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A Crisis Is a Terrible Thing to Waste: Leading Through a Downturn

William C. Taylor

Thank you so much for letting me be a part of a really remarkable event. It has both challenged me intellectually and touched me emotionally, on more than one occasion, which is not a combination you see very often for an event like this. So it really is a pleasure to be part of it. So, my first job is not to screw that up by ending on a sour note. My big job is to close out the conference and send you out with some energy, some optimism and a game plan to unleash big change in tough times.

Let me stipulate from the outset, I'm not here to talk in detail about where the business of life insurance or financial services are going. All of you are the experts in that. I want to talk to you about where business itself is going. To introduce you to a set of ideas and a cast of characters that I believe speak directly to your challenges as leaders, innovators and change agents. So, here goes.

Paul Romer, the great Stanford economist, said it first and it's kind of become the mantra of the moment: "A crisis is a terrible thing to waste." Kevin just said it. We're all struggling to make sense of the economic crisis and learn lessons that will guide us as we go forward. One of my big concerns, I guess, is that so many organizations are learning the wrong lessons. They're becoming conservative and risk-averse. They're choosing to resist innovation rather than embrace it as the only way out of the mess we're in. That would be a huge mistake. As the business environment gets tougher, meaner, more unforgiving, customers are going to get even more selective about who they do business with. Now more than ever, organizations and their leaders have to offer a positive alternative to a demoralizing status quo.

Hard times are the worst time to get cautious or complacent. In fact, if you look back at history, what you see is that some of the most game-changing innovations in business have come in periods of maximum peril. It was in the depths of the Great Depression that General Motors basically invented the market for used cars. It had to figure out how to maintain interest in their upscale Buick brand. Rather than people struggling for a new car, they would buy a lower-priced, lower-status model. So, they invented the idea of convincing people to buy used Buicks rather than cheaper newer cars. It was in the early 1980s, in the period of total turmoil for the airline industry that American Airlines said we've got to do something short-term to improve our marketing and they invented the concept of frequent flyer miles — a short-term idea that basically completely reinvented the logic of competition in the airlines. We take it for granted, we forget.

Apple introduced the iPod six weeks after the September 11 terrorist attacks. Not exactly the most wonderful time to try to start a pop culture revolution. I could go on and on. There was really a great article in *the New Yorker* a while back that told the story of how Post and Kellogg, the two giants of the cereal business, responded to the turmoil of the Great Depression. Post which was number one by a mile, did the predictable thing. I cut back on spending, reined in expenses, slashed advertising, stopped doing product R&D. Kellogg, on the other hand, did the exact opposite. It doubled its ad spending. It firmly embraced its crazy new media known as

commercial radio and it put the pedal to the metal on this big exciting new innovation called Rice Krispies. And in a matter of just a couple of years, those two companies' competitive positions had completely flipped. Kellogg became the dominant player in that field, a position it has maintained to this day. So why, if I could sit here for an hour and give you so much evidence of the power of embracing big change in tough times, are so many organizations and why are so many of us so reluctant to do it?

There's a great white paper by two marketing professors that I think offers a pretty persuasive answer to that. They said when you think about it most executives and entrepreneurs face two very different kinds of risk. One kind of risk is that you try something exciting and it doesn't work. They call that "risk sinking the boat." The other risk is that you don't try something that would have worked if only you had the guts to do it. They call that "missing the boat."

Now, needless to say, most of us, certainly most organizations, are a heck of a lot more worried about sinking the boat than missing the boat, because, after all, nobody really sees it when you miss the boat. Which explains why, even in good times, so many organizations and leaders can be so complacent and risk-averse.

So, I guess my plea to the folks in the room is don't worry so much about sinking the boat versus missing the boat, just recognize the power of rocking the boat. Trying some big experiments, some small little tweaks inside your practice, outside your practice with your customers that can help you make some waves and change course.

The question for every organization today, the question for everybody in this room is: Will you emerge from this period of turmoil with closer connections to your customers, with more ideas and energy and creativity from your colleagues and with greater separation between you and your rivals? If the answer to those questions three years from now looking back at what you've done here is yes, then this crisis will not have gone to waste. That really is the heart of my message to you. We are living today in the age of disruption. You can't do big things anymore if you're content with doing things a little bit better than everybody else or a little bit differently from how you've done them in the past.

In an era of nonstop competition and hyper dislocation, the only way to stand out from the crowd is to stand for something special. Originality has become the acid test of strategy.

The term I like to use is "strategy as advocacy." Winning companies today don't just sell competitive products and services. They stand for important ideas, ideas that are meant to shape the trajectory of their industry, ideas that are meant to reshape the sense of what's possible for customers, for employees, for investors. The most effective organizations today aren't content with just out-competing their rivals, they try to redefine the very terms of competition by embracing one of a kind ideas in a world filled with me-too thinking.

