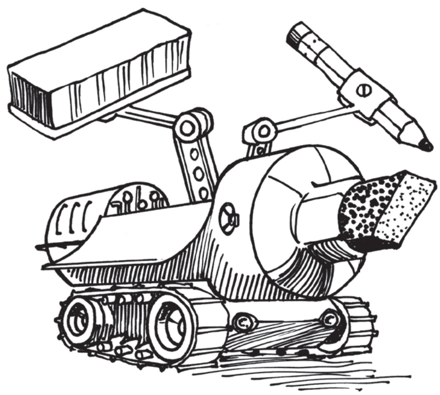
Chapter 5

The da Vinci Effect



As a student at Iowa State, Dan Heuertz was called “Hirize” by his friends. The nickname was born from his impossible-to-pronounce Luxemburg surname (roughly “High-Ritz”), but I think it stuck because Dan always had his head in the clouds.

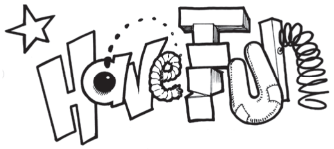
Among other things, Dan dreamed about running world-class businesses. No surprise there. He was the manager of the Iowa State football team, he managed the Hilton Coliseum (the place where rock concerts and sporting events were held on campus), and he managed the bar off campus where I first met him.

I noticed that Dan was great at organizing his networks. Hirize was constantly connecting, and he seemed to know everyone. The people he ran into eventually worked together, played together and grew together. He ran a tight ship, always with a smile on his face and an organizational chart in his pocket.

Dan used his abilities of dreaming, managing and connecting to build a small business empire while still in college. He somehow acquired a defunct campus drug store and turned it into a live music bar and then used the proceeds to open a local keg shop.

His bar became one of the highest volume bars in the state and was named one of the best live music venues in Iowa. Meanwhile, the keg shop sold more kegs than any single location in the state. He was obviously paying attention to economics 101: beer and college kids = supply and demand.

Hirize's bar was called People's, and it became the place to be on campus for students and rock stars. The students were the easy part; Dan just let the ladies in for free and the guys naturally followed. In order to attract the rock stars, Dan leveraged his job as manager of the Hilton Coliseum. After each concert ended, he'd congratulate the performers, like Hootie and the Blowfish, and asked them what they were doing after the show.



"Dude, it's Ames Iowa," they would usually reply. "What do you do in the middle of nowhere?"

Dan was happy to inform them that he had a band kit and all the free beer they could drink waiting for them—along with their screaming coed fans—back at People's. They came, they drank, they entertained.

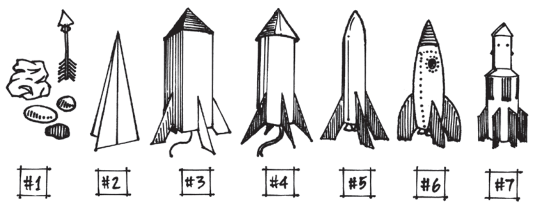
The after-parties quickly became legendary. Hirize was officially a Disruptor.

As you might imagine, his gift for organizing fun served Dan well after college. He started a bunch of restaurants, a credit card processing company, a consulting firm that worked to improve country clubs and their restaurants, a business coaching company…and today, he is busy building hotels in Iowa so that people can gather, bond and do business together.

It's funny how patterns repeat themselves.

From a distance, Dan's superhero power might appear to have something to do with bountiful booze, bonding and brotherhood.

But if you work with Dan once or twice, you will see the real key to his success: frameworks.



Ask Dan a question and he will pick up a marker, walk to a flip chart and begin to work you through the problem, using an organizational model—a framework—that he learned and tested while running a bar, a restaurant, a coaching practice or a hotel. Dan's ability to use frameworks helps him learn, optimize and repeat success. Coupled with the intelligence and the wisdom that comes from making mistakes, these frameworks literally make Dan a better businessperson every single day.

This is the perfect place to talk about why frameworks are so important.

SPEED OVER PERFECTION

"Perfect is the enemy of good." – Voltaire

Leaders are made famous by their ability make big decisions under pressure.

These "finest hour" decisions are often seen as make-or-break moments for sports teams, companies and even countries. Hollywood has immortalized these moment in movies like "Miracle," "The Wolf of Wall Street," "Saving Private Ryan" and, of course, "Darkest Hour."[1]

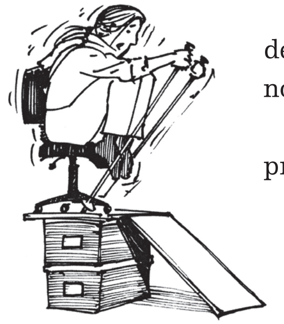
But here's a dirty little secret that most Disruptors grow to understand: More often than not, most organizations fail because they take too long to make *any* decision rather than making the right decisions. In other words, it is better to be wrong quickly than right slowly.

Leaders who model quick decision-making empower teams that are able to learn, adapt, adjust and improve. And as the future comes faster and faster, the ability to make the best decisions possible—quickly—becomes more important every day.

