Summaries of the Books that Guide America’s Elite CEOs

WHAT THE FORTUNE 500 READ

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What the Fortune 500 Read:
Summaries of the Books That Guide America’s Elite CEOs

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DESIGN BY JACOB WEINZETTEL

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Introduction
You could have written this book.

Take a moment and notice how your brain instinctively responded to the statement above. Did it invoke curiosity, skepticism, excitement, disbelief?

Now listen to the story of how *What the Fortune 500 Read* came about, and see how your view changes.

We (Julia Wittrock and Grant Hensel) love learning about business and wanted to know which books to focus our time on. A mutual friend, Miles, suggested we ask the CEOs of Fortune 500 companies for recommendations, and with that we were off to the races.

To begin, we drafted an incredibly short letter – two sentences – to communicate a three crucial points to the Fortune CEOs:

- Your accomplishments are incredible
- Your advice is invaluable to us
- We would love to read your favorite business book
And with that, we bought fancy paper, printed 500 copies, added our signature and a hand-written P.S., and put them in the mail, destined for each company’s corporate headquarters.

Three days later, the avalanche started.

We remember getting the first personal email in response only a few days later, and marveling at how efficient the corporate mail processing systems must have been. We remember the first phone call with a CEO, who was impressed with our initiative and wanted to say hi. We remember a moment the next week when we got over 30 recommendations in a single day.

When it was all said and done, 150 CEOs recommended books. Given that these individuals have nearly unlimited amounts of work to do, the fact that so many would take time to personally help complete strangers, expecting nothing in return, is astonishing. Generous folks apparently end up at the top surprisingly often. This is a lesson we will remember long after writing this book: we have a responsibility to guide and mentor the next generation.
The books included here are the top 52 titles recommended by our new CEO friends. Conveniently, 52 is also the number of weeks in a year, and we hope you will be able to set the routine of reading and applying one summary per week. If you can pull this off, you will acquire a fluency in the concepts that today’s business titans say guide their thinking.

Moreover, we hope this book will lead you to expand your perceived “opportunity horizon.” There are thousands of things we all subconsciously believe are impossible, and they just aren’t. Anyone can write letters. Anyone can mail them to the corporate address. Anyone – you! – could be writing this introduction instead of us.

So enjoy the book, and do something bold for each of the action steps you find. And if amazing things do start happening, drop us a line at hello@fortune500booklist.com – we’d love to hear the story.

Grant Hensel & Julia Wittrock
Building a Great Company

PART 1
Jim Collins’ classic *Good to Great* was by far the most popular book among the CEOs we heard from, receiving 35 recommendations. In contrast, the next most popular book garnered seven. So buckle up – this is the book that has shaped the thinking of the top executives in the world more than any other.

**GOOD IS THE ENEMY OF GREAT**

Collins and his team found pairs of companies that had performed relatively similarly until one diverged suddenly and became far more successful. In short, one made the leap from good to great while the other remained merely good. What did the great ones do differently?
LEVEL 5 LEADERSHIP

At the helm of each great company, Collins discovered a Level 5 leader. These leaders demonstrated a paradoxical fusion of personal humility with professional ambition. They wanted their companies to be the best in the world, but didn’t care about personal fame.

IS THIS YOU?

Level 5 leaders employ the window and the mirror philosophy, looking out the window to give credit to their teams when things go well and looking in the mirror and asking themselves what they could have done better when things go poorly. They were plow horses rather than show horses, and had a fanatical devotion to results.

FIRST WHO, THEN WHAT

Great leaders focused first on getting the right people on the bus and putting them in the right seats. Only then did they figure out where to drive the bus. Instead of coming in with a vision and recruiting “helpers,” the great companies built superior teams and then leveraged each member’s strengths to create a plan. Great companies have
great teams. Good companies have “a genius with a thou-
sand helpers.” So hire slow, fire fast, and put your best
people on your biggest opportunities.

**BLOCK OUT 2 HOURS TO WORK ON PUTTING PEOPLE IN THE RIGHT 
SEATS THIS WEEK.**

**CONFRONT THE BRUTAL FACTS**

Each company experienced industry changes that threat-
ened their business model, but mediocre firms chose to ignore the warning signs. Cultures that confront the bru-
tal facts habitually: (1) lead with questions, not answers,
(2) debate openly using data, not politics, (3) conduct autopsies after mistakes without blaming people, and instead focus on learning, and (4) create red flag mecha-
nisms so that when the environment changes in adverse ways it can’t be ignored.

**WHAT RED FLAGS ARE YOU IGNORING? HOW CAN YOU PREVENT THIS FROM HAPPENING IN THE FUTURE?**
THE HEDGEHOG CONCEPT

Great companies are fanatically focused on a core business that (1) they are passionate about, (2) drives their economic engine, and (3) they can be the best in the world in. The hedgehog concept isn’t a plan for the future, it’s an understanding of the current reality. They also developed a unique metric, profit per x, that captured the core of how their business makes money.

WHAT IS YOUR BUSINESS’S HEDGEHOG CONCEPT? WHAT IS IT FOR YOUR PERSONAL BRAND?

A CULTURE OF DISCIPLINE

Great organizations have both an ethic of entrepreneurship where ideas are encouraged and executed, and a culture of discipline, where people are fanatically devoted to the hedgehog concept. Bureaucracy arises to compensate for incompetence, which means you have the wrong people on the bus. Great companies attract people who are obsessed with the mission and with excellence.
TECHNOLOGY ACCELERATORS
The great firms pioneered technology that aligned with their hedgehog concept, and ignored everything else (regardless of hype). While good companies adopt technology out of fear of being left behind, great companies invest out of a drive for excellence.

THE FLYWHEEL AND THE DOOM LOOP
A flywheel is a massive, 5,000-pound disk mounted on an axle. Imagine trying to get it turning by hand: it might take an hour to make the first rotation, but as energy begins to build it moves faster and faster, soon rocketing forward with its own momentum. Good companies started to push the flywheel in one direction, changed their minds, reorganized, and went the other way, failing to build momentum. Greatness, in contrast, comes from consistent effort in the same direction over a long period of time. A long period of inglorious buildup is followed by spectacular breakthrough.

ARE YOU BUILDING A FLYWHEEL OF MOMENTUM IN YOUR OWN LIFE? OR ARE YOU TOO INCONSISTENT TO GET IT MOVING QUICKLY?
QUESTION FOR REFLECTION:
AT YOUR CORE, DO YOU DESIRE TO BE GOOD ENOUGH OR GREAT?

Find it on Amazon
GREAT BY CHOICE
By Jim Collins
and Morten T. Hansen
Recommended by six CEOs

In this follow-up to his classics *Built to Last* and *Good to Great*, Jim Collins studied a group of companies that produced at least 10x returns over their industry, over a long period of time, in treacherous market conditions. The results are fascinating and counterintuitive.

10XERS

The leaders of these 10x companies were a unique breed. They were not, on average, more creative, charismatic, ambitious, risk seeking, or lucky. What they did do was embrace the paradox of control and non-control, doing everything they could to prepare for circumstances they
knew would be unpredictably and probably harsh. In short, they displayed fanatic discipline, empirical creativity, and productive paranoia.

READ AN ARTICLE IN THE NEWS AND TRY TO DISPROVE IT.

They were staunchly rational nonconformists, figuring things out for themselves and ignoring the herd. Each was very concerned with failure, assuming that the worst would happen and planning accordingly. Bill Gates circulated a “nightmare memo” to leadership detailing the various ways Microsoft could be pulled under...and this was during Microsoft’s period of greatest triumph.

DRAFT A NIGHTMARE MEMO FOR YOUR PERSONAL AND PROFESSIONAL LIFE.

20 MILE MARCH (FANATIC DISCIPLINE)

Under John Brown’s leadership, Stryker, a medical device company, had an ironclad rule of 20% growth per year. Regardless of the external circumstances, recession, currency fluctuations, anything, the bar was 20%. And in boom times it remained at 20%, even as rivals grew much faster (and often overextended). The bold visionary leaps we often associate with greatness were in fact negatively
correlated with being in the 10x club. Collins identifies a good 20 Mile March as a self-imposed, measurable performance marker that is appropriate to the enterprise, is largely within its own control, has an appropriate time-frame, and is achieved consistently.

**DECIDE ON A 20 MILE MARCH GOAL.**

**FIRE BULLETS, THEN CANNONBALLS (EMPIRICAL CREATIVITY)**

Shockingly, although the 10x companies participated in dynamic industries that were repeatedly upended by innovation, they adhered to a philosophy of staying “one fad behind.” They were sufficiently innovative but not bleeding edge. Instead, they made many small bets (low cost, low risk, low distraction) in promising ideas, empirically discovered what worked, and then invested heavily in the winners. Cannonball bets that followed successful “bullet” tests were nearly four times more likely to be successful.

**WHAT “BULLETS” ARE YOU TESTING? IF YOU DON’T HAVE ANY TESTS, CREATE ONE.**
LEADING ABOVE THE DEATH LINE
(PRODUCTIVE PARANOIA)

10x leaders were painfully aware that potential death blows to their beloved companies constantly lurked in changing market conditions or random “black swan” style negative events. To start, they maintained conservative balance sheets with plenty of buffer. They were also vigilant in limiting risk, especially death-line risk (situations that could kill the business), asymmetric risk (where downside is much greater than upside) and uncontrollable risk (which can’t be managed). They also had a knack for zooming out, sensing changing conditions, and then zooming in and executing specific plans to adjust.

SERIOUSLY, DRAFT THAT NIGHTMARE MEMO. NOW.

SMaC

A SMaC recipe is a set of operating guidelines that serves as a repeatable formula for success (SMaC = Specific, Methodical and Consistent). It’s a company’s distinctive way of doing business that specifies what it will do and not do to make money. The 10x companies generally stuck to
each element of their recipes for decades (changing only 15% of the elements over 15 years), while the comparison firms changed much more frequently.

**DOES YOUR BUSINESS HAVE A SMAC RECIPE? DOES YOUR LIFE?**

**RETURN ON LUCK**

The 10x companies had no more good luck or less bad luck than their competitors. However, they handled each event more effectively, benefiting more from the windfalls and bruising less in the pitfalls. In short, the disciplines above allowed them to achieve not only a higher ROI, but also a far better ROL (Return on Luck).

**QUESTION FOR REFLECTION:**

**COLLINS ARGUES THAT GREATNESS COMES FROM BOTH WILD OPTIMISM (WE CAN BUILD A GREAT COMPANY) AND BRUTAL REALISM (HERE’S ALL THE REASONS WE CAN FAIL, LET’S ADDRESS THEM). WHICH ONE OF THOSE DO YOU NATURALLY HAVE A HARDER TIME WITH?**

[Find it on Amazon](#)
The Outsiders by William Thorndike asks a simple question: What should a CEO focus on to maximize shareholder returns? The answer is both obvious and utterly unexpected:

**CAPITAL ALLOCATION**

Thorndike profiles eight extraordinary CEOs, each of which delivered over a decade of shareholder returns that handily beat those the competition, the S&P 500 index, and even GE during the tenure of the legendary Jack Welch. In general, these leaders were young, first-time CEOs who managed to ignore conventional wisdom and forge their own coolly rational paths to exceptional returns. Introverted, cerebral, frugal and quantitative, the “Outsiders” led their companies by painstakingly figuring things out on their own.
What habits defined this eclectic group of executives? In many ways, each was an acolyte of Warren Buffett, building a rapidly growing company through the power of compounding. Like a child pushing a slowly growing snowball down a hill until gravity takes over and it begins to expand with its own unstoppable momentum, these CEOs built successful companies one careful capital allocation decision at a time. Indeed, “The Snowball” (to borrow the title of Alice Schroeder’s biography of Warren Buffett – see also “The Flywheel” in Good to Great) is an apt metaphor for the philosophy advocated in this book.

A typical public company CEO spends 20% of their time communicating with Wall Street, focusing on quarterly earnings and revenue growth. In contrast, the Outsider CEOs all but ignored Wall Street, and were obsessed with maximizing the per-share value of their companies.

**Who in your industry seems to be measuring themselves with different metrics? Email them and ask to have coffee.**

The Outsider CEOs viewed their jobs as relatively simple: grow the snowball. Outsider companies are deeply decentralized, with a tiny headquarters staff (think two dozen staff at HQ and thousands of employees in the field) and authority and accountability pushed down the hierarchy.
In contrast, capital allocations decisions are tightly centralized, and the main responsibility of the CEO. Autonomous business units send money up to the CEO, who then allocates each dollar based on where it can earn the highest risk-adjusted return. The CEO is ultimately responsible for growing the diameter of the snowball, and pushes it wherever the opportunities for compounding appear most promising.

All capital expenditure projects must offer a risk-adjusted, after-tax return higher than a hurdle value (perhaps 20%) the CEO sets – one of the most important elements of their job. Returns on projects must be more attractive than the return from doing share buybacks, a technique that nearly all of the Outsiders employed regularly and with dazzling results for their shareholders.

Outsider CEOs were decidedly contrarian. They were “greedy when others were fearful, and fearful when others were greedy,” to quote Warren Buffett. When their stock traded at lofty multiples, they used it to acquire companies or divested over-valued divisions. When their stock sank to a discount, they poured funds into share
buybacks. Each of these options was fueled by an obsessive focus on generating hard cash returns on each dollar spent, day in and day out.

WHAT’S HYPED IN YOUR INDUSTRY? WHAT WOULD IT LOOK LIKE TO DO THE OPPOSITE?

In short, Outsider CEOs ran their companies to maximize cash flow, and deployed that cash to produce as high a shareholder return as possible. Sound simple? It’s interesting to see how few business people actually think this way. Thorndike points out that no top business school teaches a course on Capital Allocation, and he’s probably on to something.

QUESTION FOR REFLECTION:

IS MOMENTUM COMPOUNDING WITHIN YOUR BUSINESS (AND LIFE)? BECAUSE IN THE LONG RUN, THAT’S WHAT MAKES ALL THE DIFFERENCE. IS EACH ACTION YOU TAKE TODAY MAKING YOU STRONGER FOR TOMORROW?

Find it on Amazon
What are distinguishing habits of visionary companies that stand the test of time? Jim Collins and Jerry Porras conducted extensive research to answer that question, and the results are unexpected.

**CLOCK BUILDING, NOT TIME TELLING**

Imagine someone could look at the sun and immediately know what time it is. That’s a valuable skill, but how much better it would be to build a clock! Visionary CEOs were primarily concerned not with individual products, for example, but with building an enduring institution that can continually produce excellent goods. Their greatest ambition was for the business itself.

**WHAT IS YOUR GREATEST AMBITION AT WORK?**
THE GENIUS OF THE AND

Another key differentiator was the refusal to accept common tradeoffs. They were futuristic and operationally excellent, had constant core ideologies and changed vigorously, etc.

**THINK OF A TRADEOFF YOU’VE BEEN CONSIDERING. FIGURE OUT A WAY TO GET THE BEST OF BOTH WORLDS.**

MORE THAN PROFITS

Each company had a deeply held reason for existing beyond profits. Each also had a set of ingrained core values that facilitated both profitability and this higher purpose.

**ARE PEOPLE GOING TO MENTION YOUR BUSINESS IN EULOGIES?**

PRESERVE THE CORE / STIMULATE GROWTH

Each company was deeply rooted in its “more than profits” core ideology, and also had a compulsive “drive for progress,” a constant desire to improve. The twin mes-
sages of “this is why we exist” and “make continual progress” were repeated constantly until they seeped into the very DNA of the corporate culture.

**WHAT’S AT THE CORE OF YOUR CORPORATE DNA?**

**BIG HAIRY AUDACIOUS GOALS**
The visionary companies used goals which Collins and Porras compare to JFK’s challenge “to put a man on the moon.” These objectives immediately seize hearts and minds with how audacious, tangible, and meaningful they are. A BHAG must be inspiring in its own right, must be well outside the organization’s comfort zone, and must be able to survive even if the leadership changes. Executed properly and when aligned with the company’s core, BHAGs catapult progress forward.

**WHAT’S YOUR BHAG?**

**CULT-LIKE CULTURES**
The companies studied had fervently held ideologies, cultural indoctrination, very tight fit with employees, and a sense of elitism. A select group of people fit into each company like a glove, while most others were “expelled
like a virus.” If jumping and screaming at the morning sales meeting sounds fun, you’d fit in well at Nordstrom. But the cult was developed around a core ideology (clock building) rather than a specific person (time telling).

**WHAT IS EXPECTED AND WHAT IS UNACCEPTABLE AT YOUR COMPANY THAT WOULDN’T BE NORMAL IN MOST FIRMS?**

**TRY A LOT OF STUFF AND KEEP WHAT WORKS**
Visionary firms made progress in bold leaps (BHAGs) AND incrementally. On the incremental side, they would habitually try new things, prune what didn’t work, invest in what did, and repeat.

**WRITE DOWN A QUICK WIN YOU’VE BEEN PUTTING OFF BUT CAN ACCOMPLISH TODAY.**

**HOME-GROWN MANAGEMENT**
The visionary companies were also unique in developing most of their executive talent internally and not relying on headhunters. This ensured that each generation of leaders would be indoctrinated in the company’s unique culture. (See *The Leadership Pipeline* for more on this)
GOOD ENOUGH NEVER IS
The companies studied prioritized long-term success, but also delivered excellent short-term results, refusing to believe that there was an inherent tradeoff between the two.

BUILDING THE VISION
A good vision includes a strong core ideology and an envisioned future. “What we stand for” never changes, but “what we aspire to” constantly evolves.

THE END OF THE BEGINNING
It doesn’t take vision, charisma or a brilliant idea to build an enduringly great company. It just takes relentless focus on the areas listed above. Anyone can do it – especially you.

QUESTION FOR REFLECTION:
HAVE YOU WORKED ON ANY PROJECTS THAT YOU HOPE WILL LAST DECADES OR CENTURIES? HOW WOULD THINGS BE DIFFERENT IF YOU APPROACHED MORE PROJECTS THIS WAY?

Find it on Amazon
The Advantage can be summed up in one phrase: *Culture eats strategy for breakfast.*

**REPEAT THIS OUT LOUD 10 TIMES.**

Instead of spending an inordinate amount of attention on strategy and plans, CEOs can accomplish an enormous amount simply by ensuring that everyone in their boat is rowing in the same direction. In a large enterprise, the power of hundreds or thousands of people all working with the same exact goals, standards and vision in mind is nearly unstoppable. The Advantage shows you how to make this alignment happen.
BUILD A COHESIVE LEADERSHIP TEAM

Getting everyone rowing in the same direction starts at the top. A strong leadership team is compact enough (3–10 people) to work well together. Members trust each other and are vulnerable about their shortcomings, they productively debate ideas (often passionately, and without resorting to politics), they come to clear agreements with next steps and deadlines, and they hold each other accountable to these commitments. Above all, they put the mission and welfare of the company ahead of themselves and their individual departments. (For an in-depth look at this area, read *5 Dysfunctions of a Team*).

**IS YOUR TEAM EFFECTIVE? IF NOT, LIST WAYS IT COULD IMPROVE.**

CREATE CLARITY

Great leaders ensure everyone in their organization can answer six simple questions. The answers are captured in a one-page ‘Playbook’ that members of the leadership team carry around constantly.

**CREATE THE PLAYBOOK FOR YOUR ORGANIZATION.**
1. Why do we exist? This must be idealistic, reflect the true intention of the founders, and can be oriented around one of the following: customers, industry, a greater cause, a community, employees, or just generating wealth. It’s not a differentiator or marketing slogan, it’s just an honest answer.

2. How do we behave? These are your organization’s 2–3 core values. Not to be confused with accidental, aspirational or permission-to-play values. They must already exist in your organization and persist over time.

3. What do we do? State the core activity of your company and who your customer is. For example, a gas station might say: “We provide gasoline for drivers in our town.”

4. How will we succeed? Write all your organization’s strategic decisions on a whiteboard and attempt to group them into three categories. These categories become your ‘strategic anchors’ that can guide future decisions. For example, Southwest might have the
anchors of: Low cost, no frills-service, fanatical employee culture, and conservative financial management.

5. What is most important, right now? The leadership team is responsible for determining the top priority for the upcoming period. This ‘rallying cry’ must be singular, qualitative, temporary and the responsibility of the team as a whole. Supporting this goal are 4-6 defining objectives, which are again specific and qualitative.

6. Who must do what? After the rallying cry and defining objectives have been chosen, responsibilities are assigned to each member of the leadership team to make it happen.

OVERCOMMUNICATE CLARITY

Great leaders repeat these answers to their entire company over and over, knowing it will likely begin to sink in only after the seventh repetition. The CEO is also Chief Reminding Officer. Cascading communication is crucial: after the leadership team makes a decision, each member should communicate it to their direct reports within 24
hours, who then take it to their own direct reports, and so on. Regular update emails from the CEO, all hands meetings, and the like are critical.

**REINFORCE CLARITY**

Companies must institutionalize their culture and strategy. Hiring should be done using a clear process designed to detect cultural alignment. New employee orientation is a tremendous opportunity to communicate company values, as are performance reviews, the allocation of compensation and rewards, and firing. These structures have far more staying power than even the best communication.

**QUESTION FOR REFLECTION:**

LENCIONI HARPS ON THE NEED TO OVERCOMMUNICATE CLARITY, SO LET’S SEE IF HE TAKES HIS OWN MEDICINE. WHAT’S THE ONE MOST IMPORTANT POINT FROM THE ADVANTAGE?

*Find it on Amazon*
Eight traits characterize companies that excel. In the excellent companies Peters surveyed, employees share an understanding of the following values:

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<td><strong>A bias for action</strong></td>
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<td>The burden of proof is on the one who argues an idea won’t work, not the one who believes it will.</td>
<td>Texas Instruments was known for fluid task forces and rapid follow-up. If you know your next meeting won’t end with clear action steps, cancel it.</td>
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<tr>
<td><strong>Close to the customer</strong></td>
<td></td>
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<tr>
<td>A near obsession with service, quality, and listening to the end user.</td>
<td>Walt Disney was known for obsessing over customer service, treating customers as valued guests.</td>
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### Autonomy and entrepreneurship

Innovative ideas are championed not only by individual product zealots, but also by a senior manager who can push them forward. Well-intentioned failure is more than tolerated.

At GE, inventors worked with executive champions who helped them blaze through bureaucracy.

### Productivity through people

Individuals have ownership over the accomplishment of objectives. Culture is familial and beliefs are shared.

