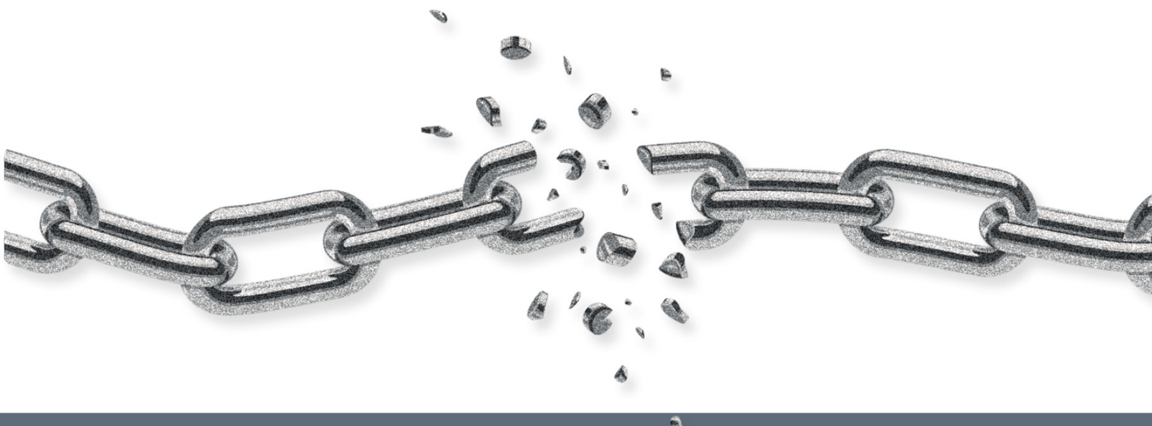
OWNING TOMORROW



The Unstoppable Force of Disruptive Leadership

JOHN FREDERICK FURTH

OWNING TOMORROW

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JOHN
FREDERICK
FURTH

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PRAISE FOR *OWNING TOMORROW*

"In an age of constant disruption, John Furth has identified and codified a powerful roadmap to inciting and managing change. Owning Tomorrow *provides the kind of pragmatic and logical advice leaders committed to not only creating but actively transforming the future should heed."*

Tristan Louis, President and CEO, Casebook PBC

"Until I read Owning Tomorrow*, I had only a vague understanding of how powerful disruptive leadership can be. However, John's insights, inspiring stories, and practical tools illustrated how valuable disruption can be. It renewed my energy and commitment to helping my family, friends, clients and especially myself achieve goals way beyond what we ever thought possible. I intend to be "Owning Tomorrow" every day."*

Al Zdenek, President & CEO, Traust Solus, Wealth Management

"I found John Furth's book to be full of great insights. Many key learnings I've picked-up throughout my career that has helped me be a better leader is in Owning Tomorrow*. This is a smart book by a smart author for smart people."*

Dana Deasy, former CIO of BP, plc and JPMorgan Chase

"In my coaching sessions with John, I find he has an amazing way of disrupting me and making me think further into the future about my actions and my purpose. Although a book is not always a good substitute for working closely with someone like John, I was amazed how much I learned from reading Owning Tomorrow*. I'm pleased that so many people in the world will now have the opportunity to benefit from John's thinking and approach."*

Ella Rivkin, CEO, ERPS Group

"John Furth has written a fascinating and extremely useful book. Drawing on his extensive personal and professional experiences as a strategist, management consultant, and CEO, he has created a terrific tool for executives with high ambitions to develop themselves and their organizations beyond what they thought possible."

