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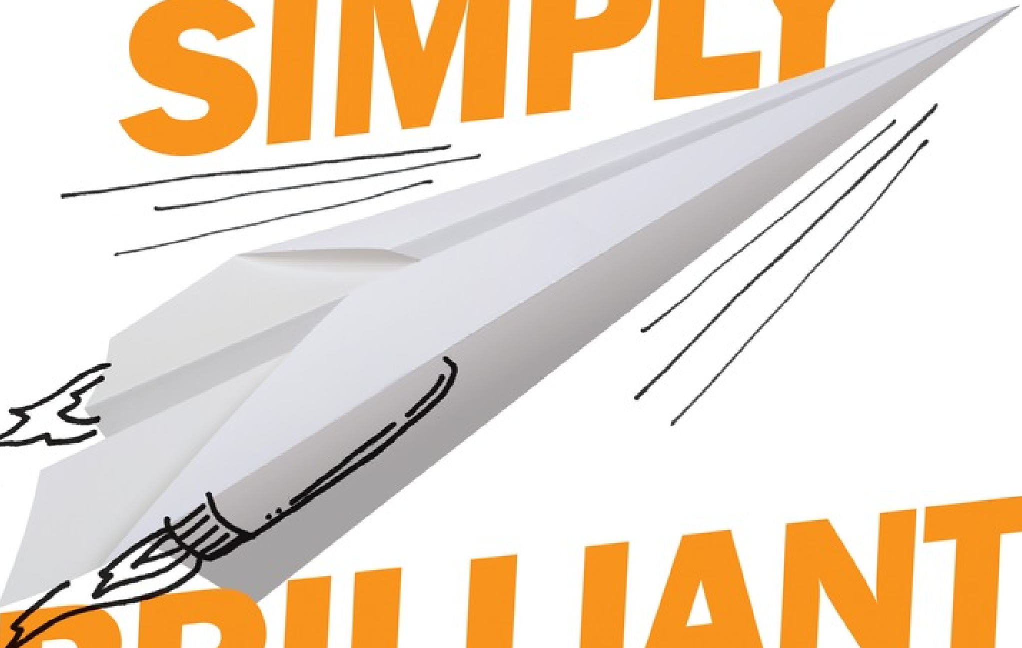
SIMPLY BRILLIANT



How Great Organizations Do Ordinary Things In Extraordinary Ways!

PROLOGUE: THE NEW STORY OF SUCCESS

"The Possible Is Immense"

Who doesn't want to be part of a great success story? To run, start, or play a leadership role in a company that wins big and changes the course of its industry. To launch a brand that dazzles customers and dominates its market. To be the kind of executive or entrepreneur who creates jobs, generates wealth, and builds an organization bursting with energy and creativity.

These days, in the popular imagination, the quest for success has become synonymous with the spread of disruptive technologies and viral apps, with the rise of radical business models and newfangled work arrangements. This is the stuff that fuels the dreams of countless engineers and venture capitalists in Silicon Valley, and inspires hard-charging innovators such as Facebook's Mark Zuckerberg and Uber's Travis Kalanick. The "new economy," the story goes, belongs to a new generation of companies and leaders who have little in common with what came before.

But why should the story of success be the exclusive domain of a few technology-driven start-ups or a handful of young billionaires? The story of this book, its message for leaders who aim to do something important and build something great, is both simple and subversive: In a time of wrenching disruptions and exhilarating advances, of unrelenting turmoil and unlimited promise, the future is open to *everybody*. The thrill of breakthrough creativity and breakaway performance doesn't belong just to the youngest companies with the most cutting-edge technology or the most radical business strategies. It can be summoned in all sorts of industries and all walks of life, if leaders can reimagine what's possible in their fields.

What I have come to understand, what I have tried to bring to life in the pages that follow, is that it is possible to turn even the most familiar offerings in some of the world's most traditional settings into products, services, and experiences that are genuinely remarkable. This is not, I concede, a widely held point of view, even among leaders in those fields. I've heard the same reservations time and again from executives in long-established industries who are reluctant to contemplate a dramatic break from the past: "This place has been around for a hundred years, we're not Google or Amazon," they tell me. Or, "This is not a glamorous business, we can't be a passion brand like Apple or Starbucks."