Now, I'm going to admit it's hard to do, which is why so few organizations ever do it. I was on the plane coming out to this beautiful place and I was just thinking about the lucky life I have. I get to visit all these kinds of resorts. I was thinking about an event kind of similar to this, a couple of years ago, where I spoke. It wasn't for financial professionals or advisors, it was for

the CEOs of regional banks. They came in from all over the country and I was going to speak after lunch. So I sat in and listened to the morning proceedings. And my goodness, these were the most depressed group of people I had ever encountered in my life. It was a series of presentations by CEOs and, one after another, they got up and said, “Oh my goodness. The stuff in the credit markets, it’s just squeezing our margins. I’m from Columbus, Ohio, and big bank A just bought big bank B. They’re training all their guns on us. Our customers are so fickle. They’re so demanding.” I was just a basket case by the end of the morning. I tried to be empathic. I felt the pain so much, until right before I gave my talk. There was a talk by this kind of market research guru from the banking industry.

For the last 25 years, he sent researchers out to individual bank locations and they would do so-called mystery shops. They open checking accounts, apply for auto loans, do all the things customers would do in banks and pretend to be customers, when they’re actually researching service and satisfaction and all that kind of stuff. He said for 20 to 25 years running, he ended every one of these visits by going up to rank-and-file employees and asking them a very simple question: Why should I, as a customer, do business with your bank as opposed to the bank we can see right across the street or the bank we all know is sitting just around the corner? And he said, when you tally up all those individual responses, two-thirds of the time front-line employees had no good answer to that question. Either they kind of made up an excuse and got the heck out of there, because they don’t want to say the wrong thing, or they kind, of in his words, made something up on the fly that bore no actual resemblance to what the bank thinks it was doing.

I’ve got to tell you, when he said this, the CEOs were kind of nodding their heads. They weren’t that all surprised. I was stunned. How can any organization expect to out-compete its rivals if its own people can’t answer simply, compellingly, persuasively why it’s different from and better than its rivals, and better than it’s ever been in the past. That to me, not the macro economy, is the real problem in so many organizations, and the huge opportunity for executives and entrepreneurs who can see things a little bit differently.

Think about it, what if his researchers walked into your office and tapped you on the shoulder or some of your colleagues, some of your administrative people and asked: “What really makes this practice special? What can we promise that no one else in our area or in our field can promise?” Would they have a good answer to that question? Would they all, more or less, have the same answer to that question? Do they really understand what you’re doing? And would their answer to the question be demonstratively different from what the people in your three or four largest competitors’ offices would say.

Here’s the simple point. It’s not good enough anymore to be pretty good at everything. You have to be the most of something — the most elegant, the most transparent, the most connected with your customers. For so many years, all of us kind of wanted to be in the middle of the road. That’s what felt safe. In theory, that’s where all the customers were. My argument is the middle of the road today, with so much change, so many new ways to do so many things, is the road to ruin. What can you honestly say you are the most of in your field?

Let me show you what happens when a company comes into an industry and infuses new ideas in a really troubled industry and sees things differently. I'll stay with financial services. Probably the most exciting growth story in retail banking today is the incredible rise of ING DIRECT, the internet-based savings bank.

Back in September 2000, a maverick entrepreneur by the name of Arkadi Kuhlmann invented this new sort of bank with no brick and mortar branches, no paper-based checks, no ATM machines, just a collection of very simple products and a real commitment to rethink what it means to be a bank in the 21st century and why you would want to be in the banking business in the first place. And, this company has absolutely taken the marketplace by storm. In nine years, it has signed up 8 million customers, attracted \$80 billion in deposits. The first half of 2009, it made \$350 million in profits just with 2,000 people. It is an amazing business model story. It is an amazing technology story.

When I went down to Wilmington, Delaware, and began spending tons of time with Arkadi's people, they had no interest in talking about the business model or the technology. They wanted to talk about the point of view, not what does this company sell, but what ideas does it stand for. What is the impact it is trying to have? And, what he said to me was, "We don't really care about leading customers onto the internet, what we really care about is leading Americans back to savings." ING DIRECT, and you'll all appreciate this, in its own mind, exists as an antidote to the kind of financial culture that had run amok in the 1990s, a world where people were saving too little, borrowing too heavily, spending too much. Which means, as an enterprise, it affects the product ING sells, the way it advertises and the political positions it takes. It rethought and reimagined the kind of messaging a bank could send in the market.

What does that mean exactly? Well, first of all the products are all very simple, very easy to understand, They are to banking and financial services what the Mac and the iPod are to the world of computers. They have two kinds of bank accounts. You want some mutual funds, they have 15 to 20 mutual funds. Very simple, very low cost, which means they keep their expenses down and they can keep the interest rates they pay very high.