John Connolly, President & CEO, Castle Connolly Medical Ltd. and publisher of America's Top Doctors

"As a business leader I am committed to disrupting industries which have failed to keep pace with consumers needs and are no longer providing them with the kinds of goods, services, and experiences that they want and need. I was therefore very excited to read John Furth's new book Owning Tomorrow. *Furth not only understands the enormity of the challenges—and opportunities—of disrupting entrenched systems but he also offers a wealth of insights, stories, and suggestions to everyone who aspires to become the best business disruptor and leader possible."*

Paul Massara, Board Member, Electron; formerly CEO or Rwe Npower and Executive Committee Member of Centrica Plc

"Owning Tomorrow*, immediately became my internal compass for my personal and business True North. I found that reading the book gave me a much needed framework and helped organize my thinking around things that John and I have discussed at length. I suspect I'll be re-reading it a lot in the future."*

Inga Romanoff, CEO, Romanoff Consultants

"These are challenging times to be a leader. Whether you own a business, just started a budding tech start-up or are a seasoned executive at a large corporation, you need to do the right things today to stay on top in tomorrow's business world. In his book Owning Tomorrow *John Furth eloquently makes the case that the best way to do that is to master disruptive management practices. John lays out a very methodical process of how to become the best disruptive leader you can be.* Owning Tomorrow *resonated with me tremendously. I couldn't put it down."*

Dirk Schwarz, Chief Revenue Officer, T+ink

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PREFACE

WE'RE LIVING IN THE AGE OF DISRUPTION

For most of the world's population, December 31, 1999, wasn't that much different than any other New Year's Eve. Like hundreds of thousands of New Yorkers, I had been invited to a small dinner party. At 11:45 p.m., my hosts, fellow guests, and I donned our year 2000 spectacles, grabbed noisemakers, confetti and a glass of champagne, and headed to the roof deck to watch fireworks over Manhattan.

The only potentially extraordinary event was the collapse of the world's computer systems the minute the clocks turned to 12:00 a.m. on January 1, 2000—the so-called Y2K bug (decades earlier somebody had forgotten to put enough zeros in a key piece of software code.) But that frisson of anticipation disappeared quickly. Y2K turned out to be a nonevent.

During the early days of the new millennium, I doubt there was anyone on Earth who could have predicted the series of disruptive events that would unfold during the next few years. Coming at a fast pace, many of these incidents were highly destructive. But a handful of global events supported and accelerated positive developments of many of the world's most established and powerful educational, religious, governmental, and business institutions.

For the first time since World War II, the United States was attacked on its own soil when a handful of Islamic terrorists flew airplanes into key buildings in New York City and Washington, DC, on September 11, 2001, killing over 3,000 American citizens. Routine cyberattacks on our information technology (IT) systems have made the potential Y2K meltdown look like child's play. Rival powers such as China have stolen vast stores of intellectual property while Russia blatantly meddled in our electoral process.

The financial correction of 2001 may not have been such a surprise to many experts, but even the smartest among us were blindsided by the crisis of 2007-2008. We are still feeling the disruptive effects of the near-collapse of the world's financial system.

As of 1999, Amazon's revenue had only just passed the billion-dollar mark, and if anyone used the term "social media," they were probably referring to how TV, newspapers, and magazines covered parties thrown by the rich and famous. Seventeen years later, Amazon is fast approaching $200 billion in revenue and over two billion people use some form of social media; ninety percent have a Facebook account.

Mark Zuckerberg, the founder and CEO of Facebook, became the youngest self-made billionaire at twenty-seven when the company went public in 2012. Like Bill Gates before him, he proved that completing a college degree at Harvard isn't necessarily a prerequisite for success, happiness, and wealth.

But a Chinese conglomerate, Alibaba, is currently the largest company in the world. And despite its size, Alibaba is growing much faster than its main competitor, Amazon, a company that has successfully used disruptive tools and techniques to quickly build a large, sustainable global organization.

Despite its negative connotations, the word "disruption" has become part of our *lingua franca*. When businesspeople talk about disruptive technologies, disruptive innovation, and disruptive business models, they are often referring to management practices that have the power to transform individuals, companies, and indeed large portions of society while generating huge value for thousands (if not millions) of people.