[1] The movie deals with the first few months of Winston Churchill becoming Britain's Prime Minister.

In ending his speech to Parliament in 1940, where he pleads for them not to negotiate with Hitler but to fight him, the newly named Prime Minister says: "Let us therefore brace ourselves to our duties, and so bear ourselves that if the British Empire and its Commonwealth last for a thousand years, men will still say, 'This was their finest hour.'"

As the title hints, this (correct) decision plunges the country into a devastating war.

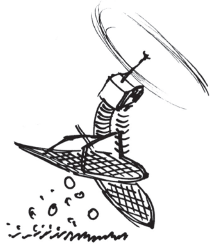


Disruptors make quick and courageous decisions, adjusting on the fly if the results are not what they hoped for.

Most people, especially most leaders, have problems with this approach.

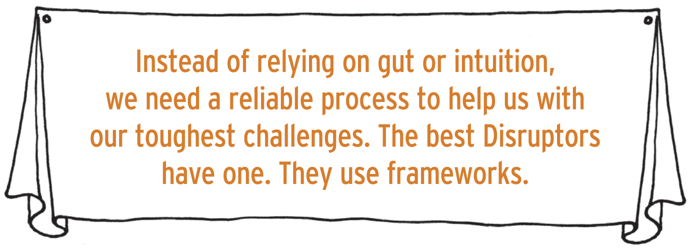
The Genome project, conducted by leadership advisory firm ghSMART, tested 2,600 leaders and found that CEOs with the highest IQ often struggle with decisiveness. Their desire to get the answer correct often kept them from making any decisions at all. Not surprisingly, they also found that 94 percent of the tested executives who rated poorly on their decisiveness competency decided too slowly.

But for some, quick decision-making actually becomes a core value. Tony Lillios, founder of Speck Design, described one of their core values as "stumbling forward." He taught his designers that teams learn best by being in constant action.



"By pushing our teams to constantly experiment, we naturally overcome fear and poor assumptions," he says. "Rapidly prototyping helps us create novel, unexpected solutions. It's the best way we've found to manufacture serendipity."

The U.S. Army also understands the importance of making quick, good decisions when operating in environments that possess volatility, uncertainty, complexity and ambiguity (VUCA). In fact, they use VUCA as a training framework to help leaders quickly make the best decisions under the most trying circumstances.



According to retired Brigadier General Bernie Banks, who now teaches leadership at Northwestern's Kellogg School of Management, "Under pressure, you want to be led by someone who is making the best decision possible, as fast as necessary. When you are being shot at, you need a mission-focused leader who can quickly move from mission to values to priorities to risk assessment to GO!"

So how do we learn to be like disruptive leaders and become people who make decisions quickly? We need to borrow the techniques used by Hirize, Tony and General Banks and rely on frameworks to help us navigate through our toughest challenges.

This chapter covers some of my favorites.

THE CHARACTER FRAMEWORK

Anyone who takes the time to write an essay titled "Fart Proudly" while he is busy inventing the stove, bifocals and odometer makes my list of favorite Disruptors.[2] But by far, my favorite Benjamin Franklin inventions were his decision-making frameworks.

When he was 20, he created a list of moral guidelines. He called them the 13 Virtues, which he believed were essential. Franklin would pick a different virtue to work on every week and make notes about the progress he was making.

Intelligence is learning from your mistakes.

Wisdom is learning from the mistakes of others. When it comes to innovation, wisdom is faster and less painful.
— GMM

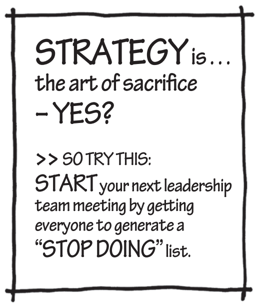
Here's his list of virtues (the spelling is his):

1. **Temperance.** Eat not to dullness; drink not to elevation.
2. **Silence.** Speak not but what may benefit others or yourself; avoid trifling conversation.
3. **Order.** Let all your things have their places; let each part of your business have its time.

[2] Don't even try to cite Franklin's genius at home when you pass gas. Trust me; it doesn't work.

4. **Resolution.** Resolve to perform what you ought; perform without fail what you resolve.
5. **Frugality.** Make no expense but to do good to others or yourself; i.e., waste nothing.
6. **Industry.** Lose no time; be always employ'd in something useful; cut off all unnecessary actions.
7. **Sincerity.** Use no hurtful deceit; think innocently and justly, and, if you speak, speak accordingly.
8. **Justice.** Wrong none by doing injuries, or omitting the benefits that are your duty.
9. **Moderation.** Avoid extremes; forbear resenting injuries so much as you think they deserve.
10. **Cleanliness.** Tolerate no uncleanliness in body, cloaths, or habitation.
11. **Tranquillity.** Be not disturbed at trifles, or at accidents common or unavoidable.
12. **Chastity.** Rarely use venery but for health or offspring, never to dullness, weakness, or the injury of your own or another's peace or reputation.
13. **Humility.** Imitate Jesus and Socrates.