Their real message: Don't blame me for being average or old-fashioned, I'm not from Silicon Valley or Seattle. To which I reply: Don't use your company's age or industry as an excuse for mediocrity. There is no such thing as an average or old-fashioned business, just average or old-fashioned ways to do business. In fact, the opportunity to reach for extraordinary may be *most* pronounced in settings that have been far too ordinary for far too long. If how you think shapes how you compete, then it should be easier to compete in fields locked in to old ways of thinking.

Why this story now? Because we have entered a new era of business and leadership, an era defined less by advanced technology than by ever-advancing competitive intensity. When customers have higher expectations than ever, when rivals are more capable than ever, when choices, options, and brands are more numerous than ever, then familiar strategies and comfortable ways of working are less effective than ever. In any industry, especially in long-established industries, leaders who make waves and make their mark are the ones who rethink what they've always done, who refresh and reinterpret the products and experiences they offer, who invite new voices into the conversation about the future of their organization.

Why should the story of success be the exclusive domain of a few technology-driven start-ups or a handful of young billionaires?

Thomas L. Friedman, the agenda-setting *New York Times* columnist, has coined a phrase that nicely captures the tenor of these demanding times. "Today," he argues, "average is officially over. Being average just won't earn you what it used to. It can't when so many more employers have so much more access to so much more [above-average] cheap foreign labor, cheap robotics, cheap software, cheap automation, and cheap genius. Therefore, everyone needs to find their extra—their unique value contribution that makes them stand out."[1]

This phenomenon is being played out across the economy and around the world, with huge consequences for those who fail to reckon with it. Lior Arussy, one of the most provocative business thinkers I know, advises some of the world's most prominent companies on the relationship between strategy, innovation, and growth. The problem with most organizations and brands, Arussy likes to say, is not that they are broken. It's that they are *boring.* And boring organizations don't lend themselves to runaway success.

"We are living in a new world," he argues. "Customers no longer accept an 'okay' job. It's exceptional or nothing. In most fields, what was once exciting quickly becomes boring, and boring becomes annoying. 'Impress me, surprise me, do something I will remember'—that's what customers want. That's what organizations have to deliver."[2]

Truth be told, even in a world in which "average is over," the choice facing leaders in most fields is not between one-of-a-kind creativity and end-of-times calamity. The more likely outcome is something closer to endless (and endlessly frustrating) mediocrity. Despite our fascination with digital disruption, radical reinvention, and the merciless logic of survival of the fittest, countless organizations endure for decades in the face of bland results. The status quo is surprisingly powerful, and not always fatal.

"There are many organizations whose performance, by any standard, falls short of the expectations of owners, members, and clients," sociologists Marshall W. Meyer and Lynne G. Zucker remind us, "yet whose existence continues, sometimes indefinitely." In such "permanently failing organizations," their delightfully expressive turn of phrase, executives avoid extinction even as they excite almost no one. The day-to-day reality is one of "sustained low performance" rather than deep-seated crisis, a kind of active inertia driven by short-term self-interest rather than purposeful change driven by a shared drive to excel.[3]

In other words, with apologies to that memorable scene from the movie *Apollo 13*, failure *is* an option, if by that we mean a failure to make the most of the ideas, people, and technologies available to us. This quiet brand of failure—a failure of imagination, a failure of nerve, a failure to muster the will to break from the past—has become a familiar part of the business landscape. Harvard Business School professor Linda Hill, faculty chair of its Leadership Initiative, has argued that run-of-the-mill executives focus on closing "performance gaps"—the difference between what is and what should be. This is the work of efficiency, productivity, improving on the past. But the real action, the true agenda, for leaders is in closing "opportunity gaps"—the difference between what is and what *could* be. This is the work of innovation, transformation, inventing the future. Merely surviving is not the same as truly thriving.[4]

The problem with most organizations is not that they are broken. It's that they are *boring.* And boring organizations don't lend themselves to runaway success.