These days, the most ambitious millennials aspire to become disruptive leaders and not just mere entrepreneurs or CEOs. Many older leaders also understand that if they aren't prepared to actively disrupt how they run their businesses, the expiration date on their careers and companies will come sooner than expected. The truly great ones not only proactively disrupt themselves but also their employees, their investors, their families, and even their competitors in their burning desire to make an impact and create unimaginable wealth.

Unfortunately, I've witnessed leaders stuck in situations that just keep getting worse, going from disaster to disaster, where entrenched thinking prevails, and where leadership avoids disruption at any cost. Employees, suppliers, customers, and investors lose faith but keep soldiering on, hoping things will improve until the day someone has the guts to call it a failure and everybody feels even worse than before.

But I've also had the good fortune of meeting and working with a few well-known, disruptive CEOs. In addition, I spent almost two years interviewing and researching other famous and not-so-famous disruptors for this book. While some of the men and women I profile in these pages lead multinational companies, many own and/or run small and medium-size organizations.

Owning Tomorrow: The Unstoppable Force of Disruptive Leadership is intended to help senior executives and leaders with ambitions to develop themselves and their organizations beyond what they thought was possible. Even though so much is changing in the twenty-first century, many existing best practices in business such as good decision-making, maintaining healthy cash flow, and building a values-driven organization are the same for disruptive companies as they are for any well-functioning enterprise. If those are missing, no company—disruptive or otherwise—can last very long.

But this is not just a book for the upper echelons of management. It is for anyone interested in creating a future of abundant success and fulfillment. Never give up on your future no matter what life throws at you. As long as you embrace the unstoppable force of disruption and develop the right skills and mindset you will live a life of abundance, success and happiness; but more importantly, no one will own your tomorrow except you.

John Furth
May 2018

At the end of several parts of *Owning Tomorrow* you'll be guided to free materials relevant to that part. These can be found at **www.JohnFFurth.com/diagnostics** or **www.JohnFFurth.com/worksheets** and include tools, templates, and an assessment you can download and use as well as an online survey that assesses your disruptive leadership style and capabilities.

PART ONE

DISRUPTION IS NOT FOR THE FAINT OF HEART

SECTION 1

The Transformative Power of Business Disruption

Thousands of years ago, human beings discovered the best way to increase our standard of living was to create order out of chaos by constantly inventing and reinventing our most important tools: technology, processes, and systems.

Universities, businesses, and governments became the primary agencies for developing and promoting advances in these tools. These could then be combined in a multitude of ways to constantly improve the human condition. Currency was developed and accepted as a global standard for trading goods, precisely because it provided humankind with a better and more reliable system to value goods and services than bartering.

Evolving processes and systems have made it easier, faster, and cheaper to get food, clothing, and other goods and services we need. They have enabled us to make education available to billions of people, travel almost anywhere in the world more quickly and inexpensively, be entertained 24/7, treat diseases more efficiently and effectively, and on and on.

The problem is, as soon as we've gotten used to a system, it often becomes a target for yet another improvement. We suddenly find our lives disrupted, plunged temporarily back into chaos as we adjust to a new way of doing things. And despite the longer-term benefits to humanity, almost every meaningful large-scale disruption produces winners and losers in the short run.

No wonder, then, that most people still associate disruption with upheaval, starvation, and death, and not with renewal, reinvention, and rebirth. Even a great thinker like Clayton Christensen of Harvard Business School tells us that although technological and business model disruptions have led to profound innovations that have improved mankind's standard of living, they have also hurt successful well-managed companies. To some degree, the disruption of many traditional American businesses has laid waste to rust-belt communities while contributing in no small way to the great recession and rising income inequality. And as technology advances at lightning speed, all of this is happening faster and faster.

Entrepreneurs are usually the ones who bring about the most impactful and transformative disruptions. The most ambitious among them often also see disruption as the best way to build a significant company in a short amount of time. Despite the long-term positive advances, however, these disruptions can also generate short-term losers, often in the form of bankrupt companies, unemployed workers, and/or widespread economic uncertainty.

