# Built to Reinvent

## The Ten Commandments of Today's Sustainable Company

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Ask any manager on planet Earth, "What is your key challenge?" and among many different responses one will strike you with remarkable consistency: Staying afloat.

The fast-moving roller-coaster economy we live in today makes this task increasingly difficult. Just as we handle one crisis, another looms around the corner. How can we sustain—and even thrive?

The answer is the one you've heard before: We must consistently remake who we are, what we offer, and how we deliver our offerings to the world. Put it simply, **we must reinvent.**

What you may not have heard before is this: Today, the frequency with which our reinvention must take place is staggering. Essentially, we must become a new company every three years. (More on this figure in just a few pages!)

In fact, we must reinvent so frequently and so radically that the traditional roles and processes inside of an organization cannot keep up. It's time to make reinvention into its own profession.

The Ten Commandments are here to help you with this task. Spoiler alert: all hail the Chief Reinvention Officer!

### COMMANDMENT #1

## THE ONLY WAY TO STAY IN BUSINESS IS TO REINVENT

These days, the word "sustainability" has become closely associated with the green movement. But if we return to sustainability's original meaning, it's all about survival. At the center of our search for sustainability is the desire to hold on, to endure whatever the harsh environment has to offer, and to keep going.

This desire to hold on is well documented by social scientists. A 2010 study, for example, found that the longer something is thought to exist, the better it is evaluated, whether we talk about university requirements, art, acupuncture, or food. Dr. Heidi Grant Halvorson writes:

"People who saw a painting described as having been painted in 1905 found it far more pleasing to look at than people who saw the same painting described as created in 2005. Students preferred the course requirement described as the status quo over a new version (regardless of whether the new version meant more or less coursework). People who were told that acupuncture had been in existence for 2,000 years expressed more favorable attitudes toward it than those who were told it existed for 250 years. Study participants were given a piece of European chocolate. It was described to them as having first been sold in its region either 73 years ago or 3 years ago. Guess which group rated the chocolate as better-tasting."

When it comes to organizational change, 2005 research suggested that of all the emotions we feel towards change, three primary ones are cynicism, fear, and acceptance, with two of these emotions being fiercely negative and one vaguely positive. Intensely positive emotions never made the top of the list. For any one of us who survived organizational transformation, this negative predilection is hardly surprising.

It is precisely this desire to have things around for as long as possible and avoid change at all costs that drives us to create endless 'lock-down' rules and excessive regulations, to design rigid processes and detailed instructions, to celebrate books that showcase businesses that are Built to Last (which also happens to be an exceptionally good book!).

We all want to last. To continue. To always get back to "business as usual." We want to hold on to the world just the way it is.

And that is exactly where the central problem lies—and why so many of our sustainability efforts are doomed. It is the desire to stick with, no matter what, that ultimately gets us killed. Why?

**Sustainability doesn't drive life. Change does.**

In every second of every day, things change; even us. We breathe in and out, becoming a different person with every molecule of oxygen that enters our bloodstream (incidentally, did you know that every day you are guaranteed to inhale at least one of the molecules of air that passed through Genghis Khan's lungs?).

We observe change in seasons and eat foods produced through the gradual change called growth.

We survive ups and downs of the stock exchange and come in and out of economic recessions (14 of them in the last 100 years in United States alone!).

Nothing in the world holds on.

So, if holding on and locking down don't work, what can we do? How do companies survive? How can we sustain?

It will sound almost paradoxical.

The real secret of sustainability is simple: **take the essence of what you are, and let go of everything else.** It is that essential core that you need to propel forward, reinventing yourself vigorously over and over again, with a rapidity that is staggering.

Instead of desperately trying to stay in business by all means possible, it is time for you to get out of business—and get into a newer one.

> “*Take the essence of what you are, and let go of everything else. It is that essential core that you need to propel forward, reinventing yourself vigorously over and over again, with a rapidity that is staggering.*”

COMMANDMENT #2

## YOU MUST REINVENT EVERY 3 YEARS

Once upon a time, our companies enjoyed long and healthy lives, with a slow rise to the top of financial performance and a gradual decline to annihilation. The rate of change was so slow that reinvention was rarely needed—and when it was, we had all the time in the world to renew our business on our term. But the fairy tale is long gone.

