



# Innovate or Perish!

## What's Your Strategy?

Kevin & Jackie Freiberg and Dain Dunston

# In a global economy you compete with everyone from everywhere for everything.

It doesn't matter what industry you are in, someone, somewhere right now is building a product, process or business model designed to kick your butt.

If it's you, then you define the rules by which others must play the game. If it's NOT you, then you had better get comfortable playing by someone else's rules. Someone is going to start a revolution that will change your world. How? *Nanovate* producing change that matters-change that disrupts the competition, amazes your customers and makes the world better..

Why can't it be you?

In *Nanovation*, we tell the story of a team of engineers who were given the challenge to create a for the price of a scooter, a car that could carry a family of five in safety and dignity, a car that would sell for half the price of the nearest competitor. The world laughed at the idea but they delivered with the little Nano. And those who laughed loudest were forced out of the market. When one team innovated, the others perished.



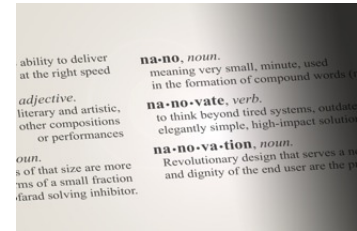
What would happen if someone in YOUR industry came up with a product that radically outperformed yours and cost half as much? How could you survive? When the winds of creative destruction blow at gale force and everyone around you is hunkered down hoping that the storm will pass, the only way through the uncertainty is to

*Accelerate Innovation!*

In a world where everyone and everything around you is getting better, where technology waits for no one, and where smarter, more sophisticated customers who are “wired and dangerous” demand more, people are constantly in search of the next big thing.

**Want to find what’s next? Make these 10 rules part of your cultural DNA:**

**1 | Dare to be Radical and Revolutionary.** Most organizations are cautious, metered, and incremental with regard to implementing new ideas. There is nothing wrong with incremental innovation. In fact, it’s what keeps you in the game—at least for a while. But, incremental improvements rarely create and sustain the kind of growth that is expected from investors, and they don’t generate an evangelical response from customers. If your desire is to create a product, service or business model that is REVOLUTIONARY here’s a question:



On a scale of 1-10, how many of your strategic initiatives would score an 8 or higher on the game-changer scale?

How many have the potential to ...

- Make lives dramatically better?
- Redefine and raise customer expectations?
- Turn heads, stop people in their tracks and create buzz?
- Disrupt your entire industry?

In a world of mimicry and “me-tooism,” you can’t be a leader by playing follow the leader.

In a sea of sameness where there is too much of everything, you lead by constantly finding new ways to add value and make the world better—to be SPECIAL.

What’s so special about being special? Special means you are unforgettable. Special means that if we eliminated your business tomorrow there would be weeping and gnashing of teeth. Special means your customers can’t live without you. Special makes the comparison with your competitors totally irrelevant because you stand out and give your customers something they can’t get anywhere else.

*Radically different. Unforgettably distinct. Easily distinguished.* Do these words describe your business?

If we hit the “eject” button and took you out of the game today, would your business be missed?  
Or, would a competitor happily step into the breach and serve your customers seamlessly?

*“In a world of mimicry and “me-tooism,” you can’t be a leader by playing follow the leader.*

**2 | Question the unquestionable.** Question it! Step out of the prevailing paradigm. Think like an outsider. Challenge your taken-for-granted assumptions—about the way your industry works, about what your competitors are doing, about your customer’s expectations, and what your employees are truly capable of doing.

Southwest questioned the hub-and-spoke route system, Muhammad Yunus questioned the “poor are not creditworthy” assumption, Mary Kay Ash questioned the “women only want to buy in stores” paradigm, and Apple questioned the prevailing wisdom that the music industry would never sell songs for 99 cents.

Start by trading “yeah but” for “what if?” and “why not?” and “why not now?”