HP developed the concept of Management by Walking Around (MBWA) - valuing short, unplanned communications in which managers create culture and gather realistic information.

### Hands-on, value-driven

The company is clear on what it stands for, and this excites employees.

IBM “expects and demands a superior performance from its people in whatever they do.”

### Stick to the knitting

While tiny acquisitions can be helpful, these companies refuse to over-diversify.

Boeing singularly devoted itself to the commercial airline market, from which it received 90% of revenue. Cut one non-core business (or life) function.

### Simple form, lean staff
Organizational structure is stable, but can be broken if needed. Business units are small and entrepreneurial.

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<td>Johnson &amp; Johnson was broken into 150 independent divisions, each held accountable to its own board.</td>
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**Simultaneous loose-tight properties**

| Shared beliefs, such as the seven above, are held tightly, but employees are still given broad autonomy. | 3M has deeply held shared values, yet employees are encouraged to experiment and fail. |

**QUESTION FOR REFLECTION:**

**OUR PURSUIT OF EXCELLENCE SHOULD FOCUS ON THE PROCESSES THAT DRIVE IT, NOT RESULTS THAT FOLLOW. WHAT PROCESSES OR ROUTINES COULD YOU ADOPT TO CREATE A CULTURE OF EXCELLENCE?**

[Find it on Amazon](#)
Seemingly great companies die with shocking regularity. Why? What are the early signs of decline, and can they be counteracted, like a cancer that is caught before it spreads too far? Jim Collins conducted extensive research to identify the five stages of decline. Interestingly, each stage is self-inflicted, and many companies have sunk as low as Stage 4 but managed to come back stronger than ever.

**IS YOUR COMPANY (OR LIFE) IN DECLINE?**

**STAGE 1: HUBRIS BORN OF SUCCESS**
The first stage of decline is the hardest to detect but easiest to counteract. As we progress through the stages, they will become increasingly easy for an executive to notice, but more difficult to cure. In Stage 1, people come
to view the company’s past success as an entitlement. Deep insight, as in “We are successful because we understand our environment and do these specific things in response” is replaced by the rhetoric of success: “We are successful because we do these specific things.” In short, what we do replaces why we do it. The organization also will become less interested in learning and experimenting, and the company will neglect aggressively investing in its primary flywheel of growth. Executives also will downplay the role of luck in past success.

**WHAT DO YOU FEEL ENTITLED TO?**

**STAGE 2: UNDISCIPLINED PURSUIT OF MORE**

The hubris of Stage 1 breeds an undisciplined confidence that the company can do anything. It begins growing for growth’s sake, often expanding faster than it can find excellent people and put them in the right seats. Companies often expand into unrelated industries or segments without deeply considering the three key questions of (1) Can we be the best in the world here? (2) Will this drive our core economic engine? (3) Does this ignite the passions of our people and fit with our core values? You may also notice a tendency to simply raise prices to compen-
sate for growing costs. Bureaucracy begins to replace discipline. People’s passion for their job wanes as they begin to focus more on themselves and obtaining personal benefit than on building an enduring organization.

WHAT ARE YOU DOING THAT IS OUTSIDE YOUR “SWEET SPOT”?

STAGE 3: DENIAL OF RISK AND PERIL

By this point the company is clearly in decline, as various internal indicators have begun to attest to. However, external performance is often strong enough to explain away the warning signs, often with phrases such as “cyclical,” “not that bad,” or “temporary.” Teams that once eagerly confronted the brutal facts of the situation now fear being the bearer of bad news. Arguments are increasingly based on opinions rather than data, and team members compete for credit but look elsewhere to apportion blame, focusing more on their own careers than building a great company. Firms in Stage 3 often make bold bets without sufficient evidence, perform repeated reorgani-
zations rather than confront external realities, or have executives that demonstrate an increasing disdain for the front-line reality.

**IMAGINE YOUR BUSINESS/LIFE HAS A CATASTROPHE TOMORROW. WHAT IS IT?**

**STAGE 4: GRASPING FOR SALVATION**

Now that the decline is plain for all to see, how will the leadership react? Enduringly great companies respond by refocusing on the disciplines that made them great in the first place, slowly accumulating enough small wins to restore momentum and employee faith. On the other hand, poor leaders grasp for a “silver bullet” answer to all their problems: making a flashy acquisition, or bringing in an outside CEO as savior. Hype around reorganization programs or new strategies precedes results, leaving people disappointed when all is not immediately cured. People are confused or cynical about the core values of the company, and a general sense of panic prevails.

**ARE YOU BUYING LOTTERY TICKETS?**
STAGE 5: CAPITULATION TO IRRELEVANCE OR DEATH

The longer a company remains in Stage 4 the weaker it becomes. Financial resources are exhausted in foolish gambits, and continual hype without results breeds a sense of hopelessness and finality. In Stage 5, leadership abandons the hope of building a great company, chooses to sell out, allows their company to atrophy into insignificance, or even watches the firm die.

By studying both success and failure, we have a much better chance of building an enduring institution. All companies go through periods of decline – but the great ones summon the will to recover.

QUESTION FOR REFLECTION:

IF YOU WANT TO SUCCEED, IS IT MORE VALUABLE TO STUDY SUCCESS OR FAILURE?

Find it on Amazon
Jack Welch is the legendary former CEO of GE. He ran the company from 1981 to 2001, and for every $1 invested in GE stock when he took the reigns, shareholders had received $48 by the time he retired. Winning encapsulates his principles for business and life.

UNDERNEATH IT ALL

Welch starts with the mission of a company, which he defines differently than most. In his view, a good mission statement answers the question, “how do we intend to win in this business?” For GE it was “Be No. 1 or No. 2 in every market and fix, sell or close underperforming units.” He also prefers the term “behaviors” to “values,” and advocates describing “how we act and do business” as specifically as possible.

WHAT BEHAVIORS DOES YOUR ORGANIZATION EXPECT?
Candor is an especially valuable cultural norm to set, as it brings more people into the conversation, speeds things up and reduces costs enormously.

**TAKE AN ISSUE YOU HAVEN’T BEEN CANDID ON AND CLEAR THE AIR.**

The next core discipline is differentiation. In capital allocations, this means only investing in businesses that can meet a minimum expected ROI benchmark. With people, it means separating out the top 20% (for rewards and additional responsibility), the middle 70% (for coaching and development) and the bottom 10% (which you fire each year). But remember that everyone deserves voice and dignity.

**YOUR COMPANY**

Leadership is not about you. It’s about your people – upgrading and coaching your people; getting them to live and breathe the vision; injecting energy, trust and candor into your relationships; and celebrating wins with them.
It also requires skeptical curiosity and risk-taking. When hiring, everyone must pass the acid tests of Integrity, Intelligence, and Maturity.

**THINK - IS THERE ANYONE ON YOUR TEAM THAT LACKS ONE OF THESE ACID TESTS?**

After that, screen for Energy, Edge (the courage to make tough calls), Execution and Passion. When hiring for senior roles, look for Authenticity, Vision, Resilience and those who surround themselves with people smarter than they are. The head of HR is just as important as the CFO, and the best HR leaders are half-pastor-half-parent types. Their most important job is implementing an effective evaluation system. When firing people, make sure there are no surprises (the employee should know exactly where the performance gap is and have had opportunity to fix it) and don’t humiliate people.

Dealing with change is crucial to survive. Make sure every change has a clear purpose, hire people who value results over stability, get rid of resisters (even those who perform well), and look for opportunities in “car wrecks” like recessions or competitor bankruptcies. During a crisis, assume the problem is worse than it appears, that everything about the problem will become public knowl-
edge (so be 100% transparent), that your handling of the crisis will be portrayed as negatively as possible, and that changes in processes and people will be required. But ultimately, know that you will survive and be stronger.

**RECALL A PAST CRISIS. WOULD THE ABOVE APPROACH HAVE HELPED?**

**YOUR COMPETITION STRATEGY**

Strategy is “picking a general direction and implementing like hell.” Budgeting should be a collaborative effort between headquarters and a unit designed to beat last year’s performance and the competition, with bonuses apportioned on that basis. For organic growth, put your best people on the project, make a big deal out of them, and give them room to run. In M&A, beware of deal heat, remember there is no such thing as a “merger of equals,” pay close attention to cultural fit, and finish the integration within 90 days.
YOUR CAREER

A good job is one where you want to be friends with your co-workers, you grow personally and professionally, it enhances your options in the future, you feel unconstrained in making decisions and you enjoy the work.

DOES THIS DESCRIBE YOUR CURRENT JOB?

There are no shortcuts to getting promoted, but over-delivering and taking responsibility for ever-broader areas always helps. Never make your boss spend political capital defending you. And finally, remember that successful people help other people be successful.

MAKE SOMEONE ELSE MORE SUCCESSFUL TODAY.

QUESTION FOR REFLECTION:

WHAT EXPERIENCES, KNOWLEDGE AND SKILLS WOULD MAKE YOU AS EFFECTIVE AN ORGANIZATIONAL LEADER AS JACK WELCH?

Find it on Amazon
Change

PART 2
Execution is not something to be delegated. Execution is the core responsibility of any leader because if visions or concepts are not realized they do not matter. How is this done without micromanagement? A leader’s role is to ask the right questions – ones that focus on how (strategy process and operations process) and by whom (people process).

Three key processes guide execution:

1. THE PEOPLE PROCESS
The most important process of any business is how it links its people with business performance. As a leader, you can ensure this process leads to execution at all levels by:
a. Rewarding those who do, not those who think.

**IN UPCOMING PERFORMANCE REVIEWS, COMMENT FAVORABLY ONLY ON TANGIBLE RESULTS.**

b. Asking questions in interviews which determine if a person is thrilled by getting things done, asking them to highlight past accomplishments.

c. Always asking “why?” after hearing glowing statements like “Steve is a great guy” or “Samantha is fantastic.”

d. Getting people in the right positions: Determining strategic milestones, determining skills needed to accomplish these milestones, and then finding the person who has these skills.

**FOLLOW THIS PROCESS FOR YOUR NEXT FIVE PERSONNEL MOVES.**

2. THE STRATEGY PROCESS

At its most basic level, strategy is a goal or direction. Good strategic plans must not only outline this goal but also how to get there. Always assess:

a. Competition and customer atmosphere
b. Organizational capacity

c. Link between strategy and people – what types of leaders need to be developed?

d. Link between strategy and operations – what programs need to be completed quarterly? Are financial resources assigned?

CREATE A STRATEGIC ROADMAP THAT ASSESSES THESE VARIABLES.

3. THE OPERATIONS PROCESS

Everyone must be involved in the creation of a synchronized operating plan. Trade-offs must be assessed based on constraints. Always make a contingency plan – this is what helped Honeywell proceed smoothly after a shake-up in the airline industry following September 11, 2001.

INTEGRATE CONTINGENCIES INTO YOUR STRATEGIC ROADMAP.

What else is key to execution?
1. BUDGETING

Budgets can be completed in three days through the following process: Gather not only relevant business leaders, but also their direct reports, line, and staff. Discuss in turn each of the 20 most important budget lines, having each business unit present its action plan for meeting this piece of the budget. This will raise red flags about missing or duplicate costs.

2. KNOW YOUR BUSINESS

Jack Welch (GE), Sam Walton (Walmart), and Herb Kelleher (Southwest Airlines) are examples of CEOs who understood the realities of their businesses and connected with individuals about them.

SPEND AN AFTERNOON WALKING AROUND YOUR OFFICE ASKING QUESTIONS. ASK ABOUT WHAT ISN’T GOING WELL. DON’T SEEK OUT HAPPY ANSWERS. SEEK TO LEARN THE TRUTH.

3. CULTURE CHANGE

Do not simply state that culture needs to be changed. Come to a clear understanding of from what and to what the culture must change.
QUESTION FOR REFLECTION:

AS A LEADER, WHAT QUESTIONS CAN I ASK TO ENCOURAGE ACTIONABLE PLANS AND TANGIBLE RESULTS?

Find it on Amazon
Even the best-intentioned of change efforts fall apart after hours of work and countless meetings. To shift an organization with effective, permanent change, take the following steps:

**ESTABLISH A SENSE OF URGENCY**

For change to take place, it must be elevated above all other demands already filling team members’ days. Broaden employees’ goals so that change efforts are included – narrow goals are enemies of change. It is also imperative to have frequent and consistent data provided in order to create a culture of rapid responses.
CREATE A GUIDING COALITION

Change will never happen if it is led by people with little authority. Make sure credible senior management is at the helm of the change steering committees. These guiding coalitions are responsible for establishing trust and a common goal.

DEVELOP A VISION AND STRATEGY

Take the following visualization of how to lead by casting vision:

An authoritarian manager: “Get up! Follow me! Now!”

A micromanager: “March in the direction of the apple tree. Stay two feet away from the other group members and do not run. Do not leave any personal belongings.”

A vision-casting manager: “It’s going to rain in a few minutes. Why don’t we go sit under the apple tree?”

A good vision is imaginable, desirable, flexible, feasible, and focused. It is also easy to communicate – the best visions can be explained in under five minutes.
COMMUNICATE THE CHANGE VISION

Build compelling pictures with your words to communicate the vision. Repeat the message many more times than you feel is necessary, and use a variety of forms to communicate it. If possible, allow for interactive communication. Lead by example, and explain any actions taken that seem to be inconsistent with the change effort.

EMPOWER ACTION

Remove barriers by aligning compensation and promotions with behavior that is true to the change efforts.

GENERATE SHORT-TERM WINS

Blend vision-casting leadership with management techniques to accomplish landmark goals toward the beginning of change efforts. Short-term wins should be made visible within the company, and should be unambiguously positive. They should also clearly relate to the change effort.
CONSOLIDATE GAINS AND PRODUCE MORE CHANGE

Many times, areas of a company are interdependent – the action of one part of a company relies heavily on that of another. In this stage of the change process, either sever ties of dependence or create plans to include dependent departments in the change efforts. Consider hiring someone with a strong ability to implement these strategies as they can become increasingly complicated.

ANCHOR NEW APPROACHES IN CULTURE

Contrary to popular belief, culture change should actually come last in the process. Culture is created by developing norms and shared values among the group, and it must happen over time. However, once culture is created, it can long outlast any one executive.

APPLY THIS EIGHT-STEP PROCESS TO A CURRENT CHANGE EFFORT. DRAFT IDEAS FOR HOW EACH STEP OF THE PROCESS WILL LOOK, AND THEN IMPLEMENT.
QUESTION FOR REFLECTION:

CHANGE IS POSSIBLE, BUT IT INVOLVES A THOROUGH AND DIFFICULT PROCESS. WHAT IS THE MOST IMPORTANT CHANGE YOU NEED TO MAKE? IS THERE ONE CHANGE YOU COULD MAKE THAT WOULD HAVE A TRICKLE-DOWN EFFECT, MAKING ALL FUTURE CHANGES EASIER?

Find it on Amazon
In the form of a fable, Our Iceberg Is Melting brilliantly shows the practical steps necessary to spark, implement, and sustain change. This fable follows the same eight steps of change that Porter articulates in his famous work Leading Change, but animates the steps through the story of a few ambitious penguins.

Meet Fred – an inquiring, adventurous pigeon. One day, Fred discovers the iceberg he and his fellow penguins inhabit is, indeed, melting. Let’s follow Fred as he works through the eight steps of change to save the penguin clan from catastrophe.
ESTABLISH A SENSE OF URGENCY

Fred brings the matter to the attention of the Leadership Council, which is the governing agency of the iceberg. Fred built a model of the iceberg to demonstrate just how fragile their home was.

DEVELOP VISUALS, STATISTICS, AND ANECDOTES THAT HIGHLIGHT THE NEED FOR CHANGE.

CREATE A GUIDING COALITION

A committee was formed that included a variety of personalities and skills. An intellectual, a penguin who loved to get things done, and a well-liked penguin were all included in the diverse group. Notably, the Head Penguin of the Leadership Council was also on the committee – emphasizing the importance of having high levels of leadership behind all change efforts.
DEVELOP A VISION AND STRATEGY

When Fred sees a seagull fly by his iceberg, he realizes not all birds stay on one landmass for their entire lives. He uses this example to inspire others to begin thinking of ways penguins could become more migratory to escape their melting iceberg.

COMMUNICATE THE CHANGE VISION

The thought of being a migratory bird is not received well by many set-in-their-ways penguins. Fred and his team spread propaganda throughout the penguin nation by hosting town hall meetings and hanging posters around the iceberg.

Create a spreadsheet that tracks the individuals to communicate with, the messages to tell them, and the number of times this message has been communicated.
EMPOWER ACTION

The team makes sure every penguin has a role in the change efforts. Some penguins are sent on scouting missions, while others prepare food at home. Even elementary school students are involved by spreading the message to their families and friends.

GENERATE SHORT-TERM WINS

Penguins who scouted out new territories successfully found a few new potential homes for the clan of penguins. They were welcomed home with a Heroes Day celebration, which included a carnival and food for all.

CONSOLIDATE GAINS AND PRODUCE MORE CHANGE

After successfully moving to a new island, the penguins’ bias to action did not let up. Instead, the penguins continued scouting for new and better places to live. One year after their first move, the penguins found a larger iceberg with improved fishing territory, and quickly migrated toward this new iceberg.
ANCHOR NEW APPROACHES IN CULTURE

Even successful changes can be overridden when old, stubborn cultures do not pass away. To ensure permanent change, past promoters of the change movement were selected for future leadership positions. Elders of the penguin colony were encouraged to share their story of change with younger penguins. “Scouting” became an official school subject.

ALIGN INCENTIVE SYSTEMS AROUND CONTINUING A CHANGE.

QUESTION FOR REFLECTION:

CHANGE BRIDGES THE GAP BETWEEN WHAT IS AND WHAT COULD BE. WHAT COULD YOUR ORGANIZATION BE? IT IS CRUCIAL TO ANSWER THIS QUESTION THOROUGHLY - DO NOT SIMPLY PURSUE CHANGE FOR THE SAKE OF CHANGE.

Find it on Amazon
GLOBAL TILT
By Ram Charan
Recommended by one CEO

The global South is of increasing importance to the American business community. Not only is the developing world a partner for companies in materials and labor sourcing, but it is home to an increasingly large number of middle-class consumers.

How, then, do we market to the middle class of the global South?

First, it is imperative to understand the market’s characteristics. The emerging middle class will have two key characteristics:

1. Urban – by 2050, it is believed that 75% of the world’s population will live in cities

2. Young – unlike much of the global North, age pyramids in the south are pear-shaped
Analyze how your company’s product could better fit the needs of these two markets.

Companies can then approach this new middle class with solutions that meet its distinct needs. This might involve drastic adaptations to products, services, and processes. Controversially, Charan encourages companies to refrain from feeling tied to their core competencies. Don’t stick to your knitting if it is not marketable in the developing world.

Instead, companies should make strategic bets. Gather your team at least once a quarter to discuss trends in the world and how they could inspire your business. Brainstorm challenging ideas about what solutions your company could provide to needs that are arising. Schedule your next team meeting to discuss trends and brainstorm creative solutions. Too many companies come with teaspoons to the fountain of global growth; instead, you should approach with buckets.

One company that followed this strategy with immense success was Bharti Airtel. Now the leading communications provider throughout Africa, Airtel did not set out to cover the developing world with the same phone line
infrastructure as the United States. Instead, Airtel aimed “to be the most loved brand in the daily lives of African people by 2015.”

As is evidenced in this mission statement, Bharti Airtel sought to understand and serve a market in the global South. Because Airtel was not tied to any previous telecommunications model, it was able to provide a model for African communication that really worked. Airtel also realized it could solve the need for mobile banking systems, and quickly began marketing this service as well. By listening to the customer and providing innovative solutions, Airtel profited greatly through the global tilt.

QUESTION FOR REFLECTION:
WHAT IS YOUR COMPANY’S MISSION IN THE DEVELOPING WORLD?

Find it on Amazon
Meet Alex Rogo, the manager of a struggling manufacturing plant. In The Goal, Goldratt shadows this fictional character on his difficult journey toward profitability. Through Rogo’s struggles, we learn how to set goals, as well as a five-step process for achieving these goals.

The most important aspect of any improvement is the correct identification of the end goal for your endeavors. While it may sound simple, a breakthrough moment for Rogo was when he discovered that the actual goal of his plant was simply “making money.” Understanding the end goal stopped Rogo from chasing tempting buzzwords such as “efficiency.”

TAKE A FIRST PASS AT IDENTIFYING THE GOAL OF YOUR ACTIVITIES. THEN DETERMINE WHAT THE UNDERLYING GOAL IS FOR THIS GOAL. REPEAT THIS FIVE TIMES UNTIL YOU HAVE DETERMINED THE ROOT GOAL.
The only metrics that are important are those that affect this end goal. For example, to achieve his goal of making money, Rogo paid close attention to:

1. Throughput – money coming in from production that sells (this should be increased)

2. Inventory – the money currently inside the system (this should be decreased)

3. Operational expense – the money we have to expend to make throughput happen (this should be decreased)

Determine which metrics actually indicate whether your goal is being met.

How do we increase throughput or decrease inventory or operational expense? In answer to this question, Rogo discovers the following five-step process, which is a pinnacle component of lean manufacturing:
1. IDENTIFY THE BOTTLENECK

Goldratt argues there is always a key constraint that prohibits a business from meeting its goal.

TRACE YOUR PRODUCTION PROCESS FROM BEGINNING TO END, PAYING SPECIAL ATTENTION TO WHICH PORTIONS ARE DEPENDENT ON OTHERS. WHAT IS THE ONE PART, PROCESS, OR MACHINE THAT DETERMINES THE CAPACITY OF THE ENTIRE PLANT?

2. EXPLOIT THE BOTTLENECK

Any capacity gained by the bottleneck is an increase to the entire plant; a decrease will cut the capacity of the entire plant and cannot be recuperated. Therefore, reduce or eliminate wasted time on the bottleneck and prioritize the tasks within the bottleneck.

3. SUBORDINATE EVERY OTHER DECISION TO THE BOTTLENECK

Utilize other machines to take pressure off the bottleneck. Use the bottleneck to pull inventory through the system, making sure all materials are available to the bottleneck when needed.
a. Consider using smaller batch quantities instead of allowing inventory to pile up throughout the factory.

4. ELEVATE THE BOTTLENECK
If all in-factory resources have been used, consider purchasing new machines that perform the same function as the bottleneck.