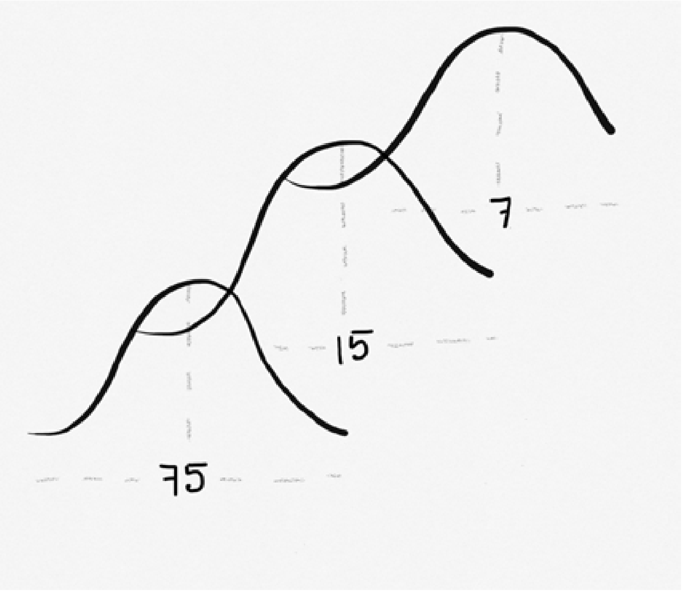
As Steve Denning of *Forbes* puts it: “Fifty years ago, ‘milking the cash cow’ could go on for many decades. What’s different today is that globalization and the shift in power in the market-place from buyer to seller is dramatically shortening the life expectancy of firms that are merely milking their cash cows. Half a century ago, the life expectancy of a firm in the Fortune 500 was around 75 years. Now it’s less than 15 years and declining even further.”

Denning’s claims are supported by research conducted by the Deloitte Center for the Edge in 2001, which showcased how corporate life cycles were diminishing rapidly. Yet, much has happened since 2001.

The increasing level of globalization, showcased so painfully during 2008-2009 global economic crisis, powered by the ever-increasing access to knowledge (think Google, free online courses and MOOCs, Khan Academy, etc), means that more of us are inventing every day and sharing those inventions globally, than ever before. There is more start up activity today than ever before, but they also continue to die at a high rate: only one-third survives to the 10-year mark. With all these pressures, the demand for corporate (economic, communal, and personal) reinvention has grown even further. Today, the life cycle of the company is much closer to 5-7 years than it is to 15 years.

Does it mean that we are all doomed? Absolutely not. What separates companies that survive from those that go down is **the ability to start a new lifecycle,** to pivot their company far enough from the path of destruction to find a new opportunity for growth.

But if before you had 30+ years to reach the prime, today you might only have 3 years. That means that barely 2-3 years into your existing business reality, you must start the reinvention cycle anew.



Shocking, isn't it? Kodak and Nokia thought so, too. Kodak had been the staple of American culture throughout 20th century, selling at one point 90% of all photographic film and 85% of all cameras in the United States. Nokia had been the number one cell phone seller from 1998 to 2007, controlling at its prime 40% of the entire global handset market. Yet, Kodak filed for bankruptcy in 2012, while Nokia was forced to sell it telecom business to Microsoft in 2013 to save itself from its own bankruptcy.

The business you are in today cannot be the business you'll to be in 3 years from now. By then, you are either entering your new business or you are on the way to extinction. Period.

> “*Reinvention … requires persistence and complete dedication. No one can do this heavy lifting alone, especially the increasingly busy CEO. So, it is time to enrich the C-Suite with a new executive position: the Chief Reinvention Officer.*

COMMANDMENT #3

## REINVENTION WON'T HAPPEN ON ITS OWN

We constantly hear about the need to reinvent, albeit the required speed of renewal might be a bit surprising. The invitation to renew makes a lot of sense, but somehow life always gets in the way. There are things to be done and tasks to be completed; there is value to be delivered today, while tomorrow seems so far away. Reinvention gets put into "important, but not urgent" pile that never gets touched.

A solution? Get somebody whose sole job it is to disrupt and reinvent—and give them a lot of power.