On the other hand, established organizations and leaders generally use disruptive techniques to swiftly and powerfully turn around a quickly deteriorating situation. Frequently, this kind of disruption is about reversing a collective mindset or a generally agreed-to way of doing things, which can be even more difficult in some cases than simply starting greenfield with a disruptive idea. The impetus for such disruptions is less about a radically new vision for affecting the human condition and more about saving an organization in trouble.

Powerful disruptions at first can appear counterintuitive, irrational, and unreasonable precisely because most disruptions bear little resemblance to the past and actively go against prevailing beliefs about what's right. For this reason—and because they can appear destructive at first, especially if longer-term benefits are not clear—powerful disruptions are often accompanied by widespread controversy, confusion, and derision.

The wide adoption of the internet for commerce, communication, information, and entertainment starting in the early 1990s coincided with the first academic explorations of disruption. These new technologies enabled entrepreneurs to build companies without huge initial investments that had previously been needed for buildings, infrastructure, and legions of employees. Disruption became easier—and cheaper—to do.

In addition to Clay Christensen, professors like Luke Williams and Michael Raynor have laid the groundwork to help us better understand the power of disruption. Businessmen and entrepreneurs such as Lou Gerstner of IBM, Michael Dell, Reed Hastings of Netflix, and Jeff Bezos of Amazon have proven how successful disruptions can generate enormous value, not only for a company's shareholders but also for billions of consumers and customers around the world. Disruptive leadership and the right processes can accelerate growth, performance, effectiveness, and success for executives and their businesses, regardless of size, industry segment and location. Disruptive methodologies are also proving to be faster and more powerful than many prevailing methodologies, such as business transformation, change management, etc., especially for small and medium-size businesses.

SECTION 2

Amazon: The Company That Decides Who Gets Disrupted and When

Probably no other organization in the world better embodies the power of audacious and continual disruption than Amazon. This is the company which, upon its founding by Bezos in 1994, took on small and large booksellers around the world. Along the way, it forced many incumbents to disrupt their business models or turn off the lights.

The short-term negative consequences of the actions of Bezos and his team, however, were overshadowed by the immense value they created providing billions of books and other printed material to people around the world more efficiently and cheaply than previously possible. The stock market rewarded Amazon with an almost 5,000 percent increase in its stock price within two years of the company going public in 1997.

Amazon also disrupted the then-prevailing system that required consumers to do exhaustive research, read book reviews, talk to friends, and visit libraries and book stores before buying a book. Other consumers simply bought books based on titles and descriptions on jacket covers. Both approaches—and others—were at best inefficient and often ended in disappointment for the purchasers.

Jeff Bezos and his team changed those systems dramatically by pioneering cutting-edge algorithms that could pinpoint individual consumer desires—or at least make informed recommendations—sometimes even before the customer was aware of them. By the mid-1990s consumers could research and order books 24/7 and receive them whenever and wherever they wanted, with high assurance that the product would be what they expected it to be.

As Amazon gained the trust of consumers around the world, the company was able to leverage those relationships to challenge the entrenched major publishing houses and their traditional business and operating models. Amazon disrupted and changed the economics of publishing and made it easy and inexpensive for young and first-time authors to publish and sell books that the traditional publishing world often ignored. Less well-known writers were given the opportunity to tap into a huge, international market of potential readers which had theretofore been unavailable to them.

Jeff Bezos and his team then went on to dominate a few segments of a completely different industry: consumer electronics. They successfully disrupted Sony, Apple, and Samsung's early domination of two large categories: e-readers (Barnes & Noble only comes in a distant fifth with the Nook) and tablets.

Amazon even created an entirely new category of voice-activated smart speakers with its Amazon Echo. By applying its formidable logistics capabilities and algorithms to other e-commerce segments such as perishable goods, clothing, toys, and so on, the company quickly became the second-largest online retailer in the world. By the end of 2016, it was clear the company had plans to disrupt and transform the brick-and-mortar grocery industry, initially announcing its first small-format grocery store, Amazon Go, then acquiring Whole Foods six months later.