5. REPEAT
Identify progress toward the goal and repeat steps one through four.

By implementing these changes, Rogo was able to greatly increase customer satisfaction by decreasing lead times and costs. His plant became highly profitable as he successfully accomplished his goal of making money. To no surprise, Rogo was well compensated for his troubles, obtaining a huge promotion. He also used the lean principles to identify goals in his struggling marriage, leading to an enhanced personal life to boot.
QUESTION FOR REFLECTION:

DOES EVERYONE WORKING WITH YOU HAVE A CLEAR UNDERSTANDING OF THE ULTIMATE GOAL OF YOUR EFFORTS?

Find it on Amazon
Change is hard. People, processes, institutions, you name it – always seem to avoid changing. Even getting ourselves to change is hard (how are those New Year’s resolutions going?). Fortunately, Chip and Dan Heath’s book Switch demystifies the key elements of changing anything.

PICK ONE THING YOU WANT TO CHANGE.

The problem with change is that humans are schizophrenic – we behave as though we have two separate minds. The emotional, instinctual side of us craves immediate payoffs but can also be aroused to passionate work. We’ll call this part of the brain the Elephant. Next, we have the rational, thoughtful part of ourselves that thinks strategically, but is prone to over-analysis. We’ll call this the Rider. The Rider sits atop the Elephant, attempting to direct him. But if the Elephant and the Rider disagree on where to go, the Rider can only fight for so
long (this is what it means to “expend willpower”) before giving in. Any effective change strategy must speak to both the Rider and the Elephant, while also shaping the path, by creating the conditions necessary for change. As an example, pretend you are tasked with turning around the sales department at a national company. Revenue is down, and no one really knows why. What do you do?

**GUIDE (THE RIDER)**

Find bright spots – Locate places where the problem you’re trying to solve isn’t an issue. So, for our example, find the regions in the country where sales have held constant or increased, and figure out what those branches are doing differently.

Script the moves – Give people specific actions to take so they don’t get stuck in “analysis paralysis.” If your study of bright spots determined the few branches that have seen sales increase are unique in that each rep makes on average 10 more calls each day, create a program to ensure everyone else starts making an additional 10 calls daily.
Point to the goal – Make it clear what people are shooting for and why the goal is worth it. “10 More Calls, Get Sales Growth Back to Positive, No Closed Branches” could be a good tagline for our example change initiative.

**INSPIRE (THE ELEPHANT)**

Feel it in your gut – People need to viscerally feel the need for change, not just know it cognitively. Only the Rider cares about analysis. The Elephant needs visualization and dramatization, so mention that the changes will help prevent layoffs and then plop a stack of resumes 200 high on the desk, one for each of the 200 employees your department employs.

Make it manageable – Make the change small enough so that it doesn’t scare the Elephant. Instead of telling people, “we need you to adopt these 4 new systems and 10 core values,” just tell them that everyone needs to make an extra 10 calls a day to begin turning things around.
Build identity – People who make personal growth part of their identity are more open to change. So give them an identity. Rename your salespeople “Sales Scientists” and cultivate an ethic of experimentation and continual learning.

SHAPE (THE PATH)

Tweaks – Tiny environmental tweaks can have big results. Track on a whiteboard how many calls each team member made that day and see what happens.

Habits – Once established, habits don’t require any will-power to maintain. If you discover that asking people how many calls they plan to make in a given day is helpful for productivity, put a form for them to fill out on their desk when they get into work so it becomes a habit.

Momentum – After a few people catch the momentum, others will follow. Gather a core group of salespeople in each office who are on fire to make changes and help them shift their friends.

GUIDE THE RIDER, MOTIVATE THE ELEPHANT AND SHAPE THE PATH TO ACTUALLY ALTER THE SITUATION YOU IDENTIFIED TO CHANGE AT THE BEGINNING OF THIS SUMMARY.
QUESTION FOR REFLECTION:
WHAT’S SOMETHING YOU BELIEVE WILL NEVER CHANGE?
ALTER THAT BELIEF. SEE WHAT HAPPENS.

Find it on Amazon
PART 3

Communication
What is the most effective way to negotiate? By default, most of us learned “Positional Bargaining,” in which each side takes positions, makes threats and attempts to bend the other to their will. Roger Fisher and William Ury propose a brilliant alternative: Principled Bargaining.

<table>
<thead>
<tr>
<th>Positional</th>
<th>Principled</th>
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<tbody>
<tr>
<td>I offer $70k for your house. $70k!? It’s worth a minimum of $110k. With the roof damage? Not likely. This neighborhood is booming. I’d consider going up to $80k. I’ll never sell for less than $100k.</td>
<td>I offer $70k for your house. May I ask how you arrived at $70k? I’m concerned about the roof damage. How much did the damage discount your price? Well, I figure it’ll cost me at least $10k to fix... Ok. What else did you take into account?</td>
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**Goal:** Bending someone to your will. **Goal:** Finding a fair outcome.
Let’s imagine in the situation above that the seller wants at least $100k so he can start a new business, and the buyer has promised her family that she won’t pay more than $90k. Comparable houses have sold for $105k and the roof damage will cost $10k to fix, so $95k is probably a fair price. What if they agree on a price of $90k but the buyer, who happens to be a marketing consultant, agrees to provide $10k worth of her time to the seller to help him start his business? This is an ideal outcome that will almost never happen with Positional Bargaining, but is only natural with the Principled approach.

THE METHOD: SEPARATE THE PEOPLE FROM THE PROBLEM

Begin the discussion by explaining your commitment to creating or maintaining a good relationship with the other party, and your desire to discover the best outcome possible. Ask the other person about his or her honest perceptions of you, and share yours with them. Act in a way to disconfirm their negative perceptions. Give people space if things get heated.
FOCUS ON INTERESTS, NOT POSITIONS
In the example above, the discussion would have been a lot easier had the seller explained “I need $100k to start a business” and the buyer replied “I promised my family I wouldn’t pay more than $90k.” Getting these interests on the table productively frames the conversation. Invent Options for Mutual Gain. Once everyone’s positions and parameters are stated, both parties work together to brainstorm possible solutions. Criticizing each other’s ideas is forbidden here.

INSIST ON USING OBJECTIVE CRITERIA
Find a way to evaluate the brainstormed ideas that both parties can agree on, and then determine which idea produces the most net benefit to both sides. Yes, But...

WHAT IF THEY ARE MORE POWERFUL?
Determine your BATNA (Best Alternative to a Negotiated Agreement) and refuse to accept deals below that level. If you can’t agree on a salary, the next best job offer you
received becomes your BATNA. Interestingly, things like power and wealth are less important than having a strong BATNA in a negotiation.

WHAT IF THEY WON’T PLAY?
Use “negotiation jujitsu” and ask them for the reasoning behind any position they take. Continuing to focus on reasoning and objective standards of what’s fair will likely pull them in that direction as well. Alternatively, ask a third party to mediate and propose different options for each of you to critique. Once the mediator feels the fairest possible solution has been proposed, he/she can ask each party for a simple Yes or No.

WHAT IF THEY USE DIRTY TACTICS?
First, identify the tactic explicitly (“You seem to be doing the Good Cop / Bad Cop routine, if I’m not mistaken?”). Second, discuss the “rules of engagement,” explain the
difference between Positional and Principled bargaining, and ask the other party which game they would like to play.

GET A FRIEND AND ASK THEM TO ROLE PLAY A NEGOTIATION OVER SOMETHING THAT ACTUALLY MATTERS TO BOTH OF YOU.

QUESTION FOR REFLECTION:
WHAT IF YOU KNOW YOU’RE A POWERFUL NEGOTIATOR AND THINK YOU CAN PROBABLY EXTRACT A PREFERENTIAL DEAL OVER TRULY WHAT’S ‘FAIR’ BY USING POSITIONAL BARGAINING RATHER THAN THE PRINCIPLED APPROACH? SHOULD YOU ABANDON PRINCIPLED NEGOTIATION?

Find it on Amazon
According to Chip and Dan Heath, you probably won’t remember the sentence you currently are reading. We have countless opportunities to take in information, and much of it passes right by us to never be remembered again. What sticks? If you want better SUCCESSs in communication, consider the following qualities of effective messages:

**SIMPLE**

The best messages are both compact and understandable. “THE low-fare airline” was the consistent, clear tagline of Southwest Airlines, and they did not clutter their communication with other messages. Similarly, Apple’s
iPhone has nearly completely removed clutter - one button is all you need. Know what’s most important, and prioritize it.

THINK OF AN UNDER-10-WORD MISSION STATEMENT FOR YOUR BUSINESS, PROJECT, FAMILY, OR CHARITY.

UNEXPECTED
How many times have you actually listened as you heard the airplane flight attendant rattle off the safety instructions? We generally ignore content that we find predictable. Conversely, we are intrigued by apparent contradictions or gaps in knowledge.

CONCRETE
Try this quick exercise: First, think about the word, “truth.” Second, think about the word, “watermelon.” How did you feel when you thought about each word? Chances are, you felt much more comfortable thinking about watermelon. The word brings a picture to your mind
- and perhaps even a smell or a taste. When you communicate, bias toward tangible prototypes instead of abstract blueprints.

**DESCRIBE SUCCESS USING ALL FIVE SENSES. CREATE A PICTURE WITH YOUR WORDS.**

**CREDIBLE**

We are more likely to listen to authority figures in our lives. Think about scam emails. Often, they are addressed from a close friend who “needs money wired to Croatia” or a governmental agency warning us about “an infectious disease spread by bananas”. Both of these are attempts to gain credibility by coming from people we respect. We are also more likely to believe something if it resonates with experiences we have had in the past. Additional levels of detail add to a message’s perceived credibility.

**EMOTIONAL**

In the words of Mother Teresa, “If I look at the mass, I will never act. If I look at the one, I will.” Appeal to your listener’s emotions, self-interest, and identity for maximum effect.
Before your next conversation, think about what the other people in the conversation value. Explain your cause in terms of how it ties into these values.

**STORIES**

The best of communicators draw their audiences into a narrative. This takes listeners from being passive listeners to active participants. Think about Jared, the spokesperson for Subway. By eating almost exclusively at Subway for three months, Jared lost almost 100 pounds. His tale was not only sparked listeners’ interest, but also encouraged them to follow in his footsteps by living the Subway diet.

While there are six principles that lead to SUCCESs in communication, there is only one principle that most commonly leads to failure: the “curse of knowledge”. In short, once we know something, it is almost impossible to imagine what it is like not to know it. Have you ever felt completely lost in a college lecture? It’s likely your pro-
fessor was under this curse. As you incorporate the other SUCCESSs principles into your communication, remember to constantly battle this bias.

BEFORE PITCHING AN IDEA TO A CLIENT, TRY PITCHING IT TO YOUR CHILD OR ANOTHER FAMILY MEMBER. KEEP SPECIAL NOTE OF ALL THE CONCEPTS YOU NEEDED TO EXPLAIN.

QUESTION FOR REFLECTION:
WHAT IS THE BEST SPEECH OR COMMUNICATION YOU’VE EVER DELIVERED?

Find it on Amazon
How many times have you heard the phrase *Nice guys (or gals) finish last (or first)*? No one ever seems to know – until now. Adam Grant evaluated studies on the topic, and the results are captivating. People generally fall into one of three groups in their interactions with others. Takers try to get more than they give. Matchers work to keep things fair, proportionately returning both generosity and snubs, while Givers give without keeping score. So which group ends up at the top and bottom of the ladder? Givers. For both. Here’s why.

**WHICH ARE YOU? TAKE THE QUIZ.**

Givers have a unique way of building networks. Whereas takers engage in arrogant displays and work to puff themselves up (the larger the CEO’s picture is in the annual report, the more likely they are to be a taker), givers contribute without seeking compensation. Illustrat-
ing this better than anyone is Adam Rifkin who, despite being strongly introverted, was recognized by Fortune as the best networker in the world. Rifkin habitually tries to help everyone he meets, and has popularized the concept of the five minute favor (in short, you should be willing do a favor for anyone that takes less than 5 minutes).

**DO A FIVE-MINUTE FAVOR TODAY.**

Rifkin formed a networking group to connect entrepreneurs that is attended by thousands, and has established a strong culture of giving. He leverages the enormous power of weak ties by being willing to give or request help from people he only met briefly. He is also willing to reconnect even after having fallen out of touch with someone for years, either to give or request.

**RECONNECT WITH 5 PEOPLE YOU’VE FALLEN OUT OF TOUCH WITH.**

Givers are like suns, injecting energy into social systems. They share credit and give teammates the limelight, creating environments where creativity flourishes. George Meyer, the legendary writer for The Simpsons, created enormous numbers of jokes and didn’t care who was credited for them – as a result, the best writers in the business wanted to work with him. What’s more, givers are often
the best talent scouts and developers, as they relentlessly encourage their pupils and make the pursuit of mastery enjoyable. Research shows that interest precedes talent – the best piano players had encouraging (giver) teachers as kids, came to enjoy piano, and therefore were motivated to practice and become great. When recruiting, givers find other givers who also put the team above personal ego, and are quicker to fire bad eggs. In contrast, takers often give poor performers that they brought on far too many chances, hoping for a turnaround that will avoid the shame associated with having made a bad hire.

Givers are often more influential communicators as well. Counterintuitively, this happens by adopting powerless communication. Instead of trying to impress an audience into agreeing with you, behaviors like stuttering, admitting vulnerability in areas outside your core competence, and asking questions instead of making statements have been proven to be more effective. The best givers are deeply competent but don’t hide their human shortcomings and therefore appear more relatable (and ultimately
influential) to audiences. Givers are also more likely to genuinely ask for advice, with often magical results in enlisting other people’s help in addressing issues.

**ASK SOMEONE FOR ADVICE.**

It turns out self-interest and other-interest aren’t opposites, they are separate continuums. This is why some givers end up at the bottom of the ladder (high other-interest and low self-interest) and others vault to the top (high in both categories). Selfless givers tend to burn out by giving of themselves until there’s nothing left. In contrast, “otherish” givers strategically give to benefit both the other person and themselves, creating an upward spiral. The biggest motivating factor for givers is simply whether their work is making a visible difference, and otherish giving is much more likely to create that. Often experimentation is necessary to figure out what works: for example, volunteering 100 hours per year seems to maximize psychological benefits. Although the otherish approach may appear more selfish, it prevents burnout and enables otherish givers to contribute more than their “selfless” counterparts.
Furthermore, being mean (or nice) and being a taker (or giver) aren’t intrinsically linked. So how can you sort givers from takers, if someone’s “agreeableness” isn’t the best clue? First, watch their language: takers use “I” and “me” in describing successes, givers use “us” and “we.” Smart givers start with the assumption that everyone is a giver, but adjust their style based on observation, switching to a matcher style when interacting with a taker. Givers become more effective negotiators when they mentally frame themselves as fighting for the interests of another party (givers who entered discussions with the mindset of getting a pay raise “for my family” became more effective at doing so). Finally, instead of asking for payback after giving a favor, givers tell their recipients to pay it forward. The results can transform the culture of entire organizations. Creating a culture of giving is easier when people share some common ground, by making a norm of giving visible to all (this will engage the matchers, who want to do as least as much as everyone else, and also the takers, as long as social benefits are associated with giving).
QUESTION FOR REFLECTION:

WOULD IT BE MORE IMPACTFUL TO YOUR ORGANIZATION TO ADD MORE GIVERS OR REMOVE SOME OF THE TAKERS?

Find it on Amazon
Epic Stories
The most powerful realization you have while reading Team of Rivals is that Abraham Lincoln was truly a great man. Lincoln habitually illustrated his points with anecdotes, and the quotes and stories below begin to give a sense for his character and leadership.

“THE BEST WAY TO DESTROY AN ENEMY IS TO MAKE HIM A FRIEND.”

In 1855, Lincoln’s legal career took a promising turn when he was asked to help three prominent lawyers, among them Edwin Stanton. Stanton eventually reconsidered, not wanting to associate with “such a damned, gawky, long-armed ape as that.” He proceeded to treat Lincoln incredibly poorly and refuse the work he had prepared. Lincoln was hurt by the ordeal but also impressed with Stanton’s skill as an attorney, which reinforced his drive
to improve. Years later, Lincoln would refuse to hold a grudge and hired Stanton as his Secretary of War, believing (correctly) that he was the best man for the job.

**RECALL A GRUDGE YOU’VE BEEN HOLDING. OPEN YOUR HAND.**

“**CHARACTER IS LIKE A TREE AND REPUTATION LIKE A SHADOW. THE SHADOW IS WHAT WE THINK OF IT; THE TREE IS THE REAL THING.**”

Abraham Lincoln had personal integrity people could see from a mile away. He treated everyone with respect and decency, never thought himself above his fellow man, and genuinely never seemed to do anything that he couldn’t be proud of. Team of Rivals notes that in all the research that has gone into the life of Lincoln (more books have been written about him than any historical figure other than Jesus), no one has ever found a story of him treating an African American poorly, for example. Even his rivals, who coveted his position or initially viewed him as a hopelessly naive frontier lawyer, eventually came to respect and even admire him.

**DOES ANYONE DISRESPECT YOU FOR GOOD REASON?**
“FOUR SCORE AND SEVEN YEARS AGO...”
Lincoln was an exceptional speaker. He distilled thoughts to their essence and made them simple, memorable and profound. The Gettysburg address took just 272 words, but was so powerful it left the audience speechless. Lincoln used words to shape a new purpose and identity for a nation that literally was ripping itself apart.

*Google the Gettysburg address and read it yourself. It will send shivers down your spine.*

“My great concern is not whether you have failed, but whether you are content with your failure.”
Lincoln was both courteous and firm with his generals, giving them every opportunity to prove themselves and every support the government could provide, enduring their tempers, egos, snubs and personal vices as long as they could deliver victories. Despite these measures, most of his early leaders proved themselves unfit for the task, and Lincoln had the courage to replace them repeatedly.
“BE SURE YOU PUT YOUR FEET IN THE RIGHT PLACE, THEN STAND FIRM.”

Lincoln followed a simple pattern in crafting policy: be patient, gather as much information as possible, guide public opinion to support your conclusions, make the announcement, and then hold fast. After being lam-pooned for being soft on the fight against slavery for months or even years, Lincoln sensed that the time was right for him to unveil the Emancipation Proclamation, immediately putting him out in front of his rivals again.

“I HAVE NO AMBITION SO GREAT AS THAT OF BEING TRULY ESTEEMED OF MY FELLOW MEN, BY RENDERING MYSELF WORTHY OF THEIR ESTEEM.”

Lincoln had an incredible ability to funnel his own personal ambition into ambition for the nation as a whole. He was an intensely driven individual, whose all-consuming goal was proving himself worthy of respect and admiration. But instead of becoming prideful and vain, like many of his rivals, Lincoln seemed practically impossible to insult or provoke. He never allowed emotions to dic-
tate his actions, and established a safety-valve practice of writing angry letters to burn off steam and never sending them.

**QUESTION FOR REFLECTION:**

THE FORTUNE 500 CEOS LISTED TWO BOOKS ON LINCOLN AMONG THEIR FAVORITES. WHY HAS HE BEEN SO UNIQUELY INSPIRING TO PEOPLE?

[Find it on Amazon](#)
Moneyball follows the story of Billy Beane, a promising major league baseball player whose career failed to pan out turned general manager for the Oakland Athletics. In a world where scouts chose players to draft based on a combination of gut, rules of thumb, and appearance, Beane found statistical junkies who had developed mathematical ways of determining how much a player was worth, and began basing his decisions off that information. This methodology, of course, was widely ridiculed by the baseball establishment and especially by Beane’s own staff. And so it would continue to be, right up until the Oakland A’s started delivering performance wildly disproportionate with their miserably small budget.

The sport of baseball was undergoing an important competitive shift, as players were granted the ability to become free agents and auction their services to the high-
est bidder. Salaries for the superstars skyrocketed, making fielding a winning team much more expensive. Beane, who had one of the most meager war chests in the league, was tasked with figuring out how to turn a small number of dollars into a large number of wins. The solution: find players who look useless to traditional scouts but who were statistically excellent at contributing to wins, draft them for a low salary before other teams recognize their value, and then trade them to deeper pocketed rivals a few years down the road in exchange for cash, draft picks, or other diamond-in-the-rough players.

**IDENTIFY ONE PERSON YOU KNOW WHO GOES AGAINST THE GRAIN BUT IS SURPRISINGLY SUCCESSFUL.**

Statistical analysis revealed a number of counter-intuitive truths about baseball. For one thing, batters who are disproportionately walked are enormously valuable in winning games, although most scouts don’t see it that way. Bunts and stealing, it turns out, are almost always bad ideas. And this is a valuable lesson for any endeavor, and perhaps the core message of Moneyball: the tradition is wrong. The established practices and rules of thumb of any given industry, or even the principles by which you run your life, are likely incorrect. So experiment, drill
past the opinion-stream and into the raw data-stream, and see what reality looks like when you test things yourself instead of accepting on faith what “has always been done.”

**FIND A SOURCE OF RAW DATA BEHIND A QUESTION YOU’VE BEEN CONSIDERING.**

If nothing else, Moneyball is a manifesto for the sceptical empiricist. You don’t take my word for it? Good. You’re learning.

**QUESTION FOR REFLECTION:**

**WHAT’S A QUESTION MOST PEOPLE ANSWER USING THEIR GUT THAT YOU COULD SHED LIGHT ON WITH DATA?**

Find it on Amazon
“I don’t know where I would be without my computer. Seriously, what would my life be like without the internet?” Though this refrain is all too common, few people know where to direct their thankfulness for the technology that enhances their lives every day. Who invented this stuff, anyway?

Through the development of the computer, programming, the microchip, software and the internet, the creation of modern technology has been a process. No single person can be thanked for this entire process, or even any one particular development. In fact, in many circumstances, waves of contributors came in pairs. Let’s track some of these landmark pairs in a brief overview of the history of computer-related innovations:
ADA LOVELACE & CHARLES BABBAGE
Mid 1800s – When Babbage developed the Difference Engine, a machine that could perform complex mechanical calculations, his student Ada Lovelace began to grasp the potential power of such a machine. She laid the foundation for computer programming by imagining a day when computers could process multiple types of information, such as music or poetry.

J. PRESPER ECKERT & JOHN MAUCHLY
1945 – unveiled ENIAC, the Electronic Numerical Integrator and Computer. This electronic machine ran on binary coding (1s and 0s) and could process thousands of computations in a second.

ALAN TURING & GRACE HOPPER
1940s – made significant strides in the development of programming – using a common language to instruct a computer to function.

