



Leapfrogging

Harness the Power of **Surprise**
for Business Breakthroughs

Soren Kaplan

Foreword by Marshall Goldsmith, author of *Mojo: How to Get It,
How to Keep It, How to Get It Back if You Lose It*



An Excerpt From

***Leapfrogging:
Harness the Power of Surprise for Business Breakthroughs***

by Soren Kaplan
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Foreword

by Marshall Goldsmith

Soren Kaplan is one of those interesting individuals who has spent decades working with a variety of different types of organizations and individuals. And, those of us fortunate enough to have selected his book to read will benefit by leaps and bounds from his knowledge and expertise.

Drawing on his extensive experience with all types of organizations, from corporations to non-profits to start-ups, Soren has boiled the basic mission of business down to a simple sentence: “individuals, groups, and organizations across all sectors of society want bigger ideas so they can have a greater positive impact.” The rest of *Leapfrogging* explains how leaders can guide their organizations to successful and continued completion of this critical mission.

One of the most poignant messages I found in the book is in Chapter 3. In this chapter, Soren makes the strong point that “leapfrogging to breakthroughs is a *process*, not a one-time event.” Many of us want, even expect, things to happen right now, just because we believe they should. For instance, by picking up this book, you might expect that your organization will change tomorrow. It won’t, but you have taken a big step in the right direction!

As we all know, things have changed quite a bit in the last few decades. Globalization, which we in the West thought would mean a world of people competing to buy our products, has actually come to mean millions of smart, hard-working people around the globe working and competing for food, oil, cement, wood, and natural resources. In this era of uncertainty, nothing can be taken for granted. We have to keep upgrading, changing, and growing if we're going to be successful.

This is exactly what Soren teaches us. Using stories and examples from his own experience with leaders in different organizations, Soren reveals how these leaders have led their organizations to breakthrough success. These are real-life examples, from successful leaders who understand the concepts behind *Leapfrogging*. You will learn much from these leaders, for instance: How did they challenge the norms, break the molds, and inspire followers? How did they approach tough times? How did they make the most of mini-successes? How did they stay focused on the larger goal—to create something new or significantly different that would push the organization forward?

Read this book. Take its message to heart and implement it in your business. You will be glad you did!

Life is good.

Marshall Goldsmith

Marshall Goldsmith was recently recognized as the world's most-influential leadership thinker in the bi-annual *Thinkers50* study—sponsored by the *Harvard Business Review*. His 31 books include the *New York Times* bestsellers, *MOJO* and *What Got You Hee Won't Get You There*.

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Business Breakthroughs Deliver Surprise

*I doubt whether the world holds for any one a more
soul-stirring surprise than the first adventure with ice cream.*

—Heywood Broun

Chapter One Key Messages

1. We're wired to appreciate positive surprise.
2. Business breakthroughs deliver surprise.
3. Breakthroughs go far beyond products and services.
4. Breakthroughs aren't just for business.

This may sound a little over the top, but breakthroughs are a bit like pornography. Allow me to explain what I mean. The late Supreme Court Justice Potter Stewart was once asked to rule on what made something obscene. In his decision, he wrote a simple one-line answer, "I know it when I see it." Business breakthroughs often have this same unmistakable yet simultaneously indefinable quality. They're not always easy to predict or describe before they happen—but you recognize them when you see them.

Think about the first time you picked up an iPod, iPhone, or iPad and experienced the touch screen as an extension of your fingertips. Reflect back on the first time you played the Nintendo Wii, drove a Toyota Prius, used Purell hand sanitizer, discovered the trendy design of Method soap, visited Starbucks, or saw Cirque du Soleil. The list of the usual suspects of breakthroughs could go on and on. Though these things are all quite different from one another, they tend to produce similar feelings of positive surprise—with a hint of delight, wonder, and intrigue—when we first encounter them.

My first personal experience with what I felt was a real breakthrough came when I was seven years old and I poured a packet of Pop Rocks into my mouth. I'll never forget that tingling, crackling sensation all over my tongue. It was so new, so delightfully unexpected. Candy just wasn't supposed to *do* something like that! I also remember when I first signed up for Netflix and realized that I would never again have to schlep to the video store or pay a late fee (like the painful \$18 penalty I once had to fork over to Blockbuster because my kids left *Chitty Chitty Bang Bang* under the couch). I had come to blindly accept the fact that a standard \$3 movie rental really equated to about \$10. What an incredible relief it was to be saved from my passive acceptance of the late-fee factor.

