Dave Packard used for the development and manufacturing of their company's early products is now listed on the US National Register of Historic Places. The company is still going strong 80 years later and continues its innovation leadership through initiatives with President and CEO Antonio Neri, including the HPE Discover Summit held in Las Vegas in June 2018 (bottom).

fostering entrepreneurship and excellence in tech. One need only look at Microsoft in the Seattle suburbs; Austin, Texas; North Carolina's Research Triangle; and New York City, among others.

But the race today has gone global. "As late as the mid-1990s, nearly all global venture capital investments went to US companies," says Richard Florida. "Well, things have changed significantly in recent years. During the second half of the 1990s and throughout the 2000s, venture capital slowly began to flow into locations outside the US. The last five years have seen a dramatic rise in startup and venture capital activity in locations in Europe, Asia and elsewhere."

A RAPID TRANSFORMATION is taking place in all parts of the world leading to the world's high-tech entrepreneurs being able to stay in their home city or nation and raise venture capital. This is also the result of the Valley's technologies, says Harvard Law School Distinguished Fellow Vivek Wadhwa, who also serves as a professor at Carnegie Mellon College of Engineering: "I don't see Silicon Valley becoming less innovative but I do see the rest of the world learning from it and becoming fiercely competitive ... The only real advantage that the Valley has are its networks, diversity, culture of openness and risk-taking and the mentorship its entrepreneurs provide to each other. But this is what the rest of the world is learning."

Some startup ecosystems are focused on feeding the national market, as is commonly seen in China or India. Others, due to the small size of their region, reach out globally from day one, such as the majority of startups in Tel Aviv or Stockholm. "Of course there is a set of factors that we know today that explain success and failure in startup ecosystems. Access to talent and capital, a significant target market, a tech infrastructure among others. But the mix is highly individual," says Thomas Funke of Frankfurt's Goethe University. "Not only are developments superfast in technology, they are also superfast when it comes to determining the conditions for innovation."



"The last five years have seen a dramatic rise in startup and venture capital activity in locations in Europe, Asia and elsewhere."

Richard Florida, Innovation expert and urbanist

Rebecca Fannin, the head of Silicon Dragon Ventures, a news group covering the world's leading startup hubs outside the Bay Area, explains: "All you have to do is turn to the 12 largest internet financings in 2017. A

remarkable 10 are in Asia." And other regions are also catching up: According to Nazar Yasin, the founder of Rise Capital, two of the top ten net IPOs are headquartered in Latin America. It seems likely that more cities and regions will follow. "In 2002, I predicted the shift from suburban 'Nerdistan' like Silicon Valley back to cities. Now San Francisco and New York have overtaken Silicon Valley proper for venture investment in high-tech," says Richard Florida. His recent CityLab Report showcased the rise of a number of clusters globally that attract investors and entrepreneurs alike. By 2018, those capital-attracting metropolitan areas amounted to 300, spanning over 60 countries.

So, how could AnnaLee Saxenian's legendary study be amended to today's realities? "I believe the same factors are still at play: the culture, the diversity, the entrepreneurial community," says Vivek Wadhwa. "But while openness and collaboration between startups in the Valley were part of the reason for its success back then, founders and their startups need to be globally connected today. This is crucial. But it has become a lot easier because of the internet and its services. The world is becoming a connected community."

**10
out of
12**

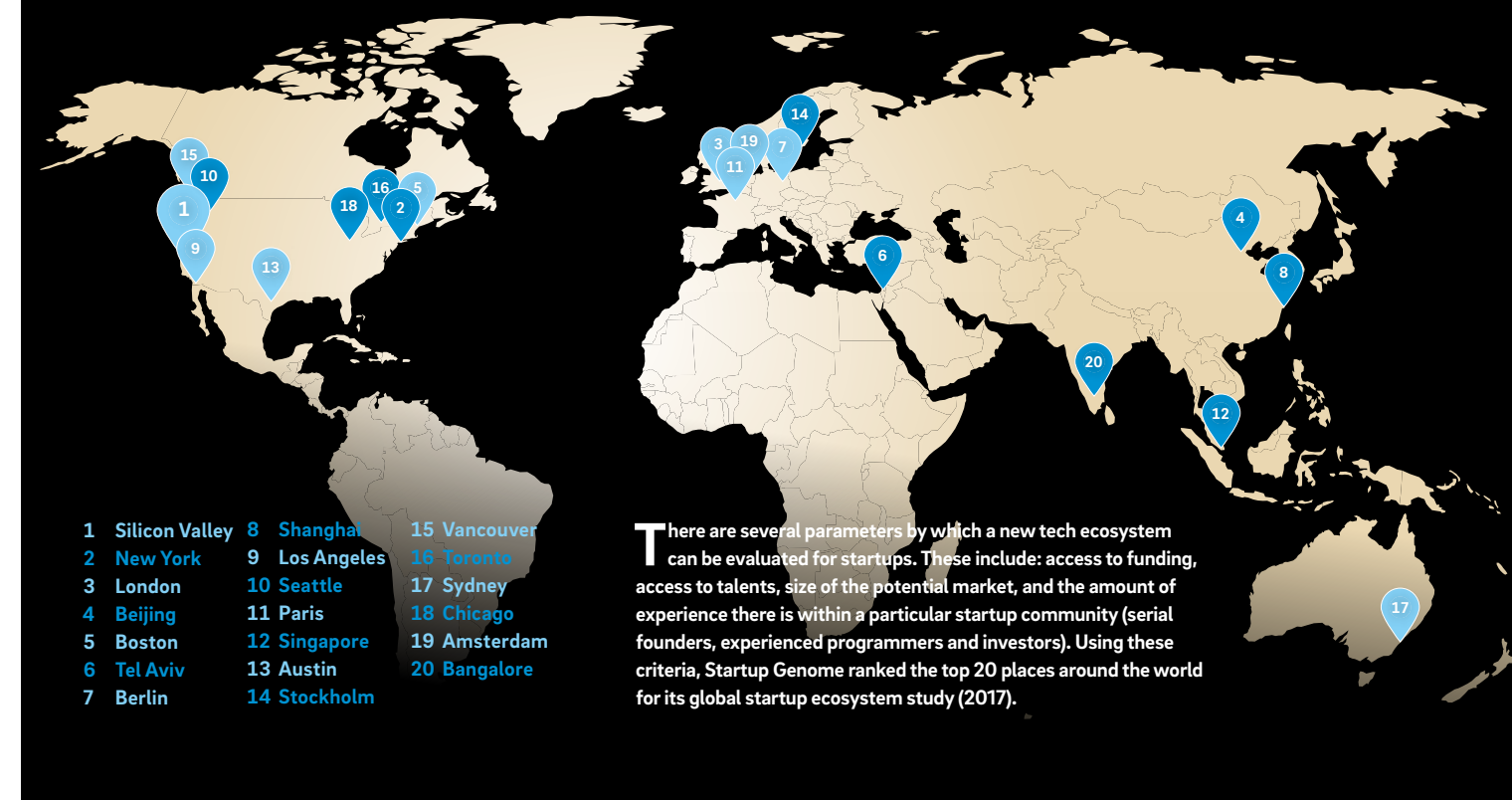
of 2017's largest internet financings were in Asia, including Meituan, Toutiao, Ofo and Koubei in China. The two remaining from the US were Uber and Airbnb.