DON'T REFUSE PROJECTS THAT LACK A CLEAR REWARD AT THE END. BE OKAY WITH BEING PART OF A LARGER SYSTEM.
JACK KILBY & ROBERT NOYCE
1950s and 1960s - Through his contributions at Texas Instruments, Kilby invented the microchip, which was improved by Robert Noyce. Gordon Moore, who co-founded Intel with Noyce, believed the microchip would continue to decrease in size and increase in speed. The tendency toward smaller and quicker devices has since been dubbed “Moore’s law,” and has proved true in almost every facet of technology.

STEVE JOBS & STEVE WOZNIAK
Late 1900s - obsessed with simplicity and user-friendly interfaces, this legendary pair made the personal computer a reality.

ADD VALUE TO SOMETHING - AN EMAIL, A PRODUCT, OR A RELATIONSHIP - BY SUBTRACTING SOMETHING FROM IT.

VANNEVAR BUSH & ... AL GORE?
1940s & 1980s-90s - The question of who invented the internet is multifaceted and complex. During WWII, Vannevar Bush coordinated science, government, and business communities to create ARPA, a shared agency
through which the internet first began. In a tongue-in-cheek way, Gore is also credited for “inventing the internet” through his support of a bill that increased construction of a shared network infrastructure.

LARRY PAGE & SERGEY BRIN

1990s until present – transformed the internet from an endless mass of information that is leisurely perused to a place to find pointed results. Their search feature, which returned only the most useful information, became Google.

QUESTION FOR REFLECTION:

MANY OF THE BEST INVENTIONS HAVE BEEN DEVELOPED OVER SPANS OF TIME FAR LONGER THAN ANY ONE PERSON’S LIFE. HOW CAN YOU COLLABORATE WITH OTHER GENERATIONS? SEEK OPPORTUNITIES TO LEARN FROM THE PAST, AND CREATE CHANNELS FOR YOUR WORK TO BE PASSED TO FUTURE INNOVATORS.

Find it on Amazon
STEVE JOBS
By Walter Isaacson
Recommended by two CEOs

EARLY LIFE
Steve Jobs was born out of wedlock and given up for adoption. His adopted parents loved him, and Jobs came to view himself as abandoned, chosen and special. He grew up in Silicon Valley and developed a fascination with technology, aesthetics and psychedelic drugs. He formed a close friendship with a brilliant engineer named Steve Wozniak, and together built and sold devices that essentially hacked telephone booths, allowing users to make long-distance calls for free.

HAVE YOU EVER “HACKED” A NON-COMPUTER SYSTEM?

Jobs attended Reed College but dropped out before finishing. After returning from a spiritual pilgrimage to India, he convinced his friend Wozniak to help with a difficult
project, but kept the bonus he earned through his friend’s labor. His girlfriend Chrisann Brennan described Jobs as “an enlightened being who was cruel.”

**BIRTH OF APPLE**

Wozniak joined a group called the Homebrew Computer Club, and built the first modern personal computer – a processor, keyboard and screen all in one package. Jobs seized on this idea, and he and Woz founded Apple Computer (named after the orchard where Jobs was living at the time). Jobs convinced a local tech shop to order 50 units, and with that they bought parts on credit, assembled them by hand, and made the first shipment. After dozens of rejections, Jobs recruited Apple’s first real investor, Mike Markkula. With the new resources Apple released the Apple II, which captivated audiences at a local trade show and became an enormous success. Meanwhile, Jobs’s girlfriend Chrisann became pregnant. Jobs refused to take responsibility for the child, although he did help with financial support.
GROWING PAINS

Apple’s next products, the Apple III and the Lisa were lackluster. Jobs took over the Lisa project, injecting ideas he had seen at the Xerox research lab such as the graphical user interface. Apple went public, making Jobs rich, not that he seemed to care. He denied shares to some early Apple employees, who in his mind had failed to continue to contribute. Jobs, who had been removed from active authority by the board after the Lisa proved disappointing, was restored to power and allowed to direct development of the Macintosh. Jobs set out to create an “insanely great” product regardless of cost, projecting his “reality distortion field” over the team and urging them to superhuman progress.

DO YOU HAVE HIGHER EXPECTATIONS FOR OTHERS OR YOURSELF?

He often yelled at co-workers, proclaimed them either brilliant or idiotic, and frequently trashed people’s ideas and later submitted them as his own. Anyone standing in the way of his drive for perfection was subjected to ridicule, a pattern that continued throughout his entire life. Jobs was a man who delighted millions of customer but managed to both inspire and infuriate everyone he worked with.
ON THE OUTSIDE

Jobs hired former Pepsi executive John Sculley to run the company, which ended in disaster. Jobs was forced out and went on to start NeXT, another computer company. His perfectionism led to a product that was far too expensive. He then acquired Lucasfilm’s animation division and changed the name to Pixar. Meanwhile, Jobs met Laurene Powell, who became his wife. Pixar’s Toy Story was a hit, allowing Jobs to take the company public in a highly successful IPO. Meanwhile, Apple acquired NeXT and Jobs ended up as CEO once again.

CULMINATION

Jobs had learned valuable lessons at NeXT and Pixar, and was a much wiser leader of Apple the second time around. With creative inspiration from genius designer Jony Ive, Apple products became more beautiful than ever. Apple Stores, the iPod, iTunes, and a new breed of Macs were met with enormous success, revolutionizing the music and computing industries. However, Jobs learned that he had cancer. He refused surgery for nine months, attempting to cure himself with diet and other therapies. Later, the surgery seemed to help, and Jobs released
the iPhone, transforming another industry. The cancer returned, Jobs reluctantly received a liver transplant, and then announced the iPad. But the cancer refused to go away permanently, and in 2011, Jobs resigned. Thousands of devoted customers gathered for torch lit vigils outside Apple Stores later that year when Steve Jobs passed away.

**QUESTION FOR REFLECTION:**

**WHAT WILL CLOSE FRIENDS AND FAMILY REMEMBER ABOUT YOU AFTER YOU DIE? WHAT WILL THE WORLD REMEMBER?**

Find it on Amazon
WHO SAYS ELEPHANTS CAN’T DANCE?

By Louis Gerstner

Recommended by two CEOs

How do you pull a 298,000-person organization out of free-fall? Louis Gerstner, who led IBM through its turnaround in the 90s, explains what it takes to overcome inertia and revolutionize an organization.

SHORT-TERM TACTICS

Louis revitalized a crippled IBM through a mix of short-term “stop the bleeding” tactics and a long-term focus on strategy and culture. With the company in shambles, its core mainframe business under siege and the press howling, he needed to take fast action as IBM’s new CEO. After spending his first weeks meeting with as many IMBers and customers as possible, Gerstner slashed mainframe
prices to restore the firm’s competitive position. In the first of many initiatives to replace internal politics with a customer-driven mindset, he instituted Operation Bear Hug, which required senior leaders to meet with key customers each quarter and ensure that their problems were resolved.

**SCHEDULE MEETINGS WITH YOUR 5 MOST IMPORTANT CUSTOMERS/ SUPPORTERS.**

Marketing was standardized throughout the company, and compensation plans were adjusted to reward employees for the success of the company as a whole. Finally, geographic fiefdoms were converted into global industry teams, providing the foundation for further strategic adjustments.

**STRATEGY MAKEOVER**

With a measure of short-term stability achieved, Louis turned to reshaping IBM’s core strategies. IBM took a leap up the value chain and created a services division that provided a complete solution for clients’ technology needs. This move re-established IBM as a market leader and accounted for 80% of the company’s revenue growth.
between 1993 and 2001. Louis also unified IBM’s scattered software business, remaking many of their products to comply with new, open standards. Finally, IBM refocused its hardware and software portfolio, shedding weak brands and forging partnerships with other suppliers. Businesses without sustainable advantages were sold and the profits reinvested in better opportunities. With a strategy in place, now he just needed the culture to implement it.

**CULTURAL REVITALIZATION**

Most importantly, Louis revived IBM’s culture. The company’s core values had been corrupted and the culture had grown inwardly focused, political, and bureaucratic. Decisions were made in committees where anyone could say “no.” Indeed, some employees actually ignored the few decisions that were made, as “pushback” and “non-concurring” were acceptable practices. Louis drafted a new set of energizing principles for the company to follow, which were distilled into “IBM leadership competencies” and eventually a single phrase: Win, Execute, Team.
A senior leadership group that embodied these principles was created, sending a clear message that conforming to the new values would lead to advancement. Slowly, through steady communication and constant reinforcement (“people respect what you inspect”), IBM’s latent passion and creativity began to shine through.

**PICK SOMETHING IMPORTANT TO REINFORCE THROUGH INSPECTION.**

Cultural transformation was both the hardest and the most important part of the turnaround.

**QUESTION FOR REFLECTION:**

DO YOU THINK YOU COULD HANDLE THE PRESSURE OF BEING RESPONSIBLE FOR THE FATES OF NEARLY 300,000 EMPLOYEES AND TENS OF THOUSANDS OF INVESTORS, COMING INTO A COMPANY THAT WAS ALREADY ON FIRE? WHAT WOULD MAKE YOU ABLE TO DEAL WITH THAT STRAIN?

Find it on Amazon
As the great grandson of Henry Ford, Bill Ford was entrusted with the leadership of the Ford Motor Company after a period of non-family rule. Many challenges plagued Bill’s time in leadership, such as the 2001 economic crisis, a dependency on large SUVs and trucks, and a failed promotion of hybrid vehicles. Wall Street became increasingly skeptical, and Ford struggled to get buy-in on his initiatives throughout the company. In 2006, Bill realized his company was stuck in a rut. Looking at a list of undesirable options, Ford realized his best choice would be to bring in fresh leadership, eventually settling on a Boeing executive named Alan Mulally.
Mulally’s leadership style was characterized by lightning-fast Thursday morning meetings, at which each executive presented a quick analysis of their part of the business.

**HOST AT LEAST ONE RAPID CHECK-IN EACH MONTH.**

It became quickly evident to Ford executives that Mulally would not settle for anything less than brutal honesty. In one Thursday meeting, Mulally clapped when an executive explained that the launch of the Ford Edge was stalled - showing he would rather be disappointed by the truth than led on by a lie.

**CONGRATULATE THE NEXT PERSON WHO TELLS YOU BAD NEWS.**

After gathering information about the company difficulties, Mulally developed a plan:

1. One global Ford, with international units operating together instead of as separate businesses and an emphasis on building profitability in North America.

2. Rationalizing brands and product line by building vehicles using common platforms, so that parts are shared. This approach required fewer brands.
Mulally needed cash to execute his plan. To fund operations and streamline the company, he sold all brands associated with Ford except Land Rover, Jaguar, and Ford’s majority share in Mazda. He then dialed in on North American production and leveraged good relationships with the UAW to generate even more cash. He also encouraged innovations such as Sync and EcoBoost. To combat the negative impression many drivers had of the Ford product, he started the Drive One campaign, which encouraged consumers to test Ford vehicles.

These reforms led to a glimmer of hope – hope that was quickly slashed with the coming of the 2008 financial crisis. Tighter pocketbooks and stricter loan requirements caused sales to tumult. Through this crisis, though Mulally believed his two-part plan was still working – the market simply was not cooperating. To free up more cash, Mulally finally sold Land Rover and Jaguar.

**DETERMINE AT LEAST ONE ELEMENT OF YOUR BUSINESS THAT IS NOT AT THE CORE OF YOUR COMPANY’S VALUE STREAM. ELIMINATE IT.**

Although GM and Chrysler were granted $26 billion in government loans, Ford was left to bootstrap its own revival, and promptly created a new model of the Taurus.
A successful new contract with the UAW put everyone on the same team, working together to save the company. While GM and Chrysler filed for bankruptcy, Ford was able to pay off many of its existing creditors with stock and cash. By 2010, Ford turned a profit of $6.6 billion dollars.

**QUESTION FOR REFLECTION:**

**WHERE IS THE CORE VALUE STREAM IN MY ORGANIZATION OR BUSINESS? WHAT ELEMENTS OF THE BUSINESS CAN BE ELIMINATED TO REMOVE STATIC FROM THIS CORE STREAM?**

Find it on Amazon
John D. Rockefeller (1839–1937) was perhaps the most influential businessperson and philanthropist of his era. A self-made man, he arose from obscurity to command of the The Standard Oil Company, an enormous trust that established a stranglehold over the burgeoning American oil industry. At first glance Rockefeller appears to be a walking contradiction: the richest man in the country who is stingy with his children, a ruthless businessman who gives more money to charity than any other, a stickler for the smallest details who commands the largest business empire the nation had ever seen. But as we will see, perhaps these anecdotes are not contradictory at all.
PERSONAL CHARACTERISTICS AND BELIEFS

Rockefeller had a turbulent childhood - his father, for example, was married to two separate women without either’s knowledge (for a time). John D. demonstrated an early knack for business, buying candy in bulk and reselling it for a profit at the tender age of five. He developed a strong Baptist faith, and was trained to “make all you can and give away all you can.” Ever scrupulous about the details, he kept a careful account of all his income, expenditures and charitable contributions, upheld any commitment he made, and maintained incredibly high expectations for himself. When the time came to begin his career, he visited what seemed like every company in Cleveland, knocked on the door, asked to speak with the CEO and announced his interest in obtaining employment. After dozens (if not hundreds) of failures, he was finally given a position as an unpaid assistant bookkeeper, an event so significant that he would celebrate the anniversary of “Job Day” for many years to come.

HAVE YOU EVER BEEN REJECTED DOZENS OF TIME IN A ROW? MIGHT THE EXPERIENCE BE GOOD FOR YOU?
Beginning with his very first salary he donated 6% of his income to charity. A sober, austere, frugal, incredibly disciplined man with a constant urge for self-improvement, Rockefeller was a force to be reckoned with in the business world.

**IN BUSINESS**

Rockefeller’s career began as an accountant at a commodity trade house, where he learned that accounting is the language of business and that good records are crucial to capitalism. Preferring to listen rather than speak throughout his career, Rockefeller was soon a partner in his own commodity house.

*ASK A TRUSTED FRIEND AND A CO-WORKER IF YOU SPEAK TOO MUCH OR NOT ENOUGH.*

Shortly thereafter he was introduced to kerosene and entered the oil business. His timing was fortunate, as the advent of the Civil War created an enormous demand for kerosene. To combat devastating price fluctuations that produced incredible profits in one period and crippling overcapacity in the next, Rockefeller began acquiring his competitors, eventually owning the majority of the oil
production in the entire country. Although he drifted into gray areas on some laws, such as creating a holding company to allow him to control firms across state lines, in general his business practices were legal — the economy was simply much rougher and less regulated back then. He ignored reporters and newspapers, followed strict daily routines, hired talented people as he found them even if they weren’t needed immediately, abstained from alcohol, and in all things seemed to demonstrate the preternatural calm of a sphinx. Although his oil empire was eventually dismantled by the government, his name would live on in both business and philanthropy.

IN PHILANTHROPY
At one point the world’s richest man, Rockefeller was stingy with himself and his children (he once bought them only one bicycle so they had to learn to share) but generous in charitable giving. Rockefeller seemed to mentally fuse Christianity with capitalism, and believed that God gave people wealth so that they could use it for the good of humanity. He helped found the University of Chicago and a number of other universities, museums and foundations. He helped establish that expertise was required
for nonprofit work as much as for-profit, and had a policy of finding people he trusted, donating to their organizations, but letting them run their own show. A man who never sought the spotlight, Rockefeller’s incredible discipline, focus and ambition made it impossible to avoid.

SUMMARIZE THE LIFE OF ROCKEFELLER TO A FRIEND.

QUESTION FOR REFLECTION:
IF YOU COULD TRADE YOUR LIFE FOR ROCKEFELLER’S, WOULD YOU?

Find it on Amazon
ABUNDANCE
By Peter Diamandis and Steven Kotler

Recommended by one CEO

Peter Diamandis (who also runs the XPRIZE foundation) and Steven Kotler believe we are on the brink of “a world of nine billion people with clean water, nutritious food, affordable housing, personalized education, top-tier medical care, and non-polluting, ubiquitous energy” (p11). In short: abundance.

PERSPECTIVE
Aluminum used to be incredibly rare, used only by kings. Napoleon III once threw a banquet where the honored guests were given aluminum utensils and the rest only received gold. Now aluminum is so common we wrap hot dogs in it. Technology made this possible, so what if we could make water, food, energy, health, education and freedom (the Abundance Pyramid) abundant as well? We
rarely consider this possibility, because our brains are hard-wired to give priority to bad news, a trait that is reinforced by the media’s focus on calamities instead of progress.

**THINK OF 3 WAYS TO CULTIVATE INFORMATION SOURCES THAT TELL YOU WHAT’S GOING WELL.**

Diamandis and Kotler argue that, in reality, the world is getting better at an accelerating rate, information technology has made trade into a positive sum exchange and the gap between rich and poor isn’t actually as large as we think.

**EXPONENTIAL TECHNOLOGIES**

Technologies that grow exponentially are shockingly powerful. For decades the computing power you can buy with $10 has been doubling roughly every year or so. At this rate, a $1,000 laptop will soon be more powerful than the human brain. The point at which computer intelli-
gence becomes indistinguishable from human intelligence is called the Singularity, and it appears to be nearly on our doorstep.

**PONDER: HOW WOULD ARTIFICIAL INTELLIGENCE TRANSFORM YOUR BUSINESS?**

**BUILDING THE BASE OF THE PYRAMID**

The Tools of Cooperation, which are essential for further progress, have been spreading rapidly. Smartphones, the internet, crowdsourcing, and others are laying a new foundation for advancement. Social entrepreneurs are inventing technologies to bring clean water to the poor, while breakthroughs in desalination, smart electrical grids, biotech and nanotech are making strides toward abundant water. Advances in growing food are also around the corner: researchers have developed a 30-story vertical farm that could feed 50,000 urbanites without any transportation costs or environmental damage. Meanwhile, steak grown from stem cells promises to address protein shortages.
THE FORCES OF ABUNDANCE

Three powerful forces are shaping a future of abundance. The first is DIY innovation, in which even small companies can produce significant technological breakthroughs. Second, techno-philanthropists, wealthy individuals who made their money as tech entrepreneurs, are now turning to solving the world’s most pressing problems. And finally, there is a rise of the bottom billion poorest people, who are obtaining cell phones and becoming integrated into the world economy in new ways.

PEAK OF THE PYRAMID

To create abundant energy, the authors track the exponential growth of solar and other alternative technologies. Algae have been engineered to efficiently create biofuels, and energy storage technology is growing rapidly. In education, information technology is making it possible to give everyone a world-class education. Advances in healthcare such as IBM’s Watson supercomputer, zero-cost diagnostics, and stem cell technology are enormously promising. Finally, the internet is empowering people all over the world, creating the conditions for democracy and freedom.
STEERING FASTER

Competitions such as XPRIZE are accelerating the rate of innovation in crucial areas, and transforming industries. Building a tolerance for failure enables us to take the risks we needed in order to achieve abundance, as does learning how to launch crazy ideas with crazy amounts of credibility. We live in a unique moment where the things technology makes possible are adjacent with our deepest desires for our planet – the next few decades are going to be a wild ride.

QUESTION FOR REFLECTION:

GUT CHECK: DO YOU THINK ABUNDANCE IS POSSIBLE?

Find it on Amazon
WHY DID THE FINANCIAL CRISIS OF 2008 HAPPEN?

Michael Lewis made his name publishing Liar’s Poker, which provided a glimpse into the excesses of Wall Street in the 1980s. At the time he believed the financial system was headed for collapse, only to watch it grow in size and complexity for two decades before exploding. If anything, The Big Short makes the tales told in Liar’s Poker seem tame.

When most people think of Wall Street, they believe the money is in stocks.

**DO YOU?**

This is likely because stocks are more accessible and easier to understand. But often the real money is made in bond markets, which are larger, less regulated, and more com-
plicated (and therefore potentially profitable). One of the key financial innovations of our time was the mortgage bond, which was created by combining slices of dozens or hundreds of mortgages into one instrument. In theory, this was a valuable service to investors, as it allowed them to diversify by owning pieces of many mortgages instead of just one. This “securitization” of mortgages (that is, turning mortgages into a bond, or “security”) allowed capital to flow much more easily into the mortgage market, fueling a boom in homeownership.

However, this also skewed incentives for the people lending money (the “underwriters”) to give people mortgages. Previously, if you made a loan you had to keep it, and if the borrower lost their job and couldn’t pay, you weren’t going to get your money back. Now, however, you could simply sell your mortgages to another firm, which would package them into securities and sell them to someone else. Instead of being rewarded for making good loans, now underwriters were rewarded for making many loans. Loans were given to increasingly risky borrowers, and mortgage bonds slowly became more and more risky.
This would have been fine, had investors known they were buying garbage loans. Unfortunately, the rating agencies (for a variety of reasons) proclaimed that these poor quality mortgage products were actually quite safe. As the system continued to be filled with increasingly risky loans, however, something had to give. And it did.

People began defaulting in record numbers on their mortgages. This depressed the value of mortgage bonds, which at this time were held in enormous quantities by most of the major banks. Housing prices began to fall and the economy slowed, creating another wave of defaults and spawning a vicious cycle. Banks began to fail while others were bailed out by the government, and the economy entered a recession.

Interestingly, however, a number of individuals managed to take a hard look at the data and think for themselves, despite the enormous social and (in many cases) financial pressures to follow the herd. Investors such as John Paulson and Dr. Michael Barry purchased credit default swaps on the riskiest mortgage bonds they could find. Credit default swaps are like insurance: you pay a small premium a few times a year but are insured if a specified group of mortgages goes into default. When the mort-
gages for which they had purchased swaps began defaulting in record numbers, these investors made incredible amounts of money. The difference between them and their peers was that they actually understood the quality of the loans in question, and placed their bets accordingly.

The bigger story of The Big Short is the increasing disconnect between Wall Street and most “Main Street” businesses. It seems Wall Street may be incentivized in a way that is detrimental to the health of the economy as a whole. As Liar’s Poker and now The Big Short have demonstrated, neither scandal nor incompetence seems sufficient to truly spark reform. But for investors who can see through popular opinion and look into the data, there will always be enormous opportunities to profit.