And that's what breakthroughs are all about. Seemingly out of nowhere, we experience a strong dose of remarkable newness that adds value—fun, happiness, time savings, financial savings, and so on—to our lives. Most people view business breakthroughs as stemming from new technologies or products. Sure, innovative products are often the most celebrated examples, but in today's world, more and more breakthroughs have less and less to do with high-tech wizardry. And breakthroughs can happen within specific business functions too, such as finance departments, HR organizations, sales

forces, or anywhere else for that matter. Regardless of what a specific business breakthrough is or does, it usually challenges our assumptions and revises our sense of what we thought was possible. And, as a result, it *surprises*.

Perhaps my experiences don't match yours. Maybe you never tried Pop Rocks when you were a kid or, if you did, you didn't like them as much as I did. And perhaps you don't have a Netflix subscription. But my guess is that you can point to something at some point that gave you that feeling of freshness and wonder—and that something is our starting point. The surprising nature of breakthroughs transcends industries and different-sized organizations. And I've included some pretty diverse examples in this chapter to make this point.

Business Breakthroughs Can Come from Anywhere

In 1987, Niall Fitzgerald became Director of Foods & Detergents at Unilever. One of Niall's philosophies was that management and leadership were two different animals. "Good management brings a degree of order and consistency. But the leader must allow some chaos—even create chaos to liberate the risk taker,"⁶ he once said. And liberate the risk taker he did. The same year that he took the head job, he sponsored a new team to do something radically different in the world of food at the time: sell ice cream to adults.

Back then, ice cream was kids' stuff. Aside from enjoying a sundae or a cone now and then with their children, most adult consumers barely gave the frozen treat a second thought. Unilever had been trying to figure out a way to change these ideas and break into the grownup market for more than a decade. But it wasn't until Fitzgerald showed up and got a little risky—or should I say, *risqué*—that things took a turn for the better.

Set upon an artfully designed stick, Unilever's Magnum ice cream bars touted high-end, sensual indulgence—rich cream, thick chocolate, and premium packaging. Its titillating advertisements reinforced this racy image. (Many of them would probably be banned from running in the United States; check out the “Magnum Five Senses” video on YouTube to see what I mean.) On first blush, it would have been easy to think Magnum's excess would have gone the way of Krispy Kreme's boom-to-bust doughnuts. But under Niall's leadership, the brand grew and expanded across Europe, and it has recently been introduced into the United States. Even without a significant presence in the enormous American market, Magnum sells enough bars in a year to treat about one-seventh of the world's population to its creamy indulgence—yes, that's a *billion* ice cream bars per year.

Magnum's incredible success is tied to several surprising things. First, linking ice cream to adult themes was nothing short of scandalous in the late 1980s. One of Magnum's first ad campaigns invited consumers to have a “Magnum affair.” This brash, unapologetically adult-oriented strategy paid immediate dividends. People were naturally tempted to take Magnum up on its offer. Second, while most ice cream companies tend to focus on reducing costs and expanding distribution, Magnum went in the opposite direction. Instead of cutting prices and going after new markets, the company put out limited-edition flavors like its “Seven Sins” and “Five Senses” bars. In so doing, it managed to do what would have seemed impossible several decades earlier. It made ice cream on a stick a luxury item. Indeed, Magnum's entire brand image and everything it does encourage us to give in to the impulse to treat ourselves to “indulgent pleasure”—something any of us who have paid five bucks for a Starbucks latte can relate to. Today, offering adults a temporary

escape through fine chocolate, a cup of gourmet coffee, and, of course, ice cream is a fairly common occurrence. Back when Niall first launched Magnum, though, it was a surprising concept that challenged assumptions.

Unilever's Magnum is a great example of how to shift mindsets through new products and marketing. But business breakthroughs today aren't limited to these things. Many leaders in large corporations tell me that they want big breakthroughs, but then they assign the task to their R&D and product development groups. People in HR, Legal, Accounting, Supply Chain, Sales, and other functions often feel left out of the equation. The good news is that business breakthroughs are agnostic. Here's an example from the corner of a company that most of us might think would be the last place we'd find a breakthrough—in DuPont's legal department.

