

SUGGESTED READING (read prior to class 5, Fri 16/9/2010)

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From "Rules for Revolutionaries" by Guy Kawasaki, p. 3-9

Cogita Differenter (Think Different)¹

I guess in all my years, what I heard more often than anything was: a town of less than 50,000 population cannot support a discount store for very long.

Sam Walton

→ Cogita Differenter

The Shark Versus the Mouse

Since 1955 the Walt Disney Company* made the rules of the amusement park business. That's the year it opened Disneyland and set the standard for showmanship, efficiency, and profitability. Before Disneyland, the rule was that amusement parks needed big, scary roller-coasters to succeed. Disneyland changed all that by featuring *theme* rides instead of *thrill* rides.

For the next thirty years, amusement park companies played by Disney's rules, or they hardly mattered at all. And by playing by Disney's rules, they reinforced Disney's supremacy. Then along came Jay Stein. Jay Stein ran MCA Recreation,[†] the

*<<http://www.disney.com/>>

†<<http://www.mca.com/>>

company that owns Universal Studios—which includes the tourist activity Los Angelinos dread the most: the Universal Studios Tour. (Just how many times should a person have to endure the Parting of the Red Sea?)

Universal Studios was an also-ran in the amusement park business because it merely re-purposed content from the studio's main business of making movies. The rule it played by was simple and stupid: Stuff people on a tram, take them "behind the scenes" of a movie, drop them off, and hope they buy souvenirs.

But when MCA built Universal Studios Florida, Stein had a different idea of how to play the game. First, he threw out his own company's standard operating procedures. Instead of "See how we make the movies," his pitch became "Come ride the movies." *Back to the Future* (the movie), became *Back to the Future* (the ride). Where else can you ride in a time machine disguised as a DeLorean? Stein combined theme and thrill to rewrite Universal's rules.

But it gets better.

Next Stein went after the de facto rules established by Disney: Be nice, gentle, and politically correct. For example, the bleeding edge of Disneyland's rides is attractions like the Haunted Mansion and the Pirates of the Caribbean. They are works of art—far more "multimedia" than the vaunted multimedia efforts of the computer business—but not exactly risky.*

Stein decided that rides wouldn't be nice—instead, they would kick people's butts. So at Universal Studios Florida there are blood, guts, flames, and explosions. Every day there are customer complaints that the fireballs are too hot. The shark in the *Jaws* ride comes so close to the boat that it will break people's arms if they're dumb enough to put them in harm's way. And every day thousands of people come back for more.

There's not much that Disney can do about this full-frontal

*In 1996 Disneyland officials even decided that the pirates of Pirates of the Caribbean should chase the maidens for their baskets of food—not for sex. Being at sea for long periods of time can do that to you.

attack because it is a prisoner of its own G-rated, fun-but-safe standards and image. Stein used Aikido marketing:* turning the strengths of Disney into a constraining weakness. If Disney tried to liven up its rides, it would lose its core audience and blur its image.²

The Revolutionary Thought Process

Stein did what revolutionaries do: Think different in order to change the rules. By definition, if you don't change the rules, you aren't a revolutionary, and if you don't think different, you won't change the rules.

EXERCISE

Suppose you wanted to change the rules of the animated film business. How would you do it?

But how do revolutionaries come up with the insights that separate them from the crowd?

The conventional wisdom is that revolutionary ideas come to people after they contemplate a situation, condition, or problem for a long time. A more current and popular notion is that breakthrough insights and ideas appear when you're in the heightened, altered state of sitting in a beanbag chair squirting colleagues with water pistols.

But these observations are trite and not very helpful because coming up with a revolutionary idea is not simply a matter of thinking a long time (or shooting a water pistol). The key is *how* you are thinking about a problem for a long time. In fact, there are three key stages of the revolutionary thought process.

*Aikido marketing is using an opponent's strength against itself instead of meeting brute force with brute force. It gets its name from the Japanese martial art called Aikido that exploits an opponent's strength, weight, and motion.

Stage 1: Purge

The first step is purging—that is, disposing of old prejudices, procedures, and presuppositions that cloud and constrict your thinking. Perhaps evolution has programmed people to seek stability and safety, but revolution requires defiance of the status quo.