When pressed about why and how they made a particularly tough decision, some of my favorite leaders will respond with a statement like: "It did not align with my values." Journaling and checking your actions against a set of values is a great way to make the right decisions for you.



THE DECISION-MAKING FRAMEWORK

Franklin had another framework that helped him land on the front of the $100 bill: his decision-making framework.

Here's how he explained it. It's not intuitively clear. Don't worry. We'll parse it in a second.

> "My way is to divide half a sheet of paper by a line into two columns; writing over the one Pro and over the other Con. Then during three or four days' consideration, I put down under the different heads short hints of the different motives, that at different times occur to me, for or against the measure. When I have thus got them altogether under one view, I endeavor to estimate their respective weights; and where I find two, one on each side, that seem equal, I strike them both out. If I judge some two reasons con equal to some three pro, I strike out five; and thus proceeding I find where the balance lies; and if after a day or two of further consideration, nothing new that is of importance occurs on either side, I come to a determination accordingly."

So in Midwest English, here is the process that Franklin used to make a tough decision:

1. Make your columns. The first should be titled "Consideration," the second "Importance Factor."
2. List everything you think important to making the decision.
3. Rate the importance of each consideration from 1–10.
4. Multiply the Consideration by the numerical grades for each.
5. Add up the totals and compare.
6. Make the decision.

Here's how this Franklin framework might look if we were trying to decide whether to acquire a company or build the capability organically:

	ACQUIRE			BUILD		
Consideration	Importance	Score	Total Score (IxS)	Importance	Score	Total Score (IxS)
Core values	9	6	54	9	9	81
Speed to market	5	10	50	5	3	15
Expertise	7	8	56	7	5	35
Cash required	3	7	21	3	5	15
Confidence of outcome	8	6	48	8	5	40
			229			186

Franklin's recommendation would be that we acquire the firm rather than build the capability.

Be Like Leonardo

Remember the game Mr. Potato Head? It turns out that Leonardo da Vinci enjoyed playing it. When doing a portrait, he would choose from various eyes, noses, ears . . . that he had studied in the past. He used the same technique with gears, levers and wings. This simple use of a framework helped da Vinci quickly reapply knowledge and information across seemingly unrelated challenges. It was genius.

The word genius has been debased over time. When we describe someone who can cook a great meal as a "genius" chef or a winning football coach as a "genius," the word doesn't mean much.

But Leonardo da Vinci really was a genius. He was a master painter, architect, engineer, sculptor, inventor and more. In every one of these disciplines, da Vinci approached his subjects with both novel and reliable frameworks. These frameworks helped him learn more quickly, invent more rapidly, and apply his thinking to a world of challenges.

The only way to excel in multiple fields—as we saw in discussing another genius, Benjamin Franklin—is to allow you to have frameworks that help you to constantly improve, see things others miss and move quickly.

Successful Disruptors use frameworks.

What I love about Franklin's decision-making framework is that it can accommodate both qualitative- and quantitative-minded leaders. It asks you to assign an importance factor about how you "feel" about a consideration and makes you apply a quantitative rank.

SMART GOALS

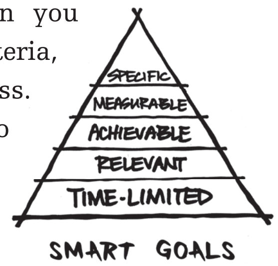
"What gets measured gets managed." —Peter Drucker

Although I am a fan of Franklin's decision-making framework, it does not ensure actionable results. (I can "know"—thanks to Franklin's model—that I should buy the resources I need, but it doesn't mean I will get around to it.)

To get into action, many Disruptors use SMART goals. SMART stands for:

Specific	A defined end point or target
Measurable	You track progress
Achievable	You begin with a goal that you can actually make happen
Relevant	You start with a goal that supports your broader strategy
Time Limited	It must be measurable over a specific period of time (i.e., it is not open-ended)

Using this framework is simple. When you establish a goal, test it against each SMART criteria, reframing the goal so you can measure progress.



Here's an example. This goal: "I want to finish writing this book quickly" might be modified to read: "My goal is to finish a 10-chapter, 45,000-word book about Disruptors by June 18."

The beauty of the SMART goal is that it helps answer the questions: "How much?" and "By when?" There is no wiggle room. As most of us know, just because we have chosen the right direction, doesn't mean we've actually started the journey. SMART goals get you moving.

THE HAPPINESS FRAMEWORK

Want to live a long, fulfilled life? Perhaps Ikigai is the model for you. It has its origins on the island of Okinawa, home to the world's largest population of centenarians. Coincidence? I think not.

When I was asked to give a talk at a career day at the local middle school, I did a presentation on Ikigai, only I didn't call it "Ikigai" because I have no idea how to pronounce the word. Instead, I just called it the happiness framework. I figured that giving kids a framework for happiness first, career second was way more useful than talking about becoming an entrepreneur.