For decades, one person and one person only has been charged with reinventing the business: the Chief Executive Officer. Yet, the pace, complexity and unpredictability our companies face today require CEOs to be ever-present for countless crises and endless on-the-spot decisions.

Reinvention, however, requires persistence and complete dedication. No one can do this heavy lifting alone, especially the increasingly busy CEO. So, it is time to enrich the C-Suite with a new executive position: the Chief Reinvention Officer.

If the creation of such a new position sounds radical, consider this: many of the most important roles in an organization are only recent creations. Take CEO.

In 1955, only two of the Fortune 200 industrial corporations in the United States had the title of Chief Executive Officer. 20 years later all (but one) largest companies instituted the title and position of CEO. In those two decades, the world went through major transition, and the need for a new role became self-evident. There is no question than other top leadership roles existed prior to this invention: the general managers, presidents, and chairmen all led the companies to successful futures. But the introduction of the Chief Executive Officer was not only about language or style: it was the change in energy, power, and responsibility to execute the vision of multiple stakeholders, among other things, that brought about the change.

Since then, C-Suite has added many other executives, including Chief Operational Officer, Chief Technology Officer, and most recently, Chief Customer Officer (yes, as of 2015, 22% of Fortune 100 companies have one on board already).

Today, we are going through a transformation of a different kind. The speed of change does not allow us to leave the job of corporate reinvention to chance. Creating a new corporate function not only allows, but requires to look at things from a new vintage point, to explore and experiment with new business models, to disrupt the present and help birth and nurture the new future for your organization.

We need to grow professionals able to do it well. We need a breed of pragmatic futurists on board, equipped with skills in functional and cross-functional areas, armed with the best of foresight and change making instruments, and invested with real power.

## COMMANDMENT #4

# REINVENTION REQUIRES DISCIPLINE

To bear fruit, reinvention requires a disciplined systematic approach. We need to build companies and systems ready for this task—and create processes that facilitate reinvention in the efficient and effective way.

Robust reinvention systems are at the heart of some of the most successful companies in the world. Remember how the quality of movement of the 1980s and early 1990s catalyzed by a little company called Toyota? (I know, the quality movement is now pretty much dead. But there's something to learn from how it began.)

Prior to Toyota, the car industry seemed to be sleeping under a spell of a great trade-off illusion: Either your car can be of high quality, or low price, but never both. Toyota challenged this assumption by creating cars that were both affordable and reliable. How did they get it done?

Toyota applied the principle of ‘kaizen,’ which directly translates from Japanese as “good change”, inviting every employee to look for small and large reinvention opportunities in both products and processes. Workers-run quality circles, Zero Defects Campaigns, and many other routines made up the company-wide systems of continuous improvement that brought about big results. According to Matthew E. May, the author of a book about this Japanese car giant titled “The Elegant Solution,” Toyota implements one million new ideas a year, most of them coming from ordinary workers. That is one serious reinvention army.

Toyota’s “small is beautiful” approach to reinvention is one of many possible ways to get a system going.

Google has famously instituted informal “20 percent time” principle, which invited its employees to spend up to 20% of the working week dreaming up ideas and improvements not connected to their direct job responsibilities. While the idea was not new when implemented (3M used to have 15% time already in the 1990s), it did give birth to a range of formal systems and programs.

Corporate “hackathons” or improvement marathons usually followed by presentations and prizes, originally invented by Australian software company Atlassian, are now systematically practiced at Twitter, Facebook, Google, Yahoo, LinkedIn, and eBay. LinkedIn’s InCubator allows top experiments three months of the year of job-free bliss to develop the idea further.

Apple's Blue Sky program promises "a small group of employees to take a few weeks to work on 'pet projects' away from their every day responsibilities." Atlassian managers are allowed to hand out "get out of work free days" to people on other teams, which, with right progress and right procedures, can grow into 20 percent time. These and many other similar reinvention systems have even earned their own book, *The 20% Doctrine: How Tinkering, Goofing Off, and Breaking the Rules Drive Success in Business*, authored by *WIRED* senior writer Ryan Tate.

Whether mass-produced continuous improvement or focused hackathon, pioneering companies large and small have been developing building blocks of systematic reinvention. But it's time to amp these efforts to the new level. **So, forget "built to last." Build to reinvent.**

Just like the fashion industry reinvents itself with every collection, all other industries need to engineer processes that allow organizations to renew themselves in a diligent and systemic way.