It's probably *not* surprising that a team of lawyers could benefit from a breakthrough, but what this group achieved would be the envy of any business function. With 60,000 employees in ninety different countries, not to mention a huge variety of products in everything from agriculture to electronics to clothing, the volume of legal work needed to keep DuPont's operation going is utterly staggering. Patent law, tax law, employment law, contracts, antitrust, intellectual property, class action defense—a company like DuPont simply cannot survive without lawyers, lots and lots of lawyers.

By the early 1990s, the company's then-Associate General Counsel, Thomas Sager, knew that things had gotten out of hand. At that time, more than 350 law firms were working on DuPont's dime. The sheer number of lawyers and their lack of coordination weren't the only problems Sager identified. There was also a troubling disconnect between the company's interests and the interests of its legal advocates. For the law firms, everything was about

billable hours. That meant, no matter what, the firms wanted to fight cases to the bitter end. If one of DuPont's products or the way the company was doing business were truly causing harm, Sager reasoned it would be more profitable to change that product or that business practice rather than litigate the matter for years and years. But the law firms working for DuPont would never recommend such a thing because it would mean less revenue for them.

Sager knew that he had a mammoth project on his hands. He also knew that he wanted to do more than just cut costs—he could run his function like most other corporate legal departments, or he could create a new model that would push him outside of his comfort zone, a model that would ensure that his department became a core contributor to the strategic operations of the business and even influence the operating models of the dozens of firms working for DuPont. If he was truly going to help the company, nibbling around the edges of the challenges facing his legal department wasn't going to be enough. This was going to have to be a big time, paradigm-warping effort.

The first thing Sager did was slash the number of law firms working for DuPont. By the mid-1990s, DuPont was using fewer than fifty law firms and that number is now down to thirty-seven.⁷ But culling firms wasn't Sager's only goal. He wanted the ones that remained to be strategic partners, not independent rivals. DuPont Legal's "Knowledge Management Program" now encourages the firms to share information and practices with one another. "We created a mix of large, small, and medium firms so as to deal with the complexity of cases," Sager said. "We then trained them to work together."⁸

But here was Sager's most surprising accomplishment. He challenged a fundamental assumption of the profession by asking a simple yet revolutionary question: What if instead of paying fees by the hour—which encourages long, drawn-out cases—firms were

paid more to solve problems faster? The traditional billable hours system was simply not workable, so Sager tore it down and built up an entirely new model. A system of incentives now encourages attorneys to find the best ways to resolve issues as cheaply and effectively as possible. This “Early Case Assessment” approach allows DuPont’s lawyers to put their efforts into cases they believe are winnable. Early Case Assessment also benefits the company as a whole. Legal troubles can be symptoms of actual problems in the way a business is operating. If you keep getting sued, maybe there’s something wrong with you, not the people suing. Sager’s new model lets DuPont’s lawyers identify these problems instead of fighting to minimize them or cover them up. “DuPont Legal works almost like business,” Sager said. “We bring value to the company.”⁹

Sager’s reinvention of the legal department has saved the company millions of dollars. It has also done something perhaps equally valuable: It has remade the entire legal culture at DuPont and its partner firms. Innovation, flexibility, and long-term mutual success are now the main objectives. And this new focus is reflected not only in how the company conducts its business but also in whom it hires to do it. Corporate law has a long reputation for being an old boys’ club or, more accurately, an old white boys’ club. Sager and the DuPont Legal team set out to change this. When selecting which law firms to retain as partners, they made diversity a priority. DuPont Legal currently sponsors mentoring, scholarship, and job fair programs to bring in more women and minority associates. This push for a more diverse workforce isn’t just a feel-good operation or a way to burnish DuPont’s corporate image. It’s a strategic move, another way to foster innovation by rewarding fresh ideas and new approaches. As Sager said during a recent interview, “DuPont has been in existence for [over 200] years and now faces a new era of intense

global competition. The business need for diversity—diversity of background, perspective and experience—is critical if we are to be successful and thrive for another 200 years.”¹⁰

Questions to Consider

- What is an example of a breakthrough within your own industry?
- What old assumptions or barriers did this breakthrough challenge or overcome?
- What impact did it have?