CREATING AN ENVIRONMENT for innovation and entrepreneurship is seen as one of the most vital ingredients. "To be a great startup ecosystem you need to be a great city and invest in the fabulous four: technology, talent, tolerance and town, which means quality of place," says Florida. "Yes, Chinese cities can deploy big wads of cash. But I think the future is in places like London and Berlin and Toronto and Paris and Stockholm and Amsterdam and Sydney – and yes, New York and San Francisco." And it might also be that things will take a completely different route altogether: "Maybe we should not ask which ecosystem will be first next. But who will solve the biggest problem next," thinks Thomas Funke.

Could this all mean that the legendary Silicon Valley might become a location of archaeological interest for has-been startups? Maybe not yet. But in Palo Alto, the garage where Hewlett-Packard, the company that invented the first computer, was founded in 1939 serves as a private museum: a monument to the Valley's history of innovation. And now its supremacy as the place to innovate is up for grabs – a stark reminder that innovation and innovators always keep moving. Literally. ■

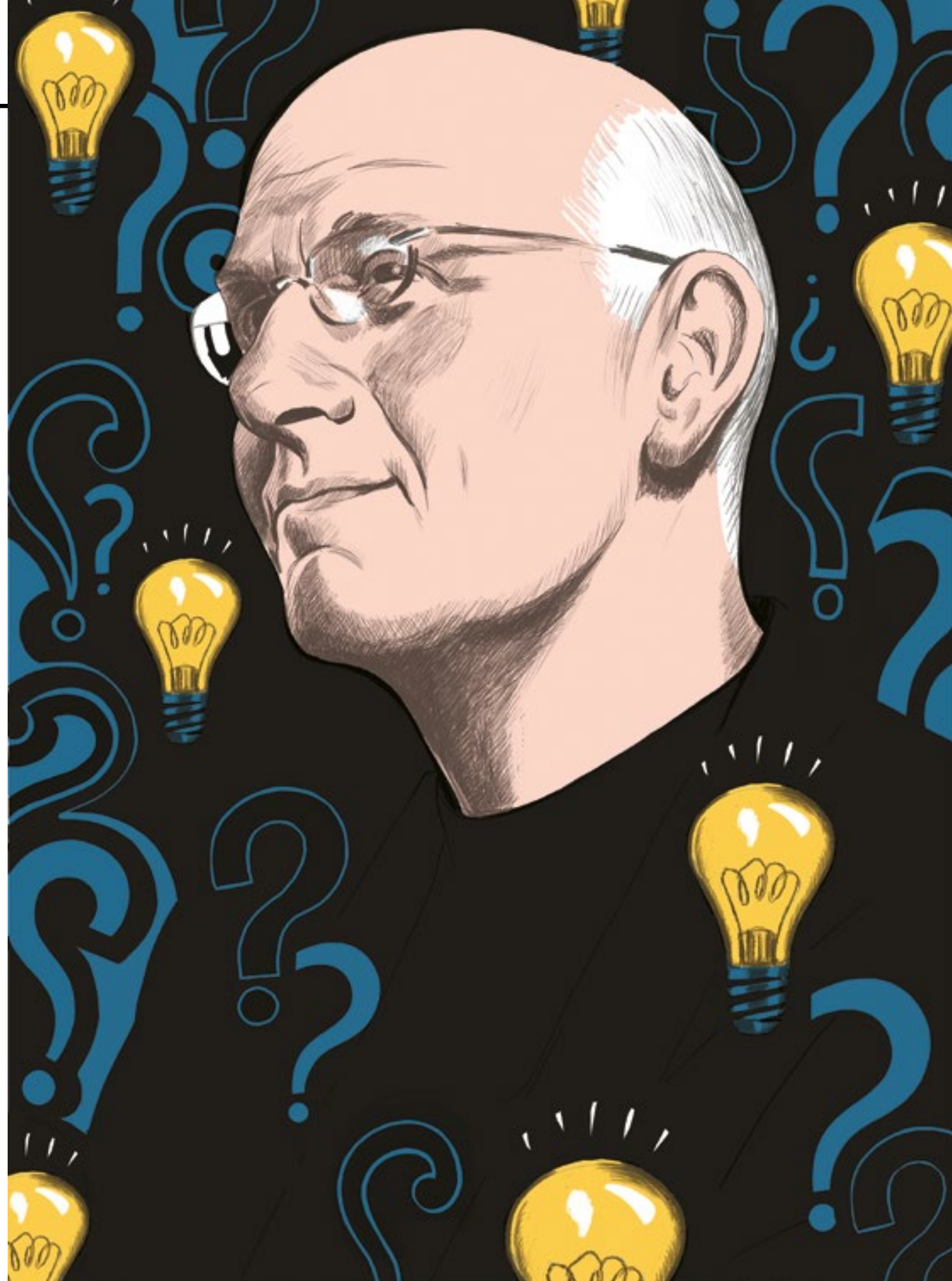


The tech top 20: the best places for innovation around the world



There are several parameters by which a new tech ecosystem can be evaluated for startups. These include: access to funding, access to talents, size of the potential market, and the amount of experience there is within a particular startup community (serial founders, experienced programmers and investors). Using these criteria, Startup Genome ranked the top 20 places around the world for its global startup ecosystem study (2017).

PHOTOS: DAVID PAUL MORRIS / GETTY IMAGES; BRIDGET BENNETT / BLOOMBERG VIA GETTY IMAGES; ZANETTI PHOTOGRAPHY



Hal Gregersen

An MIT professor and the executive director of the MIT Leadership Center, Hal Gregersen has co-authored 10 books including *The Innovator's DNA* with Clayton Christensen and Jeff Dyer. He was the 2017 recipient of the Thinkers50 Leadership Award.



Why questions matter

*When we talk of innovation our first instinct is to start looking for out-of-the-box ideas and solutions. That might be the wrong starting point, argues innovation and leadership guru **HAL GREGERSEN**. Begin with the questions instead.*

BY **Neelima Mahajan**

ILLUSTRATIONS BY **Jeanne Detallante**

HOW IS IT THAT ONE creates an organization that's truly innovative? How do you make sure that innovation occurs, not in occasional bursts, but consistently? Hal Gregersen, a professor at MIT's Sloan School of Management, thinks that in our search for innovation, the biggest mistake we make is to start by looking for answers, the dazzling, out-of-the-box solutions that no one could ever imagine. He believes we must step back and examine the questions that launch these innovation quests: Are they the right questions? Or are there better questions to ask? By asking better questions, we can come up with a better problem to solve