Dump your idols

Sir Francis Bacon was often aggravated because his contemporaries clung to existing ideas. He called these ideas “idols of the tribe, the den, the market, and the theater.” They represent, respectively, the groupthink of a particular community, the qualities of a particular individual, the results of social interaction, and the drama of showing off one’s intellectual prowess.³

Generally, idols spring up for good reason. Through experience we discover effective ways to avoid ghastly and stupid mistakes. However, success is habit-forming and creates rules, and fosters crowds that follow these rules. Over time the rules are not optimal or even applicable because the marketplace has changed. Or someone was just plain dumb lucky to begin with, so the rules should never have been established in the first place.

To make it easier to identify some of the idols that afflict you, your company, or your industry, here are some examples of foolish but generally accepted business practices:

- **Distribution idol:** “We sell through dealers. We don’t sell to our customers directly.”
- **Employee idol:** “Employees can’t be trusted. We have to monitor their productivity and get after them when they’re lax.”
- **Market share idol:** “Market share causes profitability, so let’s reduce prices to gain share.”
- **Enemy idol:** “We can’t cooperate with X Company because we compete with X Company.”

Zero-based budgeting is the process in which every expense is questioned from the very first dollar—nothing is continued from previous budgets. “Zero-based idolizing,” then, means questioning every business practice and trashing the ones that are no longer compelling. You cannot discard too many, so be ruthless!

EXERCISE

Create a list of the idols that your company worships. Then subject them to these questions:

- Why did this practice come to be?
- Is it still relevant?
- Most importantly, will it be relevant in the future?

The creation of Japan’s bullet train illustrates how to analyze and discard idols. The challenge there was to create a transportation system that vastly reduced traveling time between cities. What idols might a train designer worship?

OLD IDOL	NEW THINKING
One car with an engine pulls the train	Put an engine in every car
The train needs a bigger engine to go faster	The sum total of the engines yields great power
The track should follow the topology of the terrain	Level the terrain to suit your purposes

The bullet train designers worshipped few idols. The concept of a train was radically changed: Every car had an electrically powered engine, and the tracks were laid in a straight line even if it involved plowing through mountains. In the end, the

rules-busting bullet train cut the trip from Osaka to Tokyo from sixty-two hours down to three hours and ten minutes.⁴

Change the framing

How do I love thee? Let me count the ways.

Elizabeth Barrett Browning

→ *Answers are implicit in original question*
 Imagine the answer to the question above if it were posed this way: "What do you think of me?" How a question is posed limits the answers to that question. According to Massimo Piattelli-Palmarini, a researcher at MIT, "Hardly ever do we spontaneously alter the formulation of a problem that is presented to us in a reasonably clear and complete way."⁵

Piattelli-Palmarini calls this the "framing effect" because people try to solve a problem as it is presented. For example, consider the framing effect of the question, "How do we increase purchases by people shopping in our bookstore?" The unstated but crucial frame is that customers need to come to a physical bookstore.

A revolutionary refuses to solve problems as they are presented. Instead, a revolutionary uses thought processes like these:

- Consider the problem in the broadest context that's feasible.
- Start at the goal (more sales) and work backwards⁶ (the next section contains more discussion of this technique).
- Do the opposite of the obvious answer.

Amazon.com* refused to be framed by the necessity of having a physical bookstore; instead it changed the rules of book selling. This company enables people to search through 2.5 million titles and then place their order electronically on its Web site. It has no physical storefront, and until 1998, it was

* <<http://www.amazon.com/>>

the only company that prevented "Internet commerce" from being an oxymoron.

FRAMED	UNFRAMED
Physical presence: bigger store, more books, more sales.	Cyber presence: no store, more books more sales.
Browse a book, read the jacket copy and blurbs, decide by yourself.	Read the reviews that have been posted by owners of the book or by the author.
Wait four to eight weeks for books not in stock.	Three- to five-day delivery for almost every order.
Make an impulse purchase because you picked up a book.	Make an impulse purchase because you read about it on a Web site.
Look on the shelf for a dozen or so books on related subjects.	Have a computer search through millions of books for related titles.

←
 Interestingly, Amazon.com has allowed itself to be framed by the question, "How can we use price to compete?" and offers discounts that it doesn't have to. Oftentimes I feel so lucky to have found an old book from an obscure publisher that it's not necessary to also offer me a 10 percent discount. Instead of a reflexive dependency on price competition, Amazon.com should focus on ways to achieve sustainable differentiation from other booksellers.

Stage 2: Prod

Prodding is the second step of the revolutionary thought process. It means attacking challenges in ways that force you to consider new solutions and new courses of action.