



# Launching Billion-Dollar Products

How Extreme Entrepreneurs Bring Successful Ideas to Market

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# Eighty percent of the world's 800 self-made billionaires made their money in mature industries like apparel, beverages, printing, and hospitality, among others.

To our tech-centric culture these competitive industries seem like unlikely launch pads for creating a billion dollars in value. But the fact is that most self-made billionaires create value outside of the flashy technology and financial markets that most associate with mega-wealth.

This is just one of the findings that surprised us from our in-depth study of self-made billionaires, and it sends a powerful message to established businesses about where value resides and how to realize it. So many executives assume that breakthroughs are the exclusive domain of high-tech industries or green field market spaces. Yet throughout the self-made billionaire population we saw the opposite.

Yes, there are stories of mega-wealth earned through the creation of something entirely new. The tech heroes of our era exemplify this version of entrepreneurial stardom—people like Apple’s Steve Jobs and Facebook’s Mark Zuckerberg, Google’s Sergey Brin and Larry Page, and Alibaba’s Jack Ma, to name just a few. But they are in the minority. Most self-made billionaires are like Glen Taylor, owner of the Taylor Corporation, a billion-dollar business that grew out of a neighborhood printing shop.

How did he do it? In an industry known for high competition and low margins, how was he able to create more than a billion dollars in value? And what can other businesses in similar circumstances learn from him? These were the motivating questions behind our study of self-made billionaires. We present all of our findings in our book, *The Self-Made Billionaire Effect: How Producers Create Massive Value*. Here, we focus on the rare approach self-made billionaires take to bringing ideas to market—and show how executives can learn from them to create value in their businesses.

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# Inventive Execution: How Self-Made Billionaires Realize Great Ideas

All businesses care about quality ideas: the new product they want to develop or the new market they want to exploit. Self-made billionaires are no different in their emphasis on ideas, but that is where the similarity ends. Traditional businesses often organize so that their individual functions specialize in one area of endeavor. The goal is to operate with optimum efficiency and to avoid conflict between groups and individuals who think differently from each other. As a result, people who are responsible for developing ideas work separately from the people who are responsible for bringing them to market. Product developers work separately from the manufacturing department; manufacturing is separate from marketing and sales, etc. There are logical reasons for this kind of separation, but the consequence so often is that even the best ideas are subject to compromise as they move from development to market. The qualities that make that idea new or great get watered down in the process of going live, and the original idea-developer is rarely involved or influential enough to protect and optimize the qualities that made the idea good in the first place.

Self-made billionaires, by contrast, view execution as a creative act that is inextricable from the idea itself. They integrate thinking of ideas with doing the work to bring those ideas to market.

We call this practice “Inventive Execution,” as it includes not only an eye for the elements of design that make an offering great, but a willingness to alter or redesign any aspect of bringing a product to market—even those that are considered standard or best practice. Self-made billionaires like Taylor tackle physical product design, product delivery, pricing, the business model, and the sales pitch, as well as the ownership and deal structure that best fit the opportunity.

This holistic approach to design stood out for us largely because most businesses accept design as inherited. The business model, pricing, functions, sales pitch, deal structure—nearly everything—is treated as predefined by the existing models, costs, and pricing that already exist in the company and/or the industry. Idea generation is viewed as the creative part, and execution as standard. If a company has a design sensibility at all, it applies almost exclusively to the sensory elements we typically associate with the word—the look, feel, or emotions associated with a product.

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Self-made billionaires are not beholden to the standard practices of their industries. Glen Taylor offers a case study in how Inventive Execution can unlock new value.

# Making a Billion Dollars in Napkins and Stationary

Taylor's story begins when he was in his early 20s and working for Carlson Letter Service, a local printing shop in the Minnesota town where he attended college. Taylor described the business to us as a "job shop," a printing retailer that took on anything, from mailings and pay stubs for other small businesses, to stationary or posters.