and a better solution. As kids, we have this ability to ask questions, but over time our institutions and societal conditioning snuff it out. In this interview, Gregersen, who just wrote a book titled *Questions Are the Answer*, talks of ways to bring back our curious instincts.

What has made you focus on questions instead of answers?

I studied leadership for 30 years and the consistent theme across all these exceptional leaders was that they were asking what I would call a catalytic question. These leaders knew that the answers matter, but they also grasped that getting the question right was the fastest way to get the answer right. →



How can leaders hone and improve their questioning skills?

I've asked this question to thousands of leaders over the last couple of years: "Does asking questions matter?" And everybody nods their heads, of course it does. But then I ask, "How do you formulate the better or catalytic question?" Then I invite them to tell the person next to them. And 98% of the time, people are stumped: They know asking questions matters, but they don't know how to teach anybody else to do it.

Michael Sippey, vice president of product at Medium, put it quite simply: "Put yourself in situations that cause you to ask straight questions." What settings and what people might I put myself in front of, or in the middle of, that would force me to be a little bit wrong about something? And if I'm a bit wrong, it might be uncomfortable and the situation might even force me to be reflective, to ultimately reframe the way I'm looking at a situation. As a result, a new question emerges that gets me closer to a better answer. That's the process. And it's a bit counterintuitive for most leaders who are answer-driven to step back and think: "How might I feel wrong enough, uncomfortable enough and quiet enough for the right question to surface to open up a completely new answer I haven't considered?"

How do you establish an environment that's conducive to questioning?

There is a method called the question burst. It's inviting a group of people to collectively set aside some dedicated time to ask nothing but questions about an opportunity or challenge you really care about. The rules that must be followed for it to work are that for a certain period of time, say four minutes, only ask questions about the challenge, no answers, no explanations as to why

"Most systems are outright toxic when it comes to asking catalytic questions or wanting to challenge the status quo."

you're asking the question. If a person or group does that for four minutes, they'll get about 20 questions.

Doing a question burst with a small group of people is a starting point. It signals to other people: "I am vulnerable. I don't know everything, but I'm deeply committed to getting to the roots of this opportunity or challenge." Oddly, that simple exercise also can be incredibly threatening, in an environment where we're not used to challenging the status quo or we're not used to seeking the truth. It actually starts opening up a more frank, trust-based conversation than they would otherwise have.

For an organization that's in a state of business as usual, how important is it to revisit questions over time, and without getting blinded by obvious answers?