The second big thing, the products they don't offer. No credit cards. Arkadi says he has consultants calling him up all the time saying you've got 8 million people doing business with you over the internet, sell them a credit card. Think about how low the cost of acquisition would be. No credit cards, no paper-based checks, no fancy exotic mortgages.

The ING mortgages are about as simple, plain vanilla, 20 percent down, you could ever find. And it has served them very, very well. They have issued 100,000 mortgages worth \$26 billion over the last few years and they've had 15 foreclosures. Not 15 percent, 15 total foreclosures. Now, this was a big thing for them, because they were under tremendous pressure like every other bank: "Join the party. Do this subprime stuff. We're having a ball with it. We're making tons of money." And, yet, they resisted. I asked Arkadi, how did you resist that temptation? He kind of both insulted me and explained it to me. I'm kind of a distance runner, not that you can tell it from my physique. He said well, "You're a runner right? Well, you'll appreciate this. We call it the Spandex rule of strategy."

He said, “Think about when you go running and what you see on the trails. As a runner just because you can wear Spandex, doesn’t mean you should wear Spandex (if you have the kind of physique that I have). Well, as a CEO or as an organization just because you can enter a line of business profitably, doesn’t mean you should enter a line of business profitably if that business is at odds with the long-term point of view and the long-lasting impact you’re trying to make in the field.” In other words, and this is going to sound very highfalutin, but you really feel it when you visit ING DIRECT, and my guess is you may feel it when you visit many of your practices.

This company is more than just a company. It is a cause, both in terms of the mindset of its employees in the workplace and the impact it’s trying to have in the marketplace.

Think about it, most companies in most industries have a kind of tunnel vision. They’re chasing after the same opportunities everybody else is chasing after and they’re missing the same opportunities that everybody else is missing, if they could only see things a little differently. Or to put it another way, and this is going to sound a little silly because I’ve stolen this term from the late great comedian, George Carlin, the most affective leaders and entrepreneurs cultivate a sense of “vuja de.” Now we all know déjà vu, you walk into this ballroom, I’ve never been here, you say wow, I feel like I’ve been here before. Vuja de is the flipside of that. It’s the capacity to look at an industry you’ve been looking at for years or decades, to think about problems you’ve been thinking about for years or decades and to somehow look at them and think about them as if you’ve never seen them before. And with that fresh set of eyes, develop a line of sight into the future that nobody else has. Arkadi has been a banker for 30 or 35 years. It was an act of vuja de for him to see that opportunity.

That’s why, by the way, I’m not a huge fan of benchmarking anymore, at least as it’s typically done. What good is it? How valuable is it to study and compare yourself against best practices in your field if best practice ain’t all that great to begin with? The best leaders I know look far outside their industries, far afield, for ideas that are working, proven and have demonstrated value in one area and then import them back into their area. Ideas that are completely routine in one field can be absolutely revolutionary if you just migrate them into your field.

The great example, I guess we’ve had a love fest with BMW for the last few days. One of my favorite examples from this isn’t BMW, but Lexus. If you think about this, the Lexus customer is a lot like your customer: high net worth, real sense of service and value. It’s kind of amazing. We really take Lexus for granted as well. Twenty years ago, Toyota was kind of boring stogy, great quality, great price, but who really got excited about it? Toyota decided they were going to enter the most competitive automobile market anywhere in the world, the market for luxury automobiles in North America. And they aspired to be the leader in that market.

Twenty years later, that’s precisely where they are. People buy more Lexus cars in North America today than BMW, Cadillac or Mercedes. There are 2.2 million Lexus cars on the road in the United States alone. The customer satisfactory numbers are off the charts. It is kind of the crown jewel brand in this global company that I guarantee will emerge stronger once this period of turmoil is over.

So the question is how did Lexus do that exactly? Well, obviously the cars are good. They can hold their own against BMW or Mercedes or whatever. But the real magic is they said to themselves, “You know what, the experience for customers of being in this business is nowhere near what it should be or could be given the products we’re selling.” BMW is the ultimate driving machine and, in that element, it’s an amazing, amazing product. But the service and dealer experience and everything else surrounding BMW has never, and I’m not saying anything about BMWs, it’s true for Cadillac, it’s true for Mercedes, has never lived up to the luxury brand of the car itself. And Lexus said, “We have an opportunity with this sense of *vuja de* to rethink all this.”