*What if* sunscreen or mosquito repellent could be swallowed? What if eyeglasses could be programmed with photographs and a patient in the early stages of Alzheimer's could meet a friend, have the glasses match the picture with the person and pull up that person's name? What if you could determine the demographics of people driving by an electronic billboard by capturing their radio signal? What if your refrigerator could talk to your cell phone and say, "Hey, pick up some milk?" Or your tires could talk to dashboard and say, "We are low on air?"

What's the default response in your culture?

"Yeah but..." or "What if?"

The next time someone comes up with a crazy idea in your organization and everyone says "yeah but" or "no way" or "it will never happen," will you have the guts to question it?

**3 | Look for the intersection of trends to find opportunities.** We live in the age of mass innovation. Competitive advantage goes not to the strongest, smartest, or richest companies, but to those that develop the capacity to see what others can't see and turn those insights into innovations faster than their competitors do.

Innovators aren't necessarily futurists, but they do pay close attention to the early warning signs that precede major cultural, societal, and market shifts. They tune in to the ways that seemingly unrelated patterns are shaping our world.

You can't win with yesterday's ideas, so what are the big, converging trends that are headed your way? There is white space where rising trends intersect. In that white space is a huge opportunity for innovation. Consider these trends:

1. In emerging markets all over the world, and particularly in India, an explosive number of people are becoming more prosperous and moving into the middle class. Their purchasing power is on the rise, and so is their desire for more freedom and autonomy.
2. Thanks to technology and the Internet, the new, emerging global middle class is more educated and sophisticated than ever in history. They talk to each other. They do their homework. And these hyper-informed customers demand products and services with higher value and lower cost.
3. The ability to take costs out of the supply chain, out of design, and out of manufacturing via technology has loomed as a vast frontier of opportunity for the past couple of decades. The ability to do more with less isn't just a nice green catchphrase; it's been one of the defining and driving forces behind the business success of the world's best companies.

4. Socially conscious customers, employees, suppliers, and shareholders are more dedicated than ever to corporate social responsibility (CSR). Talent, money, and resources will flow to purpose-driven companies committed to safety, energy efficiency, sustainability and community service.
5. Sadly, with over one billion people in India alone, 100,000 people die in auto-related accidents each year—most of them on two-wheelers. It is quite common to see families of five and six riding the same scooter at the same time with absolutely no protection.



At the intersection of these trends Tata Motors saw a vast white space that could be filled by a simple, inexpensive product. What if they could build a safe, affordable form of transportation for a little more than the cost of a motorcycle? This gave birth to one of the greatest innovations in the auto industry since the Model-T, the Tata Nano, a \$2100 phenomenon that has taken the world by storm.

What trends are reshaping your world?

Do any of these trends have the potential to disrupt your business? Given these trends where isn't your competition?





**4 | Jettison the incumbent mentality.** Incumbents are vulnerable to the often-fatal trap of thinking the future will be more of the same only better—more choices, better features, and better design—all incremental improvements on yesterday’s headline.

Nanovators see the future as a whole new game and leap-frog “better” with entirely new rules. They don’t think “best practice” they think “next practice.” Incumbents seek to grow market share by being “better” than the competition. But even if they are better, competitors catch up, innovations become commoditized, and incumbents eventually get forced into a price war. Nanovators side-step the price-value discussion by creating new markets and making the competition irrelevant.

So, if you’re going to build the strength to innovate over the long haul, you better learn how to manage the creative tension that comes with pouring yourself into something the world is ecstatic about and then letting go of it or changing it up to pursue the next big thing.

How did Steve Jobs and the team at Apple come up with one game-changing innovation after another for over 25 years? One could hardly accuse the people at Apple of not being fanatical about what they believe or devoted to what they have created. Yet, they have demonstrated the incredible discipline to challenge those beliefs and let devotion to one product give way to another.

**5 | Look beyond customer imagination for next big thing.** Inside companies all over the globe, the term customer-driven means that the customer is the focal point. Right? Customers should articulate their expectations, and suppliers should rise to meet or exceed them. Right? But that's not the way it played out with some of the greatest product and business model innovations in the world.