Here's how the happiness framework works. You draw four circles.

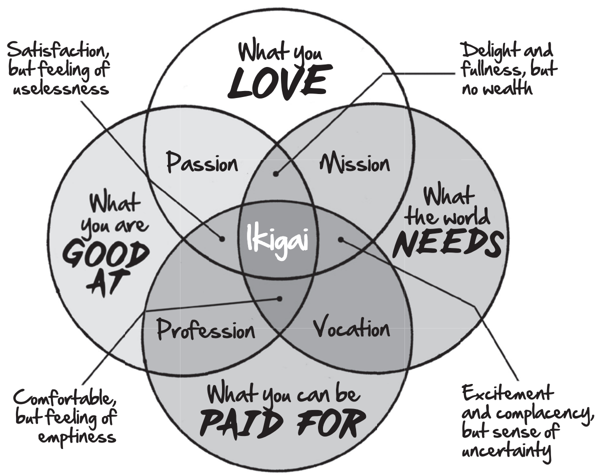
In circle one, you put what you love doing.

In circle two, you ask what you are great at doing.

In circle three, you place things people are willing to pay (big bucks) for.

And in the last circle, you put what you think are some things the world really needs.

Then you try to connect the dots. If you can get entries from each list to align, you will have just found a path that shows your purpose; your reason for being; something that will make you happy and provide you with a good income.



Here's an example:

- What you love doing: Working with animals and insects.
- What you are great at: Science and anything that requires a steady hand.
- Things people are willing to pay for: care for their pets.
- What the world really needs: More veterinary surgeons.

Veterinary surgeons are in more and more demand. They make an average of $185,000 a year.

I chose a simple example, but this same framework can lead you to unexpected jobs, like beekeeper, koi pond designer or zoo endocrinologist, simply by changing one of the criteria.

I think every high school should teach a course on the happiness framework. At the very least, it will produce a few people who actually know how to pronounce "Ikigai."

THE FIRING FRAMEWORK

> "Do not tolerate brilliant jerks. The cost to teamwork is too high."
> – Reed Hastings, CEO, Netflix

Intelligence is learning from your own mistakes. This means intelligence is painful, and it often leaves lumps and a bruised ego.

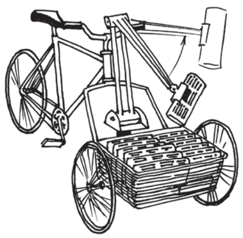
Wisdom, on the other hand, is learning from other people's mistakes. Wisdom is a gift offered by someone who has stepped in a pile of poop and is kind enough to tell you it is on the trail.

Since I've made so many damn mistakes, I often get to share wisdom.

I want to tell you about a time I stepped in something stinky and the resulting framework that I discovered—to help you avoid scraping a bad experience off your professional shoes.

The story starts in a surprising place—with me being forced to challenge something that I believe with all my heart.

That belief involves the very premise of this: Every company needs to be able to attract and manage disruptive team members. These are folks who are brave enough to be truth-tellers. They question authority and convention. They offer unexpected ideas and challenge people to step up their game. They often see the world differently and have a lens that illuminates opportunities others might be blind to.



As I've said, Disruptors are absolutely necessary. The future is coming faster and faster, and a company must have disruptive thinkers in order to stay on its toes. No matter what you do for a living, someone—who may not be in your business today—is thinking of ways to put you out of business tomorrow.

You either prepare to disrupt or be disrupted. It is as simple as that.

So you need Disruptors on your team.

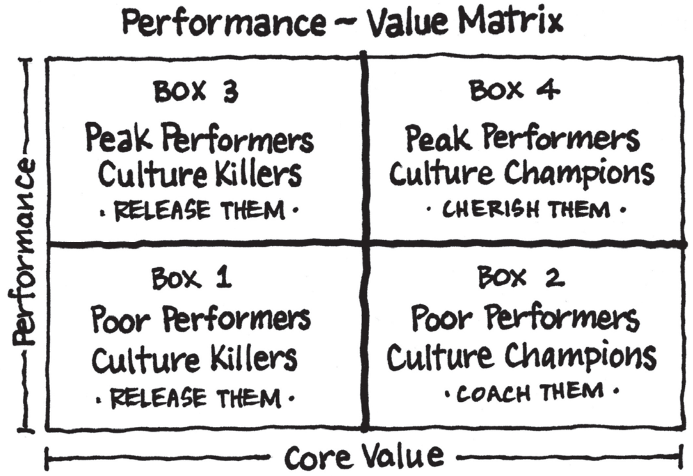
Even though there is no bigger believer in that idea than me, I now realize that hiring Disruptors *at the expense of everything else* is a huge mistake—and that's where I went wrong.[3]

In my quest for disruptive thinking and thinkers, I crossed a sacred line—the values that have helped make our company a success. And in the process of doing so, I did more damage to my firm than any competitor ever could because it crippled the company's mojo.