Even in markets such as video streaming services and original movie and TV content, where they were later to the game than other companies, Amazon has grabbed significant market and mindshare. In just a few seasons the company has produced major, critically acclaimed shows like *The Man in the High Castle, Transparent,* and *The Marvelous Mrs. Maisel.*

There are a few companies that have been able to successfully disrupt at best one or two industry segments (Microsoft, for example, managed to change the face of the computing and the video gaming industries). But Amazon is the only company in recent history that has successfully disrupted at least four or five completely different industries or market segments.

But what exactly is it that has kept Amazon at the height of its powers for almost twenty-five years?

Amazon is not only capable of disrupting companies and even entire industries, the company has proven over and over again that it is also able to disrupt and transform itself. Amazon constantly updates and refines (i.e., disrupts) its logistics, fulfillment, and management systems to stay ahead of its competitors' and customers' demands, even if the customer doesn't explicitly ask for it.

What exactly is it that has kept Amazon at the height of its powers for almost twenty-five years?

For one, Amazon is willing to fight to succeed, occasionally resorting to aggressive, no-holds-barred tactics. The company has a culture that is innovative and pioneering. They can hire the best and brightest technology experts, engineers, lawyers, and businesspeople in the world to make things happen.

The answer is much simpler, but also more profound. At the heart of everything Amazon does is a short but powerful mission statement: "Our vision is to be Earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."

In contrast, Apple has a relatively exhaustive and exhausting mission statement: "Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App store, and is defining the future of mobile media and computing devices with iPad."

Or consider that of Barnes & Noble, Amazon's only remaining competitor in the book market, which states their mission is "to operate the *best* omni-channel specialty retail business in America, helping both our customers and booksellers reach their aspirations while being a credit to the communities we serve."

Netflix's mission is "to grow our streaming subscription business domestically and globally. We are continuously improving the customer experience, with a focus on expanding our streaming content, enhancing our user interface and extending our streaming service to even more Internet-connected devices, while staying within the parameters of our consolidated net income and operating segment contribution profit targets."

Only two other large internet companies come close to capturing Amazon's powerful and highly customer-centric mission. One is the global e-commerce platform eBay, whose mission is "to be the world's favorite destination for discovering great value and unique selection." The other is Facebook. Its mission is to "give people the power to build community and bring the world closer together."

The fact is, most companies focus on *what they do* and/or what great widgets they have *created* or *own*, and *not what they are*. This is true whether they are big or small, high-tech or low tech, business-to-consumer (B2C) or business-to-business (B2B) companies. The problem is that technologies, business models, and products can be disrupted and challenged at the drop of a hat. Systems, tools, processes, etc. are meant to be discarded, changed, or updated in our never-ending quest for something better.

Because Amazon's entire reason for being is to provide its customers with the highest possible value, the company is not hampered by proprietary technology, products, or systems core to its mission which could easily be made redundant by even more forward-thinking and aggressive competitors. Bezos and his team have no interest in maintaining any technology or system that doesn't contribute to making Amazon the most customer-centric company in the world.

The company's unique mission is reinforced by fourteen principles into which every leader is indoctrinated through training and development. These principles inform all key strategic choices or decisions. Products and services are stress-tested to ensure they are in line with these values as well as to the mission. The company's hiring, promotion, and retention processes are designed to ensure that prospective and current employees understand and live the organization's mission to the greatest extent possible.

But even the best-run companies are far from perfect, and Amazon is no exception. A lot gets lost in the cracks of its global operations, and there are legions of vendors who have gone bust or have lost a lot of money selling through Amazon.

A case in point is the company my friend Benjamin works for. He is part of a team that manages a portfolio of mid-priced and luxury branded consumer jewelry and watches. One afternoon in the summer of 2017, he told me the story of how their sales on Amazon went from boom to nearly bust and back to boom again as they tried to navigate a vendor program that turned out to be less-than-advantageous for them.