Leaders have data actively pushed at them, especially senior leaders, and that data is pushed by systems that are built

around somebody else's questions and they're just trying to get answers to that. But the key to figuring out what we don't know that we don't know, the key to disruptive innovation, is actually actively seeking passive data, and that's what we're talking about. It's the kind of data that does not walk through our door, so we have to get out of our door to get it.

Marc Benioff systematically walks around Salesforce, and walks around the world, without other people surrounding him. He's putting himself in situations where passive data he otherwise wouldn't get will come to him. And he's not only physically walking around to do that, but they have an airing of grievances, a chat section in their Chatter area within Salesforce, where people talk about the real issues, and Mark Benioff is often on that, exploring, understanding and interacting with the real issues and opportunities in the system.

At Cirque Du Soleil, they have the "Lion's Den" before a show goes live, to get all the final tweaks and challenges worked out. It's a place for people to ask tough questions and make that show better. It's very similar at Pixar, where directors of movies come into a room, purposely knowing that for the next three hours, they will get nothing but difficult, mostly constructive, this-is-what's-wrong-with-the-movie feedback as they start to build from a movie that sucks early on to one that's a blockbuster by the end.

So one of the really interesting questions for any organization is: Where is the place that the toughest questions get raised and created? The most innovative organizations in the world actually have a sense of where those places are, and they intentionally create that.

Many of us build a body of experiences, and end up with dominant perspectives. How should we challenge our dominant perspective?

A tragic example is Travis Kalanick, the former CEO of Uber, who gets into an Uber car and the driver starts complaining about issues related to the organization. Instead of reflectively listening, Kalanick is on a defensive attack mode. It goes viral and it's the beginning of the end for him. He got fired. When I move into situations, I need to say to myself: What's new? What's different here? I'm inviting myself to have that beginner's mindset, to be wrong about something. It's the starting point.

And that's the passive data. It's having the mindset that enables us to figure out what we're wrong about, what we didn't know we didn't know, before it's too late. [Some leaders] simply go out of their way during their day and week to be in that active receiving mode

How to lead a question burst

1

Set the stage:

Invite a few people with no direct experience with the problem and a different worldview to your own and explain your challenge in two minutes or less.

2

Brainstorm:

Set a timer for four minutes and collectively brainstorm questions about the challenge.

3

Identify a quest:

Select a few "catalytic" questions from the list and commit to pursuing a few new pathways.



Make it a daily practice

As you learn to ask better questions, inspire others to do the same – especially children. Make it a challenge to spend four minutes every day flexing those querying skills. After a year, all those minutes will add up to a full 24 hours.

of passive data that would upend their mental model. That's how Jeff Wilke, CEO of Amazon Worldwide Consumer, described it to me: "I'm aware that I've got a mental model. I'm pretty aware of what it is and I'm pretty confident that there are a lot of pieces to it that are just dead wrong." For him, either through crucible career experiences or everyday interactions, he is constantly trying to revise that mental model.

As children we are inherently curious and question everything, but as we grow up, that changes ...

Be aware that most systems are outright toxic when it comes to asking catalytic questions or wanting to challenge the status quo. The school systems in the US systematically shut down questions. The average child sitting between the ages of six and even 21 years old asks, on average, one question about the content they're learning. It's abysmal. By the time most people get out of school in most schooling systems, they're set up to give answers and they're hired to give answers by companies that unfortunately operate in a very similar way.

Often in those early jobs we have, we're expected to simply do our jobs and not ask and expose false assumptions and make things better around here. So part of it's just being aware of what's going on and then, either individually for myself or if I'm a parent or grandparent, it's actively inviting them to be project-focused in the work they're doing, whether it be in school or at work. What's the project you're working on? What's the problem you're trying to solve? What's the opportunity you're trying to take advantage of? The learning is all rotated around the project, the challenge. That kind of learning or work approach invites questions instead of shutting them down. ■

The woman driving a revolution

Catherine Perez, senior executive in charge of Nissan's new technology collaborations, is on a mission to make mobility simple and accessible. Here, she talks to Think:Act about the challenges on the road ahead.

BY **Janet Anderson**

PHOTOS BY **Shiho Fukada**

THE WAY WE THINK ABOUT mobility and the way we use vehicles is changing. Traditional car ownership is making way for new ideas like car-sharing and ride-hailing while more and more of the driving experience behind the wheel is automated or assisted by AI. Advances in digital technology, connectivity and the internet of things mean that the dream of autonomous vehicles could be just around the corner. A car will no longer be just a tin box to get you from A to B, but a digitally connected space that avoids traffic jams, parks itself and leaves its occupants free to get on with whatever they want, be it working, socializing or relaxing. At the same time, the industry is being challenged to reduce its environmental impact. Is e-mobility the answer, is the technology ready and what will it take for widespread uptake of electric vehicles?

One person seeking the answers to all these challenges is Catherine Perez, corporate vice president, corporate strategy, partnerships and

business development at Nissan. After 20 years in the industry, she is now leading the search for future-proof solutions. The key, she says, is in collaboration. In the search for answers to changing needs, automobile makers are collaborating not just with each other but with businesses in other sectors that have the know-how and expertise they need to deliver what customers want. As a company with a long history of forging alliances, Nissan is well placed to take this new route. And as one of the few women in a senior leadership role of what is, still today, a male-dominated industry, Perez is at the heart of these changes.

The automotive sector still attracts more men than women. What attracted you to it?

It's a mix of all the things I love: technology, know-how, design capability and creativity. It is also an extremely swift-moving business with strategic decisions and alliances and it's very international. At least, it has unfolded gracefully like that →

*ON PACE FOR CHANGE
Catherine Perez is helping
to move Nissan into the
next era of automotive.*



over the last 20 years. Ahead of us, however, we face a real revolution, which makes me particularly happy to still be in this industry today.