Simply Brilliant is addressed to leaders who are determined to thrive, not just survive, who aim to write compelling stories of success no matter their industry or field of endeavor. It is organized into four sections, each of which can be read on its own, all of which set out essential principles for exceptional performance—simple, direct, counterintuitive insights that define a new agenda for strategy, innovation, service, and shared prosperity. My hope is that the material is both instructive and inspiring. Instructive in that it delivers a set of messages and lessons that can be applied immediately, inspiring in that it highlights a cast of characters whose ambitions are bold and whose track records are without peer, and who toil in settings that are familiar and relatable.

I traveled thousands of miles during the research for this book, from London, England, to Anchorage, Alaska, from the bright lights of Las Vegas to a quiet town on the banks of the Mississippi River, searching for new kinds of success stories that illuminate the new era we've entered. I spent long days touring factories, visiting retail outlets, and sitting in on meetings to observe the work of big companies, entrepreneurial outfits, nonprofit groups, and social-change movements. These fifteen organizations were from very different fields and had wildly different histories and cultures, but they shared a defining trait: Their leaders were determined to achieve something important by doing even the most ordinary things in extraordinary ways.

I have tried to bring to these stories what John W. Gardner, the legendary public intellectual, called "tough-minded optimism." "The future," Gardner wrote, "is not shaped by people who don't really believe in the future." Rather, it is created "by highly motivated people, by enthusiasts, by men and women who want something very much or believe very much."[5]

Of course, even tough-minded optimists have to face problems, disappointments, crises. That's the pressure that goes with breaking new ground, making big change, doing things that haven't been done that way before. I have no doubt that one or two of the organizations I chronicle will experience setbacks that they (and I) did not anticipate. But what I want very much, what I believe very much, is that the ideas and characters you'll encounter in this book will fuel your enthusiasm to do extraordinary things rather than muddle through in a state of permanent failure.[5]

> **"The future is not shaped by people who don't really believe in the future." It is shaped "by men and women who want something very much or believe very much."**

On one of my last visits for *Simply Brilliant*, I traveled to Euclid, Ohio, a suburb of Cleveland, to spend time with a company I'd been eager to study for years. Lincoln Electric is one of America's great manufacturers, a globally successful producer of welding equipment and cutting machinery founded back in 1895. Lincoln Electric doesn't make many headlines, but it has made history since 1958 by vowing never to lay off a single employee and, since 1934, by sharing a big chunk of its profits with its Cleveland-area employees. In a decidedly unglamorous field, and in the face of recessions, financial collapses, and rapid technology shifts, Lincoln Electric has achieved something unrivaled by recognizing that people are at their most productive when they get a piece of the action and a seat at the table.

As I walked from the corporate offices after a conversation with the CEO to tour the company's massive factory complex, I saw a big sign in capital letters with a message from James F. Lincoln, the younger brother of the company's founder and the visionary behind the company's enduring social system and business model. THE ACTUAL IS LIMITED, the sign read. THE POSSIBLE IS IMMENSE.

That is the spirit of this book. That is the story of success.

What's your story?

PART I

Stop Trying to Be the Best; Strive to Be the Only

The most successful organizations are no longer the ones that offer the best deals. They're the ones that champion the most original ideas, and do things other organizations can't or won't do.

Chapter 1

WHAT'S YOUR VALUES PROPOSITION?

"Competition Is Not the Same as Choice"

It's a pleasant, active, fairly unremarkable Friday in Milton Keynes, a pleasant, active, fairly unremarkable city about fifty miles northwest of London, equidistant from Cambridge and Oxford. Milton Keynes offers little of the history, pageantry, and color of these legendary destinations. It is an unassuming place of office buildings, shopping malls, and residential developments—a so-called "new city" created in the 1960s to showcase the power of commonsense urban policies and business-friendly economic strategies. Today, Milton Keynes boasts solid growth and low unemployment, even as it lacks a sense of style. Francis Tibbalds, the late British architect and urban planner, and the author of an influential book called *Making People-Friendly Towns*, was impressed with the substance of what the city had achieved, but dismissed its personality as "bland, rigid, sterile, and totally boring." In a paper titled "Milton Keynes—Who Forgot the Urban Design?" Tibbalds lamented that the city had missed the opportunity "to become one of the world's greatest examples of new place-making" and had become instead "just another collection of good, bad, and indifferent buildings."[1]