**EXPLAIN WHY THE FINANCIAL CRISIS OF 2008 HAPPENED TO A FRIEND. AND THEN ASK THEM TO EXPLAIN IT BACK TO YOU.**

**QUESTION FOR REFLECTION:**

**IS YOUR BUSINESS READY FOR THE NEXT MAJOR RECESSION? IT MAY COME IN 1 YEAR OR 10 YEARS, NO ONE KNOWS. BUT WE CAN GUARANTEE IT WILL COME.**

Find it on Amazon
Business Adventures was a scarcely remembered footnote in the world of publishing...until Bill Gates announced it was his favorite business book. Prices for copies of the out-of-print classic skyrocketed to more than $1,000 before the publisher announced another print run. Business Adventures is like candy for people who love business – it’s a collection of stories proving that reality is often stranger than fiction.

THE FLUCTUATION

In 1962, in the middle of an otherwise good year for businesses, the market fell precipitously and without warning, wiping out $20 billion of market value in one day. The next day, three quarters of that value was back. The
cause, it seems, was simply the emotions of the humans involved. As Warren Buffet says, Mr. Market is an emotionally unstable gentleman.

**ARE INVESTORS FEARFUL? TIME TO BUY.**

**THE FATE OF EDSSEL**

Ford released a new car called the Edsel and marketed it so effectively that dealers switched, newspapers were enthralled, and customers clamored for it. Unfortunately, the market for a mid-size car that studies had so confidently demonstrated would be successful evaporated between the time the studies were conducted and the release of the Edsel. Furthermore, the car was poorly built and suffered from a variety of problems. The result? Ford lost its shirt, and the Edsel was discontinued.

**THE FEDERAL INCOME TAX**

The American income tax system is described in its astonishing and often self-contradictory complexity...and this was written decades ago. Sometimes the only solution to a Gordian knot type problem is Alexander the Great’s solution. Cut it to pieces and start over.
A REASONABLE AMOUNT OF TIME
If you have access to market-moving news about a company, when are you allowed to trade on it? This gray area had not been well defined, so insiders at Texas Gulf Sulphur are convicted, exonerated, and then convicted of insider trading again. A cautionary tale, to say the least.

XEROX XEROX XEROX XEROX
Rapid success is often fleeting. Xerox rocketed to the top of its industry and made so much money that it donated millions to the UN. A mere 365 days later, however, competitors had taken advantage of Xerox’s distraction and already begun to catch up.

MAKING THE CUSTOMERS WHOLE
Stock Exchange member Ira Haupt & Co. was in trouble. Capital reserves had fallen below the required minimum, and it was soon discovered that a significant portion of the position in vegetable oil the company thought it owned had vanished. Incredibly, the Stock Exchange itself and two banks stepped in to prevent a panic and made Haupt’s customers whole.
THE LAST GREAT CORNER

Clarence Saunders, owner of Piggly Wiggly, was under pressure from “bears” short selling his stock. He made a bold attempt to buy it all back himself, almost creating a “Corner” scenario where the bears owed Saunders shares of Piggly Wiggly stock which he himself already had, and therefore could extract any price for. Things didn’t work out as planned, and Saunders almost went under.

IN DEFENSE OF STERLING

In the financial world, sometimes David beats Goliath. A small but resourceful group of investors decided that Britain wouldn’t be able to maintain the price of the pound, and ultimately succeeded in defeating the coalition of central banks that had rallied to the pound’s defense.

The vignettes captured in Business Adventures demonstrate how people are at the heart of any headline you read in the business section. It is their personalities, foibles, dreams and emotions that generally determine the course of events, not logic.
QUESTION FOR REFLECTION:
WHAT IS THE MOST INCREDIBLE BUSINESS STORY YOU’VE PERSONALLY LIVED?

SEE! YOUR LIFE IS INTERESTING AFTER ALL.

Find it on Amazon
Barbarians at the Gate is a 600+ page, exhaustively researched book about the $25 billion leveraged buyout of RJR Nabisco, at the time the largest in history. The LBO craze began in 1982 when a group of investors took $1 million of their own money, added $79 million of debt, and purchased Gibson Greetings. They were able to sell the company for $290 million a mere 18 months later, earning an enormous profit on a miniscule cash investment. And with that, Wall Street was hooked.

Leveraged buyouts were fueled by the invention of junk bonds (also called “high-yield bonds”), which are simply loans for riskier projects that carry a higher interest rate. Suddenly, potential acquirers could access significant amounts of debt to finance takeover bids, reducing the amount of their own money they needed to put at risk and
magnifying the returns if the investment went well. To illustrate the power of debt to multiply returns, consider the following example. If you buy a company with $100 of your own money and later sell it for $200, you’ve earned a 2x return. However, if you buy a company with $20 of your own money plus $80 of debt and sell it for $200, you can pay off the debt of $80 and be left with $120, which is a 6x return.

**ALTERNATIVELY - WHAT HAPPENS IF THE DEAL GOES SOUTH?**

RJR Nabisco produced packaged food products (Oreos, Ritz crackers, etc.) and cigarettes. The company was led by F. Ross Johnson, a Great Gatsby-esque character who was easily bored, demanded a lavish lifestyle and seemed much more interested in milking RJR Nabisco for personal gain building than it into an enduring company. He maintained a fleet of corporate jets (The “RJR Air Force”) and billed a number of country club memberships to the company. Three separate times, Barbarians at the Gate mentions a quote from Johnson that “A few million dollars are lost in the sands of time.”
In an effort to boost RJR’s lackluster stock price and enrich himself and a number of key executives, Johnson crafted a takeover bid to buy the company back from the public and take it private, promising $75/share, or about a 33% premium to its then-current price. This bid, however, caught the attention of every investment bank and LBO firm in the country, as it promised to be the largest deal in history.

A number of competing firms entered the fray, eventually driving the price up to $108/share, where it was acquired by the famed buyout shop Kohlberg, Kravis, Roberts & Company (KKR). The details of this auction and the battles each faction waged to take control of the company are captivating, and have been recorded in exquisite detail. Obscure tax strategies, last-minute appeals to wealthy entrepreneurs, and alliances of convenience are deployed to great effect.

**WHO IS THE MOST RESOURCEFUL PERSON YOU KNOW? HOW COULD YOU MIMIC THEM?**

KKR ultimately won the right to complete the deal, buying RJR Nabisco for a record price on the back of a mountain of debt. Philip Morris launched a devastating counterattack in the cigarette business, while KKR scrambled to rapidly
sell off parts of the company, slash excess costs and raise prices in an effort to meet enormous interest payments. Barbarians at the Gate provides a fascinating glimpse into one of the landmark deals of our time, providing a portrait of the financial sector in the testosterone-charged, casino mentality of the 1980s.

**QUESTION FOR REFLECTION:**

**WHAT MAKES COMPANIES IN THE FINANCIAL SECTOR PROFITABLE?**

**WHY DO YOU THINK COMPANIES IN THE FINANCIAL INDUSTRY OFTEN GENERATE SIGNIFICANTLY MORE PROFIT PER EMPLOYEE THAN FIRMS SELLING “TRADITIONAL” GOODS AND SERVICES?**

*Find it on Amazon*
“Sooner or later, something fundamental in your business world will change.” Andy Grove’s book is drawn from his experience as Chairman of Intel, where he survived a number of seismic industry shifts.

HAVE YOU EVER EXPERIENCED A MASSIVE INDUSTRY SHIFT?
YOU WILL.

10X CHANGE
As Michael Porter and others demonstrated, there are a number of forces that affect the competitive landscape for a business: competitors, suppliers, customers, new entrants into the market, substitute products, and complementary products. Most of us can handle incremental changes in one of these areas, but sometimes the game
will completely shift and one will become 10x stronger than it was before. This is called a strategic inflection point: businesses that adapt to the changed world order and find a new equilibrium will thrive, and those that fail to will dwindle or die. Grove experienced this in the 1980s when the computer industry shifted from vertical integration to horizontal competition.

INFLECTION POINTS ARE EVERYWHERE

These dramatic 10X changes happen in every industry (not just technology) and to everyone (you will experience at least one in your lifetime). 10x competitor shift: For small town retailers, it was the arrival of Walmart. 10x technology shift: For silent movies, it was “talkies” (movies with sound). These same shifts can happen with suppliers, complementors, customers, or even government regulations.

NAME ANOTHER EXAMPLE OF AN INFLECTION POINT YOU’VE SEEN HAPPEN.
WHY NOT DO IT OURSELVES?

One of Intel’s defining crises was the arrival of brutal Japanese competition into the computer memory business. After taking time to understand the situation, it became apparent that Intel would have to cease producing memories. At the time, this idea was the equivalent of announcing that Ford would produce trains rather than cars. The key question that allowed Gordon Moore and Andy Grove to take the plunge was “What would you do if you were a new CEO and had just been brought in?” And with that, Intel transitioned to focusing on processors. The rest is history.

SIGNAL OR NOISE

How can you tell whether rumblings about a potential 10x change are real, or only a distraction? For competition, use the “silver bullet” test. If you could only kill one competing company, which would you choose? That choice tells you who your key competitor is, and if that firm only recently came to occupy the #1 spot you might have an inflection point on your hands. Alternatively, are your people losing their touch? Companies naturally reward people who produce results with promotion, which means
the majority of your management team has been subcon-
sciously trained to be successful in a given environment. If that environment changes, they will suddenly become less effective, all at the same time. The very accomplishments and experience that got you to where you are might now be holding you back. Middle managers in sales are often the first to notice that something has changed.

**ASK THESE PEOPLE WHAT RUMBLINGS THEY’RE HEARING.**

**LET CHAOS REIGN**

The best way to begin searching for a new equilibrium in the wake of a strategic inflection point is experimentation. Explore alternative approaches, previously ignored customer segments, and so forth. Try promoting younger managers to lead some of these initiatives, as they tend to be less stuck in their ways than the old guard. Finally, begin this experimentation as early as possible while profits and revenues are still healthy. As the industry begins to shift, your revenue and profitability will get picked apart, and you may lack the resources necessary to transform your business and survive.
REIN IN CHAOS

After you arrive at a new business model and cross the “valley of death” from the inflection point, clearly communicate the new strategic direction and create simple rules to implement it. For Intel, it was “half the managers must become experts in software,” either through training or replacement. Executives’ calendars should reflect allocating time to the new direction and goals. And the good news is that once you adjust...a new inflection point will come and you’ll have to do it all again.

QUESTION FOR REFLECTION:

WHICH DO YOU FEAR MORE - RISK, CHANGE AND THE UNKNOWN, OR IRRECOVERABLE FAILURE?

Find it on Amazon
Adam Smith is often thought of as the “father of modern economics.” In Wealth of Nations, Smith earned this title by solidifying many important economic concepts still in use today. While we might now see concepts such as scarcity or incentives as obvious, this is only due to common language and structure catalyzed by Smith through this landmark work. Concepts he pioneered include:

**DIVISION OF LABOR**

Division of labor is the most effective way to improve productivity. For example, a pin-making factory could become more efficient if each person specializes in a certain part of the pin-making process. Division of labor leads to the advantages of improved dexterity, saved time, and enhanced use of machinery.
INCENTIVES MATTER

In an alliterative phrase, Smith quips, “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner.” To gain compliance, direct others’ self-love toward your aims.

WAGE

Wage is an incentive to entice work, but it is not the only incentive. Wages can be lowered if the agreeableness of a job increases.

**DETERMINE WHICH NON-WAGE INCENTIVES ARE MOST MEANINGFUL TO YOUR EMPLOYEES, SUCH AS VERBAL AFFIRMATION, VACATION TIME, MEANINGFUL WORK, OR TEAM CELEBRATIONS.**

NATURAL VS. MARKET PRICE

The natural price of an item is the sum of the labor, rent, and profit from capital that make the item possible to produce. In contrast, the market price is set by the supply of the good versus its demand. Therefore, prices hold information not only of the item’s intrinsic value but also of its scarcity.
MONEY SUPPLY
An increase in the supply of money in a country decreases the purchasing power of a dollar.

RESTRAINT OF TRADE
Limiting trade between countries is absurd. A country should never prohibit or disincentivize trade with other nations, even if it is trying to create an advantageous balance of trade. Similarly, countries should not restrain the trade of their colonies (interestingly, Wealth of Nations was published in 1776, just shortly after the beginning of the Revolutionary War).

GOVERNMENT
Government is responsible for defense and justice. It also should provide public works and institutions that are useful but not capable of earning a profit.

CONSIDER GOVERNMENTAL ACTIVITIES TODAY. CAN THEY ONLY BE COMPLETED BY THE GOVERNMENT, OR COULD THEY BE BETTER ACCOMPLISHED BY A PROFIT-SEEKING ENTERPRISE?
QUESTION FOR REFLECTION:
DO YOU ALIGN THE INCENTIVES YOU OFFER OTHERS WITH THE RESULTS THAT MATTER TO YOU?

Find it on Amazon
Leadership

PART 5
The Effective Executive explains how business leaders should go about getting the right things done. (In Drucker’s parlance, managers are responsible for doing things right, and leaders for doing the right things). This is not easy, for 4 reasons: 1) executives’ time tends to belong to everyone else, 2) they are swamped by operational demands that keep the lights on but don’t move the organization forward, 3) they are within organizations, and must affect change through other people, and 4) they are within organizations, often unable to see the external world (where success or failure actually happens) clearly.
#1: KNOW THY TIME

The limiting factor in any accomplishment is generally time. Effective executives habitually: record their time to see where it is actually going, manage time, by deliberately deciding where to focus it, and consolidate time, combining fragments into contiguous blocks. Drucker asked executives where they spent their time, had them record their guesses, and then recruited their secretaries to track what actually happened. The result: everyone learned they were wasting huge amounts of time on the most random things.

**TRACK YOUR TIME THE REST OF THIS WEEK.**

The next step is re-allocating time to your actual priorities, and consolidating the small bits of free time you have into larger chunks so they can be made productive. Also, get into the habit of bluntly asking co-workers and subordinates ‘What can I do to waste less of your time?’.

**ASK ONE PERSON THIS QUESTION.**
#2: FOCUS ON CONTRIBUTION

Executives take responsibility for results. Organizations need three types of results to flourish: direct results (sales, customer satisfaction, etc.), building of organizational values, and developing people’s capabilities for the future. Effectiveness requires identifying the crucial few areas that will drive results and focusing as much energy as possible on moving them decisively forward. This requires: communication, teamwork, self-development, and development of others. It requires running effective meetings, which begin with a statement of whether we are meeting to decide, to inform, or to figure out what to do.

**ANNOUNCE THE GOAL OF THE NEXT MEETING YOU LEAD, STICK TO THAT GOAL THROUGHOUT AND SUM UP WHAT RESULT WAS ACHIEVED AT THE END OF THE MEETING.**

Finally, contribution requires consistent contact with the outside world, as this is the only arena in which our efforts can truly succeed or fail.
#3: BUILD ON STRENGTHS

Organizations cover the weaknesses of individuals, allowing them to fully express their strengths. Strong people often have strong weaknesses, and effective executives know that subordinates are paid to perform, not to please their boss. Building on strengths requires four habits: 1) craft job responsibilities to make them achievable – if a role has defeated three people in a row who were successful before, it might just be impossible. But equally important, 2) make jobs large and demanding so people must bring their best. 3) Consider people’s capabilities independent of a specific role, and 4) be willing to put up with a weakness to harness a strength.

AUDIT YOURSELF: HAVE YOU CREATED IMPOSSIBLE OR OVERLY EASY JOBS? DO YOU HIRE TO OBTAIN STRENGTH, NOT MINIMIZE WEAKNESS?

#4: CONCENTRATE ON A FEW HIGH-LEVERAGE AREAS THAT CAN PRODUCE EXCEPTIONAL RESULTS

Executives concentrate. They put first things first and focus on them until completion.

WHAT IS THE MOST IMPORTANT AREA FOR YOU RIGHT NOW?
This also requires shedding past activities and projects that are no longer useful.

**WHAT ARE YOU DOING THAT HAS CEASED TO BE PRODUCTIVE?**

Identify priorities that build a better future, that focus on opportunities, that are the result of your own thinking, not industry hype, and that are worthy of giving your all to. Develop the habit of feeding opportunities with your attention and starving problems.

**#5: MAKE EFFECTIVE DECISIONS**

Executives make decisions that are put into practice. When facing a decision, first decide: is this a generic situation or an exception? There are four scenarios: 1) If truly generic, answer it through a rule or principle. 2) If a generic problem that your organization is encountering for the first time, learn from the experience of others. 3) If truly exceptional, experiment and figure it out. And 4) if the early manifestation of a new type of generic issue, experiment and then create a new principle. Second, determine what the decision must accomplish to be successful. Third, decide on the ideal approach (and only then make compromises), and fourth convert the deci-
sion into action. Fifth, create a system of re-evaluating the decision every quarter or year to see if the assumptions underlying it still hold true.

**FOLLOW THIS APPROACH WITH AN IMPORTANT DECISION YOU NEED TO MAKE.**

**QUESTION FOR REFLECTION:**
WHAT PERCENTAGE OF YOUR TIME DO YOU SPEND IMPROVING HOW YOU DO WORK? WHAT DIFFERENCE WOULD SPENDING AN HOUR A WEEK ON THAT AREA MAKE IN YOUR LIFE?

Find it on Amazon
THE SPEED OF TRUST
By Stephen Covey
Recommended by three CEOs

Without trust, business grinds to a halt. We instinctively know this – if you spend your time worrying about whether co-workers are trying to stab you in the back, productive work is almost impossible. Our very financial system is built on trust: we swap valuable goods and services for worthless pieces of paper, trusting that other people will accept our paper as payment in the future. Indeed, you could almost go so far as to say that trust is the currency of business. Stephen R. Covey’s book takes this somewhat elusive concept and breaks it down into five levels. Trust begins with self-trust and cascades out to societal trust.
WAVE 1: SELF TRUST (CREDIBILITY)

People who are trustworthy have four cores: Integrity - are your actions and words congruent? Intent - do you have a hidden agenda? Capability - are you relevant? Results - what's your track record? At their core, trustworthy people set goals for themselves and meet them. People feel comfortable giving them assignments or referrals, knowing that the outcome most likely will be favorable.

WAVE 2: RELATIONSHIP TRUST (CONSISTENT BEHAVIOR)

Once you are a person worthy of trust, you can begin building trusting relationships with others. Foundationally, a relationship of trust is built on consistent behavior. The 13 behaviors to establish trust include: talk straight, show respect, be transparent, right wrongs, show loyalty, deliver results, confront reality, state expectations, be accountable, listen first, meet commitments, and
extend trust. Leaders who exhibit each of these behaviors regardless of the circumstances quickly establish strong working relationships.

CREATE AN ONLINE SURVEY (USE GOOGLE FORMS OR SURVEY MONKEY) ASKING QUESTIONS ON THESE AREAS AND SEND TO 10 PEOPLE. ASK THEM TO RATE HOW CONSISTENTLY YOU DEMONSTRATE EACH OF THE 13 BEHAVIORS.

WAVE 3: ORGANIZATIONAL TRUST (ALIGNMENT)

Creating a high-trust organization builds on the first two waves of personal credibility and consistent behavior. Trusting organizations have clear behavioral norms and values that are reinforced by the hiring, training, performance review, promotion, compensation and firing procedures.

DOES YOUR ORGANIZATION HAVE SYSTEMS LIKE THIS IN PLACE? IF NOT, SCHEDULE A MEETING TO TALK ABOUT IT.

They are reiterated constantly in executive communication (see The Advantage for more on this topic) and enshrined in stories and cultural artifacts that are passed from generation to generation of employees. Example: Amazon’s relentless focus on cost-cutting was displayed by its early practice of buying doors and laying
them across the tops of filing cabinets instead of spending money on desks. This story illustrates Amazon’s values, and later enshrined in an annual “Door Desk” award given in recognition of cost-cutting.

Think of an organizational value enshrined in a story that you can start referencing more often.

**WAVE 4: MARKET TRUST (REPUTATION)**
Any organization that demonstrates the four cores (integrity, intent, capability, results) and the 13 behaviors with every stakeholder with which it interacts will naturally build an excellent reputation and brand. At the end of the day, all of business comes down to human interactions.

**WAVE 5: SOCIETAL TRUST (CONTRIBUTION)**
The deepest level of trust an individual or organization can achieve is through making a meaningful contribution to society. Genuine contribution melts cynicism or suspicion and often creates a deeper bond with employees, who now can see how their work connects to something bigger than themselves.
SMART TRUST

Now that you understand the behaviors underlying trust, you can be more surgical in your approach. The goal is employing “smart trust,” where you both cultivate a natural tendency to trust people as well as a habit of rigorous analysis of likely outcomes. Trust without analysis is gullibility, analysis without trust is suspicion, but trust and analysis in tandem (smart trust) can produce incredible results.

QUESTION FOR REFLECTION:
WHAT IF TRUST REALLY IS THE CURRENCY OF BUSINESS?

Find it on Amazon
TRUE NORTH
By Bill George
with Peter Sims

Recommended by two CEOs

What makes an authentic leader? Someone who understands themselves and empowers others, answers Billy George, former CEO of Medtronic. True North argues that finding your “true north” – what really motivates and guides you based on your life story – is the heart of true leadership. Authentic leaders: pursue purpose with passion, practice solid values, lead with heart, establish enduring relationships, and demonstrate self-discipline.

RANK YOURSELF FROM 1-10 ON EACH OF THESE QUALITIES.
THE LEADERSHIP JOURNEY

Take a moment and think of the broad canvas of your life. True North identifies three phases of the typical leadership journey.

WHAT STAGE ARE YOU IN?

• Phase I: Preparing for Leadership – Learning, character formation, mastering the role of individual contributor and leading your first teams. This is the “warrior” stage.

• Phase II: Leading – The core of your life as a leader, which generally involves a crucible. During this intense period, harsh circumstances will strip you to the core of who you really are, and teach you what leadership is truly about (hint: “We, not I”). This is the “king” stage.

• Phase III: Giving Back – Leaders step out of day to day and join boards, teach, and train the next generation. This “sage” stage can be the most fulfilling of all.
KNOWING YOUR AUTHENTIC SELF

There are successive levels at which you can know someone.

How many of these levels do you know yourself on?

- Clothing, body language, facial expression, speech
- Strengths and weaknesses
- Values and knowledge of what situations put you into conflict with your values
- What motivates you
- Your life story
- Vulnerabilities and blind spots
- What you believe and your vision for your life

Once you understand yourself, you must determine how you will lead.

**WRITE DOWN A LIST OF YOUR DEEPEST VALUES.**
You know a value is deep if you’ll fight tooth and nail to uphold it. Next,

**WRITE DOWN YOUR LEADERSHIP PRINCIPLES**

A principle is a rule of thumb for how you will lead, based on one of your values. Finally,

**LIST YOUR ETHICAL BOUNDARIES**

What will you refuse to do, no matter the circumstances?