You are one of only a handful of women in a top leadership role in the industry. What does it require to succeed as a woman in the automotive sector?

The answer is the same whether you are a man or a woman: You need a fighting spirit and you have to like constant challenge.

You said the industry is facing a revolution. What sort of changes are underway?

Remember what a cell phone was like 20 years ago? It was for making calls. Now it does a million other things. Exactly the same kind of change is ahead of us for the car. For example, in China, the most recent models offer a level of connectivity that means the driver and passengers do not use their phones to do what they need, but instead use the car's own connectivity – whether it's arranging a meeting, calling their mother or ordering a pizza. Like the mobile phone, the car is undergoing a similar revolution in terms of how we use it.

In this fast-changing sector, what are Nissan's objectives?

Our goals are zero emissions, zero fatalities on the road and more autonomous, electrified and connected cars. There is an appetite for these things

in developed as well as developing countries and the latest technology makes it possible for us to meet that need. I can make the comparison again with phones. Forty years ago, people thought that phones would never be widespread in Africa because the infrastructure would never be built. Mobile phone technology has created a shortcut, making it possible to have these services without first building the infrastructure. In the same way, we are now able to meet the appetites for vehicles with connectivity in different parts of the world.

To what extent does the future of the automobile industry depend on ecosystems of collaborators?

We have to collaborate because mobility services are not derived from the traditional car industry but are an addition to it. It requires a different kind of know-how and if we want to have immediate access to this know-how – and time is of the essence – collaboration is the way to do it. Collaborations can be technical participations, agreements or take whatever form you want – it doesn't matter how you decide to do it, but you must do it, because our world is expanding to serve the multiplicity of needs of our customers globally.

What is your approach to looking for businesses to collaborate with?

I am looking for anything related to autonomous driving, connectivity or the electrification of our

⌵
Catherine Perez

Catherine Perez worked for Nissan in Paris and Tokyo before becoming head of purchasing in North America. Now the head of corporate strategy, partnerships and business development, her role is finding new collaborators to help the company meet the challenges of the future.

*NO LOOKING BACK
Catherine Perez is keeping Nissan focused on a goal of zero emissions and zero fatalities.*

cars. As for the question of how these challenges will be met – I need to be open to different solutions and different types of collaboration. A lot of innovation comes through startups and it's impossible to imagine what they will come to us with. That's why we have a partnership with the startup accelerator Plug and Play Japan. They do the scouting and preselection for us. I never know what is going to be presented, but I don't think that matters as long as it serves our objectives – to offer the best possible service and products to our customers in line with what we call "Nissan Intelligent Mobility."

What does that mean?

We want to redefine how cars are driven, powered and integrated into society with the goal of moving toward zero emissions and zero fatalities on the road. That's the technology roadmap to serve our customers and drive them to a better world. In terms of collaboration, what matters is the spirit in which you do it. It has to be a win-win approach, with the aim of serving customers with something different and better than is on offer elsewhere.

How do you go about embedding technology into your vehicles?

The key is to do it in a user-friendly way. I'm not interested in the details or the beauty of the technology if I can't work out quickly how to use it. I am never more frustrated than getting into a new car and not being able to select a radio channel. Innovation has to be simple and intuitive. My test is: Is it as good as my smartphone? If not, it's not good enough. I want to know very concretely what it means in terms of ease of life.

"Innovation has to be simple and intuitive. My test is: Is it as good as my smartphone? If not, it's not good enough."

90%

The target amount by which Nissan will reduce CO₂ emissions in new vehicles by 2050, compared to levels from the year 2000, as part of its vision for "zero emissions, zero fatalities."

\$4.4 billion

Nissan's R&D expenditures during the 2017 fiscal year.

Looking ahead to 10 years from now, how will mobility change?

The biggest change will be the possibilities that you will have for getting from one place to another. If you are going on vacation with the whole family and the family pet, you will take one type of transportation. If you are going to the airport, you will take another type. People have multiple travel needs. We have to address those different needs in a more nuanced way. That's why the breadth of offer will expand. In fact, it already is expanding.

What has supported you the most in achieving your career ambitions?

A number of people in the company have inspired me or have been my mentors, including a few women leaders. They allowed me to take bigger responsibilities and opened up challenging positions for me. It is a mix of inspiration and aspiration that they gave me. I've been lucky enough to find that in the company, probably because it is in the DNA of Nissan to nurture diversity.

Are you optimistic that there will be more women in leading roles in the industry in the future?

I see a lot that is very encouraging for the future. There is assertiveness and self-confidence already in the younger generation, which is a very good thing. Nevertheless, areas dealing with future technologies continue to attract few women. We have to change that. We should have more women in artificial intelligence, in engineering and in coding, because this is going to shape the future. If we don't have diversity in terms of how these technologies are designed, then we will not be able to fully address the diversity that exists among customers. That is paramount.

What advice would you give young women starting out in their careers?

Stick to who you are because other people perceive authenticity and sincerity. Also, show commitment and a willingness to be challenged, to be outside of your comfort zone. Fortunately, we are entering an era where there is room for new generations not to mirror other people's models but to be who they are. They have to take that opportunity. ■

Hyperloop: the 21st century's great race

For centuries the idea of a revolutionary super-speed vacuum train has been proposed, rejected and proposed again. But since Elon Musk gave the idea impetus by publishing a white paper five years ago, two companies have emerged pledging to turn this science fiction into fact. Their strategies are radically different. Which one – if either – will triumph?