So it didn’t benchmark BMW or Mercedes. It said what are the great brands you think of when you think of luxury? You think of the Four Seasons. So they sent 500 Toyota and newly named Lexus executives to spend a week in Four Seasons hotels all around the country. Not a bad gig, if you can get it. But, they weren’t there to stay. They worked as bellmen. They worked with the housekeeping staff. They worked at the front desk. They tried to understand the things that the Four Seasons does so that (it’s sort of the opposite of Amazon) everything is so high touch, everything is so personal. How do they make that experience possible?

Then they just ripped off everything they learned. So one thing is, and you may know this, at the beginning of every shift at the Four Seasons, they have something they call standing in line. For 15 minutes every department stands in line and the manager says here’s who the famous guests are today. They say, “Here are some exciting activities going on in the hotel.” They talk about: “There was just an article about bad service at one of the Four Seasons, if anybody asks you about it, here’s what’s going on.”

Well, Lexus just stole that and developed a thing called standing in a circle. Every day, at every Lexus dealership, the salespeople, the administrators, the parts people, the service people, spend 15 minutes with their boss and they say, “Hey, Jane Doe is coming in today. She’s bought seven cars from us. When we see her, be sure to say, ‘Hello.’ Be sure to ask her how her kids are. Did you see that J.D. Powers study, we’re actually down 3 percent? If anybody asks you, here’s how we’re thinking about it.” They built the showrooms with marble floors in the bathroom, with fresh flowers. When they service your car for the first several years, you drive out of the service and there would be bottles of water and a little box of chocolate in the front seat. It was sort of their version of the hotel turndown service of putting mints under the pillow. They just took all these ideas and all these techniques and totally ripped them off from the Four Seasons. It put them in a field where they’d never been before.

The last couple of years, they said. “We’ve got to refresh the experience. Who is the most effective retailer today anywhere in the United States and what can we learn from them?” And the answer, by the way, was Apple. If you look at Apple stores and sales-per-square-foot, the sales-per-square-foot at an Apple store are more than at Tiffany’s, Nordstrom’s or any luxury dealer. So they went to school at the Apple stores and they learned any number of things.

One of the things they noticed, and you guys who go there noticed as well, the genius bar that sits in the middle of the store. People get so frustrated with their technology and how to fix it and how to use it, rather than calling Bangalore, India, on the phone or spending hundreds of dollars

on a service contract, Apple says if you've got an iPod or an iMac or whatever and you don't know how to use it, just show up with it at the store. You may have to stand around a while and hang out, but one of our geniuses will help you. He or she will fix it, teach you what's going on.

Lexus said that's unbelievable. What they had been detecting is people pay \$75,000 for a car that comes with a Bluetooth telephone that will call Mars for you, if you know how to do it. But people realized they have no idea how to tap into any of the real capacity of this communication system. And it's got this incredible GPS navigation system and customers understand it can do so much, if only I could figure it out. Six months after they buy the car, they're actually kind of dissatisfied because they say to themselves, "I've spent \$75,000 and my kids are making fun of me because I don't know how to use the damn telephone and I don't really know how to get the most out of the GPS system. This car is making me feel stupid."

So Lexus put in each of its dealerships something they call the answer bar, and just like with the genius bar. You drive the car in, maybe you're getting the oil changed, there's someone there. "Help me figure out this phone. Help me figure out the GPS, all of the other technological marvels." What they will tell you is they have seen their customer satisfactory numbers go up more since the introduction of those answer bars than anything they've done in the last five years. It's totally just ripped off from the Apple genius bar.

Here's the simple message. Don't let what you know limit what you can imagine. One of the great things about being part of this very elite company is you obviously have got tremendous experience, tremendous expertise, tremendous knowledge, and that serves you great. But there is always a risk that because you know so much, you almost kind of lock yourselves into a tunnel-vision way of looking at the real opportunities in your field. So anything you can do to take your field of vision and look far away from the world you live in every day and say: what are some exciting ideas about service, about connecting with customers, about whatever the case may be that are working in other fields and how do we bring them into our practice? I think you'll get some really impressive returns on that.

Okay, that's strategy and vision. Let me sort of take up where Peter left off and talk to you for just a few minutes about customers. And my message flows right out of what I've been saying up to this point.

Success today is about so much more than price, performance, features, pure economic value. It is about passion, emotion, identity, sharing your value. Obviously you've got to go into work every day and make things more reliable and accessible and all that kind of stuff. But the real magic in the marketplace today, the real opportunity for separation, is when you make your organization and your practice more memorable to deal with. It's Seth's purple cow. It's all the stuff Paul was just talking about. It's so obvious why this is in any field you can name, but especially your field. There are so many options, so many choices, so many messages, so many really good competitors, that the challenge everybody faces is how on earth do we cut through the clutter?