Now, I am not alone in crossing this line. But that doesn't make the lesson any less painful.

If you think about it, your employees fall into one of four quadrants. The performance matrix (used by leaders like Jack Welch, the long-term phenomenally successful leader of GE) helps explain what I did wrong. I've renamed it here as the firing matrix to really drive home the point.

[3] Prepare yourself for wisdom. This retelling is going to hurt me more than it hurts you.



Let's deal with the two easiest quadrants first. There is no doubt about what to do about Bill, who is in Box 1. Release him. You made a mistake with this hire. He's not doing a good job, and he is violating all kinds of core values in the process. You must show Bill the door as quickly as possible.

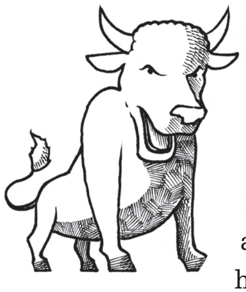
Now meet Gary. He has been with the company for years. He is in Box 4, meaning he performs well and exemplifies what makes the company great. If you were to draw a person that best represents our core values, it would likely be Gary. We love and cherish Gary.

On to the harder decisions.

Meet Rebecca, who is in Box 2. True, she is underperforming; however, she is willing to work to get better, and you are willing to help her. If she does better, great. If not, it will be time to move on. But at the moment, she is a poor-performing work-in-progress. As someone who runs the company, I think the potential of training and coaching her outweighs the downside—today.

We now move to Box 3 and meet Ron. Ron is important to our company. Let's say he is a great salesperson. (He could be a brilliant marketer or strategist. Rons are found everywhere.) The performance of the Rons of this world may be driven by intelligence, showmanship, relationships, narcissism, unique market knowledge or simply a gift from the gods.

But the problem with our Ron—and maybe yours—is that he's a jerk. By this, I mean he consistently violates our core values—often



on a daily basis. (I am embarrassed to give you the details about what he did.) Here's the worst part: Everybody knew it, including Ron—and me, the CEO.

But, of course, I looked the other way. I called Ron (obviously not his real name) a Disruptor and stressed to everyone who complained about him that we needed Disruptors.

I told myself Ron was critical to the success of the company—and that he pushed us to think differently. My partners generally agreed. Besides, if he were gone, terrible things would happen to our pipeline...our profits...or our thinking...or our....

(This only empowered Ron to violate more company values.)

Most of us have made excuses for a Ron. Most of us have been afraid of losing him when we should have been afraid of keeping him around. Most of us have lost fed-up star players from Box 4 by not getting rid of him. At some point, they get so annoyed with Ron's antics that they leave. Many leaders count the hiring and the holding on to the Rons of this world as the biggest mistakes in their careers. I know I do.

The solution is pretty simple, although it took me a while to find it.

First, challenge yourself and your team to make hiring and firing decisions based on performance AND values. Each part is vital.

Second, recognize that although many Disruptors are jerks, it doesn't have to come with the territory.

And know this: If you don't eventually learn this lesson, you will, by definition, have put yourself into Box 3.

THE HIGHER YES

Diaphoranta is a Greek word that essentially means to focus on the essential, not the important. I learned it from my good friend Raphael (Raff) Vitón, a man who has thought deeply about how leaders prioritize. In my experience, great operators—the folks Raff and

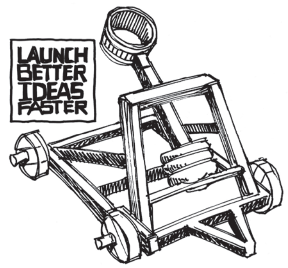
I called Ringleaders in our book "Free the Idea Monkey...to focus on what matters most!"—are exceptionally gifted at prioritizing...at focusing on what matters most.

On the other hand, visionary dreamers—or the folks I call Idea Monkeys—are less gifted in this area, preferring to come up with multiple new ideas rather than focus on executing one or two. (We'll talk more about this delicate balance between Idea Monkeys and Ringleaders in Chapter 10.)

Now, some of the best Disruptors I've met are Ringleaders and some are Idea Monkeys. And in both cases, they have refined a skill that many people misinterpret.

Let's talk about Ringleaders. Here's some context first.

Unfortunately, we hear them saying "no" all the time. To many of us Idea Monkeys, we make the mistake of thinking the people who are saying "no" to us are just idea killers with no imagination; they were put on this earth to stomp on dreams, shrink budgets and dash the hopes of wide-eyed believers. We do the hard work of being ingenious, and they do the easy work of finding fault with our brilliant ideas.



(OK, I am obviously being dramatic to make the point.)

But great leaders aren't saying "no." They are saying "yes" to the things that must be prioritized, and they make that clear in turning down those of us who are disappointed.

"Part of our challenge is that we want to do it all," says leadership coach and former pastor Lance Witt. We can do almost anything we want, but we just can't do everything we want. So every "no" needs to be rooted in a higher "yes."

"The higher 'yes' is your purpose, your values, your calling and your talents. It's the 'must dos' of your life."