BY **Dan Matthews**

FLIGHT HISTORY BUFFS will certainly know that Charles Lindbergh was the first person to fly nonstop across the Atlantic Ocean. In 1927, he took off from a Long Island airfield in a single-seat, fixed-wing aircraft and landed some 33 hours later at an aerodrome near Paris. So far, so famous. But perhaps less recognized is the role of Raymond Orteig, the French-American hotelier who offered \$25,000 to any pilot who could complete the journey. The prize, worth more than \$360,000 at today's prices, kicked off a scramble of innovation and development. Fast-forward 86 years to 2013: Another entrepreneur, richer and more outspoken even than Orteig, triggered a new Great Race in transportation. Tesla and SpaceX boss Elon Musk published a white paper describing what he called a "Hyperloop," a vacuum train concept capable of propelling people and cargo through sealed tubes at 1,000 kph.

On a basic level, the idea is nothing new. It dates back to 1799, when British inventor George Medhurst patented his "atmospheric railway," proposing to conduct commuters along pressurized pipes under London. After Medhurst's original invention, more pneumatic railways were built in Ireland, the UK, France and New York – all before the end of the 19th century. As well as experimental passenger trains, smaller tube systems were created to transport mail, messages, parts for factories and medical documentation in hospitals. There have been numerous attempts to build Hyperloop-style systems since 1900, from researchers at MIT in the 1990s to a transportation startup called ET3, which designed a system for smaller car-sized pods in the early 2000s.

DAYDREAMS BOUNCED AROUND for 200 years, yet all lacked the necessary impetus to make the fantasy real. Musk's white paper pulled the trigger; it was an uncorking event driven by his notoriety and reputation for bringing major change to global industries. Equally important was timing: It coincided with advancements in communications, data, mapping, modeling, aerospace and the internet of things. New systems of business and organization had emerged too, including the circular economy, sharing and the concept of "the crowd." Unlike the groups vying for the Orteig Prize, startups rising to meet Musk's challenge had a chance to deploy these innovations and →

SHOOTING AHEAD
A simulation of Hyperloop Transportation Technology's vision for the technology shows what the century's biggest transportation breakthrough could look like in use.

PHOTO: HYPERLOOP TECHNOLOGIES

FACTS & FIGURES

→
HYPERLOOP
TRANSPORTATION
TECHNOLOGIES

HTT had attracted investments totaling more than

\$100
MILLION
by December 1, 2016.

8x

STRONGER than steel is the claim HTT makes for Vibranium, the material it created for its pods.

10

HOURS PER WEEK is the minimum time commitment HTT asks from its contributors.

make the Hyperloop happen. Since 2013, a wide variety of organizations have worked on the concept, but two, Virgin Hyperloop One (VHO) and Hyperloop Transportation Technologies (HTT), have emerged as major players. Unlike existing rail companies, tech giants or aerospace firms, these had no legacy systems or generations of previous models, just a blank sheet of paper and endless options for plotting a course into the future.

IT'S PERHAPS NOT SURPRISING that they picked contrasting strategies. While Virgin Hyperloop One assembled a team, built a test track in the Californian desert and convinced Sir Richard Branson to invest and join as chairman, Hyperloop Transportation Technologies did none of these things. Instead, founders Bibop Gresta and Dirk Ahlborn created an open-source model and invited participation from scientists, engineers and a whole network of experts from around the world. "I met Dirk at an event in Santa Monica," explains Gresta, HTT's chairman. "He had created a website called the JumpStartFund, which hosts projects and invites people to participate in return for stock options. He published Elon Musk's white paper on the website and 100 people from 20 countries asked to join the team. He convinced me to read a document his scientists were working on and it changed the way I thought about startups forever. For every problem there was a solution, they

"Hyperloop is a cross between a Concorde, a railgun and an air hockey table."

Elon Musk,
Hyperloop initiator
and entrepreneur



FRONT ROW SEATS
HTT founders Bibop Gresta and Dirk Ahlborn pose in an early model of their capsule's interior in 2016.



DESIGNED FOR DOUBLE DUTY
Four meters in diameter, HTT's tubes have been optimized to work with both passenger and shipping capsules at the company's R&D facility in Toulouse, France.

PHOTOS: BRIAN DOWLING/GETTY IMAGES; DAVID ZENTZ; HYPERLOOP TECHNOLOGIES (2)



THE BIG UNVEIL
HTT provided an excited crowd the first look at their full-scale passenger capsule on October 2, 2018.

and administration," he adds. "That's what makes it so different from open-source software, where you don't have to go out and expropriate people's property or build across different territories."

QUESTIONS HANG OVER whether an open-source project can attract the same investment as one where the wider team is permanent. This is perhaps a key reason why, at the time of writing, HTT doesn't have a functioning test track and VHO does. Then there is deciding which ideas have merit and which to ignore. As a startup without enterprise-level systems in place, how do you organize input from so many people? "Investment in hardware and machinery is harder to justify when you don't know where it's going or what the market is or how you're going to monetize it," explains Stefan Haefliger, professor of strategic management and innovation at Cass Business School in London. Yet HTT is moving at light speed, signing exploratory agreements, licensing contracts and feasibility assessments in India, South Korea, Indonesia and the Czech Republic as well as contracts to start envisioning commercial Hyperloops in China and Ukraine. It's also started work on a 320-meter functioning tube at its R&D center in Toulouse, France. It says a second, one-kilometer system will be operational by the end of 2019.