You can't cut through clutter by promising we will give you 2 percent better returns every year than our competition. I'm not sure the SEC would be very happy about that. You certainly don't

want to cut through the clutter by trying to reduce your fees lower than everybody else. The only way to cut through the clutter is to create an emotional and psychological relationship with your customers that separates you from everybody else. It sounds obvious and Paul just gave us sort of best practice in the positive side of that.

Let me just bring us back to earth for a second and remind you of what standard operating procedure in most organizations is like today.

So, it turns out for all this social media stuff, which is great, one of the fastest growing areas of computer spending in corporate America today, we spend \$10 billion a year on technology designed to computerize and automate 1-800 call centers. So, we've all had this experience as customers of other companies. You dial the 1-800 number and you get one of those, I guess Seth talked about it, one damn computer-generated voice processes. "Press one for price information, press two to check on an order, press three to change a delivery schedule." You press that, you get another set of computer-generated prompts. You've just spent 20 to 25 minutes in this computer-generated voice hell.

Now, it turns out, despite all this technology, you can still get to a human being. You just can't get there anymore by dialing zero. So, for Honeywell, the big electronics and automation firm, if you dial 119900 a human being picks up the phone. At AFLAC, the insurance company with the duck on TV, if you dial ###33 a person or that duck or something picks up the phone and talks to you.

My current favorite is Toys R Us. You bought a toy for one of your kids and you read all this stuff about lead paint in China and dangerous stuff and you're freaking out as a parent. You call Toys R Us. You get the 1-800, press one, you press two, you press one and, at this point the computer system is going crazy. It says, "Please enter a phone number, enter the zip code of where you're calling from, tell us something about yourself." If you maintain your patience and do nothing, eventually a human being will pick up and answer the phone.

It turns out, not only are these codes kind of crazy, they're secret. These are all secret codes so, if they're secret, how do I know about them? Because there is a movement in the land called gethuman.com. It's got volunteers all around the world and whenever somebody cracks one of these codes it rushes off to the Web site and puts them out there. Want to get hold of Best Buy, here's the code. If you go there later on today, you'll see 400 or 500 companies, brands, regional offices and the code you have to hit to get through to a human being. I look at it and I say, "Talk about a collective cry for help?" What are we doing to our customers to put them through this insanity?

It's even worse than that. I've gotten to know Paul English, the creator of gethuman.com. He's gotten a lot of attention, *People* magazine, Oprah, all this crazy stuff. I said what happens when you get so much attention that before anybody calls a company now they just go right to gethuman.com, get the code and just immediately dial it. He said what's beginning to happen and believe it or not, most companies change the code and the cat and mouse game starts all over.

Paul talked about how important it is to listen to the voice of the customer. Here's an idea, forget social media. How about just answering the phone when they call you? How tough is that? Not only is it a bad way to treat people, which it is, it misunderstands the real opportunity. I think I'm just putting a different spin on what a lot of people have been saying. But so many of us are still locked into a mindset that says, ultimately, what people care about is the lowest price. If I can invest in one of these crazy systems and save a nickle per transaction, and pass three cents along to the customer, keep two cents for me, that's what makes the world go round.

I'm here to tell you, that ain't what makes the world go round anymore. The whole world is on sale today. In Economics 101 I learned that value accrues to scarcity. There is no scarcity of great deals, price or quality in any category today. What there is a scarcity of is organizations that in every way, large and small, exude to their customers: we care about you, we are happy to interact with you, we want to do a whole bunch of things that amaze and delight you. I think spending a little more money and a lot more attention on that will generate absolutely tremendous returns.

Enough of the antidotes. Some of the best social science research I've seen in the last few years has been done by the Gallop organization on this very topic. You know Gallop from public opinion polls and political polls, but what they spend most of their time doing is surveying employees and customers about all kinds of things in business. They said a few years ago, we've got millions of surveys with customers sitting around, let's look at them and analyze them and ask ourselves a very simple question: What explains why some customers behave exactly the way we want them to behave? They give us repeat business. They talk about us to their friends and colleagues. Whenever we offer them the opportunity to buy more from us or do more with us, they take us up on those opportunities, versus customers who behave the way most customers do and drive us absolutely crazy. We can't predict what they're going to do.

They looked at 10 companies, hundreds of brands, literally millions of surveys and still they're finding something really very simple. They said, if you look at it, there is almost no difference in behavior between customers who are rationally satisfied on the one end ("Hey. I got a good bang for the buck. I got a good deal"), versus those who are rationally dissatisfied on the other. There's a little bit, but nothing to suggest a lot of behavior changes. All of the action, all of the difference in behavior was between customers who were rationally satisfied on the one hand and those who were emotionally engaged with the company, its products and its people on the other hand.