All of which makes what's happening in the Oakgrove district so out of character. Crowds of curious residents drive, walk, and otherwise gather around a noisy, energetic sidewalk scene. A DJ is spinning tunes and swaying to the thumping beat of the latest dance music. A clown on stilts is delighting kids and high-fiving anyone tall enough to reach her hand. There's popcorn and ice cream and face painting. There are also several prominent politicians, including the mayor of Milton Keynes, sporting his ornate chain of office, a British ceremonial artifact that extends back to the Middle Ages, and the local member of Parliament, a Tory who beat the mayor in the last election. (The former rivals seem to get along fine.) But perhaps the most notable celebrity is a twelve-year-old Yorkshire terrier named Sir Duffield, who passersby recognize, fawn over, and ask to pet.

Does this energetic gathering herald the opening of a big show from Cirque du Soleil? Or the local premiere of a Hollywood blockbuster? Actually, believe it or not, it's the first day of a two-day festival celebrating the arrival of a new bank—a bank that is taking Milton Keynes, and England as a whole, by storm. Metro Bank opened its first retail location, in central London's Holborn neighborhood, back in July 2010. The company has been on a tear ever since, opening locations in London's busiest areas (Earls Court, Kensington, the City of London financial district), as well as Cambridge to the northeast, Brighton to the south, and Reading to the west. This grand opening is for Metro's second branch in Milton Keynes, and its twenty-seventh in England. The bank's near-term goal is to open 200 locations, sign up 1 million customers, recruit 5,000 employees, and attract $40 billion in deposits by 2020—an audacious plan that has attracted more than $1.4 billion in capital from some of the world's best-known investors and created the buzziest financial-services brand in the United Kingdom.[2]

Metro Bank, it should be understood, is not just another entrepreneurial growth story. It is quite literally unlike any financial institution England has seen before. This location, like all of Metro's retail branches, is bright and brash, playful and provocative. The shimmering glass structure, with its red-and-black interior color scheme, its high ceilings and silver columns, evokes the spirit of a polished Apple Store rather than a musty bank. Signs in the lobby and slogans on the screens of the ATMs feel like rallying cries more than product messages: LOVE YOUR BANK AT LAST! DOGS RULE! KIDS ROCK! NO MORE STUPID BANK RULES! Brightly colored coin-counting stations, called Magic Money Machines, look like contraptions Willy Wonka might have designed for his chocolate factory. Images of the company's mascot, an oversized *M* named Metro Man, loom large. (Metro Man himself is on hand to greet the crowd in Milton Keynes.) Bank staffers make their own design statements in keeping with Metro's look and feel. The women wear red dresses with black blazers, or black dresses with red blazers, the men wear suits with crisp white shirts and red ties. Even Sir Duffield sports a fetching Metro Bank dog scarf.

"We didn't come here to make a better bank branch," declares Shirley Hill, the wife of cofounder Vernon Hill and the person most responsible for Metro's "architectural fabric"—a one-of-a-kind blend of physical space, customer experience, and company culture that distinguishes the bank from all of its peers in the United

Kingdom. "We came here to be the greatest in the world. To be a little better is not very interesting, even though it is very easy to do." So what does it take to be the greatest in the world? "It requires fanatical attention to detail," she replies. "Everything we do either helps or hurts the brand. *Everything.* If a sign is crooked, if one of our people doesn't smile, if we don't maintain a sense of energy, then we are hurting the message. We have to make customer service fun for our people. People won't do it if it isn't fun, if they don't feel proud every day. Nobody else works like this."