With its more traditional model of teams, funding and developing a functioning prototype, VHO has also made enormous strides and is a leading contender for Ohio's Rapid-Speed Transportation Initiative, which will construct a superfast system between Chicago, —>

weren't just criticizing, they were participating. These were people from NASA, SpaceX, Boeing and Lockheed Martin."

As a concept, open-source is almost exclusively in the domain of software and has never been applied to large-scale infrastructure projects like the Hyperloop. But HTT used crowd power to build a hypothetical model, back up the science, create drawings and models and even start selling the concept to interested parties. "Musk is famous because he delivers things quicker and cheaper than others, even though the Hyperloop is being built by different companies it is being done in the same spirit," says Bent Flyvbjerg, fellow of St Anne's College, Oxford and chair of major program management at Saïd Business School. Although the open-source model presents opportunity, it also brings new challenges: "The biggest issue for projects like this is not the technology, but politics

Columbus and Pittsburgh. A feasibility study for a route between Pune and Mumbai in India is said to be "at an advanced stage" and the company is working closely with Saudi Arabia to connect cities across the kingdom. Elsewhere in the US, studies are underway for routes into Denver International Airport and between Kansas City and St. Louis. "In 2017 it was all about proving the technology at our DevLoop," says Ryan Kelly, VHO's head of marketing and communications. "2018 and 2019 are about commercialization, so we are doing environmental impact studies in places all around the world." For Kelly, the key to winning the race is getting the right people on board who understand the safety and regulatory structures that define if the project can work. This is more important, in his words, than "attracting a VC who likes the idea."

SO WHO'S RIGHT AND WHO'S WRONG: open-source or in-house? Which model will triumph in developing the Hyperloop? The answer, perhaps inevitably, is that it's too soon to say. With both models making quick progress and claiming large-scale work programs, it seems there is enough room for both models to coexist.

A related, broader, question is: Do open-source models of organization and development have legs in large-scale infrastructure projects? Johan Herrlin, CEO at transit data company Ito World, which worked on Hyperloop technology, says the open-source approach is novel, but as yet unproven: "It is, however, a very interesting idea to get brain power from a wide variety of experts that would not participate on a full-time basis. The risk is that ideas get fragmented and are difficult to pull together into a coherent plan. At the end of the day, a core group of people is needed to ensure that key elements are not compromised, especially when it comes to issues related to safety. As far as I'm aware, there are no other major transport projects that have taken this approach but perhaps that's a reflection of the speculative,



RISING TO THE CHALLENGE
The company's levitation rig in Los Angeles uses a vacuum and rotating magnets to test the technology.

PHOTO: PETER BOHLER/REDUX/LAIF



MOVING IN THE MOJAVE
VHO completed its Nevada testing facility near Las Vegas, DevLoop, in 2017.



PHOTOS: VIRGIN HYPERLOOP ONE; ANTONIE ROBERTSON / THE NATIONAL; PR

PERFORMANCE AND COMFORT
VHO's first full-scale pod prototype made its debut in Dubai in February 2018.



"The biggest issue for projects like this is not the technology, but politics and administration."

Bent Flyvbjerg, Professor at Saïd Business School

FACTS & FIGURES

→
VIRGIN
HYPERLOOP
ONE

Plans have been announced for a new

\$500

MILLION
research center in the Spanish village of Bobadilla.

387

KPH
is the current record for VHO's own high-speed tests. It was set in December 2017.

30

MINUTES
is the projected journey time using the VHO between Los Angeles and Las Vegas: 433 km.

highly technical work that's required to develop the plans, more than traditional projects focused primarily on execution."

IN RECENT YEARS, however smaller-scale "real-world" open-source projects have cropped up. Citizen engagement projects run by municipal bodies could fit into this bracket, as could crowdfunding initiatives, particularly where companies use feedback from investors to shape products and services. Haefliger points to the car company Local Motors, which evolved from a design community to eventually launch a car and take on big contracts with auto companies and even the defense industry. Jewelry maker Swarovski ran a design contest and put into production top creations which flowed in, while Threadless, which started as a T-shirt shop, is now a platform for artists and designers to sell a comprehensive range of apparel, décor, art and home accessories.

For Haefliger, whether HTT's open-source model works is almost beside the point: "There are many ways to measure success other than profitability. Will this or that specific track be built? I don't know, but it could still be successful because it creates new methods or applications. It could be a little piece of technology that eclipses everything else because it is so useful. The key is that they are producing a lot of amazing stuff, because there are a lot of great minds and engineering power in place. I'm confident they will change public transport one way or the other." ■

Food for thought



Take a deep dive and find out more in related articles and studies.



YOU ROARED?
Robotic dinosaurs "man" the reception desk at the Henn na Hotel Maihama Tokyo Bay.

Equity funding to AI startups 2017

global: \$15.1 billion

Share of global equity funding:

48 % China

38 % USA

14 % other

THE FUTURE OF ARTIFICIAL INTELLIGENCE

Don't be a dinosaur in the digital age

AI IS THE FUTURE. And the US is leading the field. But is China right behind, plotting a path to dominate the global AI market by 2030? Whatever your business concern, there are forecasts that can help you plan for an AI future. Enter Roland Berger with its new report which forges 10 clear lessons, or theses, to learn from as the future becomes the now.

Before any fears set in about total automation and the obsolescence of human intelligence, it is

important to get to grips with the most important thesis: Human guidance and leadership will be an absolutely necessary condition in any permutation of AI.