In fact, they developed this kind of hierarchy of engagement that speaks of what's been going on here for the last few days. The first level is confidence: Does this company do what it says it's going to do? Is it competent? If you can't pass that, if you can't get high scores on that, you might as well fold up your tent. The second one is integrity: If something goes wrong, does this company or its people fix it fast and do what's right? The third one is pride: Do I have, kind of what Paul was talking about as to evangelists and advocates, a sense of personal affiliation with this company? Do I talk about it, unprompted, with friends, networks and so on? And the fourth one, the holy grail, not a very interesting word but the behavior is interesting, the holy grail is what they call passion: Is this company irreplaceable in my life and a perfect fit for me?

When they're hired by company X to do interviews with its customers, much the same way the market researcher ends his questions with why should I do business with you, they end their surveys with this question: Can you imagine a world without company X? Now that is a pretty high bar to aim for, even in your field. I think you would grant, your competitors back home may not be at this meeting, but they're all pretty damn good. So for your clients to say to Gallop, "I can't imagine a world without this practice," that takes some real doing not just in terms of the technicalities of what you offer, but the sense of developing memorable ways.

When I go visit companies and do my research and so on, I get to know them a little bit and I feel I can be a little bit provocative. I tend to ask CEOs this question, and it's just a more negative spin on the Gallop thing: If you went out of business tomorrow, would anybody really miss you and why? If you think about it, it just can't be about the technical dimensions. There are brilliant certified analysts in every one of your markets. Why would somebody miss you? Because you're offering a product or service so distinctive that if it went away on Monday somebody couldn't offer the exact same thing on Tuesday? Or because you've got this kind of emotional and psychological connection that is so unique and so deep that losing you would kind of be like losing a good friend, the way Kevin talked about his advisor?

Not many organizations in this world, if they were honest with themselves, could come up with a really compelling answer to that question. That is why in so many organizations, especially in this kind of economy, it sort of feels like we're on the verge of going out of business every day.

Let me try to do this really quickly. There's another bank I've gotten to know in the last year or so for this new book, "Practically Radical," up in the Pacific Northwest. Folks in Portland or Seattle know about it, called Umpqua Bank. It is about as different from ING DIRECT as you could ever imagine. It's absolutely one of the craziest banks I've ever met in my life. Everything it does is totally about answering the questions I just asked.

The CEO, a guy named Ray Davis, took over in 1994. It was this pipsqueak, boring, six branches in southern Portland, \$140 million in deposits in what he calls a plain vanilla, old-school community bank. Fast forward to today. He's got 150 branches from Seattle down to Napa Valley, \$8 billion in deposits and it really is in its market kind of a lifestyle brand akin to Nike or Apple or Starbucks, as opposed to your cookie-cutter community bank. They said to themselves, is there anything more boring in the world than walking into a bank? It's like a utility, like paying your gas bill. Who thinks of banking as fun, colorful, interesting? Ultimately we're going to offer the same products everybody offers, we're going to take your deposits, make car loans, offer you mortgages. They do a big business-to-business, real estate syndicates, accounts receivable. We're going to offer the same thing everybody else offers. How can we rethink the experience and connect with people emotionally and psychologically as well? They said what if we invented a banking experience that appealed to all five human senses?

The sense of sight, what should a bank look like? Well, their banks are more Starbucks than Starbucks. They are beautiful wood, great sofas, incredible artwork. Talk about local connections. They go from community to community to find the best artists and these artists display their wares in the banks so every bank has different art. The art changes, people can buy the art.

What should a bank sound like? Well, in the Pacific Northwest there are a lot of independent bands and music. This is a bank with its own record label. They go out and persuade local bands to send them their best MP3 or their best songs. You don't get Muzak in their banks, you get tracks from great jazz, great drums, whatever the case may be. Then they issue "greatest hits" CDs that they sell in the stores and online and they've got an Umpqua music label.

What should a bank smell like? After Peter Schiff's message it will be the smell of fear I think, but in Portland it smells like coffee. And each branch trains some numbers people not just to write car loans or be a teller but to be a barista. They've got beautiful coffee machines in the branches and while you're there, they will happily make you a cappuccino or an espresso. They actually have their own Umpqua blend coffee and they sell it by the pound to customers.

What's really interesting, though, is not so much what happens when the bank is open, but what happens when the bank is closed. They said to themselves, we've got all this great furniture, settings, coffee. When five o'clock comes, we shut down the bank. Why should we shut down the facility? So, at night, each location is open to the community. They do neighborhood meetings. They do book clubs. They have what they call business therapy sessions for local entrepreneurs. The most popular thing is called stitch-and-bitch sessions where women come in a knit and then gossip about their husbands and boyfriends so on. They've got all these kinds of activities. By the way, they also have, believe it or not at this high tech location in Portland, they have these giant 144-inch high-definition screens. They do all this kind of high tech banking, very futuristic. But they also have bowling leagues with Wii bowling. You walk into the bank, even during the day, and people have bowling shirts when they come in. You're a business person there working on your small business loan and meanwhile there are 10 people over here playing a Wii bowling tournament while you're there.