Drop all the fantasies of ad-hock re-imagination. Make reinvention a formal part of the company's life.

> *"Forget "built to last." Build to reinvent. … Make reinvention a formal part of the company's life.*

COMMANDMENT #5

## DO NOT REINVENT FROM SCRATCH

Reinvention means stripping yourself of everything but your best, your very core, and elevating that best to a new form of reality. It requires you to strike a perfect balance between managing change and managing continuity. What is crucial here is this: **do no start from scratch! Keep the essence. Preserve your company's core. And then find a better way of using it.**

As an art of seeing the world anew, reinvention invites you to appreciate the past and use it discover an unexpected. Issac Newton spoke about this ability beautifully when he reflected about his experience: "If I have seen further than others, it is by standing upon the shoulders of giants." To reinvent, stand on the shoulders of all who came before you and look for new horizons.

The story of Hidria, a small ex-Yugoslavia heating & cooling systems company illustrates this point. A company with a rich past, in early 2000s Hidria found itself squeezed between producers from the well-branded West and the low-cost East, and started an extensive search for survival strategy. With its core competence in producing electric motors for cooling and heating systems, the question was: Is there anywhere else this skill might be useful? It turned out there was.

With the turn of the century, the pressure to reduce harmful emissions, coupled with rapid growth in the price of fuel and the development of battery technology and infrastructure, finally made an electric motor into a legitimate new business idea.

The problem was that very few automotive powerhouses in the world had a strong competence in building an electric motor, and even fewer automotive suppliers had been innovating in this domain. But a company producing electric motors for air conditioning and heating systems did.

In 2004, Hidria turned its business on its head by adding "green" mobility to its mission, vision, and core strategy. In the first year of operations, 2005, the new automotive division brought in EUR 10 million (about $13 million US) in revenues. By 2012, amid the global economic recession, Hidria reached the profitable automotive revenues of EUR 150 million (nearly $200 million US). Today, the engine of every fifth new diesel-powered car globally is ignited by Hidria's ignition solutions, every fifth new car in Europe is steered by Hidria's electrical power-steering solutions, and every third new car in Europe is powered by Hidria's hybrid and electrical power-train solutions, including top-of-the-line models produced by Audi, BMW, Mercedes-Benz, Porsche, Ford, Peugeot, Renault, and Volkswagen.

It took a mere seven years. That's all.

You can narrow your gaze to the strength of your own business, the way Hidria has done, or expand it to the entire universe. If your own company appears to be less-than-reinventable, looking at what others created—and breathing new life into their inventions—might just be what the doctor ordered. The inventor of ReCaptcha has done just that.

Remember the last time you tried to access your email and instead got a window with a distorted word asking you to type it in to prove that you are human? This is CAPTCHA—an identity verification device invented to protect you and me from spam robots. In 2006, Luis von Ahn, an entrepreneur and professor at Carnegie Mellon Univeristy, decided to take the power of CAPTCHA to a whole new level and launched reCAPTCHA. Unlike its predecessor, reCAPTCHA challenged users with two (rather than one) distorted words to decode.


And here is where brilliance of reinvention comes in: reCAPTCHA still allows you to verify your identity in about same 10 seconds per person, but it also puts these seconds to an additional good use.

Alison Grisworld of Business Insider explains:

"The first word in a reCAPTCHA is an automated test generated by the system, but the second usually comes from an old book or newspaper article that a computer scanner is trying (and failing) to digitize. If the person answering the reCAPTCHA gets the first word correct (which the computer knows the answer to), then the system assumes the second word has been translated accurately as well."

In 2009, von Ahn successfully sold his reinvention to Google and the global giant put the program to work for public good, digitizing material for Google Books and *The New York Times* archives. In 2012, it was decoding about 150 million distorted words a day—all as a result of one powerful reinvention.

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COMMANDMENT #6

# DON'T LET SELF-LOVE, ARROGANCE, AND FEAR STAND IN THE WAY OF REINVENTION

There are a few reasons companies hold on to the present so tightly. Each of these reasons may become a real (but often invisible) killer for organizational capacity to reinvent. Thus, each of these reasons should be taken seriously and eradicated with your most powerful weed whackers.