*“You can't win with yesterday's ideas.”*

Who asked Douglas Engelbart to create the computer mouse or Roy Plunkett to discover Teflon or Freon? Who asked Starbucks founder Howard Schultz to create a comfortable and inviting third place between home and work to have coffee—for \$4? And what about people selling used goods or doing research? They weren't shouting out for the invention of eBay or Google, were they?

How could they? They could hardly have imagined them. Customers are smart and never to be underestimated. But customers don't always know what they want and if they do know what they want, they can't always tell you. In fact, listening to customers might even derail you from pursuing breakthrough innovation and changes that will radically differentiate your business.

Sound like heresy? Maybe, but how many customers are on the cutting edge enough to know what's possible in your industry? How many customers are aware of your future capabilities? How many customers are in the right frame of mind to share their ideas for an innovative new product that is likely to displace the one they just bought?

Had Steve Jobs asked consumers what they wanted before developing the iPod, what would they have said? "Give us something smaller, with more features for the same price as what's already on the market." What was on the market sold for \$60 or less. How many focus group members would've said, "We're okay with your \$400 price"? How many of them understood the future of technology enough to know that a solid-state device would trump a CD scanned by laser? And how many of these people could've conceived of software such as iTunes replacing CDs—one song at a time?

*“Listening to customers might derail you from pursuing breakthrough innovation and changes that will radically differentiate your business.”*

**6 | Look for breakthroughs beyond your industry.** Where do new ideas come from?

They don't come from sitting in the same office, talking to the same people, looking at the same computer screens day after day. Spending the majority of your time with people who share your beliefs and assumptions doesn't unleash your creativity. It sharpens your prejudices. It doesn't promote discovery. It leads to closed-mindedness.

Toronto-based Goldcorp ran a contest on the Web inviting people to help it find gold in an ailing gold mine in the Red Lake area of Canada. More than fourteen hundred people downloaded the not-so-supersecret data on the fifty-five-thousand-acre property. People from fifty-one countries around the world submitted seventy-seven proposals using methods and technology that in many cases, Goldcorp had never heard about. For \$500,000 in awards, the company and its global brain trust found more than \$3 billion in gold, making Red Lake the richest gold mine in the world.

Some of the best ideas for game-changing innovation will come from outside your industry. The question is: Do you have the guts to look beyond what's comfortable and familiar? Do you have the wisdom to avoid the "not invented here" syndrome? The nanovators of the future will build open, collaborative partnerships and alliances with people and organizations to generate fresh, unexpected ideas.

**7 | Let limitations drive creativity vs. complacency.** Limitations: Are they a blessing or a curse, an asset or a liability? That's your choice.

Limitations can be springboards to creativity. They can call forth cleverness, focus you on what's most important, and drive you toward more elegant solutions—if you let them.

*“Limitations can be springboards to creativity. They can call forth cleverness, focus you on what's most important, and drive you toward more elegant solutions—if you let them.”*

Limitations come in all shapes and sizes: Financial. Regulatory. Geographical. Political. And let's face it, not every condition or circumstance can be changed. Sometimes you don't have enough resources. Sometimes you can't escape the chokehold of regulations. When this happens, nanovators don't waste a lot of time and energy trying to change conditions, they accept them. While everyone else is whining and moaning about the limitations they apply their imagination to find unique solutions within those constraints.

For more than 40 years, resource and regulatory limitations have been a source of innovation for Southwest Airlines. The flight attendants know that the Federal Aviation Administration (FAA) gives no leeway on what must be said in the pre-flight safety announcements. Most companies would leave it at that, lamenting that they must live within the boundaries of those limitations or the FAA will revoke their right to fly.

Not Southwest. Its people see these FAA regulations as an opportunity to be creative. On many Southwest flights you will hear the flight attendant sing the safety announcement or incorporate it into a comedic routine.

Here's the power that comes from exploiting these constraints. First, people actually listen and learn from the announcement which creates the potential for a higher level of safety. Second, it takes the monotony out of waiting for the flight to take off and in some cases eases the stress of a nervous flyer. Finally, customers get off the airplane with a unforgettable experience—one that causes Southwest to stand out—and tell their friends and colleagues what happened.