Why on earth would they bother? Well, they bother because they want to be the most of something. They want to be a bank that says to its customers: "It doesn't have to be dull, it doesn't have to feel like you're going to the dentist. We can change the conversation and kind of insinuate ourselves into the life of the community in ways that no other financial enterprise has." I'm not suggesting you go out and start organizing Wii bowling leagues anytime soon. Then again, I, too, have a financial advisor who I think very highly of, but what strikes me about your field (I'm from Boston, so I'm surrounded by Fidelity and everybody else), there is so much standard operating procedure in this field. The logos all look the same and the personalities of the firms all kind of feel the same. I think there's a tremendous opportunity, in ways maybe small rather than large, to just figure out new ways of conducting yourselves, interacting with people. Services you might offer, that they would never expect, to create these emotional and psychological contracts and separate yourself from the crowd.

We're coming into the home stretch here. Let me leave you with one quick message about innovation and new ideas themselves. As you can tell, I think this whole conference is all about the power of new ideas. And the question is well, where do new ideas come from these days? My answer to you is that new ideas can come from anyone in the world and anywhere in the world, if you as a leader, if you as a practice, are smart and confident enough to ask.

This is, I think, kind of a big change. It wasn't so long ago that the theory was if my name is on the shingle, if I'm the CEO of a big company or the leader of a practice, it is my job to be the smartest person in the room. I've got to solve every problem that comes along. I've got to identify every new opportunity that we might get into. That is kind of both the ego gratification of leadership and a tremendous burden of leadership. My argument to you is the world is just way too complex today. The opportunities are way too big, the problems way too serious to try as an individual leader to act like the smartest person in the room everyday. The best leaders I know want to figure out how to operate in a world where nobody alone is as smart as everybody together. They don't say to themselves, "Oh, I've got this great idea. What is my top-down style of communication to push it through the ranks." They say to themselves, "I need a great idea. What is my architecture of participation so that I can have people inside my firm, inside my practice contribute? I can invite in my customers. I can connect with people who may not do business with me at all, but would be eager to share their ideas, if only I would ask for them. Nobody alone is as smart as everybody together.

I'm going to give you the cliff notes version of this last story. My most recent book was called "Mavericks at Work," and this is probably my favorite story from that book, in part because it's so extreme, it's fun to tell. Don't let the details interfere with the lessons though.

One of the great characters I met in that research is a guy named Rob McEwen. He runs a company called Goldcorp, in Canada. It's a gold mining company, no surprise given the name. Rob, for many years, was a master of the universe on Wall Street. He worked for Merrill Lynch, made a gazillion dollars probably helping to inflate the bubble that has all served us so badly. But, he said to himself. "If I ever make my fortune on Wall Street, I don't want to own a basketball team. I don't want to go buy beautiful art. (He's a Canadian.) I want to go buy a gold mine." Because the McEwen family, for ages, had been a big established family in the gold mining business, and he wanted to get back into that field.

Low and behold, several years ago, this individual gold mine called the Red Lake Mine became available to buy, and the price was pretty reasonable, \$50 million. It was something that, with his own money, and some syndicated lending, he could easily buy. This is a big deal, because gold mines as individuals, very rarely come up for sale and this was a pretty good price. The reason it was for sale and for sale at a good price was it was a horrendously bad mine. When Rob bought it, it cost \$360 an ounce to get the gold out of the ground. This was several years ago, gold was back then at about \$300 an ounce.

I met him at MIT where I went to school and you don't have to go to MIT to say you don't make that up in volume. That's like the definition of a really bad business cost: \$360 a unit, revenue is \$300. Rob said, "I'm a master of the universe. This mine is sitting right next door to another mine called Campbell Lake which is really productive, really respected. I'm going to find gold where these goobers who've owned this mine for 75 years have never found the gold."

He hired all these whip-smart geologists. They spent all this money. It cost him like \$3 to 4 million every time he drilled an exploratory hole a mile into the ground. And, three years later, it was still costing him \$360 per ounce to get the gold out and gold hadn't started to run up yet. He said, "This is absolutely terrible. I've got to take a break."

He came to MIT, where I met him, for a week-long course in the internet, software and open-source software in particular. All these crazy programs, and many of you may know this. We could not have the internet today without four or five really important programs that no company owns and no single programmer has written. It's all these ragtag volunteer teams all around the world and they write code, they share code, they evaluate code and this is incredible grassroots army of innovators who make this possible. Rob said to himself, "Oh my God, The light bulb went on. He went racing back to Canada. He assembled his geologists and said we are going to do for gold mining what Linux and open source software has done for the internet. Now these guys are all geeks so they kind of knew what he was talking about, but they said to him, "What are you talking about?"