**CREATING A SUPPORT TEAM**

A support team anchors the base of your leadership compass, providing you with the guidance and encouragement to be your true self. Authentic leaders are able to see past the carrots and sticks (threats, offers of promotion, external pressures) of extrinsic motivation and instead lead from their internal sense of meaning and purpose — intrinsic motivation. Having the self confidence to lead in this way requires you have at least one person with whom you can be completely transparent and vulnerable.

**DO YOU HAVE THIS PERSON IN YOUR LIFE?**
The rest of the support team is comprised of mentors, peer groups and friends.

**EMPOWERING PEOPLE**

Once you know yourself and have a support team that gives you the strength to be that person every day, how are you to empower others?

**WHICH OF THESE DO YOU DO ON A REGULAR BASIS?**

Earn your colleague’s respect:

- Treat people as equals
- Listen actively
- Learn from people
- Share your life story

Empower your colleagues:

- Be available
- Care about people’s personal lives
- Help teammates
• Give challenging feedback

• Stretch your team

• Align everyone around a mission

Is leadership difficult? Heck yes. But when you reach your deathbed, are you going to regret leading from your true self to the greatest extent of your ability?

QUESTIONS FOR REFLECTION:

WHAT IF LEADING OUT OF “YOUR TRUE SELF” DOESN’T SEEM EFFECTIVE BECAUSE OF YOUR ENVIRONMENT OR OTHER FACTORS?

Find it on Amazon
LEADERSHIP IS AN ART

By Max DePree

Recommended by two CEOs

Humans are multifaceted and emotional, and each of us have issues we care about deeply. As CEO of Herman Miller, Max DePree sought to connect with his employees in a way that showed his respect for their values and integrity. This shapes a variety of practices and maxims expressed throughout Leadership is an Art.

First, employees should be deeply embedded in what a company believes and why it exists. Employees can internalize a company’s beliefs through the ritual of tribal storytelling – the consistent explanatory narrative of where a company has been and why it exists. The ability to tell and further these stories is essential for leaders; when evaluating employees for promotions, consider their abil-
ity to tell these stories. If most people in a company do not understand these stories or fail to repeat them, it is destined to disintegration.

**BEGIN TELLING THE STORY OF YOUR ORGANIZATION IN AS MANY CONTEXTS AND WITH AS MUCH ENERGY AS POSSIBLE.**

Leaders also have the responsibility of liberation – freeing people to do what they know is required of them. DePree argues that instead of controlling, managers should instead spend time equipping employees to accomplish their goals. How do leaders equip others? DePree sums his philosophy up nicely when he states, “The leader’s first job is to define reality. The last is to say thank you. In between the leader must become a servant and a debtor.”

On a tactical level, the concepts of shared values (from tribal storytelling) and liberation should lead to the practice of profit sharing. If an employee understands the goals of the company and is free to work toward these goals, his or her income should mirror the company’s success.
Leadership, like profits, should not be concentrated at the top of the company. Instead, there are many roving leaders throughout an organization who have knowledge in a particular field and meet needs as they surface.

Finally, DePree speaks to the development of leaders through performance reviews. Instead of focusing on the past, performance reviews should always answer the question, “What’s next?”

**THINK OF A MUTUALLY BENEFICIAL NEXT STEP FOR EACH OF YOUR EMPLOYEES. ADDRESS IT IN THEIR NEXT PERFORMANCE REVIEW.**

**BY DISCERNING THE ANSWER TO A QUESTION LIKE THIS WITH AN EMPLOYEE, A MANAGER CAN ENCOURAGE THE EMPLOYEE’S BETTERMENT OF SELF WHILE PURSUING THE COMPANY’S BEST INTEREST AT THE SAME TIME.**

**QUESTION FOR REFLECTION:**

**WHAT IS THE STORY OF YOUR TRIBE? WHO IS TELLING IT WELL?**

[Find it on Amazon](#)
Few coaches can rival John Wooden’s ability to unleash the winning potential in athletes. During his years as head coach of the UCLA men’s basketball team, Wooden led his players to ten NCAA championships – the most of any NCAA Division I coach.

Yet, Wooden claims that his best coaching year might have actually been 1959-1960, when UCLA finished the season with a mere 14 wins and 12 losses. Wooden believes that “the journey is better than the inn,” meaning that the process of reaching potential is more satisfying than a victory itself. In fact, Wooden never even talks to his teams about winning.
Instead, success is based on reaching potential by developing a variety of positive qualities. These qualities have become known as Wooden’s “Pyramid of Success,” as each set of qualities builds upon those before it. The five levels of Wooden’s pyramid include:

**BASE LEVEL: INDUSTRIOUSNESS, FRIENDSHIP, LOYALTY, COOPERATION, ENTHUSIASM**

Wooden rarely makes the first move when recruiting athletes—a way to weed out those who simply like to be pursued from those who actually want to be on his team.

**EMBRACE TEAM BUILDING CHALLENGES. FOR MORE IDEAS, SEE THE FIVE DYSFUNCTIONS OF A TEAM.**

**SECOND LEVEL: SELF-CONTROL, ALERTNESS, INITIATIVE, INTENTNESS**

You can only ever give 100%—so don’t believe you can make up for slack today by giving 120% tomorrow. To maximize use of time, Wooden keeps track of every activity done in each practice so that he can test which activities prove the best results.

**IF YOU DON’T ALREADY HAVE A SCHEDULING SYSTEM THAT HELPS YOU MAXIMIZE YOUR TIME, MAKE ONE.**
THIRD LEVEL: CONDITION, SKILL, TEAM SPIRIT
Conditions and skills must be honed through disciplined practice. As coach, it is most effective if you reward players as they build positive skills instead of punishing them when they misbehave. Coaches should not only reward players for skills they acquire, but also for their ability to work as a team. For example, the USA Olympic basketball team is generally stocked with talent but often struggles to perform due to a lack of teamwork.

FOURTH LEVEL: POISE, CONFIDENCE
Wooden requires every player finish their warm up by making two consecutive free throws. This helps players learn how to perform under pressure, and it also helps them end on a good note.

DEVELOP A ROUTINE THAT REQUIRES TEAM MEMBERS TO DO THEIR BEST AND AFFIRMS THEM WHEN THEY PERFORM TO THIS HIGH STANDARD.
TOP LEVEL: COMPETITIVE GREATNESS

Coaches can challenge players be to their best by setting the expectation for “average” actually high above average.

The goal of any leader should be to help others climb this pyramid to reach their highest levels of greatness. Instead of being naysayers, leaders remind us that we can always do more than we think we can.

QUESTION FOR REFLECTION:

HOW DO YOU DEFINE SUCCESS? IS IT A STATIC GOAL, OR A MOVING TARGET BASED ON THE POTENTIAL OF YOUR GROUP?

Find it on Amazon
THE FIVE TEMPTATIONS OF A CEO

By Patrick Lencioni

Recommended by two CEOs

This leadership fable allows us to step into the life of Andrew, a CEO of a struggling company called Trinity Systems. The night before a big board meeting, Andrew drifts off to sleep as he nervously awaits the next day. In his dream he meets a well-intentioned janitor, Charlie, who informed him of a few choices he might be making wrong.
CHOOSING STATUS OVER RESULTS

When Charlie asked Andrew of his proudest moment during his time as CEO, Andrew thought of the day in which he was promoted to CEO. Instead of an obsession with their current position, successful CEOs are obsessed with an overwhelming need to achieve.

WHAT HAS BEEN THE BEST MOMENT OF YOUR CAREER? IF YOU THOUGHT OF A MOMENT OF PERSONAL SUCCESS INSTEAD OF COMPANY SUCCESS, THINK AGAIN.

CHOOSING POPULARITY OVER ACCOUNTABILITY

Andrew learned from Charlie that accountability is not the same as firing people. Andrew’s style was to be nothing but encouraging to his direct reports most of the time, only to blindside them by firing them when things don’t go right.

THINK OF THE PERSON AT YOUR COMPANY WHO IS MOST ON THE VERGE OF BEING FIRED. INFORM THEM OF WHY THEY’RE ON THE EDGE, AND SET UP A PLAN OF HOW THEY WILL BE HELD ACCOUNTABLE TO DRIVING RESULTS.

The best of CEOs are harder on their direct reports earlier, and they do not beat around any bushes when explaining the high standards the company has of its employ-
ees. This actually leads to firing far fewer people; direct reports will either see an improvement in performance because of accountability efforts or will opt to move to a company whose standards they can meet.

**CHOOSING CERTAINTY OVER CLARITY**

Andrew was unable to hold his direct reports accountable because he was not certain exactly what the best plan for them to achieve results was. When it came down to it, he wasn’t sure if he could do their jobs any better than they did. Andrew was also afraid to cast a vision for his direct reports because he just wasn’t sure if the vision he had in mind was actually the way the company should go. Too many CEOs are tempted to wait until they are absolutely certain in order to execute on a decision – an attitude that is paralyzing to company progress.

**WHAT’S ONE DECISION YOU ONLY HAVE 50% CONFIDENCE IN? BOLDLY PROCLAIM THE DECISION AND ITS RELATED IMPLEMENTATION PLAN.**
CHOOSING HARMONY OVER PRODUCTIVE CONFLICT

While the second temptation involves relational discomfort between you as a leader and your direct reports, this temptation is the fear of discomfort among your reports. Conflict can be productive, and tumultuous meetings are generally a sign of progress. For more on this, see the summary of The Five Dysfunctions of a Team.

CHOOSING INVULNERABILITY OVER TRUST

The best CEOs open themselves up to failure – either by being honest about past failures or by opening themselves up to feedback or critique.

AT YOUR NEXT TEAM MEETING, GIVE AN AWARD TO THE PERSON WHO CRITIQES YOUR IDEAS THE MOST.

QUESTION FOR REFLECTION:

THESE TEMPTATIONS MAY BUILD OFF EACH OTHER, BUT ARE NOT NECESSARILY SEQUENTIAL. WHICH ONE IS HAUNTING YOU?

Find it on Amazon
What do you do when your entire company disappears? Meg Whitman, when CEO of eBay, asked herself this question after the whole eBay site seemingly disappeared in 1999. In this situation, as in others throughout her storied career, Meg relied on these principles:

**TRUST THAT PEOPLE ARE BASICALLY GOOD.**

eBay trusts that most of its customers are honest and are genuinely excited about their purchases and collections.

**TRY SOMETHING. THE PRICE OF INACTION IS HIGH.**

Iterate. Don’t polish an initial idea to perfection before rolling it out.

**ADOPT A BIAS TO ACTION. WHEN A NEW IDEA IS RAISED, GENERATE A LIST OF ACTION STEPS THAT WOULD FURTHER THE IMPLEMENTATION OF THE IDEA.**
BE AUTHENTIC. YOU CAN’T BUY INTEGRITY.
Though not legally required to, eBay chose to begin screening out hate-based paraphernalia, such as certain holocaust relics. By doing this, eBay exposed itself to higher legal scrutiny because it chose to be an active participant in its market.

BE FRUGAL. CONSERVE RESOURCES.
eBay eliminates waste by allowing products to be reused. This is integrated into a general business philosophy of reducing waste wherever possible.

RESULTS MATTER. BE ACCOUNTABLE.
Do not confuse good intentions with good results – always ask yourself if the intrinsic value of your company is increasing every day.
LISTEN. EVERYONE HAS SOMETHING TO CONTRIBUTE.
During her time at Procter & Gamble, Meg realized the importance of listening directly to the customer. In fact, she spent hours interviewing and surveying customers, all to complete her first project: determining the size of the hole in the shampoo cap.

FOCUS. PRUNE DISTRACTIONS.
When people ask Meg how she is able to balance a career and a family, she claims her commitments outside of work actually help her focus during the day. She completes tasks with vigor and wastes no time on the unnecessary in order to balance her commitments.

ENFRANCHISE AND VALIDATE. TEAMWORK WORKS.
If you don’t worry about who gets the credit, you can accomplish much more than you imagined.

BE BRAVE. MOST THINGS WORTH DOING ARE HARD.
Set stretching goals. In 2000, Meg promised Wall Street $3 billion in revenue by 2005 — a move all analysts considered insane. By 2005, eBay was worth $4.5 billion.

**ANALYZE YOUR CURRENT GOALS. PICK AT LEAST ONE THAT COULD BE STRETCHED.**

**BE FLEXIBLE. IF YOU CANNOT SCALE, YOU WILL FAIL.**

Consider, as well, how you are scaling as an individual. Are you learning from each of your activities? Consider spinning off pieces of your job description as your company grows in size.

**QUESTION FOR REFLECTION:**

**WHO COULD YOU TRUST MORE? CONSIDER HOW MORE TRUST COULD BE MUTUALLY BENEFICIAL FOR YOU AND THE PERSON YOU ARE TRUSTING.**

Find it on Amazon
Leaders answer two key questions: “Where are we going?” and “How are we all going to get there?” In this insanely practical book, David Novak, former CEO of Yum! brands, outlines ways to answer these questions:

**WHERE DO YOU WANT TO GO?**

- Set big goals. For example, if you were a high jumper, raise the bar 10 feet instead of two. All of a sudden, your legs will no longer be sufficient, and new forms of innovation (i.e., ladders, trampolines, or rocket ships) will surface so that you can reach your expectation-shattering goal.

SET A STRETCH GOAL FOR A CURRENT PROJECT THAT RAISES EXPECTATIONS BY A FACTOR OF 50.
• Determine what the current reality of your business is. Do not paper over facts. Meanwhile, look for the opportunity side of today’s reality – where could we be tomorrow?

• Talk to customers as often as possible. What perceptions, habits, or beliefs of this customer do you want to build, change, or reinforce to reach your goal?

CREATE A ROUTINE THAT ENSURES THAT YOU WILL HAVE CUSTOMER INTERACTION. FOR EXAMPLE, YOU COULD DEDICATE ONE DAY A WEEK TO CONVERSATIONS WITH CUSTOMERS.

• Imagine you were replaced as CEO tomorrow. What new ideas would your replacement think of that you were missing?

HOW WILL YOU TAKE OTHERS WITH YOU?

• Believe that everyone makes a difference. Walmart is known for hanging a sign for employees to see that states, “Today’s stock prices is ______. Tomorrow’s is up to you.”

• Do not worry about whose ideas are implemented or who gets the credit for ideas. Simply implement good ideas.

ASK EMPLOYEES, “WHAT WOULD YOU DO IF YOU HAD MY JOB?”
• Organize your company’s resources, metrics of success, and staff structure in a way that reflects your organization’s priorities.

• If you were hit by a bus tomorrow, would your organization be able to go on without you?

• Celebrate all “first downs” – landmarks on the way to a goal.

QUESTION FOR REFLECTION:
WHAT IS ONE PLACE YOUR BUSINESS COULD GO THAT EXCITES YOU? COULD YOU GENERATE THIS SAME EXCITEMENT IN OTHERS, SUCH THAT THEY COULD NOT HELP BUT WANT TO COME WITH?

Find it on Amazon
Management

PART 6
THE LEADERSHIP PIPELINE
By Ram Charan

Recommended by two CEOs

How many of us have had a manager who insists on trying to do our work for us, a functional manager who fails to appreciate the big picture, or a CEO who seems unable to effectively communicate with the rank and file? Ram Charan addresses the root issue that (surprisingly) lies under each of these problems: a failure to understand The Leadership Pipeline.

Leadership roles in large companies generally follow a predictable path, but each step is often completely different from the last:
<table>
<thead>
<tr>
<th>Role</th>
<th>Focus</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual Contributor</strong></td>
<td>Getting technical work done</td>
<td>Being diligent, managing themselves to complete technical projects before stated deadlines, and working with a team</td>
</tr>
<tr>
<td><strong>Front-Line Manager</strong></td>
<td>Effectiveness of their team</td>
<td>Planning projects, crafting jobs to suit their team members’ skillsets, hiring, coaching, giving feedback, displaying integrity, rewarding good performance</td>
</tr>
<tr>
<td><strong>Manager of Managers</strong></td>
<td>Effectiveness of their direct reports</td>
<td>Selecting and coaching front-line managers, holding them accountable, allocating resources between units</td>
</tr>
<tr>
<td><strong>Functional Manager</strong></td>
<td>Effectiveness of their function (sales, R&amp;D, etc)</td>
<td>Creating longer term strategy, making sure people are working on the right things, listening, valuing parts of the function they don’t have a background in</td>
</tr>
<tr>
<td><strong>Business Manager</strong></td>
<td>Long-term profitability of their business unit</td>
<td>Strategic direction, competitive advantage, culture, organizational competence, effective use of all functional areas including those they didn’t come up through, building an effective leadership team</td>
</tr>
<tr>
<td><strong>Group Manager</strong></td>
<td>ROI from their portfolio of business units</td>
<td>Allocate capital among business units, coach group managers, develop a portfolio of strategies that mutually reinforce one another</td>
</tr>
<tr>
<td><strong>Enterprise Manager (CEO)</strong></td>
<td>Overall success of the company</td>
<td>Delivering quarterly and long-term results, working with the board, setting strategic vision, focusing the company on three to four key objectives, being the external face of the company, communicating progress to employees</td>
</tr>
</tbody>
</table>
The people a company has at each of the roles listed above comprises their pipeline of leaders in training. Each role requires a unique set of skills, a unique way of allocating time, and a unique set of objectives to focus on.

**WHERE ARE YOU IN THE PIPELINE? ASK YOUR BOSS IF YOU ARE DEMONSTRATING THE SKILLS, TIME ALLOCATION AND FOCUS THAT THEY EXPECT FROM YOU.**

As you can see from the chart above, with each promotion the approach necessary to succeed in a job will change—dramatically. Often it will require an entirely new way of thinking and acting. By making these transitions explicit and communicating the changes required, companies can help their employees work at the level to which they’ve been promoted. This framework also provides a guide for understanding the leadership pipeline of a company as a whole and understanding where it has become “clogged.” Ultimately, the only form of succession planning that really works is having a pipeline full of leaders at every level who are ready to step up.
QUESTION FOR REFLECTION:
WHAT STAGE OF THE LEADERSHIP PIPELINE DO YOU WANT TO REACH BY THE APEX OF YOUR CAREER?

Find it on Amazon
Management
By Peter Drucker

Recommended by two CEOs

No institution exists for itself. Businesses, governmental agencies, and nonprofit organizations do not exist to turn a profit or even provide a given product or service. Instead, institutions exist to listen to needs and to provide solutions. The best institutions understand their service to society not as giving away a certain amount of money or volunteering a certain number of hours, but as effectively meeting needs.

The role of a manager, then, is to understand the environment of needs that surround his or her organization. The manager also must understand the core competen-
cies of his or her organization. Combining these two factors, managers provide a specific mission that uses the organization’s core competencies to meet observed needs.

**Define a clear list of the needs your business addresses. What proves that these needs exist? Managers must then thoroughly communicate the needs, competencies, and mission, to all members of the institution.**

Once members of an institution understand its mission, they can be given increasing levels of autonomy. Employment in the western world is increasingly based on a “knowledge economy” in which the ability to produce non-tangible outcomes (structured data, strategy, etc.) is just as important as the ability to produce tangible items. In this economy, managers can equip employees by setting clear and challenging goals.

Managers also can equip their employees by helping them use their strengths. Instead of trying to change her employees, a good manager will recognize what an employee is good at and then place him or her in a role that requires these skills.

**Outline the strengths needed for an open position. List all the strengths of every potential team member. Match team member with position accordingly. Similarly, individual**
EMPLOYEES SHOULD SEEK TO UNDERSTAND THEIR STRENGTHS AS WELL AS THE CONTRIBUTION THEY WOULD LIKE TO MAKE, AND SEEK OUT ROLES ACCORDINGLY.

There is not one specific organizational structure that is best for all business missions. Task-based structures can cause individual employees to lose sight of the ultimate business goal. On the other hand, more decentralized structures lead to inefficiencies when individuals around the corporation accidentally take on tasks that others are already performing. In any structure, management should seek to find the best mixture of clarity of roles, direction of vision, stability, and adaptability.

Finally, organizations of all shapes and sizes should keep innovation as a core value. Innovation is simply the endowment of human capital and resources to new and greater wealth-producing capacity. Therefore, innovation confined to entrepreneurs, or for certain spinoffs or business units. Instead, it is the means by which a business better meets its customers’ needs.

HOST A BRAINSTORMING MEETING IN WHICH YOU PRETEND THAT YOUR CURRENT BUSINESS DOES NOT EXIST. WHAT OTHER WAYS COULD THE NEEDS OF THE WORLD BE MET? ARE THESE SOLUTIONS BETTER?
In short, managers understand that effectiveness comes from doing the right things, not just by doing things right. By defining the mission of an organization and developing employees in roles that align with that mission, managers help their employees do the right things.

**QUESTION FOR REFLECTION:**

*DOES EVERY EMPLOYEE UNDERSTAND WHAT CORE NEED YOUR BUSINESS ADDRESSES?*

Find it on Amazon
THE WILL TO MANAGE
By Marvin Bower
Recommended by one CEO

After seeing the good, the bad and the ugly as a leading consultant at McKinsey & Company, Marvin Bower knows how to run a company successfully. For Bower, the role of a manager is two-fold: set philosophy and craft strategy.

PHILOSOPHY

Philosophy is the commonly understood principles on which a business runs. It gives employees a shared notion of “the way things are done around here.” Good philosophy creates a culture that includes:

• Maintenance of high ethical standards in external and internal relationships.

• Decisions based on facts and objective considerations.
• Adjustments to the forces at work in the business environment.

In the words of Calvin Coolidge, “No enterprise can exist for itself alone. It ministers to some great need, it performs some great service, not for itself, but for others; or failing therein, it ceases to be profitable and ceases to exist.” Businesses must be consistently in tune with the needs around them.

**WHAT ARE THE INHERENT NEEDS YOUR BUSINESS ADDRESSES? ARE ALL OF YOUR EMPLOYEES AWARE OF THESE NEEDS?**

• Judgments of people on the basis of their performance – not on personality, education, or personal traits and skills.

Most often, poor performance can be improved – but if an employee cannot improve performance, it is fairer to everyone to let that person go

• A sense of competitive urgency.

**WHEN INTERVIEWING POTENTIAL EMPLOYEES, DO NOT SHY AWAY FROM MENTIONING THE DIFFICULTIES FACING THE BUSINESS. GOOD EMPLOYEES WILL BE ENERGIZED BY CHALLENGES.**
Managers should allow all subordinates to feel the weight of the responsibility upon them.