Witt continues so he can give an example: "Saying 'no' to staying up late to watch 'The Tonight Show' could be rooted in the higher 'yes' of getting up to exercise the next morning."

Recently, a co-worker asked me if I could go to dinner with a client. She was on the verge of closing a really big deal. I told her that I'd love to, but I'd already said "yes" to going to my son's baseball game that night, so unfortunately that means I had to decline.

By pointing out to her—and myself—that I was making a value choice, I felt like I was supporting someone I loved rather than letting her down.

While we hear them saying "no," the best leaders are actually saying "yes"—yes to something more essential and less important. And if they are smart, they make that clear to us.

This framework has particular value for service-minded leaders. We hate to say "no" to people who need our help. The solution is counterintuitive: Remind yourself and others that you have actually already said "yes" to something else.

THE PRIORITIZATION FRAMEWORK

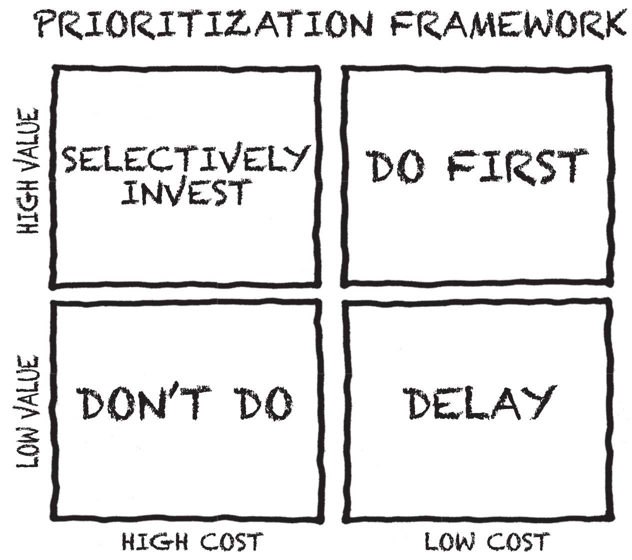
So how do you prioritize your higher "yes"? How do you master diaphoranta?

It's an important question. As an Idea Monkey, I always have about two dozen more ideas than I can get to at any time. This drives me and my teammates nuts. When Raff Vitón was the president of one of our companies, he used to listen to me excitedly lay out yet another idea and then slowly and dramatically walk to a white board in his office. He'd then write down the new idea... at the end of the long list of other ideas I'd put in front of him in the past. Putting the marker down, he'd calmly stare in my direction as he pointed at the board and ask, "Which one of these ideas is the most essential?"

To save my teams from the frustration that comes from creating long lists of important ideas, leadership guru Rand Stagen taught me how to use a useful framework that helps to separate the essential ideas from the important ones. I call it the prioritization framework.

Again, this framework is a simple 2 x 2 matrix. You simply place the ideas in a quadrant, based on answering the questions:

1. Does this idea produce high or low value?
2. Does this idea cost a lot or a little (time or money)?



As you can see, ideas that wind up in the lower left quadrant come at a high cost and produce little or no value. They are dogs. Admit that these ideas are among your least inspired and move on... to the lower right quadrant.

These ideas don't cost much, but they don't deliver much value either. This may be because of timing or some other factor that could change. So put off doing these ideas for now.

Now it gets interesting. The quadrant at the upper left contains ideas that produce high value, but they cost you a ton of time and money, so there are only so many of these you can take on at once. Pick one or two of these ideas (but as you will see in a moment, don't do that immediately). You must be very selective with this quadrant.

Finally, there is the quadrant at the upper right, the best quadrant of all. These ideas produce all kinds of value and cost you very little time or money. Jump on these ideas first!

Congratulations! You are now well on your way to mastering diaphoranta.

THE INNOVATION PORTFOLIO FRAMEWORK

As the financial markets crashed about a decade ago, CNBC's Erin Burnett and the late Mark Haines pressed me during "Squawk Box" to name a sector that would benefit immediately from focusing on innovation.

I responded without hesitation, "financial services."

Since the interview, the world has seen a plethora of new financial services and insurance businesses, models, products and services all fueled by the democratization of capital and data. Nationwide Insurance and Bank of America are now competing with Alphabet and Square for customers and relevancy. Blockchain is threatening to disintermediate everyone.[4]

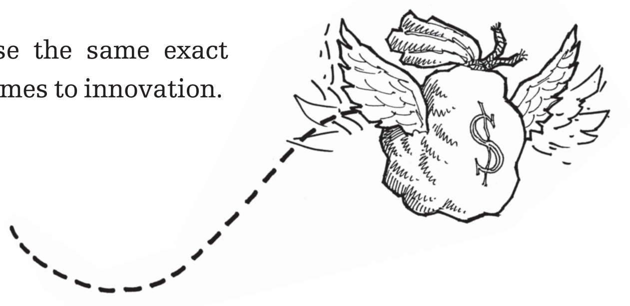
What's perhaps most interesting about the reenergized sector is that it has used a staple of personal financial planning—asset allocation—to get dramatically better. Employed correctly, this approach will impact the future of your company with terrific results as well.