It's not unlike the BMW example. He said, "We're going to take all the data we have on our gold mine, 70 years of the stuff we've done in the past about where we've dug, what we've found, maps, soil samples. We're going to throw it all up on the internet and we're going to invite geologists and engineers from all around the world to download that data. They're going to tell us where we should drill for gold."

He said his colleagues were completely horrified. The first question was why would anybody do this? This is not like a sort of a paper napkin, drill over here. This is months of number crunching and 3-D visualization, really high powered software. He will pay. He said we're going to put out a \$500,000 prize and a panel of judges. We're going to call it the Goldcorp internet gold rush. And, even in gold mining, \$500,000 ain't beanbag. But what he said was it's not going to be about the money. This is a closed insular field. Whoever wins is going to be a celebrity in our field. It's like American Idol for gold miners before Simon Cowell had come along.

Then they said to him that's fine, but how on earth could we share this proprietary data? We guard this with our lives. This is like Coca-Cola saying, "The heck with you, we're going to open the vault. Here's the secret formula for Coke. We're just going to give it to everybody. We've been guarding this with our lives for years this data." Rob said, "Well, that's true but think about it. It's an obsolete mindset. This goes back to the days my great-great-great-grandfather, when if you had a mule and a pick ax and you found some gold and you thought someone was following you, you'd turn around and shoot them dead because you didn't want them to jump your claim."

"Well, this is 55,000 acres of a mine. You've got to drill a mile down in the ground before we even get started. It's not like people are going to sneak up in the middle of the night and steal our gold from us. This is again an obsolete mindset that we have all been carrying around for years." So he wore them down. They did the challenge, and the results were absolutely astounding.

Fourteen hundred geologists from 58 different companies downloaded the data, 140 geologists from 18 different companies sent in really detailed, really powerful drilling strategies. Rob said he started opening these things and he couldn't believe what was in front of his eyes. Ideas they had never thought of, techniques they had never thought of. It was so good that he gave three grand prizes.

The first one was to a two-person team in Perth, Australia. Never met Rob, never been to Canada, never even worked in the gold mining industry. They were gurus of oil and gas exploration and always thought their software could work with gold data. This was their chance to prove it to the world.

My favorite is the second winner, a guy named Alexander Yakupchuk, chairman of the geology department at Moscow State University. Rob called him. He'd never been to Canada, never could get a visa to go. Rob called like Publisher's Clearing House, congratulations professor, you've won \$500,000 in the Goldcorp challenge. And the guy said "Oh, Mr. McEwen, thank you so much. But, whatever you do, don't wire the money to Moscow. I've got a secret account in London, please wire it to London. I'm going to get the heck out of here with my family." And he used that as an opportunity to move to London. I met him recently, he's now chairman of the British Museum of Natural History. So it really changed his life.

But more to the point, it changed the life and fortunes of this company. Remember I told you Goldcorp was a laughing stock. The Red Lake mine is now widely considered the single richest gold mine anywhere in the world. It now costs Rob \$55 an ounce to get the gold out of the ground. Gold is now selling for almost \$1,000 an ounce as we all know. What used to produce 75,000 ounces a year now produces 600,000 ounces a year. Do the math and what you find is this mine that Rob bought for \$50 million is now a publicly traded company with a market capital of \$18 billion. Rob is one of the richest guys in Canada. He's endowing hospital wings.

And again, the details are cool, but think about the moral of the story. The first one I would say is we all have to stop thinking of ourselves as problem solvers. Think of us as solution finders. Whatever problem you have, somebody has already figured it out. And the best ideas all too often today come from the most unexpected places.

The second thing is people no longer have to work for you in order to work with you. That's kind of the moral of so much of what Paul was saying. We live in such a connected world. People are so talented, so energetic, so eager to share what they know. If you, in your own little ways, can invite them into your organizations to play with you, it's amazing what they will do.

I hope that's a good way to end these remarks and maybe end the conference. It's still great to have the biggest budgets, the most employees, the biggest market share. We do live in a world still where often the strong take from the weak. But my notion is the real story of our times and the real story of the challenges facing all of you is not that the strong take from the weak, but that the smart take from the strong. What I find in the best companies I've studied, they no longer think about out-muscling and out-hustling the competition, they think about out-thinking the competition every single day. If you, as leaders, can say to yourselves, I'm getting the best ideas from the most people wherever they may be, I think you've got the best chance to out-think the competition.

So, thank you so much for your attention and good luck embracing change. Thank you.

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