Breakthroughs Aren't Just for Business

Although Unilever and DuPont are examples from the business world, breakthroughs are just as relevant and important to social, educational, health-care, political, and other organizations. Take, for example, the world of education. When it comes to public education in America, ideas are never in short supply. Scholars, activists, and politicians are constantly churning out opinions on how to fix our schools—smaller class size, more instructional aides, English-only instruction, bilingual instruction, more standardized tests, fewer standardized tests, magnet schools, mentors, merit-based teacher pay. The list of initiatives is endless. And yet, year after year, across the country, the results couldn't be more clear: Our schools continue to fail. Recent studies have shown that even most charter schools, the latest fad in education, are not faring much better on average than their government-run counterparts.¹¹

Thank goodness people like Dave Levin and Mike Feinberg, founders of the *Knowledge Is Power Program* (KIPP) Academies,

haven't been discouraged given this seemingly futile context. As former teachers with the Teach for America program, they completed their service and then immediately embraced a blindingly obvious opportunity to which they've now dedicated their lives: *to create a school that truly works*. Well, they did that, and more. Today, KIPP represents a network of almost 100 public charter schools serving more than 27,000 students that have collectively challenged the conventions of public education in the United States: ten-hour days, school on Saturdays, teachers who eagerly give their home phone numbers to students, and a contract outlining shared goals and commitments that must be signed by students and their parents before admittance. If this type of approach for a public school isn't surprising, I'm not sure what would be.

The foundation of KIPP rests on Levin and Feinberg's pointed rejection of the idea that some ingenious new program from an administrator or lawmaker will magically transform the system. They paint a simple slogan in the hallways of their schools to show this: "There are no shortcuts."

Put simply, Levin and Feinberg went old school—as in Thomas Edison old school. Indeed, Edison, who said, "Genius is one percent inspiration and ninety-nine percent perspiration," would appreciate the KIPP approach to learning. School starts at 7:30 AM and goes until 5:00 PM. Then comes the homework, usually about two hours per night. The labor doesn't end on the weekend or over the summer either. Kids attend school two Saturdays a month and three weeks into the traditional summer break as well.

All this time and effort grow out of one very basic philosophy: The business of educators is to educate and the business of students is to learn. This concept might seem head-slappingly self-evident, but it's not at all easy to live up to. It means that if students do not

grasp a subject, their teacher must work with them until they do. If they have to stay for an extra hour after school or talk it through on the phone until ten o'clock at night, so be it.

Think about something else inherent in that philosophy: There are no excuses. Every child, given the proper time and instruction, can excel. That's an incredibly powerful, even revolutionary, idea. And Levin and Feinberg have proven that it works. Nearly every KIPP school in the county is in an inner-city neighborhood. They do not require an entrance exam. More than nine out of ten KIPP students are Hispanic or African American. Seven out of ten of them live below the poverty line. Most enter the program performing well below grade level. Typically, less than 10 percent of children with such backgrounds go on to finish college. KIPP students boast a 90 percent graduation rate—not from high school, from college!¹²

So, now that we've seen a breakthrough in action in education, let's move to the nonprofit world. Think of the toughest, most intractable social problems in America. Homelessness is probably at or near the top of any list. HIV and AIDS are probably right up there too, as is substance abuse. Helping people who face any one of these challenges is an incredibly worthy cause for a nonprofit organization.

But how about taking on all three? How about an organization that serves homeless people suffering from HIV and drug addiction? Just imagine the amount of work and dedication that would take, not to mention money. Now try to imagine doing all of that and turning a "profit" too. I put the word *profit* in quotation marks because New York-based Housing Works, which manages to do everything I just described, is technically a charity operation. But it acts an awful lot like a business. And a very successful one, at that.

In an era when most nonprofits are cutting back, largely because they rely on private donors and government funding, Housing

Works is expanding. It just opened subsidiaries in Haiti; Washington, DC; and Mississippi.¹³ Since Housing Works opened in 1990, an estimated 20,000 people have benefited from its work, and that number continues to grow, thanks to the company's pioneering "social enterprise" approach.

If Mother Teresa had earned an MBA, she might have become a lot like Housing Works' co-founder Charles King. King and his late partner Keith Cylar opened Housing Works' first thrift store in Manhattan in the mid-1990s. This was not your typical Salvation Army-style second-hand shop. King and Cylar's surprising approach began with the idea that thrift stores don't have to be dingy caves with bins of unwanted scrappy clothes. In fact, they did not accept all, or even most, donations. Only the highest-end goods were allowed in. "We see ourselves as the Barneys of thrift shops," King once said.¹⁴

That first location was so successful that Housing Works soon opened another shop to handle the demand, and then another, and another still. There are now ten Housing Works thrifts around the city. In 2009, the company expanded to Brooklyn. The new store across the East River made a million dollars in its first year—in the midst of the recession.¹⁵

By hosting upscale events like fashion shows and celebrity clothes auctions, King and the rest of the Housing Works team have turned the thrifts into must-visit attractions. *W* magazine once hailed the stores as the "hottest" in the city, "the place where the city's fashionistas drop off last year's Prada and Comme des Garçons."¹⁶

The company has built prestigious brands for its other moneymaking enterprises as well. It recently hired well-known chef Michael Sherman to design the menus for its café and catering businesses. Famous writers give readings at a bookstore run by Housing

Works. And big-time music acts like Bjork have performed at Housing Works benefits.