Taylor's first job at Carlson was to work a printing press, but he was quickly promoted to working in the business office and overseeing stock. In that role, he saw that the only projects Carlson made money on was wedding stationary.

This was a design inflection point, a moment in the trajectory of his career that Taylor might have ignored had he not, as a function of his personality, been inclined to think about ways to do a job better, faster, and more efficiently. (Taylor had grown up on a Minnesota farm, where all the work had to be finished by sundown, and if something broke he had to fix it himself.)

Once he saw that his boss was underexploiting the wedding market, Taylor went out and asked the young women he knew what they would want on their wedding stationary. With his boss's permission, he used this input to design new products and put together a marketing brochure which he sent to wedding supply companies throughout the region. The orders started flowing

in, and after Mr. Carlson retired and sold Taylor the business, the future billionaire began moving into lateral markets to further exploit the wedding market.

“Napkins were something we made a lot of money on,” Taylor told us when we met with him in his offices in Minnesota. “We sold the wedding invitations, and once we sell the wedding invitations the bride is getting all emotional about it and she wants the pretty things that accessorize... It’s like selling farm equipment. The dealer wants to sell the combine, but it is going to make \$1 million on the parts.”

Taylor effectively redesigned this local “job shop” into an industrial supplier of wedding stationary and all the peripheral accessories that roll off it. The key to his success lay not only in identifying a product (wedding stationary), but in identifying a way to expand the business by marketing to the wedding planners and wedding supply retailers and other customer-facing organizations. Later, Taylor redesigned again to capture value in lateral products.

Four decades later, his company does massive trade in the wedding business, and has branched out into high-volume printing sectors like corporate brochures and financial compliance documents, which make up a large part of its revenue today.

# Design Is Not Just In Looks

We use the verb “design” to describe the solutions that extreme entrepreneurs devise to unlock value. Design includes multiple factors: the strategy and tactics, the terms of the sale and the deal, the ownership and distribution, the customer experience, and so forth. Product design plays an important role, but is usually just one part of Inventive Execution.

Most self-made billionaires will extend Inventive Execution beyond the design of the product to redesign the pricing or delivery model, or even the market—a reality exemplified by the story of Shahid Khan, the billionaire owner of the Flex-N-Gate bumper manufacturer.

A native of Lahore, Pakistan, Khan came to the United States in 1967 at the age of 16 on a scholarship to the University of Illinois. Khan earned his engineering degree, and went to work as an engineering manager at a local automotive spare parts manufacturer called Flex-N-Gate.

The company specialized in bumpers made by welding together multiple pieces of steel, an expensive and inefficient process that resulted in a heavy, low-quality product. Yet the spare parts industry was a high-volume, low-price business: No one saw the need to improve quality at the expense of margin.



After working at Flex-N-Gate for seven years, Khan left in 1978 to start his own company, Bumper Works. New government regulations on truck weight provided an ideal opportunity. General Motors and Chrysler would be looking to revise the design of the trucks they imported from Isuzu and Mitsubishi with lower-weight components, and Khan was on deck to build strong, quality bumpers stamped from one piece of material.

This innovative product design spurred an initial wave of growth. General Motors loved the new bumper, and within two years of its launch, Bumper Works had grown large enough that Khan was able to buy his former employer, a struggling Flex-N-Gate, for \$800,000. Flex-N-Gate was the larger company and the known name, so Khan merged his holdings under the Flex-N-Gate brand. Yet even with the added capacity gained through the acquisition, Khan's company was still a small player with limited production capacity—too limited to supply the number of bumpers GM wanted when it announced its intention to expand use of the single-piece bumpers beyond its trucks. GM basically took the Bumper Works design and had it built by bigger partners.

GM was too big to fight (and according to the standard supplier contract was legally able to do whatever it wanted with the design), but Khan neither gave up his business nor resigned himself to status as a small-scale player offering a niche product. Instead, he shifted focus to the design of his business and the relationships he developed with other automotive manufacturers. Khan asked GM to introduce him to its Japanese importing partners as a way to build relationships

with car brands that would buy his product and allow him to grow his capacity. Within months, Flex-N-Gate was making single-part bumpers for Isuzu and Toyota.