It's hard to argue the point. For decades, centuries, really, banking in the United Kingdom has been dominated by five so-called high street institutions, the British term for retail banks that accept consumer deposits. The Big Five (giants such as Lloyds, Barclays, and Royal Bank of Scotland) are immensely powerful, highly unpopular, and virtually indistinguishable from one another. A think-tank report from London's Cass Business School estimates that the giant banks account for 77 percent of the United Kingdom's personal accounts and 85 percent of its business accounts, even as the banking system generated 21 million customer complaints from 2008 to mid-2014. The Big Five have struggled under "a toxic culture [that was] decades in the making," the report concludes, with demoralized employees, unhappy customers, and low public esteem. That culture, the think tank warned, "will take a generation to clean up."[3]

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of our people doesn't smile, if we don't maintain a sense of energy, then we are hurting the message."

Metro Bank is the forward-looking alternative to this tortured history, with an emphasis on history. It is the first new high street bank chartered in England since 1835. Talk about old money: Metro's "youngest" Big Five rival was incorporated before Buckingham Palace became the official home of the British monarch. (Queen Victoria took up residence back in 1837.) No wonder the upstart feels so unorthodox, so full of swagger, so eager to reinvent every aspect of how the industry operates. For example, in a country with a financial system infamous for limited hours and plentiful "bank holidays," Metro locations are open 362 days per year, twelve hours a day during the week, ten hours on Saturday, six on Sunday. (The bank's locations are closed only on Christmas, Easter, and New Year's Day.)

Moreover, in an industry plagued by long lines and painfully slow response times, Metro vows that new customers can walk into a branch, open an account, and leave with a working debit card and full access to online banking—all within fifteen minutes and without any paper forms. It imposes no fees on checking accounts or ATM cards, and makes huge investments in amenities (such as safe-deposit boxes and its coin-counting machines) that have largely vanished from the banking scene in many places. In Slough, a city one hour south of Milton Keynes, Metro opened the first drive-through bank in UK history, an innovation deemed so remarkable (*seriously*) that it attracted the attention of the BBC. In October 2015, when it opened its second drive-through window, this time in Southall, thirty minutes due east of Slough, it created a similar sense of fascination.

But here's what's even more remarkable about the rise of Metro Bank in the United Kingdom. It is, in a real sense, nothing all that new. In fact, it is the living, breathing reincarnation of a business model that Vernon Hill created decades ago in the United States to great acclaim and recognition, and ultimately to great wealth. Hill founded Commerce Bank in 1973, at age twenty-six, with a handful of employees, $1.5 million in capital, and one location in southern New Jersey. Commerce was sold thirty-five years later to Canada's TD Bank for $8.5 billion—after Hill and his colleagues built one of the country's most distinctive financial-services brands, with outposts from Florida to Maine and a major presence in the ultracompetitive New York City market.

"Every great company has redefined the business that it's in," Hill likes to say, and that's what Commerce did up and down the East Coast of the United States. But Commerce didn't rely on cutting-edge technology, never-seen-before business models, or other forms of radical business disruption. Instead, in a bland, dull, colorless field, it created a banking experience around what he calls "retailtainment"—fun, lighthearted, surprising gestures that encouraged customers to visit the branches, spend time there with the kids, and get to know the staffers—rather than treat their bank like the electric utility or the cable company, or, in recent years, to do as many transactions as possible online. Sure, Hill and his American colleagues used to joke that they operated on the "lunatic fringe" of the financial-services industry, that their business practices and culture were so unlike any other bank that their competitors would not dare copy them, even when their results showed how powerful and effective they were. But they were fueled as much by common sense and old-fashioned values as they were by new-wave thinking and futuristic software.[4]

Well, the "lunatic fringe" now extends across the Atlantic. Hill exported the most advanced and cosmopolitan version of the Commerce model, which he and his colleagues rolled out in New York City, first to London and now to cities and towns within a two-hour radius of the British capital. It's hard to overstate the sense of movement and momentum Metro has unleashed. The notoriously skeptical British press has lionized Hill as a breath of fresh air in an industry choking on bad practices and lousy service. When Mike Bird, a reporter covering European markets and financial-services companies, visited Metro's Holborn location to see for himself what the fuss was about, he wrote an article titled "I Was So Impressed with This New British Bank That I Opened an Account." Hill spends a big chunk of his time giving speeches to business leaders eager to learn from his unconventional strategies and brash rules for success. Inexplicably, his canine sidekick, Sir Duffield, has attracted nearly as much coverage as the bank's founder. "Duffy may be the most famous dog since Rin Tin Tin," his proud owner quips as yet another fan asks to pet him. (Hill is only half joking; Sir Duffield has his own business card and Twitter account, along with a stack of newspaper clippings attesting to his celebrity.)[5]