**Reinvention Killer One:**
**Corporate Narcissism, or "We are too good to fail"**

The first killer of reinvention is simple: We fall in love with our own creations. Once our product, processes, and business model start to work, it is very hard to let them go for the sake of something unclear and uncertain.

Clayton Christensen, in his classic 1997 book I*nnovator's Dilemma*, explained this phenomenon when describing why great firms fail to reinvent: "The reason is that good management itself was the root cause. Managers played the game the way it was supposed to be played. The very decision-making and resource-allocation processes that are key to the success of established companies are the very processes that reject disruptive technologies: listening carefully to customers; tracking competitors' actions carefully; and investing resources to design and build higher-performance, higher-quality products that will yield greater profit. These are the reasons why great firms stumbled or failed when confronted with disruptive technological change."

In other words, our own successful creation becomes so appealing that it is hard to let it go and move on to the next invention. We keep endlessly updating and improving the old, rather than creating the new—our own self-love becomes our worst enemy. Reinvention suffers.

**Reinvention Killer Two:**
**Titanic Syndrome, or "We are too big to fail"**

The second killer of reinvention is subtle: we get arrogant. The story of Titanic liner that sank in the North Atlantic Ocean in the early morning of 15th of April 1912 is the best example of a "too big to fail" mindset.

When the entire world named the boat "unsinkable," Titanic stakeholders threw away every precaution to the wind. The boat's night watch did not have binoculars. It stocked lifeboats for a mere third of its carrying capacity. It's lifeboat drill was cancelled, leaving crew untrained. The team arrogance cost it dearly.

Our friends at Kodak and Nokia did about the same thing—the sheer size of the companies created an illusion of being untouchable and unsinkable. Enron, Lehman Brothers, and most recently Blockbuster all went through the same process of absolute belief in their own might.

Blockbuster, for example, at its peak in 2004, employed more than 60,000 people at its 9,000 stores. When Dish Network bought the bankrupt Blockbuster in 2011, it was staying afloat with only 1,700 stores remaining. But it did not have to go that way. Greg Sattel of *Forbes* explains:

"In 2000, Reed Hastings, the founder of a fledgling company called Netflix, flew to Dallas to propose a partnership to Blockbuster CEO John Antioco and his team. The idea was that Netflix would run Blockbuster's brand online and Antioco's firm would promote Netflix in its stores. Hastings got laughed out of the room. We all know what happened next."

Titanic syndrome has sunk many companies.

**Reinvention Killer Three:**
**Plain Old Fear, or "We are too scared to move"**

The third killer of reinvention is omnipresent: we get scared. Starting new things is scary, and the start-up statistics are not on our side either. In the US, about 60% of start-ups survive only to age three, and a mere 35% survive to age 10, according to separate studies by the U.S. Bureau of Labor Statistics and the Ewing Marion Kauffman Foundation. UK data is similar: Of all the UK small businesses started each year, over 70% will no longer exist a decade later.

No wonder business leaders have a difficult time getting on with the new growth cycle—the odds are simply not on our side. But neither they are on the side of status quo.

Each of the three killers of reinvention—Corporate Narcissism, Titanic Syndrome, and Plain Old Fear—has a potential to destroy your company. Do not let them stand in your way.

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COMMANDMENT #7

# DO NOT REINVENT REINVENTION

Countless tools for reinvention exist already. The problem is that these tools are rarely used by businesses. Why? Most of the time, the managers in these businesses work inside of functional silos, with much of their efforts dedicated to results in the short-term.

In contrast, reinvention is a cross-functional competence that works across different time horizons, including short-, medium- and long-term results. Working across functions, silos, and time horizons requires an entirely different set of skills, including:


- **Foresight:** the ability to sense forces that will shape the future
- **Strength-based change:** the ability to recognize, transform, and scale existing organizational strengths
- **Design thinking:** the ability to create custom-made solutions where none seem to exist

Other skills, I am sure, are relevant for reinvention, but these three are the fundamentals.

Numerous schools of thought have worked on methodologies that together comprise the toolkit for each of the three skills. Trend analysis, scenario development, gaming and modeling all support foresight activities. Appreciative Inquiry, Future Search, and resiliency surveys all facilitate strength-based change. IDEO methodology, along with countless other tools, have made up the wave of resources that harvest the power of design thinking.