**STRATEGY**

Too many managers focus on nebulous and visionary “long-range planning,” often in an attempt to feel less guilty for lacking foresight. Not enough managers take the time to form strategic plans that are actually feasible. When crafting a realistic strategy, consider the following principles:

- A symptom of a declining business is a failure to define new goals that are meaningful and challenging.

**CREATE A ROUTINE OF ESTABLISHING AND RE-EVALUATING GOALS.**

- The ultimate test of management is whether the manager effectively caused people to decide and act.

- An alert and flexible business is modeled after the chameleon, not the dinosaur.
QUESTION FOR REFLECTION:

IS YOUR VISION ACCOMPANIED BY A STRATEGY THAT MAKES IT ACHIEVABLE?

Find it on Amazon
THE FIVE DYSFUNCTIONS OF A TEAM

By Patrick Lencioni

Recommended by one CEO

In this fast-paced business fable, we follow Kathryn Petersen, a newly implemented CEO at a company called DecisionTech, Inc. After only a few weeks on the job, Kathryn quickly determined that DecisionTech’s leadership operated as a disconnected set of individuals instead of as a team. Through a series of team activities and conversations, Kathryn identified and corrected the following dysfunctions of her team.

ABSENCE OF TRUST

If team members do not trust one another they are unwilling to ask for help or admit failure. They are afraid to give or receive feedback, which is detrimental to prog-
ress. Activities that force vulnerability, such as sharing personal histories or conquering ropes courses together, might seem cheesy but can actually be incredibly valuable in creating a foundation for teamwork.

**DEVOTE YOUR NEXT TEAM MEETING TO BUILDING TRUST. ASSESS YOUR TEAM’S CURRENT LEVEL OF VULNERABILITY AND PLAN AN ACTIVITY THAT MAKES TEAM MEMBERS INCREMENTALLY MORE VULNERABLE.**

**FEAR OF CONFLICT**

Conflict is necessary. If a meeting is completed without any conflict, was the meeting really necessary in the first place? What’s more, without conflict important issues build in intensity as they are pushed under the rug. As a team leader, you must foster healthy disagreements. How?

**APPOINT A TEAM MEMBER TO BE THE “MINER OF CONFLICT” - SOMEONE WHO IS RESPONSIBLE FOR CALLING OUT ISSUES.**

Additionally, when you realize that conflict is already present acknowledge it and remind your team that it is healthy for the business.
LACK OF COMMITMENT
Commitment comes from a clear and shared understanding of priorities, direction, and goals. Always leave meetings with a clear sense for each person’s responsibilities and any associated deadlines.

AVOIDANCE OF ACCOUNTABILITY
Commitments must not only be agreed upon, but also fulfilled. Make sure team members are able to verbalize their commitments, and consider publishing their commitments in a public place.

DISPLAY GOALS - AND PROGRESS TOWARD THEM - ON A WHITEBOARD OR LARGE GANTT CHART IN A HIGH-TRAFFIC AREA.

Then, have frequent progress reviews and reward excellence. This will help low performers improve while showing respect for already high-performing team members.
INATTENTION TO RESULTS

The final challenge of a team is to make sure that its accountability to commitments actually results in achieving agreed-upon goals. As a leader, foster a culture that is results-oriented by publicly declaring results.

CREATE A REGULAR SCHEDULE OF ANNOUNCING RESULTS.

Also, make sure compensation and other rewards are based on the achievement of goals, not just hard work.

These five dysfunctions are intentionally ordered and have cumulative effects – for example, it is impossible to have healthy conflict if trust is not established. It is imperative that the leader methodically identifies and reverses these dysfunctions even if other matters feel more pressing. By prioritizing the important over the urgent, leaders can create truly healthy teams.

QUESTION FOR REFLECTION:

Which is the first dysfunction that your team must overcome? Once it is overcome, what dysfunctions should be on your radar?

Find it on Amazon
Strategy

PART 7
COMPETITIVE STRATEGY
By Michael E. Porter
Recommended by five CEOs

For each of the terms listed in this summary, Porter’s book provides a dozen or so contributing factors. For example, ‘rivalry among existing competitors’ is especially fierce in situations of: “Numerous or Equally Balanced Competitors...Slow Industry Growth...High Fixed or Storage Costs...” (Porter, 18-20), and so on. If you read the summary and feel yourself wanting that level of detail, buy the book!

GENERAL ANALYTICAL TECHNIQUES
This is a book about strategy, which the legendary HBS professor Michael Porter defines as relating a company to its environment, specifically the industry in which it
competes. The long-run profitability potential of firm, Porter argues, is determined by industry structure, which is driven by the Five Forces:

1. Threat of new entrants into the industry
2. Bargaining power of buyers
3. Bargaining power of suppliers
4. Threat of substitute products
5. Rivalry among the industry’s existing firms

To operate profitably given these forces, firms must adopt one of three strategies:

1. Overall Cost Leadership – produce an acceptable quality product at the lowest cost of any firm in the industry.

2. Differentiation – produce a unique product that offers added value for buyers. The sign of a differentiated product is that all buyers believe it to be superior, even if not all buyers can afford it.
3. Focus – Specialize in serving a specific niche better than anyone else.

**ANALYZE THE FIVE FORCES FOR YOUR INDUSTRY. ARE YOU FOLLOWING ONE OF THE GENERIC STRATEGIES?**

Next, firms must undertake a competitive analysis of their rivals, which involves noticing and evaluating market signals, or clues to each firm’s future goals, assumptions, current strategy, and capabilities.

**WHAT MARKET SIGNALS DO YOU PAY ATTENTION TO? WHAT NEW ONES COULD YOU ADD?**

Firms can often be divided into strategic groups by the ways they position themselves and seek to gain an advantage. From this position of understanding, a firm can undertake a variety of offensive or defensive actions. For example, if demand seems likely to increase a company might preemptively sign a binding contract to build a new factory in an effort to prevent other firms from expanding capacity as well (and creating a market glut). Buyer power can be countered through buyer selection (choosing favorable buyers to sell to), especially those who have the greatest need for your product, growth potential, and low bargaining power and cost of servicing. Supplier power can likewise be reduced by: spreading purchases
among multiple suppliers, promoting product standardization, or producing small quantities yourself to better understand the economics of production.

**DO AN ANALYSIS OF YOUR COMPETITORS.**

**GENERIC INDUSTRY ENVIRONMENTS**

In fragmented industries, the key is understanding why fragmentation has persisted (factors include: low entry barriers, lack of economies of scale, high transport or inventory costs, erratic market demand, or diseconomies of scale, reliance on difficult-to-standardize creative content, diverse market needs, high exit barriers, etc). First determine if the fragmentation factors can be removed, and if so, remove them and consolidate the industry yourself. If this isn’t possible, either don’t enter or become a very specialized competitor.

In emerging industries, the rules of the game have not yet been set, and both risks and opportunities are at their height. The main strategic choice is whether to enter the industry early, late, or not at all. Early entry is beneficial
when being a pioneer leads to long-term advantages such as brand prestige, locking up the best resources, or if the industry has a steep learning curve.

In maturing industries, growth slows and competition for market share intensifies. Organizations must respond by becoming more disciplined, scaling back their expectations, and focus on increasing sales to existing customers over acquiring new ones.

Finally, in declining industries a firm can attempt to maintain a leadership position, create a niche, harvest the business by maximizing cash flow in the short term or divest quickly by selling the business.

**WHAT KIND OF INDUSTRY ARE YOU IN?**

The three strategic decisions we will cover are: vertical integration, capacity expansion and market entry.

Vertical integration is combining technologically unrelated economic processes into the same firm. For example, consider a car manufacturer building its own steel mill instead of buying steel from a supplier. Done well, vertical integration can reduce costs and provide a stable
source of inputs, create greater familiarity with underlying technology, and offset supplier power. Potential costs include higher fixed costs and reduced flexibility, higher exit barriers and capital requirements, dulled incentives for efficiency, and cultural mismatch.

Capacity expansion decisions must be made not only through discounted cash flow (DCF) analysis, but also by testing different assumptions about the future state of the industry and potential responses by competitors. Pre-emptive moves to irrevocably increase capacity ahead of competitors are often effective.

Market entry also requires not only DCF but industry and retaliation forecasting. Retaliation is likely in industries with slow growth, commodity products, high fixed costs, and emotionally committed incumbents. Look for industries with rapid growth, rising entry barriers, poor information, and low potential for retaliation. Acquiring your way into an industry is only profitable if you have superior information, the market is depressed or if you have unique ways of being more profitable than the current management.

HAVE YOU FACED ONE OF THE ABOVE SCENARIOS? DOES PORTER’S ADVICE SEEM SOUND?
QUESTION FOR REFLECTION:
DO YOU EXPECT YOUR INDUSTRY TO STAY THE SAME OR CHANGE DRAMATICALLY OVER THE NEXT 3 YEARS?

Find it on Amazon
Business is about competition, beating out your opponents, and conquering turf, right? Wrong. Business is about serving people and making money, and often that can be done most effectively by creating something not just better, but different. Most businesses compete in well-defined industries: “red oceans” that have become bloody with the fierceness of competition. Smart executives find ways to rewrite industry rules, creating “blue oceans” where they create or tap into latent demand instead of fighting over it. This is accomplished by first understanding the principle factors upon which companies position their products. Then, create a unique pro-
file for yourself by removing some factors, strengthening a few, weakening others, and adding a handful of entirely new points of differentiation.

The main idea of the book is captured in the strategy canvas for yellowtail, which successfully escaped the red ocean of a crowded wine market. yellowtail made a list of all the factors wine brands traditionally compete on, and then crafted a unique offering by making the following changes:

- Ignore: yellowtail completely ignores the convention of putting fancy wine terminology on the bottle, as well as the practice of aging the wine. It also eliminated above-the-line marketing.

- Reduce: The brand downplayed the notion of a ‘vineyard with a legacy’ that most wines tap into, as well as the complexity of the wine and the range of the wines offered.

- Strengthen: yellowtail was able to charge a higher markup than budget wines, but still at a significant discount to premium brands
• Add: yellowtail added the new competitive attributes of drinkability, ease of selection and a brand of fun and adventure (which had never existed in the stuffy wine market).

As a result of these changes, yellowtail was able to both differentiate itself and reduce costs.

WHAT OTHER COMPANY HAVE YOU SEEN PULL OFF SOMETHING SIMILAR?

To create a blue ocean strategy, you cannot outsource observing the industry with your own eyes.

OBTAIN FIRSTHAND KNOWLEDGE OF THE MARKET.

Next, draw the strategy canvas for your current industry. Set the precedent of presenting alternative strategies in this same visual format. A commercially viable blue ocean idea must: (1) provide exceptional value for buyers, (2) have a price point that is accessible to the masses, (3) create a lower-cost model that allows you to maintain profitability, and (4) have is a clear plan in place to overcome adoption hurdles. Blue Ocean ideas reach beyond existing demand into groups of people who have decided not to buy and who have never even considered buying, converting them into customers.
Products also can be evaluated based on customer productivity, simplicity, convenience, risk, fun/image, and environmental friendliness at each of the stages of the buyer experience: purchase, delivery, use, supplements (adding other products), maintenance, and disposal.

**CREATE A MATRIX WITH VALUE PROPOSITIONS ON ONE AXIS AND STAGES OF THE BUYING EXPERIENCE ON THE OTHER FOR YOUR PRODUCT.**

Once you’ve designed an exceptional customer experience, identify the price range that will be accessible to the masses, and build a system to deliver products at a cost that makes this pricing profitable. Much of Blue Ocean Strategy comes across almost as common sense – and it is. The trick is taking what it says and actually applying it to your own business.

**ARE YOU IN A RED OCEAN?**

**QUESTION FOR REFLECTION:**

**PEOPLE IN BUSINESS OFTEN USE MILITARY TERMINOLOGY: “PRICE WAR,” “PENETRATE THE MARKET,” “ANNIHILATE THE COMPETITION,” ETC. IN WHAT WAYS IS GROWING A BUSINESS FUNDAMENTALLY DIFFERENT THAN A MILITARY CAMPAIGN?**

[Find it on Amazon]
The Strategist CEO begins with a quote from Ken Olsen, CEO of Digital Equipment Corporation: “My job is to make sure we have a strategy and everyone follows it.” Answer these questions to see if your company has a strategy:

**EXPLAIN YOUR STRATEGY IN TWO SENTENCES.**

**ASK ALL YOUR EMPLOYEES TO EXPLAIN THE COMPANY STRATEGY IN TWO SENTENCES, AND COMPARE THEIR RESPONSES.**

**DOES THIS STRATEGY HELP YOU MAKE DECISIONS ABOUT WHAT PRODUCTS, CUSTOMERS AND MARKETS TO TARGET?**

**DOES YOUR ORGANIZATION HAVE A CLEAR PICTURE OF THE FUTURE THAT IT IS MOVING TOWARDS?**

In Robert’s view, strategy is about creating a shared understanding about what the organization should be and what it should accomplish, not how it’s going to get there. It is a framework for making decisions about what
to invest in, what policies to set, what markets to enter, etc. It is top down, realistic, focuses on a core and produces guidelines to drive behavior.

The heart of strategic thinking is finding your organization’s driving force, which can be one of the following: products concept (example: Boeing. We make planes.), customer segment (Johnson & Johnson), market category (American Hospital Supply), production capacity (hotels, airlines), technology (Sony, Du Pont), sales/marketing method (Hubspot, Avon), distribution method (WalMart), natural resources (oil companies), pursuit of size / growth (Facebook, at least in the early days), and pursuit of ROI / profit (Berkshire Hathaway).

**DETERMINE YOUR DRIVING FORCE, AND THAT OF YOUR COMPETITORS.**

Next, identify the key areas in which your business will have to maintain excellence to keep your driving force healthy. For example, a technology-driven company must have exceptional R&D capabilities.

The process of strategic thinking has eight steps, in the following sequence:
1. Clarify your current strategic profile (what products do you sell, how are they grouped, what markets and geographies do you target, what types of customers do you sell to, and what are the trends and cycles associated with each of these? How is your organization structured to provide the above? What is the market share and ROI for each product and division? What is your driving force and what are your areas of excellence?),

2. Understand your environment:

   A. Internal – Products, markets, corporate beliefs, strengths, weaknesses, opportunities

   B. External – Competition, threats, opportunities, vulnerable areas

3. Explore driving forces and possible strategic profiles. Based on what you learned in the step above, explore whether your current driving force is appropriate or flawed.
4. Develop a new strategic profile. Imagine a new driving force and business concept, areas of excellence, product scope, market scope, growth guidelines, ROI guidelines, corporate beliefs, and a timeline for putting all of this into practice.

5. Develop competitor profiles. Identify the driving force of each of your competitors and guess at what products, markets and customers they will target in the future as a result.

6. Test the strategic profile. Compare it to the current profile, to your organization’s unique characteristics identified in step #2, and to the competitor profiles.

7. Decide on a final profile and implement. Make a list of crucial changes that must take place to transition from the current profile to the desired profile, and assign deliverables, responsibilities and deadlines to your team to make it happen.
QUESTION FOR REFLECTION:
DOES YOUR COMPANY HAVE A STRATEGY? ARE PEOPLE STICKING TO IT? DOES IT SEEM LIKE YOUR BEST COMPETITOR HAS A CLEAR STRATEGY THAT THEY ARE STICKING TO?

Find it on Amazon
PLAYING TO WIN
By A.G. Lafley and Roger L. Martin
Recommended by one CEO

Playing to Win was co-written by the former CEO of Procter & Gamble and the dean of the Rotman School of Management, giving it both an academic and practical view on strategy. The authors define strategy as “a coordinated and integrated set of five choices: a winning aspiration, where to play, how to win, core capabilities, and management systems” (Lafley and Martin, 5).

Winning involves establishing clear dominance in the area you choose to play. When deciding where to play, look for the geographic areas, types of products, customer segments, distribution channels and vertical stages of production that appear attractive, given the industry landscape. The beginning of strategy is making explicit choices on where to play (and where not to play). Pitfalls include: trying to capture all segments of the mar-
ket (impossible), attacking the strongest competitors first (dangerous for no good reason), and starting wars on multiple fronts at once (remember Waterloo).

**DO YOU HAVE A CLEAR IDEA OF WHERE YOUR BUSINESS PLAYS?**

Next you must determine how to win. The two fundamental strategies (here the authors draw on Michael Porter) are low cost and differentiation. The former requires producing an acceptable quality product as efficiently as possible, constantly stripping excess costs out of the system. The latter can be accomplished in any number of ways, as long as the result is adding value to the product that customers are willing to pay enough of a premium for. The decisions of where to play and how to win should be mutually reinforcing, and need to be asked by every brand, product line, and support group (yes, even legal and HR should have a ‘where to play’ and ‘how to win’!).

**WRITE DOWN YOUR TOP CAREER AND PERSONAL GOAL. IT’S HARD TO WIN IF YOU DON’T KNOW WHAT YOU’RE PLAYING FOR.**

The third task is developing your organization’s core capabilities to deliver on the above promises. For P&G, their 5 core capabilities (consumer understanding, brand building, innovation, go-to-market ability and global
scale) became like pillars that each business unit was built around. Comparison of P&G’s pillars with those of other companies helped drive acquisition decisions, ensuring that the company didn’t expand into areas outside its core.

The firm then built activity systems to reinforce the core capabilities. For example, they created globally distributed R&D, which was in line with the pillars of innovation and global scale. The activity systems might be different at the company level than at the category or brand level, but the five pillars always remained the same, keeping the company aligned on it’s strengths.

The final task is building systems to manage what matters. If a firm chooses a strategy of cost-leadership, it must first develop the capacity to measure drivers of efficient operation and tie performance review, bonuses, and promotions and morph cultural traditions to encourage improving those metrics. There is an excellent example of how P&G did this: they changed the format of an annual meeting to reinforce the pillar of innovation, and invented new terminology around winning at the “two moments of truth” (when a customer sees a product in the store for the first time and when they try it for the first time) to facilitate customer focus. These support-
ing structures, aligned around the strategic core, allow momentum in your organization to compound as everyone begins rowing in the same direction.

In choosing where to play and how to win, analyze four dimensions: the industry, customers, your relative position to the competition, and the competition’s likely responses to your action. The strategy logic flow prompts you with seven questions to address these areas:

1. What are the strategically distinct customer segments
2. How structurally attractive are the segments
3. What attributes create value for a channel
4. What attributes create value for a customer
5. How do our capabilities look relative to the competition
6. How do our costs look relative to the competition
7. How will our competitors respond to our actions?
Once you have this strategic picture, list possible strategies, specify conditions that must be true for the strategy to be viable, select the conditions you feel least confident are true, perform tests to see if they, indeed, are true, and then choose a strategy.

**PERFORM THE STRATEGY LOGIC FLOW ANALYSIS FOR YOURSELF.**

**QUESTION FOR REFLECTION:**

*Which do you think is more important - having a strategy that is exceptionally smart, or having a strategy that is exceptionally clear?*

[Find it on Amazon](#)
Personal Development

PART 8
THE BIBLE
Recommended by three CEOs

Through a variety of authors, God communicates both His love and His plan for the world and its people. These authors write in a variety of styles – some simply narrate events, others write passionate poems of anger or love toward God, yet others write down God’s laws and desires for His people. The Bible is a compilation of these works, which weave together to form the following narrative:

PART 1: OLD TESTAMENT

CREATION

In the beginning, God formed the world and filled it with creatures. He created the first man and first woman, Adam and Eve, in his own image. He found his creation to be very good. Adam and Eve dwelled with God in the Garden of Eden.

REFLECT ON WHY YOU BELIEVE HUMANITY EXISTS ON EARTH. HOW DOES THIS AFFECT THE WAY YOU DO BUSINESS?
FALL

One day, a serpent told Eve she should eat the fruit from a forbidden tree. The serpent lied, telling Eve that eating the fruit would make her like God. In a moment of distrust of God, Adam and Eve ate the fruit. Ashamed, Adam and Eve hid from God. In this way, evil and suffering were introduced into the world.

ISRAEL

God made a promise to a man named Abraham. God promised to bless Abraham and his descendants and make them into a great nation and a blessing to other nations. Through the next generations, problems such as infertility and family conflict tested this promise. Finally, Abraham’s grandson, Jacob, was blessed by God and given the name Israel, which became the name of God’s people.

For a time, the people of Israel lived in Egypt and were oppressed by its governor, Pharaoh. God struck the Egyptians with a series of plagues, forcing Pharaoh to let the Israelites be free. Led by Moses, the people of Israel began a journey toward land they hoped would be their own.
From this point forward, Israel went through a variety of leaders, such as judges and kings – some of which were very good, and some of which were very evil.

**CONSIDER WHAT CRITERIA YOU USE IN CLASSIFYING TODAY’S LEADERS AS “GOOD” OR “EVIL”. FROM WHERE DO YOU DRAW THIS MORAL STANDARD?**

One of the most notable kings, David, loved God immensely and wrote many psalms about both his suffering and God’s provision. One such psalm compellingly articulates David’s repentance after having committed adultery and ordering his mistress’ husband to be killed.

Unlike other nations, who did not know how to please their gods, the people of Israel were given precise instructions about how they should live. God, being perfect and holy, wants to guide his people toward what is right. Often, however, God was forgotten and his guidance was ignored. Prophets spoke of impending doom for those who did not choose to follow God. And doom did come – multiple times the Israelites were defeated and exiled from their land. Yet, the prophets also spoke about future redemption, making statements that we will see fulfilled in the next half of the Bible.
PART 2: NEW TESTAMENT

REDEMPTION

Even throughout the sin and devastation present in the Old Testament, God always had a plan to save his people. God sent his son, Jesus, to earth. Born of a virgin, Jesus was both God and human. Jesus performed many miraculous healings and was a wise teacher. He told his followers that the two greatest commandments are to love God with all your soul, strength, and mind, and to love your neighbor as yourself.

As a sacrifice for all of the sins of humanity, Jesus Christ was killed by being nailed to a cross. After three days, Jesus was raised from the dead, showing God’s defeat of death and sin.

This redemption is not just available to Israelites. As the news of Jesus’ death on the cross was spread by his disciples, it became clear than anyone who believed in Jesus could be forgiven and have eternal life.