I'll explain.

When it comes to how you divvy up your personal investments, you have always been told that they should be spread among asset classes (stocks, bonds and cash) and then diversified further within the classes themselves. For example, you might hold stocks in both foreign companies and domestic ones, enterprises with large and small market capitalization, retailers and high-tech companies.

The idea is to capture all the potential gains out there. The more bets you place, the greater the chances you have of being right while minimizing risk.

You should use the same exact strategy when it comes to innovation.

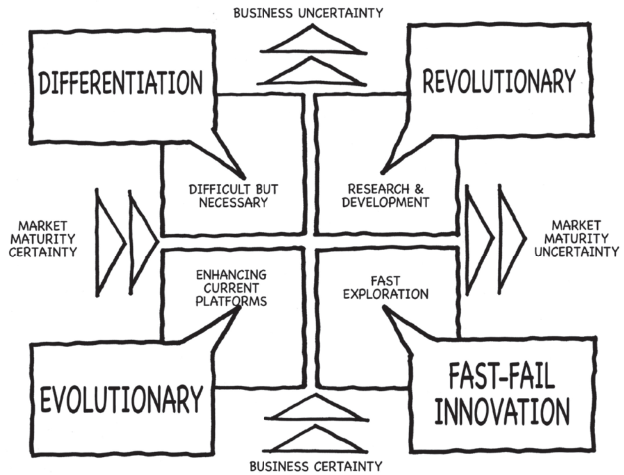


[4] Disintermediation is a $20 word that describes what happens when consumers can draw a straight line between a product or service they want and the best supplier. This is awesome, except it cuts out all the middlemen. If you are one of the "middlemen," it kind of sucks.

THE FOUR CLASSES OF INNOVATION

So how would you divvy up your innovation portfolio? You have four choices.

I will list them and characterize what is good, bad and ugly about each.



1. **Evolutionary Innovation.** It is technically easy for us to do, and we know our customer wants it.

   Included here are changes to pricing, simple line extensions and making small, incremental improvements to existing products and services.

   The Good: Your customers and partners expect you to be doing this all the time. It shows you are listening and you care.

   The Bad: This is like your money and market fund. There is very little margin in this quadrant, and your competitors are likely investing in the same types of ideas. You aren't going to make much money, and it does nothing to protect you from disruptive ideas or technologies.

   The Ugly: For highly conservative organizations—and leaders—this quadrant represents the entire innovation strategy, and it is eventually fatal: no margin, no imagination, no future.

2. **Differentiation.** It is technically difficult for us to do, but we know our customers really want it.

   This portion of your innovation budget is used for making a distinction between your products and those of your competitors. Digital currency has been talked about and has existed for years, and now Apple integrates it into its phones. The trick here is to move from buzzwords (e.g., blockchain, AI, IOT) to finding real ways to solve today's customer challenges with the technology.

   The Good: Do this right and you create a culture that knows how to figure out challenges related directly to consumer need, resulting in higher margins and more engaged customers.

   The Bad: Often, conservative companies will overtest and diminish new ideas to the point of being late to the market or, worse, launching something that is so safe that it lacks the sizzle to make the market take notice.

   The Ugly: In conservative companies, this is where your best Disruptors go to die. They get so tired of trudging through both fear and slow, overly conservative processes that they leave.

3. **Revolutionary Innovation.** It seems technically impossible to do; but even if we can do it, there's no way of knowing ahead of time if anyone will buy it.

   This is the place where you search to find groundbreaking ideas for products, services and business models. PayPal, Uber, Nest and Fitbit are examples of "crazy" ideas that started in this quadrant. Here, you are making a bet that the market will move toward your idea, and your company will have a first-mover advantage.

   The Good: This is the most inspiring quadrant for your team. Companies that get this quadrant right literally transform industries and gain enormous increases in margin and market share.

   The Bad: Investments in this quadrant rarely pay off and are impossible to forecast.

   The Ugly: If you invest too heavily in this quadrant, you will lose the faith of the market and bankrupt your company. Also, if you are like most mature companies, your team is perfectly engineered to kill any idea that comes from this quadrant. More on this later.

4. **Fast-Fail Innovation.** It is technically easy for us to do, but we have no idea if anyone will buy it.

   This is the playground of the Idea Monkeys and entrepreneurial startups. Here you must go to market and quickly test and learn. It is the opportunistic segment of your development activity (i.e., it is well within your wheelhouse of capabilities and core competencies but far more experimental than usual).

   Here you expect to fail quickly before succeeding with an offering that may literally be refined by your customers' feedback in the market.

   The Fast-Fail Innovation quadrant is fairly low risk (you don't spend much before you send the product out into the marketplace), and it has an extremely high potential reward as customers express exactly how they want you to alter it.