The Toyota relationship provided more than a key client. Toyota has a practice of training key partners in the Toyota Production System, the improvement methodology known more generically as “Lean.” It provided the Lean Manufacturing practices that Flex-N-Gate could use to grow its capacity. With Lean tools, Flex-N-Gate over decades was able to apply the tenets of problem solving, continuous improvement, and just-in-time manufacturing to produce quality bumpers at scale. Today, Flex-N-Gate bumpers are on three-quarters of the cars sold in the United States, and the company earns more than \$3 billion in annual revenues.

Reflecting on the design elements in play for Khan, we see the redesign of the product to create a sleeker, more durable and high-quality result. But Khan also designed the Bumper Works business to be a direct provider to manufacturers—something with which he had no previous experience with. And Khan redesigned operations, with the help of Toyota, to build Flex-N-Gate into a supplier with the capacity to handle the needs of multiple major automobile manufacturers.

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# Inventive Execution at Scale

Throughout the billionaire population we saw the ways in which changes in the design of the product or the business allows entrepreneurs like Glen Taylor and Shahid Khan to create or tap into far greater scale than might have been possible before. Their experiences are not rare among their cohort of extreme entrepreneurs. Inventive Execution has been used by dozens of self-made billionaires for achieving market dominance at scale.

Take, for example, Leonardo del Vecchio, owner of the eyeglasses company Luxottica. Del Vecchio started out, like Taylor and Khan, as an independent entrepreneur in a relatively populated market. His first business, started in Italy, supplied small metal parts for manufacturers of end products. When he was hired by a sunglasses manufacturer, he found he liked working on glasses and decided to expand by buying different parts makers. Eventually he owned the entire glasses production chain. Del Vecchio did brisk business as a manufacturer, but he worried about price pressure from glasses retailers like Walmart, among others. He bought LensCrafters and Sunglass Hut, and redesigned his business to optimize both product development and distribution.

Enterprise-Rent-a-Car founder Jack Taylor started his business not with a different business design, but with a new market.

In 1957, when he started out, car rental was considered the exclusive need of visitors and tourists—the “airport” market. Jack Taylor instead saw a home market for people who needed a car to use while theirs was in the shop, or for some other reason. Today, home market rentals make up more than half of the car rental market.

Eli Broad, founder of KB Home, launched his home-building business with a vision of providing affordable homes to baby boomers coming of age in the late 1950s. Broad was an accountant by training, but he saw the trend of baby boomers growing into adulthood and with it an opportunity to create middle class housing at scale. To do so, he lowered the costs of homebuilding by designing a house with an open floor plan that had no basement, and a car port instead of a garage (an unusual approach at the time, and one that dramatically lowered the building and sale price of the home). KB Home sold more houses in the first week than Broad’s partner, Donald Kaufman, had been building in a year. Always keen to improve his business model, Broad further introduced practices that are now standard in the industry, including compressed building time-frames, tightly controlled materials provision, and limited land purchases, so that he was only holding land he planned to build on right away. These practices helped turn KB Home into one of the largest single-family home builders in the country, and made it the first to become a publicly traded company.

# How Businesses Can Change Their Approach to Execution

The stories of self-made billionaire success in established industries show that it is possible, all the time, to unlock value—even in highly competitive markets. These stories also show that all businesses are at risk of being disrupted by any company willing to redesign the execution. What can executives change in order to increase the likelihood that their companies will be the disruptors?

**Seek out your Inventive Executors** | Look for individuals who have been involved in the design and sale of something completely new, especially those who bring inventive ideas to the table when you talk to them. If your organization is divided into specialized functions, you might find them anywhere. You might see Inventive Execution in the industrial designer who talks not only about how a product feels, but all the different ways the company can leverage it; or in the salesperson who has new ideas about how to monetize the company's assets. Inventive ideas might range from how to structure a deal, get access to resources, or get a project done. Note that the vast majority of self-made billionaires we analyzed have concrete sales experience. If you identify a high potential with no sales experience, give her a chance to get it quickly.