Beyond that we can predict that AI will initiate some new developments and disruptions: Portable AI could mean that the Googles and Facebooks lose their dominance and AI will drive systemic risk for the financial system. Data privacy is a concern, too, and personal information will become harder to

control as AI systems make new connections and correlations. So new regulations will be necessary to protect consumers, but a balance will also need to be struck to allow the positive power of AI to enhance our future. In a nutshell, more than ever human leadership, foresight and responsibility are vital.

→ **STRIKING A BALANCE WITH AI**
Get to the heart of the debates surrounding the future of artificial intelligence:
<https://rb.digital/2FI08Aq>

PHOTO: KIYOSHI OTA / BLOOMBERG VIA GETTY IMAGES | SOURCES: CB INSIGHTS



TRUCKING INDUSTRY

Shifting up a gear to be future-ready on the highways

2025: It's only six years away, but that's when some forecasts say full automation for the trucking industry could be in effect – and that's only a part of trucking's new story. Other no less significant changes taking place in the business will cut operating costs by 20-40%. Electric trucks, monitored driving techniques, streamlined transfer hubs: All of these elements (and all of them enhanced by digitization) will mean huge end-to-end savings. Along with new automated warehouse concepts to combat space and speed constraints, these changes are set to change the logistics ecosystem. With that in mind, RB's new report poses important questions which smart operators should be asking to prepare for the road ahead.

→ KEEP ON TRUCKING

Read unique insights into the trends that are moving the industry:
<https://rb.digital/2qZqnKs>

BIKE SHARING

A cycle of growth that's pedaling ahead

From operators to customers, everyone is struggling over the so-called "last mile" for urban mobility. You'll find a number of apps and other options for getting on a bike if you travel to any of the major cities in over 70 countries. For now, bikes are the go-to, low-priced choice and their popularity has meant fast expansion, a number of startup failures and a degree of vandalism. But despite all that, growth in this industry still has a way to go – there's 20% more room in the coming years.

→ FACING A FREEWHEELING FUTURE

Get up to speed with the opportunities bike sharing offers in urban mobility: <https://rb.digital/20XVRu9>

PHOTOS: ALEX-MIT / ISTOCKPHOTO; GETTY IMAGES; ROLAND BERGER

AUTOMOTIVE DISRUPTION

China speeds ahead in the race for mobility



THE NEW CAMPUS COMMUTE A self-driving minibus is on a trial operation at Shanghai Jiao Tong University.

39%

of Chinese customers would buy an electric vehicle to replace their trips on public transport.

"China is moving forward very fast – maybe too fast."

WOLFGANG BERNHART,
Senior partner at RB and co-author of the ADR report



IF AUTOMOTIVE DISRUPTION isn't on your radar, it should be. Changes in the industry will be significant over the next 15 years. Since 2016, Roland Berger has set about charting them with its latest and fourth survey – the Automotive Disruption Radar (ADR). "It gives us a hint of where we are going and how regulation and consumer behavior will have an impact on the speed of transformation," says Wolfgang Bernhart, one of the study's authors. This report's key finding: China is speeding ahead. It accounts for more than half of the electric vehicles sold globally – and it has stepped up its charging infrastructure too. But Bernhart sounds a note of caution: "In the digitization area China is moving forward very fast – maybe too fast," citing fewer privacy concerns. "You need to make sure that you have all the necessary safety levels for fully automated driving," he adds.

→ WHO'S IN THE "DRIVER'S SEAT"?

Find out more about who and what is taking the lead in global auto disruption: <https://rb.digital/2R5yQr3>

REWRITING THE RULES OF THE GAME

Visionary thinker and author **SIMON SINEK** is dedicated to a world where everyone feels inspired at work and fulfilled at the end of each day. Here he answers three questions concerning **the rules of good leadership**.

1 Do you think there's a leadership crisis in the world right now and if so, why is that the case – and what can be done to fix it?

The vast majority of people do not wake up inspired, feel safe at work or fulfilled at the end of each day. That's a leadership problem. Leaders are the ones who set the tone. As the leader goes, so goes the organization. We are where we are because too many heads of organizations prioritize finite metrics and their own egos over the well-being of their people. Leaders need to realize the role they play. Real leaders take care of their people so their people will take care of each other. Once that happens, the rest – customers, shareholders, finite success – takes care of itself.

2 Your latest book, *The Infinite Game*, gives some ground rules about how there is no "winning" in business. So what are the rules for a game you can't win and what rules have you learned while writing the book?

Most leaders don't know the game they are in. If you have more than one player, you have a game. There are two types of

games – finite games and infinite games. Finite games have known players, agreed-upon rules and the objective is to win. Infinite games have known and unknown players, the rules change and the objective is to stay in the game. There is no end. Business is an infinite game, yet most organizations play by finite rules. You can tell by the way leaders speak about their goals and priorities: be number one, win the quarter. Playing an infinite game by finite rules will always lead you into quagmire.

3 Your bestselling book *Start With Why* has been hugely influential, but why is a person's "why" so important and how can you help someone who is struggling to find theirs?

Your "why" is your lighthouse. If someone wants to find their "why," all that is required is an openness to share meaningful stories from your past. The patterns and themes that emerge are the golden thread that informs your "why." The "why" discovery process requires an objective perspective and we cannot be objective with ourselves. To find our "why," we require an objective and curious listener. ■

Simon Sinek

The author of five books on the topics of purpose and leadership, Sinek teaches strategic communications at Columbia University.

A few of our contributors**RICHARD MILNE**

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