WHAT DO YOU BELIEVE WILL HAPPEN TO YOU WHEN YOU DIE? SHOULD THIS AFFECT THE WAY YOU DO BUSINESS?
One man, Paul, made it his mission to share the good news of salvation to those who were not Jews. He traveled through many countries, emphasizing that anyone can choose to be a part of God’s people. Many of the books of the New Testament are letters written by Paul during his travels.

**ESCHATOLOGY**

What’s next for God and his believers? Many passages in the Bible allude to the end of time. It is predicted that Jesus Christ will return to earth. Christ will establish a new heavens and earth. The new earth will be free from death and impurity. Christ will judge all people, and those who have accepted the gift of salvation will receive resurrected bodies. The fullness of God’s glory will be revealed, and his people will praise and worship him for eternity.

**QUESTION FOR REFLECTION:**

**WHAT IS YOUR PURPOSE ON EARTH? WHAT IS YOUR PURPOSE IN DOING BUSINESS?**

*Find it online*
“Self-help” literature 100 years ago was about cultivating character and virtue. Most books today are about tactics and shortcuts. Stephen Covey attempts to fuse the best of both worlds by focusing on principles—enduring rules of thumb for living an effective and fulfilling life. A continuing metaphor throughout the book is P/PC balance, which stands for Production and Production Capacity. Aesop’s goose is like our Production Capacity and its golden eggs are the Production. We have to balance producing and investing in increased capacity in our own lives.

Which side are you leaning too far towards this week?
1. BE PROACTIVE

One of the most important decisions we make is how we will respond to what happens to us and in the world. Covey challenges you to take 30 days and only focus on things you can control, make and keep small commitments, refuse to blame other people or argue, admit your mistakes and correct them quickly.

**BAN PHRASES LIKE “I CAN’T,” “I HAVE TO,” AND “IF ONLY” FROM YOUR VOCABULARY.**

You are responsible (“response-able”): you can choose your response.

2. BEGIN WITH THE END IN MIND

Imagine walking into a funeral, looking into the casket, and seeing... yourself. What do you want people to be saying about your life? The first step is determining what lies at the center of your life now: your spouse, your family, money, work, possessions, pleasure, friends, enemies, church, or just yourself? Out of this center flows your security, guidance, wisdom and power, but each is flawed.
The goal is becoming principle centered. Create a mission statement about what you believe and the standards of behavior you hold yourself to.

**VISUALIZE YOURSELF BEING AS YOU IMAGINE.**

**3. PUT FIRST THINGS FIRST**

Now that you’ve recognized your own agency (be proactive) and identified a goal (begin with the end in mind), you can begin categorizing tasks by urgency and importance. Effective people minimize the distraction of the unimportant, seemingly urgent to-dos (interruptions, email, pointless meetings) and prioritize the important but not yet urgent tasks (long-range planning, hiring good people, relationship building). This requires saying no to superfluous responsibilities and becoming effective at delegating.

**4. THINK WIN–WIN**

Win–win is a philosophy of life. It says “there’s more than enough to go around, and by working together we’ll all prosper.” It requires you to be both nice and tough, empathetic and confident. It also requires a willingness to step
away and say “no deal” if you can’t find a win-win solution. Structure everything this way: employee reviews, bonuses, and all negotiations or sales calls.

5. SEEK FIRST TO UNDERSTAND, THEN TO BE UNDERSTOOD.

We have a tendency to listen by comparing what people are saying to our own experiences, and end up arriving at a judgment before others finish talking. The next time someone comes to you with a complaint, instead of trying to solve their problem just repeat back what you understand them to be feeling. If your son says “I hate school,” reply “You’re feeling frustrated.” Once emotions subside and he asks for advice, you can give it – but not until then.

6. SYNERGIZE.

The whole can be greater than the sum of its parts. Synergy is about creative collaboration with people who have different strengths. As you build this muscle, your communication will go from defensive, to merely respectful, to focused on win-win. Work with people who see things differently.
7. SHARPEN THE SAW.

Cultivate habits of renewal for the physical (healthy food, exercise, rest), social/emotional (use the other habits to consider others before yourself), mental (reading, learning, writing) and spiritual (meditation and prayer) aspects of your life. Together, these habits create an upward spiral of learning new things, committing to their execution, doing them, and then learning some more.

DECIDE ON ONE ROUTINE TO ADOPT TO KEEP THE SAW SHARP.

QUESTION FOR REFLECTION:
DO PRINCIPLES FOR EFFECTIVE LIVING EXIST? IF THEY DO, HOW MANY OF THEM CAN YOU LIST OFF?

Find it on Amazon
Arguably the greatest President the United States has ever seen, Lincoln’s example is one of the most inspiring in history. Beginning with nothing, he became the most powerful man in the country through his focus on people, unbreakable integrity, incredible work ethic and brilliant communication.

**PEOPLE**

Lincoln spent the majority of his time interacting with people. He devoted remarkable stretches each day to getting out of the office and circulating among the troops, his military leaders, and the various departments of government.

**DO YOU SPEND ENOUGH TIME WITH YOUR (EXTENDED) TEAM?**
He insisted on seeing and experiencing things for himself to the greatest degree possible, and traveled to the front line (often despite the warnings of his advisors) numerous times to personally encourage the soldiers, and took great pains to set up reliable sources of battlefield information for himself. He built fantastically strong alliances with people who should have been his rivals, often including them in his cabinet.

Lincoln repeatedly assembled the strongest teams he could find, not caring whether individual members might try and overshadow him or had snubbed him in the past. Despite being the most powerful person in the country, he sought to persuade rather than coerce, communicating to people first that he sincerely respected them, and then following up with his ideas.

Lincoln’s character is famous even today, and for good reason. Despite being studied more than practically any historical figure, no one can find any notable moral
strikes against him. He refused to act out of vengeance, responding to anger instead by writing furious letters, letting himself cool down, and never sending them.

LOG OUT OF YOUR EMAIL ACCOUNT WHEN YOU’RE ANGRY.

He absorbed unjust criticism without responding, publicly taking the blame for the failures of his subordinates but giving them the credit when things went well. He also operated under the principle that ‘if two opposing factions both ignore you or hate you, you’re probably doing something right.’ It’s when you’re hated by one and loved by the other that you’re likely wrong.

ARE YOU HATED OR LOVED BY BOTH SIDES?

ENDEAVOR

Despite surrounding himself with the strongest and most ambitious people he could find, Lincoln still had the decisive hand. He collected advice about major decisions and spent a great amount of time thinking about them, but then decided and stuck with his decision. On the other hand, he wrote personal letters to subordinates acknowl-
edging whenever he was wrong and they were right. He knew that the war, as with all things, would be won less by clever strategy and more by relentless determination.

AREN YOU SEARCHING FOR A SILVER BULLET ON ANYTHING THAT COULD BE ACCOMPLISHED BY PURE WORK?

Lincoln applied this exact approach to finding a good general, patiently giving a long succession of leaders a chance (and being forced to remove each for incompetence) before finding General Grant. Finally, he encouraged innovation, personally going to witness experimental new technologies and weapons being demonstrated.

COMMUNICATION

Lincoln developed a nearly unlimited catalog of stories and illustrations, both from participating in story contests while a youth and from simply remembering noteworthy things that had happened.

SIGN UP FOR A TOASTMASTERS CLASS.

He almost always used a story to illustrate whatever point he wanted to articulate, which made his communication both persuasive and shockingly memorable. He was a master at employing humor to warm people up and to
demonstrate his way of thinking, and laughed frequently, even in the depths of the war. He set a clear vision for what the United States stood for and reinforced it at every turn, through speeches and action. Overall, Lincoln retained his care for people, character, determination and ability to win hearts and minds despite the horrific burden of sending literally hundreds of thousands of people to their deaths. It’s no surprise that corporate executives find reading about Lincoln inspiring – it puts the worst of our difficulties into radical perspective. And yet Lincoln began as an ordinary person without significant education, advantages or natural talent – nothing but an unquenchable belief in his own ability to grow.

HOW MUCH DO YOU BELIEVE YOU CAN GROW?

QUESTION FOR REFLECTION:
WHAT WAS LINCOLN’S DEFINING QUALITY? WHAT IS YOURS?

Find it on Amazon
StrengthsFinder is a popular assessment that identifies a person’s top five talents. Each book contains an activation code for this online assessment as well as descriptions of the 34 strengths. By creating shared language, Strengths-Finder helps people communicate a lot about themselves in only a few words.

<table>
<thead>
<tr>
<th>Strength</th>
<th>People who have this strength...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achiever</td>
<td>Like being busy and productive. Have a great deal of stamina and work hard.</td>
</tr>
<tr>
<td>Activator</td>
<td>Make things happen by turning thoughts into action. Often are impatient.</td>
</tr>
<tr>
<td>Adaptability</td>
<td>Like to go with the flow. Take things as they come.</td>
</tr>
<tr>
<td>Analytical</td>
<td>Search for reasons and causes.</td>
</tr>
<tr>
<td>Role</td>
<td>Description</td>
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<td>-------------</td>
<td>-----------------------------------------------------------------------------</td>
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<tr>
<td>Arranger</td>
<td>Figure out how all the pieces and resources can be arranged for maximum productivity. Are able to be organized while being flexible.</td>
</tr>
<tr>
<td>Belief</td>
<td>Have certain, unchanging core values – out of which comes defined life purpose.</td>
</tr>
<tr>
<td>Command</td>
<td>Take control of a situation and make decisions. Have presence.</td>
</tr>
<tr>
<td>Communication</td>
<td>Find it easy to put thoughts into words. Are good conversationalists and presenters.</td>
</tr>
<tr>
<td>Competition</td>
<td>Measure their progress against the performance of others. Strive to win.</td>
</tr>
<tr>
<td>Connectedness</td>
<td>Have faith in the links between all things. Believe everything happens for a reason.</td>
</tr>
<tr>
<td>Consistency</td>
<td>Like to treat everyone the same. Set up clear rules and adhere to them.</td>
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<tr>
<td>Context</td>
<td>Enjoy thinking about the past. Understand the present by researching its history.</td>
</tr>
<tr>
<td>Deliberative</td>
<td>Take serious care in making decisions or choices. Anticipate obstacles.</td>
</tr>
<tr>
<td>Developer</td>
<td>Recognize and cultivate potential. See opportunities for small improvements.</td>
</tr>
<tr>
<td>Discipline</td>
<td>Enjoy routine and structure. Describe the world by the order they create.</td>
</tr>
<tr>
<td>Empathy</td>
<td>Can sense the feelings of other people by imagining themselves in others’ situations.</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
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<td>----------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>FOCUS</td>
<td>Can take direction, follow through, and make corrections necessary to stay on track. Prioritize and then act.</td>
</tr>
<tr>
<td>FUTURISTIC</td>
<td>Are inspired by the future and what could be. Inspire others with these visions.</td>
</tr>
<tr>
<td>HARMONY</td>
<td>Look for consensus. Don’t enjoy conflict.</td>
</tr>
<tr>
<td>IDEATION</td>
<td>Are fascinated by ideas. Find connections between seemingly disparate phenomena.</td>
</tr>
<tr>
<td>INCLUDER</td>
<td>Accept others. Are aware of those left out, and make an effort to include them.</td>
</tr>
<tr>
<td>INDIVIDUALIZATION</td>
<td>Are intrigued with the unique qualities of each person. Figure out how people who are different can work together productively.</td>
</tr>
<tr>
<td>INPUT</td>
<td>Have a craving to know more. Collect and archive all kinds of information.</td>
</tr>
<tr>
<td>INTELLECTION</td>
<td>Are introspective and appreciate intellectual discussions.</td>
</tr>
<tr>
<td>LEARNER</td>
<td>Continuously improve. Find the process of learning more exciting than the outcome.</td>
</tr>
<tr>
<td>MAXIMIZER</td>
<td>Seek to transform something strong into something superb.</td>
</tr>
<tr>
<td>POSITIVITY</td>
<td>Have contagious enthusiasm.</td>
</tr>
<tr>
<td>RELATOR</td>
<td>Enjoy close relationships with others. Work hard with friends to achieve goals.</td>
</tr>
</tbody>
</table>
RESPONSIBILITY

Take psychological ownership of what they say they will do. Are honest and loyal.

RESTORATIVE

Are adept at dealing with problems. Figure out what is wrong and resolve it.

SELF-ASSURANCE

Possess an inner compass that gives them confidence their decisions are right.

SIGNIFICANCE

Want to be very important in the eyes of others.

STRATEGIC

Can quickly spot patterns and issues. Create alternative ways to proceed.

WOO

Love the challenge of meeting new people and winning them over.

TAKE THE STRENGTHSFINDER TEST.

ASK AT LEAST 10 FRIENDS, FAMILY MEMBERS, EMPLOYEES, AND/OR MANAGERS ABOUT TIMES WHEN THEY HAVE SEEN YOU AT YOUR BEST. CLUSTER THESE EXPERIENCES BY COMMON THEMES. COMPARE THESE THEMES TO YOUR STRENGTHS.

QUESTION FOR REFLECTION:

WHAT ARE YOU BETTER AT DOING THAN EVERYONE ELSE IN THE WORLD?

Find it on Amazon
NEVER EAT ALONE
By Keith Ferrazzi

Recommended by one CEO

THE MINDSET
The most powerful part about reading Keith Ferrazzi’s Never Eat Alone is the awe-inspiring scale, scope and success of his networking efforts. And his book spells out how to mimic him – in captivating detail. First, identify the types of people you want to be meeting who could impact your life and become a member of the club. Put yourself in the places these people go and try to make everyone you meet successful. Don’t keep score, work to give people as much as you can and find ways to flourish together.

DO YOU KEEP SCORE?
Next, determine your mission.

**IDENTIFY YOUR PASSION, WRITE DOWN YOUR GOALS, AND CREATE A PERSONAL BOARD OF ADVISORS TO HELP YOU ACCOMPLISH THEM.**

**BUILD A GROUP OF PEOPLE TO SUPPORT YOU BEFORE YOU NEED IT!**
**BE AUDACIOUS AND BOLD, BUT NOT A JERK (E.G., KISSING UP TO YOUR SUPERIORS AND KICKING YOUR PEERS DOWN).**

**THE SKILLSET**

Do your homework – spectacular achievement comes after spectacular preparation.

**RESEARCH PEOPLE BEFORE YOU MEET THEM: WHAT THEY DO FOR A LIVING, INTERESTS, PASSIONS, ETC.**

**MAKE LISTS: LISTS OF PEOPLE YOU WANT TO MEET IN YOUR INDUSTRY, IN OTHER INDUSTRIES, PEOPLE WHO IMPRESS OR FASCINATE YOU, AND SO FORTH.**

Find their contact info and reach out to them – respectfully and persistently. Warm the cold call by being confident: immediately convey credibility by referencing a trusted person or organization, state your value proposition, create a sense of urgency, and be prepared to compromise to secure at least an agreed-upon follow up. Be kind to administrative assistants. Never eat alone; keep your social calendar full. Meet people on planes (flying
first class helps a lot here), at conferences, during a work-out. For good rapport, do breakfast or lunch. For great rapport, have them over for dinner. Follow up with both email and snail mail within 24 hours and then a month later.

**CREATE A SYSTEM TO REMIND YOU TO DO THIS**

Be a conference commando by getting in touch with the organizer in advance, helping out, knowing who will be in attendance and strategically meeting them. Connect with super connectors: restaurateurs, headhunters, lobbyists, fundraisers, PR people, politicians and journalists.

**DO YOU KNOW ANY SUPER CONNECTORS ALREADY?**

Master small talk by being unapologetic about who you are, smiling, unfolding your arms, listening more than you speak, and focusing the conversation on the other person and their interests.

**TURNING CONNECTIONS INTO COMPATRIOTS**

Once you understand someone’s mission you can care about them more effectively and build a stronger relationship. The most common missions are making money,
finding love or changing the world. Any time you significantly benefit someone’s health, wealth or children, a uniquely powerful bond is created – success is built on making other people successful. Introduce people to one another to add value, or ask people for advice and pass it on.

**FIND TWO PEOPLE YOU KNOW WHO SHOULD REALLY KNOW EACH OTHER, AND INTRODUCE THEM.**

Ping your network all the time with updates, questions, thoughts, insights – not just when you need something. Ping everyone at least two to three times per year. Host dinner parties (on Thursday evenings) and bring a mix of faithful friends and new faces (6–10 people total), send invitations a month in advance, and have another four to six people join afterwards for drinks and dessert.

**TRADING UP AND GIVING BACK BE INTERESTING.**

Stay abreast of fascinating changes in the world and be different from your competition and peers. Be known for doing something incredibly well, for having a well-reasoned point of view. Journalists almost never have gatekeepers, so call them personally and send them inter-
esting stories, regardless of whether the stories are about you. Build those relationships before you need them. Speak and write about your ideas and become an expert. Create a very clear personal brand for yourself and communicate it in everything you do.

**WHAT DO YOU WANT TO BE KNOWN FOR?**

Create a personal website, business cards, and a blog. Build organizations that matter and recruit influential and smart people to be part of your board. Continuously find mentors and mentees, don’t be afraid to mix personal and professional life, and above all, remember that other people will undoubtedly benefit from getting to know you, so there’s nothing to be afraid of!

**QUESTION FOR REFLECTION:**

THE MOST POWERFUL ELEMENT OF KEITH FERRAZZI’S APPROACH TO NETWORKING IS SIMPLY HOW DEDICATED HE IS TO MAXIMIZING EVERY OPPORTUNITY. WHAT IS STOPPING YOU FROM DOING THE SAME RIGHT NOW? (NOT A RHETORICAL QUESTION. GENUINELY, WHAT IS THE BOTTLENECK?)

Find it on Amazon
THE POWER OF HABIT

By Charles Duhigg

Recommended by one CEO

HABITS OF INDIVIDUALS

THE HABIT LOOP

40% of the actions you take each day aren’t determined by your decisions – they’re habits. A habit is a three-step process: Cue → Routine → Reward. “When I experience CUE I respond by doing ROUTINE to get REWARD.” Cues are determined by any of the following: location, time, emotional state, other people, or an immediately preceding action. If you want to develop a new behavior, construct a {cue, routine, reward} sequence. Each time you run through that cycle your brain is actually reshaping itself to make repeating the habit easier, which is why ingrained habits are so hard to break.
THE GOLDEN RULE OF HABIT CHANGE

To change a behavior, find the habits that drive it and tweak them. Keep the same cue and reward but substitute a different routine. Imagine you want to watch less TV. The first step is figuring out that you generally respond to the cue of stress by watching TV so that you can escape worrying thoughts, think about the other activities that take your mind off of things and consider making a substitution. As long as you keep the cue and reward the same, you can leverage the neural pathways your brain has already carved in building the old habit.

The second requirement is that you believe you can make a change. Joining a group of people working to make the same change creates a sense of belief automatically: “if they did it, so can I.” Communities create belief.

CHOOSE A BEHAVIOR TO CHANGE AND FOLLOW THE STEPS ABOVE FOR A WEEK. SEE WHAT HAPPENS.
HABITS OF SUCCESSFUL ORGANIZATIONS

KEYSTONE HABITS

Numerous studies have shown some habits have enormous spillover effects on behavior. For example, kids whose families eat dinner together tend to have better grades, motivation and confidence. Likewise, people who begin exercising find themselves watching less TV, spending less and eating more healthfully without even trying. Keystone habits create small wins that build confidence and cascade into much bigger changes.

Use your new knowledge of habit formation to build a habit of doing at least 1 push up each morning. You’ll be shocked at the difference it makes over time.

THE HABIT OF SUCCESS

Successful service-oriented companies such as Starbucks have extensive training programs that give their employees habits to use in every possible situation. If a customer has a complaint, there’s the LATTE method: listen, acknowledge the complaint, take action, thank the customer, and explain why the problem occurred. Effective
leaders use crisis moments to wake people up, challenge their old habits and replace them with new ones. Companies also can exploit buying habits in various ways: they know you are more likely to change brand preferences after going through a life transition such as marriage, for example.

**THE HABITS OF SOCIETIES**

**HOW MOVEMENTS HAPPEN**

If your strong ties (people you are very close with) and your weak ties (people you have an acquaintance with) both believe something is true, social pressure to conform becomes incredibly powerful. Social movements start when people start hearing the same message and call to action from both strong and weak ties, and conclude they must do something themselves. The seeds of movement started with close friends of Rosa Parks, but since she was part of a tight-knit community even people who didn’t know her well started to feel personally
involved. The emerging movement then created a simple but transformational habit: Don’t ride the bus. And the Montgomery bus boycott was born.

BRAINSTORM: IF YOU COULD GET 100 PEOPLE TO ADOPT ONE DAILY HABIT, WHAT WOULD YOU CHOOSE? NOW WRITE A PLAN TO MAKE IT HAPPEN. (YOU DON’T EVEN HAVE TO EXECUTE, JUST WRITE THE PLAN)

THE NEUROLOGY OF FREE WILL

Habits are like streams of water, slowly carving deeper channels into our brains, like the trickle that eventually created the Grand Canyon. But now that you know about habits, you not only have the power to swim (use will-power to fight against your habitual behaviors) – you can also redirect the current.

MAKE A LIST OF THE HABITS THAT ARE CARVING CANYONS OF BEHAVIOR IN YOUR BRAIN. AND THEN MAKE A LIST OF IDEAL HABITS YOU’D LIKE TO ADOPT.

QUESTION FOR REFLECTION:

WHICH IS MORE POWERFUL, MOTIVATION OR HABIT?

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Conclusion
First off, if you truly read this entire book, please send us an email (grant@fortune500booklist.com and julia@fortune500booklist.com). You are among the 1% of people who both start and finish things, and we’d love to get to know you. Add us on LinkedIn (Grant, Julia), because we’re going to be friends.

While you’re at it, we would love your feedback:

- What about the book was useful?
- What annoyed you?
- What do you wish we had added?
- How have you changed your perspective or behavior because of the book?

You are what we like to call a “Doer of Things” (because you actually Do. Things.) and your feedback is invaluable. This is just the beginning – we’d be thrilled to hear your ideas of where this concept could be taken next, what other books/courses/videos/events/tools you wish exist but don’t yet. Send us your thoughts!
Finally: Thank you. We live in a world where the people at the top are also very generous (example: 150 Fortune 500 CEOs taking the time to personally recommend books to people they’ve never met), and we want to pay that forward as much as possible. We’re honored you took the time to read this. If we can ever be helpful to you in any way, please don’t hesitate to reach out. We are quite aware that life is short, and if we could spend some of our time on Earth supporting you and your dreams, it would make us very happy.

Sincerely,

Grant Hensel & Julia Wittrock