The crucial thing is: to connect all three and focus them ruthlessly on the task of elevating strengths and reinventing value.

So, **do not reinvent reinvention.** Discover the rich buffet of tools and tricks already created, and then make a plate fit for your specific taste.

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COMMANDMENT #8

# IF YOU DON'T GET THE RIGHT REINVENTION PROCESS, THE CONTENT WON'T MATTER

When we think of reinvention, most of the time we are focusing on the content of reinvention—the key ideas that allow us to approach something in a new way, the essence of the new strategy. The process of reinvention—first, designing steps and conditions for the right strategic content to emerge, and then implementing it—gets little-to-no attention from line managers. A Russian tale illustrates this point.

Living in a forest was a colony of rabbits. One day the rabbits came together for a meeting about survival. Said one rabbit: "Wolves attack us, foxes hunt us, and eagles make our lives a living hell. There has to be a better way!" said one rabbit. " They decided to ask for survival advice from a wise owl.

The old bird listened carefully, and offered a piece of wisdom: "The solution is simple. You need to become hedgehogs. Those sharp needles will protect you from any predator."

The rabbits were beyond ecstatic. Finally, they had a real solution—and what a brilliant idea it was. Running back through the forest, they made plans for a nightlong celebration, until one of them stopped the whole group with a question: “How exactly do we become hedgehogs?”

When the colony made its way back to the owl, the bird’s answer was as useless at it was bold: “I am a strategist. Execution is not my thing.”

Sound familiar?

Every time I see a company’s strategy emerge from its headquarters-based strategy unit, or, even worse, from a team of twenty-five-year-old consultants, I think of this rabbits-and-owl story. The separation of idea and execution runs deep in our business lives. As a result, countless reinvention efforts end up wasted: A 2008 McKinsey survey of 3,199 executives around the world found, for example, that only one-in-three transformation initiatives succeeds. How do we get better at reinvention success?

Modern management is obsessed about putting the world in boxes. How they manage reinvention initiatives is no different: They demand clear, manageable steps—from plan to implementation—and no other way will do.

Yet, the companies I work with, manage, or own seem to live in a different universe—the one that is messy, iterative, and full of happy (and devastating) accidents. We try things, before having any clue what the result might be, and learn from our mistakes, fast. And we go around in circles searching for new ideas, most of them showing up serendipitously, and not because we planned them.

In other words, reinvention requires both content and process to be in sync. Customarily, it is assumed that you first develop the strategy and then implement it. In fact, the line between strategy and execution has become so sharp that it is taken as a sign of great wisdom to hear business leaders such as Jamie Dimon, CEO of JPMorgan Chase, assert, “I’d rather have a first-rate execution and second-rate strategy any time than a brilliant idea and mediocre management.”

Yet, for most of us who lived through at least one successful reinvention process, it is rather clear that the line, if it exists at all, is less of a Great Wall of China and more of a jagged set of dots guiding the ever-changing dance between strategy and execution.

Roger Martin, a strategy theorist and practicing manager, offered this passionate illustration in a 2010 *Harvard Business Review* article nearly mocking Jamie Dimon with every word:

"If a strategy produces poor results, how can we argue that it is brilliant? It certainly is an odd definition of brilliance. A strategy's purpose is to generate positive results, and the strategy in question doesn't do that, yet it was brilliant? In what other field do we proclaim something to be brilliant that has failed miserably on its only attempt? A 'brilliant' Broadway play that closes after one week? A 'brilliant' political campaign that results in the other candidate winning? If we think about it, we must accept that the only strategy that can legitimately be called brilliant is one whose results are exemplary."

So, challenge your own focus on the content of reinvention, and **invest heavily in the process.** Getting the process right is the best way to maximize your chance of success. And if success does not emerge (there is always a risk!), at least you have done everything you could in the best possible way. No regrets.

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COMMANDMENT #9

## BUILD A HEALTHY REINVENTION CYCLE

Reinvention requires a carefully choreographed dance of leadership and management. Let me explain.

Whenever I work with a group of business professionals on change and continuity, what eventually gets in the way is the issue of leadership-versus-management. How is leadership different from management, and, more importantly, which one plays the leading role in the story of organizational reinvention?