There is no question that limited resources can stifle innovation, but all too often this becomes an easy and convenient excuse for not doing the critical and creative thinking required to push to the next level—the place where elegance is found.

Do people in your organization see limitations as invitations to ingenuity and opportunities to differentiate or excuses for why it can't be done?

**8 | Accept nothing short of elegance.** Elegant design is simple. Think iPod. Incredibly functional, yet oh so easy to use. Elegance asks: What can we take away from a product, process, or service to make it more effective and user-friendly? How could we embrace simplicity to cut costs, reduce cycle time and increase speed, or improve service and quality?

Elegant design is focused. Elegant solutions come from “being there.” That is, being where the customers will be when they use the product. Letting the customer feel your presence there and think, “Someone was here before me; someone thought about this before me.” Elegant design is disciplined. Elegance pushes beyond the obvious. Elegance says, “Your first answer is tempting because it’s your easiest and most obvious answer. But it is usually not your best answer. So, keep going.”



Elegant design is improved. If it doesn’t work better it isn’t improved. And, elegant solutions are delightful. The finished product or process is elegant if it delights the senses and stimulates the mind. You know it when you see it, even if you don’t know why. It has a quality of likability. It makes you smile. It has wow factor. You want to pick it up. You want to know what it is.

Is your company known for “me-too” products and services or solutions that blow everyone away? Are people in your culture rewarded for pushing past the first, easy answer?

**9 | Risk more to gain more.** The fact is, you can't innovate without experimenting and you can't experiment without making some mistakes. Companies like Tata Motors, Southwest Airlines, Google, Amazon and the world-famous TED conferences have created cultures that encourage irreverence, accept nonconformists and tolerate, even reward eccentricities. In fact, they often reward intelligent failure to promote experimentation.

*“Is your company known for “me-too” products and services or solutions that blow everyone away?”*

By giving people permission to fail, gutsy leaders give them permission to try new things. They set the stage and the tone for human imagination to awaken. Everyone says, “People are our most important asset.” Really? We’ve met a lot of dead people working™, people who are physically present but psychologically, emotionally and intellectually checked out. The truth is, the most important asset you have is the IDEAS of your people.

When was the last time you rewarded someone for an intelligent failure?



**10 | Invite people to change the world.** This is the catalyst that drives all of the other accelerators! Call it leadership by outrage, a genuine sense of empathy and compassion, being purpose-driven, or capitalism with a conscience, game-changing innovation is driven by solving a problem that matters. The Tata Nano (the \$2100 car that disrupted the entire auto industry) grew out of one man's desire to make life better for others. Southwest Airlines' radically different business model grew out of its founders' desire to democratize the skies. The people at Apple aren't just making cool gadgets; they are out to put a dent in the universe by changing the way we learn and live. The late Michael DeBakey, the world's most famous surgeon and one of the foremost inventors in the field of medicine, used to remind janitors in the hospital that they played an intricate role in saving lives. The people at Humana aren't selling health insurance; their dream is to help people achieve lifelong wellbeing for everyone. The people at TOMS aren't just selling cool canvas shoes; their movement is about giving kids in need shoes so they can get an education and be protected from dangerous soil-transmitted diseases.

What if you could define your business in terms of a noble, heroic cause? It's an important question, here's why. First, when you are seeking to break the mold and do something radical you fail more than you succeed. You get stuck a lot. And, with failure comes frustration and anxiety. Second, transformational innovation invites a lot of opposition.

Disrupt the status quo and you're likely to awaken a sleeping giant. The bigger and bolder your project is, the more naysayers and disbelievers you will encounter.

So the question is, "What gives you the strength and fortitude to keep going? Where does the determination and resolve to stay the course come from? What fuels the fires of perseverance when you are tired and worn out and lose confidence in your ability to solve the problem?"

It comes from a deep-seated belief that you are working to solve a problem that really matters—you're fighting for a cause that will change some part of the world for the better. Right now, how many people in your organization are working on things that, five years from now, no one will give a damn about?