This sense of enthusiasm is not limited to customers and the media. Metro Bank has attracted a genuinely impressive roster of financial backers, from high-powered American billionaires (including hedge-fund titan Steven A. Cohen, home builders Bruce and Robert Toll, and Willett Advisors LLC, which handles investments for Michael Bloomberg) to blue-chip institutional investors such as Fidelity and Wellington Management. In March 2016, less than six years after the bank opened its first location, Hill and Metro Bank announced that they had raised another big round of capital from investors (more than $580 million) and were preparing to be listed on the London Stock Exchange with a market value of roughly $2.3 billion.

Indeed, on the day I visited Metro Bank's London headquarters, one of Hill's early financial backers, a value investor by the name of Thomas Tryforos, happened to be visiting as well. Tryforos, who is a disciple of the security-analysis principles pioneered in the 1930s by Benjamin Graham and David Dodd, and who, like they once did, teaches at Columbia Business School, had never before invested in a new company, which are, by and large, anathema to value investors. "This was the second-biggest investment I ever made, and the first time I invested in a start-up," Tryforos told me. "Now I ask myself, 'Why didn't I make it even bigger?' You can't imagine this until you've seen it yourself. Every person I meet is like a marketing machine for Metro Bank. I went to a branch opening last year and I thought, 'This is my favorite company to visit because it's fun.' And if it's fun for me, as an investor, what must it be like for customers?"

Not to mention employees. Like any fast-growing company, Metro Bank has been on a hiring binge over the last five years, building a team of senior executives, private bankers, commercial lenders, and frontline service people to staff the retail stores. ("Our job is to find great bankers trapped in broken bank models," Vernon Hill quips.) Of course Metro evaluates candidates for their product knowledge, technical expertise, and relevant industry experience, especially as it applies to executives and specialists in commercial banking. But what the bank insists on, explains Danielle Harmer, Metro's chief people officer, is what she calls "zest"—a palpable sense of enthusiasm, a positive energy and sense of commitment to the cause, that informs how people behave, communicate, and interact. "Ultimately, how we treat each other is how we treat our customers," she told me. "So who you are counts for as much as what you know. You can be outwardly zesty or inwardly zesty, either way is fine. But if you're the kind of person who sucks the energy out of those around you, this is the wrong place for you."

In short, in less than six years, Metro Bank has become an undeniable passion brand in a field in desperate need of positive passion. "People here hate their banks," Hill told me in Milton Keynes as he watched the crowd of visitors sizing up his newest location. "In America, people dislike their banks, they find them annoying. This is rabid hate. The high street banks had a cartel. They trained people to accept whatever they offered because they had no alternative. Well, we are the alternative. And customers are going berserk. Everything we did in New York works better in London. Metro will do in ten years what it took Commerce more than thirty years to do."

"KILL ROUTINE BEFORE IT KILLS YOU" —WHY AVERAGE IS OVER

The first rule of strategy is that how you think shapes how you compete. Back in the mid-1980s, a McKinsey & Company consultant by the name of Michael J. Lanning coined a term that still shapes how businesspeople think about competition and markets, and how they evaluate their positioning versus rivals. The true logic of success, Lanning argued, did not just revolve around R&D and the most advanced technology, or supply chains and the most efficient operations—stuff that happens inside the company. Ultimately, success revolved around what happened with customers outside the company, and not just feel-good promises to serve, satisfy, or otherwise delight them. Leaders had to devise what he called a "value proposition"—a "clear, simple statement of the benefits, both tangible and intangible, that the company will provide, along with the approximate price it will charge each customer segment for those benefits." Moreover, organizations had to deliver those benefits on a consistent basis. "Having selected a particular value proposition," Lanning urged, "you must see to it that this proposition 'echoes' throughout the business system to ensure that each activity of the company serves to reinforce the chosen value. New value propositions can certainly lead to a winning strategy, but so can superior echoing of a more ordinary value proposition."[6]