Think about it. What comes to mind?

The first contender for the star role in the process of reinvention is leadership. Many equate "leadership" with "leaders", whereby leadership is a group of people beaming charisma to inspire people throughout organization. But if we look beyond the formal positions and titles, it is clear that all of us act as leaders some of the time. Inventing fun ways to inspire your 2-year old daughter on brushing her teeth is a typical leadership activity. So is encouraging your co-worker to take a risk with an upcoming client presentation. Leadership in this sense is all about helping others (and, if needed, oneself!) to deal with change in the most productive way. Since reinvention is all about change, it seems logical that leadership should play the most important role in the process of organizational renewal. Or should it?

The second contender for the leading role in the process of reinvention is management. Again, if we look beyond titles and positions, management is something all of us perform every day. Brushing your teeth as a part of your morning routine is a typical management activity. So is organizing a progress meeting for a difficult project. In essence, management is all about helping yourself and others to simplify complexity, to take something scattered and chaotic and organize it into a systematic routine so it becomes bearable. It is hard to imagine successful reinvention without this difficult job being done right.

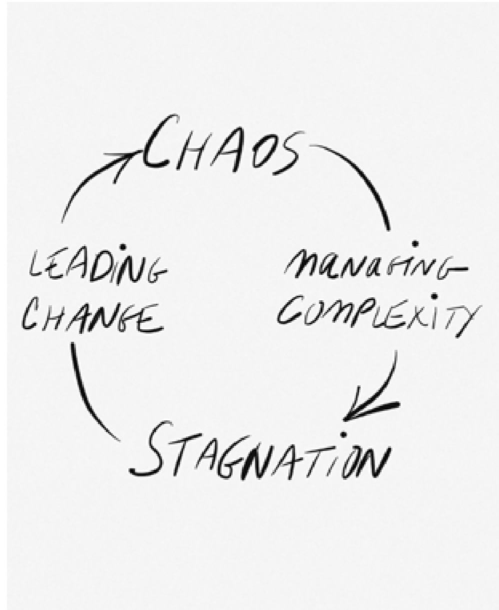
So, which one—leadership or management—is more important when it comes to reinvention?

The answer is simple: both. Leadership and management cannot be separated from one another, as both are deeply interrelated. Here is how.

The central task of leadership is to overcome the comfort of complacency and invite the organization into change long before the need for change becomes visible. If leadership is done right, the result is a healthy chaos: the old system is destroyed, the new one not yet built.

The central task of management is taking the chaos (created by all that change!) and making it orderly, simplifying and organizing the complexity until none is left. If management is done right, the result is a healthy stagnation: all systems are running smoothly, stability is king. And to avoid a slide into unhealthy decline, right about here it is time to start changing again!

Thus, for reinvention to produce the desired results, both are crucial: leadership inspires us to start on a new climb, while management assures that everyone makes it to the summit. Leadership demands that we dream big, while management guarantees that our dreams are translated into practical reality. Leadership drives change, while management safeguards continuity. If one is done for too long without the other, the organization is doomed. When both are done in a consistent cyclical manner, such a Reinvention Cycle allows for healthy and systematic renewal.




Here is an example of leadership and management working in unison. My father owns a construction business and has a passion for renovation. Fortunately or unfortunately for us, his family, he is constantly reinventing our family home. Last time I visited the house, I was shocked to discover all the windows on the first floor were missing. My parents were living upstairs while replacement windows were being installed. That is our usual story: walls are moved, windows are pulled out, the floor is replaced. If my father was the only one running the family, our house would be constantly under construction, with chaos and confusion at every corner.

My mother, however, loves order and stability. She cleans and organizes every evening after the crew is gone—and manages the house between renovations. If my mother was the only one running the family, the house would be organized with meticulous precision every day without a single change for years. Before too long, the house would get stale and stagnant.

But together, my father and mother worked out a perfect cycle of leadership and management, alternating between healthy chaos and healthy stagnation for healthy revitalization of our home.

So, if you want to survive the relentless speed of reinvention required of you today, learn the art and science of both leadership and management—and connect the two into a healthy Reinvention Cycle. Productive renewal will follow.

COMMANDMENT #10

## FIRST REINVENT YOUR BUSINESS MODEL

You looked at all the facts and figures, compared your personal experience with data from the market battlefield. You are ready to take reinvention seriously. Now, where do you start?