In the early 2000s Benjamin's company was successfully part of Amazon's seller platform. Growth was so explosive that by mid-2007 Amazon approached the company to become part of a new vendor program. Benjamin hadn't joined the company yet, but his colleagues were told that the Amazon vendor program was an exclusive, invite-only affair, something that appealed to brands with a certain cachet of exclusivity.

The vendor program offered some compelling features, such as a full-time service person assigned to the company's account, active promotion programs that would introduce its products to top reviewers before they ever hit the shelves, and extended versions of basic product descriptions.

With few competitors and stable pricing, sales of the company's products on the new vendor program initially grew very quickly. But at the time, the team didn't understand just how much these programs would cost while failing to deliver a lot of what had been promised.

For example, the service person assigned to Benjamin's company cost $280,000 per year. This wouldn't have been so terrible had that person been more active, but she was constantly in training programs and not available when the organization needed her, even though she was presumably working exclusively on its behalf.

On top of this, Benjamin's company was paying 10 percent of all sales to promote its products, plus freight allowances and damage allowances. All in all, at least 45 percent of the retail price was going straight to Amazon. The company was also pressured into using the Amazon Media group (AMG) for advertising. All charges were billed immediately to the vendor account, yet receipts were delayed by 180 days, making cash-flow forecasting problematic.

To add insult to injury, Amazon was cutting the product's prices—a huge danger for any brand that counts on being premium-priced across all channels.

Benjamin's biggest disappointment was with what Amazon calls FBA—"fulfillment by Amazon." On the surface, it appeared to be a good deal. Amazon would take over all delivery service once it received the products. But Benjamin discovered that about 20 percent of their products were being returned to Amazon's warehouses damaged. Amazon did little or no quality check (despite assurances to the contrary) and these damaged goods would be then sent to new customers without informing the company. The resulting confusion, disappointment, and brand erosion among their consumers were significant.

Amazon had also sold the company on a sophisticated forecasting tool that would help them send the right number of items to Amazon's fulfillment centers at the appropriate time. What Benjamin later discovered was that this forecasting model was only reliable when categories were aggregated at the highest level, such as menswear or womenswear, but the information on watches and jewelry wasn't accurate at all. As a result, the flow of product was not optimized, and Amazon assessed storage fees if products sat on the shelves too long or unsold product was sent back.

This was the straw that broke the camel's back, and because there was no ombudsman to complain to, Benjamin and his team went directly to management. They dug into the faulty forecasting model and finally got Amazon to agree that it was not working. Eventually, the terms of their agreement was renegotiated. Today, Benjamin's products are selling briskly again, and he expects about a 400 percent increase in sales during the first year of the new agreement.

Despite this and other problems with vendors and customers, Amazon is by any measure a huge success. The company's impact is not just limited to its internal and external stakeholders. Having seen the benefits of the Amazon model in their daily lives, many business customers now bring data, preferences, and analytics to the table when purchasing supplies for their businesses. B2B companies have jettisoned traditional catalog-based ordering systems, preferring to offer real-time interaction, extensive price/inventory transparency, and robust guided selling.

In the process, leaders of B2B companies have had to also disrupt most of their basic beliefs about business and competition. The marketplace is becoming far more crowded, with start-ups and pop-ups competing against established businesses, and a high degree of expansion of existing suppliers, such as Staples, into niche markets, such as medical devices.

Commerce has become frictionless. This means transactions become as easy as possible. Studies have shown that every additional step required for checkout reduces online sales revenue by 30 percent; for omni-channel commerce, frictionless purchasing may mean enabling a customer to transact among channels, such as relocating a movie from a computer or television screen to a phone or tablet screen. Frictionless commerce can also exist between products, allowing a customer to upgrade easily from a freemium to a paid service, or from a basic add-on service to an upsold premium service.

At the same time that Amazon was going from success to success, a company that had risen quickly to become the mightiest player in the consumer electronics and entertainment industries was about to be disrupted within an inch of its life. That company was Sony.