This may not read like a stirring manifesto for strategic revolution, but Lanning's concept of the value proposition galvanized a generation of business leaders around a market-driven agenda of enhancing quality, slashing response times, adding functionality, segmenting markets—delivering features and improvements for which customers were willing to pay. Companies came to understand the virtues of being better, faster, and more reliable, not just because it made their operations more productive but because it made people more eager to do business with them. "All of the company's customers," Lanning advised, "should see significantly more benefit from the transaction than they are being asked to pay." In other words, the way to make sense of competition and markets, to develop long-term strategies that create lasting wealth, was with finely tuned reasoning driven by insights about what customers actually valued.

To which I say yes . . . but. Thirty years after the concept of the value proposition was invented, we live in a world where customers can choose from more options and alternatives than they've ever had, where rivals are more numerous and capable than they've ever been. In this world, success is no longer just about price, performance, features—delivering tangible and rational economic value that responds to what customers need. It is about passion, emotion, identity—sharing a richly defined *values proposition* that revisits basic questions about what customers can expect and what organizations can deliver. The most successful organizations aren't the ones with the most cutting-edge technology or the most radical business plans. They're the ones that champion the most compelling ideas, craft the most memorable experiences, attract the most fervent customers, and recruit the most loyal allies. That is, the organizations that position themselves as an alluring alternative to a predictable (albeit efficient) status quo.

"Most companies aren't dysfunctional, they're dull," argues Lior Arussy, the thinker and consultant we heard from in the prologue. "That doesn't mean they're not innovating, it's that everyone is chasing the same things, and what qualifies as 'standard performance' is always moving up. Success has to evolve to be sustainable. This is not just about strategy, by the way, this is about behavior. You can call a company boring and people don't get offended. But you tell the individuals in that company that they are behaving in ways that are boring, and things get uncomfortable."[7]

Translation: Companies that manage to rise above the pack and stand alone, that win big in fiercely competitive times, are those that create a one-of-a-kind presence and deliver a one-of-a-kind performance that is not just a little better than what other companies do. They do things that other organizations can't or won't do. Vernon Hill is a classic example of an idea-driven entrepreneur who devised a unique values proposition—in his case, to transform a familiar (even "boring") field into a theatrical experience, a way of interacting with customers that customers never asked for until he showed them what was possible. He and his colleagues do things that the other high street banks can't do because they have a point of view about what matters in their field that those banks simply don't recognize.

Put differently, Metro Bank has created what brand strategist Adam Morgan dubs a "lighthouse identity." Morgan is the founder of a global marketing agency called eatbigfish, with offices in London, San Francisco, and New York City. He and his colleagues have spent years studying companies that break from prevailing norms and practices in their fields. These challenger brands, Morgan argues, exhibit many different personalities, from the Democratiser to the Irreverent Maverick to the Feisty Underdog. But all of them exude a strategic presence built on four key pillars. First is a *point of view*: "They have a very particular take on how they see the world." Next is *intensity*: "They offer an intense projection of who they are in everything they do." Then comes *salience*: "They are highly intrusive, one cannot avoid noticing their activity even if not actively looking in their direction." Finally, they are *built on rock*: They assert "a compelling conviction that the stance they are taking is one that is uniquely theirs."

It's this lighthouse identity, their richly defined values proposition, that separates challenger brands from the incumbents in their field, most of whom are content to refine their dollars-and-cents value proposition. Every time you encounter them, however you encounter them, you understand how they see the world and what they care about, why their point of view matters and how they expect to win, and why what they're doing and how they're competing is relevant to you. In short, companies and brands with a lighthouse identity "do not attempt to navigate by the consumer," Morgan argues. "Instead, they invite the consumer to navigate by them."[8]

To be sure, Vernon Hill had access to vast resources that he has used to play for big stakes in and around London, raising huge sums of private capital to establish a one-of-a-kind presence in one of the world's most vital cities. But you don't need deep pockets or marketing glitz to develop a richly defined values proposition. Nor, for that matter, must a lighthouse identity be built first and foremost around a focus on customers. Sometimes, maybe most of the time, entrepreneurs and innovators begin by challenging the expectations of their customers and building an organization that can deliver on a new set of expectations. But they can also begin by challenging the expectations of the organization itself and allowing the people in it to fashion compelling alternatives to a dispiriting status quo.