**Integrate** | It is instinctual—it even feels like a good idea—to keep your best thinkers thinking, and your best doers doing. But that is exactly wrong for the people in your organization who

have the design sensibility we're talking about. Separating the ideas from their execution is manifestly not the way they bring an idea to market. Self-made billionaires like Glen Taylor, Shahid Khan, and Leonardo Del Vecchio want to be involved in everything, from ideas to execution. They want to see their ideas actualized according to the vision they set out for them, without the compromises that inevitably take over. Every organization has people like that—people who need to think and do, for whom there is no separation. Organizations that want to capitalize on that integrative bent need to give them opportunities to do both.

What would happen if your best product designer stood in the shoes of your best sales person? How might the experience of selling the product improve the design and vice versa? What would happen if you allowed your best deal makers to influence the design of the underlying product or business?

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**Embrace New Designs** | Executives can feel beholden to the established ways of the company. Some may be afraid to anger channel partners, concerned about cannibalizing established lines of revenue, or unwilling to deal with the challenge of selling a new idea to the company. Or their own career goals make them inclined to pursue the more certain path of incremental growth rather than aiming for breakthrough value. Regardless, know this: it is just as easy to fail while pursuing small ideas as it is to pursue big ones. Might as well go big.

On the way, embrace the pilot model of launching an early product in a limited market or with a hand-selected group of clients. Be sure to do this early and often. It serves as a tool to test ideas and their design, gives you real client data, and allows high potentials to practice Inventive Execution.

**Maintain Design Integrity** | Last, but perhaps most important: Companies need to know what makes their product great in the eyes of the customer, and protect that greatness from the inevitable forces of corporate compromise.

Howard Schultz, the billionaire Starbucks entrepreneur, offers a great example of design integrity at work. In 2007, shortly after Schultz retook the CEO position at his company, he made a costly decision to remove a line of profitable breakfast sandwiches from the Starbucks menu during the most difficult period of the financial crisis. Why? Because the sandwiches were served warm, and

employees were often leaving melted cheese on the microwave plate, which, after an entire morning of heating sandwiches, would send an burning smell wafting through the store that overwhelmed the smell of coffee. The employees unwittingly removed one of the most important sensory triggers that signal to customers where they are and why. Starbucks became indistinguishable from the half a dozen other places that smelled of burning cheese. Schultz preferred losing money over corrupting Starbucks, so he pulled the sandwiches and told the food designers to try again.

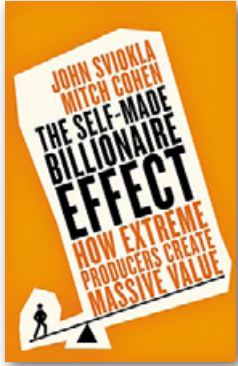
Schultz and many other self-made billionaires have absolute design integrity about factors, both small and large, that make their product great. What about your product or service offering signals to customers where they are, what they are doing, and why?

**What makes your offering irreplaceable? These are your unique design elements at work. Know what they are and protect them at all costs.**

**They are a source of breakthrough value.📌**



# Info



**BUY THE BOOK** | Get more details or buy a copy of [The Self-Made Billionaire Effect: How Extreme Producers Create Massive Value](#).

**ABOUT THE AUTHOR** | John Sviokla is the head of Global Thought Leadership at PwC (PricewaterhouseCoopers LLP). He serves a variety of Fortune 500 clients on the topics of strategy and innovation and runs the Exchange, the firm's think tank. Mitch Cohen is vice chairman at PwC. During his 33-year career at the firm, including more than 20 as a partner, he has served numerous Fortune 500 clients. Mitch has also helped to guide the firm's strategy as well as its initiatives around innovation and corporate responsibility.

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