   The direct response marketing industry has been using this strategy for decades, testing products like the Snuggie, OxiClean and Total Gym in small markets before rolling them out nationally once they incorporate market feedback and show traction.

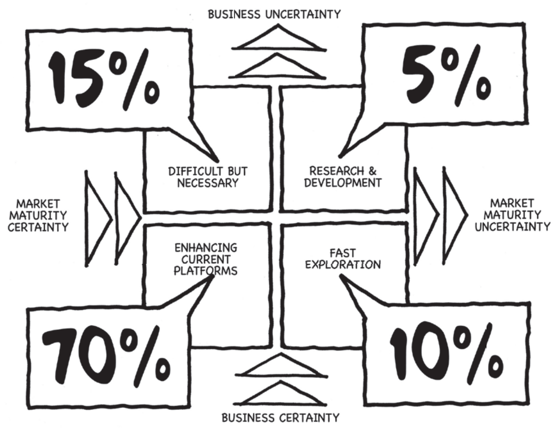
   The Good: This quadrant is a great outlet for your imaginative, entrepreneurial thinkers—low risk and low cost with potential high returns. I mean, who doesn't like a good hackathon or brainstorm in the morning?

   The Bad: This quadrant can be a distraction. Overinvestment here often signals a lack of discipline or an inability to gather insights. Fact: Large innovation returns depend on large market needs.

   The Ugly: Entrepreneurs, on average, are out of business in fewer than three years because they overinvest in this strategy. They run out of time and money because they are focused on too many ideas at once.

WHAT IS THE RIGHT PORTFOLIO FOR YOU?

So what might your portfolio look like?



In more aggressive industries (i.e., industries such as consumer electronics that live and die on new products), your innovation portfolio development model might see more efforts in the upper right side of the diagram and less in the lower left. In more conservative industries, it's vice versa. Regardless of the industry, the right balance can yield billions in results.

A HIDDEN BENEFIT

The nice thing about approaching innovation this way is that it reduces the subjective approach companies have to funding innovation. You have your innovation asset allocation model and you divide your money and time up accordingly. It reduces the stress at budget time by getting everyone thinking the same way about how to set priorities.

It also gives Disruptors in your organization a place to play. And in doing so, it allows the other people to do the solid work your company needs today and tomorrow while the Disruptors are busy working on what you'll need three years from now.

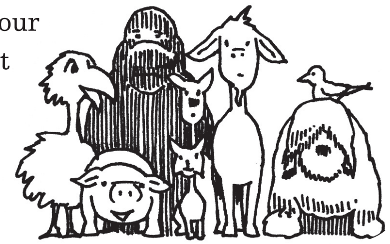
And there is an even more important benefit: A balanced portfolio reflects a culture that knows how to create seeds of ideas and grow them. Show me a balanced portfolio and I'll show you a culture that can innovate again and again.

OUTSOURCE YOUR CRAZY

Some quick portfolio guidance, which I mentioned in passing in this chapter: After nearly three decades of working with solid, mature companies, I can tell you that they are perfectly engineered to kill any idea that threatens their legacy products and services.

Evolved leaders do not feel bad about this; they are proud of it. They have built companies that are designed to improve what they are doing today by just a little bit tomorrow.

This is a good thing. It is what your people were hired to do and what your ecosystem is designed to do.



For this reason, I strongly suggest that you "outsource" your most revolutionary ideas vis-à-vis a separate location, team or venture model. The job of this remote team is pretty simple: It is to identify ideas that could put you out of business if someone else does them.

SINGLE-PAGE STRATEGIES

According to my friend and entrepreneurial growth guru Verne Harnish, "If you want to get everyone on the same page, you need to get everything literally on one page."

Since I heard him say this in May of 2002 to a room full of startups, Verne has preached the religion of the One-Page Strategic Plan to tens of thousands of business people around the world. Given Verne's background (he has helped create literally dozens of billion-dollar enterprises) it should be no surprise that the idea of aggregating a teams' values, goals, metrics and accountabilities on a single page has become a staple of several successful companies and thought leaders such as Gino Wickman and his entrepreneurial operating system (EOS).

Michael Porter said, "The essence of strategy is choosing what not to do."

And that's the beauty of Verne's idea. It allows—forces actually—teams to make the toughest decisions quickly and, paraphrasing Verne, leave the room on the same page.

TAKEAWAYS

1. **Consistent use of frameworks** allows disruptive leaders to improve their performance over time. The frameworks give them a consistent approach to solve any problem.
2. **"Stumble forward"** is the mantra of the disruptive leader. By getting themselves and their teams into action, they can test, learn and improve ideas. Stumbling forward keeps them from ruining good with perfect.
3. **SMART goals** get teams into action. They don't allow the wiggle room that causes many goals to be suboptimal.
4. **Essential beats important.** Evolved Disruptors have learned how to focus on essential matters now and put important things off until later. They have mastered "diaphoranta."
5. **Choose the higher "yes."** When you are clear on your values, it becomes easier to say "yes" to the right things and, in turn, say "no" to less valuable opportunities.