People who see their work as noble have a drive to succeed, a will to win, and a deep-seated passion for taking risks and trying new things that is unlike anything you've ever seen! And, competitors find it almost impossible to replicate the unparalleled pride and esprit de corps. When your business becomes a cause, what follows is a movement!

People don't lay down their lives for a job. They don't give the totality of who they are to line shareholder's pockets. But, they will give everything they've got to play a role in changing the world. People "opt in" to movements for this very reason. No one has to drag or manipulate; they are already "there."

What if your business became a movement to overthrow the status quo in your industry?

What if people saw your products and services as necessary to protect and promote the movement?

What if your movement inspired a whole new level of ingenuity?

**Want to become a leader who accelerates innovation?**

**Nanovate with these 4 leadership strategies:**

**1 | Be comfortable being uncomfortable.** If you're selling the same old stuff to the same old customers through the same old channels in the same old way you're probably pretty comfortable. You're also on the verge of becoming impotent and obsolete.

Innovation makes everyone uncomfortable. Why? Because it's messy. It offers no guarantees and rejects proven solutions. It tests the validity of an idea through trial and error. And, it disrupts the equilibrium of an organization.

Culture is designed to protect itself. People who are invested in yesterday's innovation will not take kindly to your attempt to dethrone the status quo—particularly when their sense of significance is tied up in what is. Then, you have decision makers who want to evaluate your idea with

the conventional tools of the existing culture: Will it perform as expected with a high degree of certainty? Can you be certain it will accomplish the mission? Are you sure it will produce the projected ROI? Of course, the direct answer to all of these questions is no.

Breakthrough innovation requires leaders with thick skin—leaders with courage who refuse to play small. The good news: Courage is contagious. One brave nanovator can spark the pilot light that encourages others to think big and act bold. The bad news: Cowardice is contagious too.

**2 | Have guts to live dangerously.** The world is not changed by those who are unwilling to take risks. No Wimps! It takes GUTS to move a business in bold new directions. It takes GUTS to get out on the lunatic fringe where new breakthroughs are found. It takes GUTS to go “left on red,” to blow-up the old rules and free smart people from dumb processes and stupid systems that limit their potential. It takes GUTS to keep moving when the elegant answer eludes you and you feel stuck. It takes GUTS to stand alone in pursuit of a dream no one else believes in.

The trial and error world of the nanovator is NOT for the faint at heart.

- What is it that you want to do with your business that could be scary?
- What is it that you want to do with your life that unnerves you?

Maybe it's time to start dreaming again. Maybe it's time for you to start living dangerously—to test new ideas, try new things and challenge the status quo—and even be WRONG! If you've never been wrong maybe you're not trying enough new things.

Here's the problem. You can't escape risk. Most of us fall into the trap of thinking that safe is safe; but safe can be risky too. There is always something at stake. Take a leap of faith into a bold new future or hunker down and protect yesterday's innovation? In either case it's a risk. But, make no mistake, without exploration, without frequently stepping over the line you will never be able to determine how much capacity you have. Unless you test the limits of what you can achieve you'll never really know your boundaries.

*“ Maybe it's time to start dreaming again. Maybe it's time for you to start living dangerously—to test new ideas, try new things and challenge the status quo—and even be WRONG!*

**3 | Shake it up! Hire some CRAZIES.** Diversity inspires innovation. Surround yourself with off-the-wall dreamers and doers who don't think and act like you do. You know who they are. It's the hippie mom with a gypsy skirt and funky earrings who writes killer marketing copy. It's the gear head who reads comic books at lunch, but radically reduces costs and cuts cycle time by revamping your whole IT infrastructure. It's the oddball fashion designer who reconfigures the layout of your entire facility and creates space for people with diverse perspectives to bump into each other and engage in unscripted, yet stimulating dialogue that leads to new things.

These “crazies” are the nonconformists, frustrated activists and eccentrics on the lunatic fringe. Are they bizarre, peculiar and a little bit psychotic? Yes. Are they uncomfortable and unnerving? Yes. But if perpetual innovation is your goal you need to be around them.