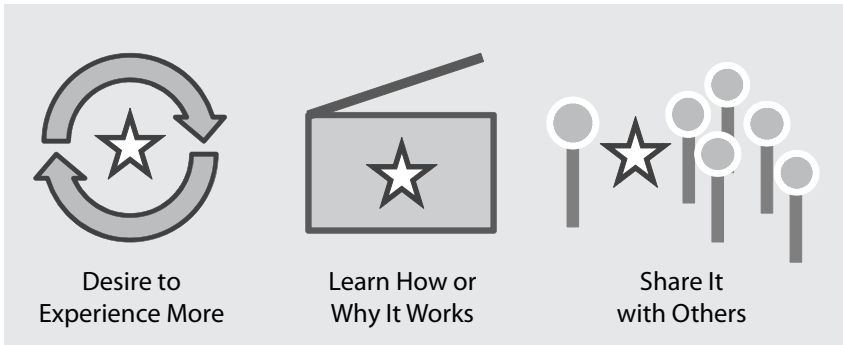
All told, Housing Works' social enterprise investments yield a quarter of its \$43-million annual budget. Most of its other revenues come from fee-for-service contracts with the government. This arrangement, as opposed to the traditional cost-reimbursement model, also allows Housing Works to keep any proceeds from cost savings or efficiencies that it puts in place.¹⁷

King's commitment to making money has been controversial in the nonprofit world. Some see it as a conflict of interest or a potential distraction from the group's mission. But for King, it's a matter of survival, born of long experience. His belief is simple: "Nonprofits need [to stop] going up the hill with our hand out begging . . . we must stop thinking of 'funding' as charity and start thinking of 'financing' as an investment that has real, quantifiable economic or social return."¹⁸

From ice cream bars for adults to money-making non-profits, surprises are surprising because they're unanticipated. That may sound blindingly obvious, but it's an important point. If we know that something will happen, we're not as gratified because our expectations and assumptions are largely met. Business breakthroughs give us something we're not expecting to see or experience. And they almost always do this by overcoming seemingly set-in-stone assumptions about what's possible with products, services, business models, processes, or our organizations themselves.

We're Wired to Appreciate Positive Surprise

When I ask business leaders, students, or friends to think back on their favorite experiences with what they consider truly breakthrough new



The Personal Dynamics of Positive Surprise

products or services, many can't help but smile. The range of things I've heard when I've asked the question is immense: iPads, Disneyland, Diaper Genies, Facebook, snowboards, rollerblades, Zappos, the Swiffer, Etch A Sketch, Crest White Strips, the Amazon Kindle, Skype, the University of Phoenix, MTV, eBay, Segway scooters, Harry Potter books, and the list goes on.

There is a reason for their Cheshire Cat grins. They're reliving the pleasure of being surprised. Not the kind of surprise when our older brother jumps out from behind a door and scares the crap out of us. It's the opposite kind of surprise—the kind that signals delight, appreciation, and intrigue. When we experience a positive surprise, it compels us to do three things:

1. Want to experience more of it
2. Learn about how or why it works the way it does
3. Share it, so we can take a small amount of credit for others' own smiles of surprise

It turns out that there is a physiological basis for these types of positive responses. Our brains are built to like the “pleasingly

unexpected.” Two neuroscience researchers, Gregory Burns and Read Montague, discovered this fact in a pretty interesting way.^{19, 20}

Burns and Montague convinced some unsuspecting research subjects to join them for a drink—in their lab. Their subjects were first hooked up to an MRI machine to measure their brain’s “pleasure centers.” This is the part of the brain that’s responsible for pleasurable feelings. It lights up like a slot machine when people take addictive drugs or anticipate receiving money. After Burns and Montague connected their subjects to the MRI device, they asked them to open wide, just as they might do at the dentist—though what came next wasn’t painful.