Most companies obsess with the technical side of things, focusing all reinvention efforts on product or process re-engineering. Technical innovation is a sexy topic, and innovative products are all the rage. Built into the hype is a strong assumption: to survive, you must possess the best technology, get technically savvy, or get killed. Does this assumption hold true in the real world?

To answer this question, we must to come back to our old friends Kodak and Nokia. The lack of technological innovation was NOT the thing that brought down both companies. Kodak invented digital photography, while Nokia owned nearly 50% of smartphone market at its prime. So, it was not the technology that got them killed. It's not like they were producing horse carriages and suddenly got run over by the first car manufacturers. Both, Kodak and Nokia had the technology. But it did not make one bit of difference.

What makes a difference, however, is using old resources but inventing new ways of creating value. Let me illustrate.

Bayerische Motoren Werke AG—known to you and me as BMW—is a company widely recognized for technical innovation. It does indeed produce marvelous cars. Yet, today at the center of its reinvention efforts are not those technical marvels—but clever ideas on how those marvels can be used differently.

To signify this shift, the company even moved beyond selling products to selling services—and from a car company, transformed itself into a mobility company. Focusing on mobility, a service rather than a product, allows the company to open doors to a completely new business opportunity.

Take, for example, the DriveNow car-sharing service, employing BMW and MINI cars, which invites people in densely populated urban areas to enjoy the benefits of a personal car without owning one. The idea, as BMW explains, is simple: “The mobility concept is based on the motto ‘pick up anywhere, drop off anywhere.’ Billing is per-minute, fuel costs and parking charges in public car parks are included. Users can locate available cars using the app, website or [by] just [spotting the car] on the street. A chip in the driving license acts as an electronic key.” No new cars were developed for this service. Rather, a new way was developed to use the existing cars.

ParkAtMyHouse—a strategic investment by BMW i Ventures—is another example of BMW's business model reinvention. A simple online marketplace, powered by an app, allows people who own private parking places to connect with people who are searching for one. Imagine the savings of time, fuel, $CO_2$ emissions, and more—and money made—with this simple solution. And for BMW itself, having a stronger parking infrastructure is essential for future sales: if we have good parking, we are ready to drive cars, right?

A 50-year-old story of Rolls-Royce is another great (and, surprisingly fresh) example of business model innovation. Rolls-Royce luxury cars are among the most recognizable brands in the world. However, the company makes most of its money not on cars: It's engines.

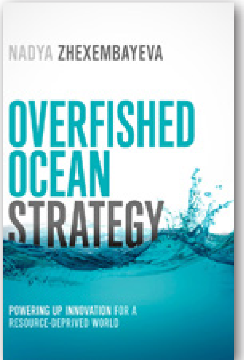
The production of airplane and other power engines is, by any means, a function of technological innovation. It is the most bricks-and-mortar (and a lot of metal) technology-driven business you can imagine. Indeed, that is what the company produces. But it is not what the company sells.

> “*Leadership drives change, while management safeguards continuity. If one is done for too long without the other, the organization is doomed.*

In 1962, Rolls-Royce developed an innovative solution to support the Viper engine for one of business jets. Named ‘Power-by-the-Hour,’ it offers a complete engine and accessory replacement service on a fixed-cost-per-flying-hour basis. In essence, the company took a product and turned it into a service. In 2002, the signature ‘Power-by-the-Hour’ service became part of a much-extended service offering: Rolls-Royce CorporateCare. Among new features are Engine Health Monitoring, which tracks on-wing performance using onboard sensors; the option to lease engines to replace an operator’s engine during off-wing maintenance, thereby minimizing downtime; and much more. Now, plane operators are able to manage the risk related to unscheduled maintenance events, making maintenance costs predictable. Rolls-Royce gets its engines back for remanufacturing, all while churning out the same old engines. In 2011, more than half of its annual revenues of £11.3 billion (about $17.5 billion US) came from services.

BMW, Rolls-Royce and countless others invite us to put the technological innovation to aside (for a minute) and first consider the possibility of reinventing the very business model that allows your company (your community, your organization, or your self) to create something of value for its environment. **First, reinvent your business model. Everything else will follow.**

# Info

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