Groucho Marx said, “It's the cracked ones who let in the light.” They stretch you, make you feel uncomfortable and sometimes make you mad, but they are the ones who bring imagination and ingenuity into your culture. They are the people who can invent and re-invent any job they are doing. You can't innovate without them. They are the ones who set you apart in a sea of sameness.

Do you have the guts to run with them?

**4 | Be hungry for change.** Have you ever thought about what happens when you are really hungry? When you're hungry you are focused and determined. You are not easily distracted or derailed from your goal. When you're hungry you are ambitious. You do whatever it takes, within reason, to satisfy your hunger. When you're hungry you're flexible. You are open to trying things you wouldn't normally try because you might find something you like that you didn't know you would like?

What would happen if you had a critical mass of leaders who were hungry—for change?

*“Groucho Marx said, ‘It’s the cracked ones who let in the light.’”*

The shelf life of your current business model or service or product line keeps getting shorter and shorter. What would happen if everyone in your organization had the ability to LET GO of the past in order to create a better future? What would happen if you built a culture that learned how to say “YES” fast—a culture where people move with a sense of urgency, declare war on complacency and say “yes” to new skills, new relationships, new business models, new products and new markets?

You would expand your bandwidth for innovation and keep that pipeline charged with new ideas!

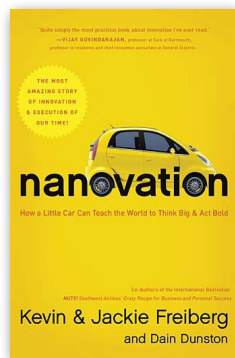
It's a pretty safe bet that you and your organization WILL change over the next 24 months, but will the majority of those changes be crisis-driven or opportunity-led?

Consider the last five major changes your organization has been through. What drove them? Was it a really cool, unprecedented opportunity or an impending crisis?

**If you want to lead innovation and inspire a team of innovators you must notice, lead and disrupt to make the world better.👉**



# Info



**BUY THE BOOK** | Get more details or buy a copy of [Nanovation: How a Little Car Can Teach the World to Think Big and Act Bold](#).

**ABOUT THE AUTHORS** | Kevin and Jackie are husband and wife, entrepreneurs, business partners, and bestselling authors. They help clients create BEST places where the BEST people can do their BEST work to make the world BETTER. Their journey began in co-writing the international bestseller, *NUTS!* the detailed, behind the scenes story of how Southwest Airlines' created the greatest success story in the history of commercial aviation. Dain Dunston has helped some of the world's smartest companies build cultures of innovation. For more than 25 years, he's coached leaders on how to communicate with their teams to build enterprises that are branded to the bone.

→ **SEND THIS** | [Pass along a copy](#) of this manifesto to others.

→ **SUBSCRIBE** | [Sign up for e-news](#) to learn when our latest manifestos are available.

This document was created on November 2, 2011 and is based on the best information available at that time. The copyright of this work belongs to the author, who is solely responsible for the content. This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs License. To view a copy of this license, visit [Creative Commons](#) or send a letter to Creative Commons, 559 Nathan Abbott Way, Stanford, California 94305, USA. Cover image from [Veer](#). You are given the unlimited right to print this manifesto and to distribute it electronically (via email, your website, or any other means). You can print out pages and put them in your favorite coffee shop's windows or your doctor's waiting room. You can transcribe the author's words onto the sidewalk, or you can hand out copies to everyone you meet. You may not alter this manifesto in any way, though, and you may not charge for it.

# About ChangeThis

[ChangeThis](#) is a vehicle, not a publisher. We make it easy for big ideas to spread. While the authors we work with are responsible for their own work, they don't necessarily agree with everything available in ChangeThis format. But you knew that already.

## 800ceoread

ChangeThis is supported by the love and tender care of 800-CEO-READ. Visit us at [800-CEO-READ](#) or at our daily [blog](#).



Explore your knowledge further with [KnowledgeBlocks](#), a new project from 800-CEO-READ that lets you turn what you know into knowledge you can use.