The participants hadn’t been told what was going to happen, so no one knew that a computer was about to squirt water or juice into their mouths! Half of the people received water; the other half got juice. To further segment their research subjects, half of the people in each of the water and juice groups received their drinks at regular, predictable intervals while the others were continually surprised with random, sporadic squirts.

Burns and Montague presumed that people’s brains would respond most positively to their preferred beverage. But they found that it didn’t matter whether their subjects wanted water or juice. Across the board, the brain’s pleasure centers were most activated in those who received unpredictable, random squirts, regardless of the beverage they were given.

These two researchers pinpointed the fundamental mechanism behind why we perceive breakthroughs as special: *We’re wired to appreciate positive surprises*. Whether it’s QuickBooks, iPads, or Cirque du Soleil, most of us recognize breakthroughs when we see or experience them because our brains are set up to appreciate the

way they challenge assumptions while adding value to things we care about.

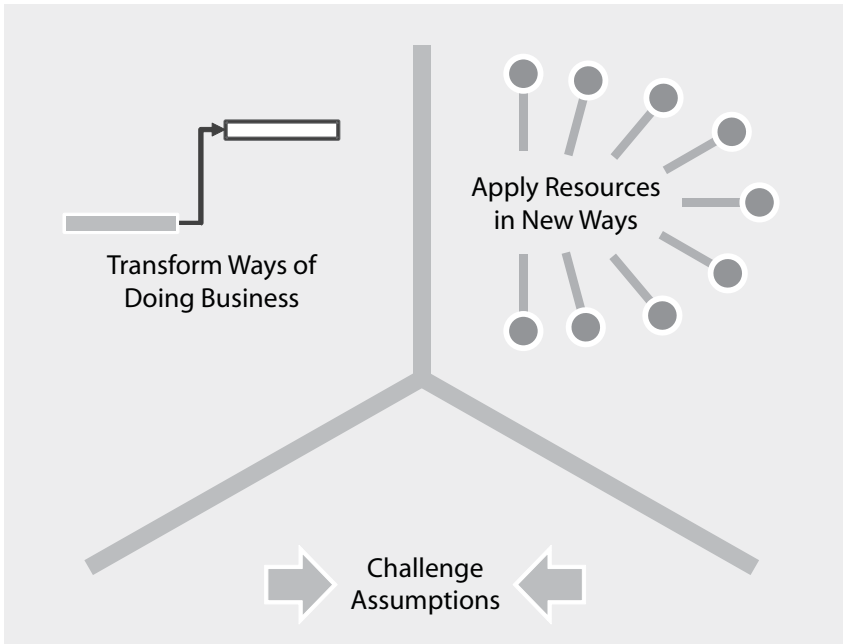
Questions to Consider

- ➔ What products, services, or experiences bring a smile to your face?
- ➔ When was the last time something really surprised you in a delightfully positive way?
- ➔ Why did these things surprise you?

Why Business Breakthroughs Surprise Us

The examples in this chapter demonstrate how business breakthroughs overcome existing mindsets by introducing whole new possibilities—and consequently new assumptions—into the mix. Breakthroughs share three common characteristics, which produce big changes that make a big difference—not just mere improvements to what’s already being done today, which is exactly what makes them feel surprising when we experience them.

1. Breakthroughs challenge fundamental assumptions about existing products, services, business models, or organizations.
2. Breakthroughs transform existing ways of doing business by rewriting rules or revolutionizing current practices.
3. Breakthroughs apply resources in entirely new ways, whether people, knowledge, relationships, or technology.



Three Characteristics of Breakthroughs

We hear about breakthroughs all the time, and the big ones are touted again and again: The Nintendo Wii challenged the convention of what it means to “play” video games; Cirque du Soleil reinvented “the circus”; and Apple revolutionized the “mp3 player,” transformed the “smartphone,” and established the mass market for “tablet computers” with its iPad. The mythology that grows up around these grandiose examples can lead us to dismiss the possibility that we hold the potential to lead breakthroughs ourselves. This is because many of us, implicitly or explicitly, view breakthroughs as larger than life and beyond our reach. But from Niall Fitzgerald’s provocative ice cream, Thomas Sager’s revolutionary

legal department, Levin and Feinberg's forward-thinking yet back-to-basics KIPP Academies, and Charles King's moneymaking non-profit, we've seen that breakthroughs can come in many forms and from many places.

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