Organizations with a "lighthouse identity" offer "an intense projection of who they are in everything they do."

Consider the work of a very different European entrepreneur whom I first encountered in the early days of *Fast Company*, and whose company has spent more than two decades breaking new ground in some of the least attractive, lowest-margin businesses imaginable—and building a high-profile, fast-growing, award-winning company in the process. Liisa Joronen, based in Helsinki, created her company and made her name in what is literally a dirty business—cleaning offices, hospitals, and apartment buildings, first in her native Finland and now across much of northern Europe (Sweden, Latvia, Estonia) and even Russia. She started SOL cleaning services (the name SOL is meant to invoke the warmth of the sun) in the early 1990s, carving out a small business unit from one of the oldest companies in Finland, a 150-year-old industrial empire owned by her family. Joronen's father made her CEO of the family business, Lindström, at age thirty-five, but her unorthodox ideas about frontline employees—their capacity to make decisions and govern themselves—clashed with her father's conventional, top-down approach. Rather than cross swords with her father, she spun off one of the company's least-attractive operations and put her ideas to work. And almost immediately, she and her colleagues started to clean up.

Joronen's core insights, which she set out in her doctoral thesis at the University of Helsinki, were as simple as they were profound:

Just because a company like SOL was operating in a low-margin, high-turnover, no-glamour field, it did not have to act that way. It could invent a different way to be in the cleaning business, to elevate the status of the company and everyone in it, based on a new kind of values proposition that applied to employees first and customers second. "Our main goal is to change how cleaners work," she told *Fast Company* just as the company was hitting its stride. "To let them use their brains as well as their hands." The ultimate goal, she declared, is to "Kill routine before it kills you."[9]

Almost nothing about Joronen's company is routine. The personality of SOL headquarters, in a renovated film studio in the middle of downtown Helsinki, is young, playful, energetic. The walls of "SOL City" are painted in bright reds, whites, and yellows. Meeting areas and conference rooms are designed as neighborhoods with unique personalities. Every element of both the building and the culture is built around an over-the-top sense of optimism, good cheer, and an upbeat personality. On Thursdays, for example, SOL offers free soup during lunchtime to all employees and to anyone else who cares to drop in, turning the office into a warm-and-fuzzy refuge in the cold Helsinki winter. Online, to explain itself and its culture, SOL offers a collection of funny, uplifting videos under the theme "Sunshine for your day." (There's also a video of Joronen, in a yellow chicken suit, laughing with colleagues, but as everyone is speaking Finnish, I'm not sure what's so funny.)

But the company's offbeat style isn't truly what sets it apart among its peers. Joronen and her colleagues have built a fast-growing organization by rethinking the very nature of work in a field that few people ever dream of being a part of, but which, like any business, can provide all sorts of opportunities for growth, creativity, and expansion if people are given the chance. That meant distributing decision-making power from headquarters to the field, allowing local teams and offices to set their own business targets and figure out how to meet them, even putting frontline personnel in charge of budgeting, hiring, and negotiating with clients. "Life is hard, work is hard," Joronen told us at *Fast Company*, "but in a service business, if you're not happy with yourself, how can you make the customer happy?"

For example, one of the first innovations that SOL embraced was to insist that its cleaners work during the day, when offices, labs, and hospitals are teeming with people, rather than at night, after most everyone had gone home. What's more, on the job, SOL employees wear bright yellow-and-red jumpsuits, which give them a sense of pride and professionalism and make them impossible for clients to ignore. That in and of itself cuts against the grain of a business where most employees report to client sites after hours, when most everyone has gone home, and conduct themselves as quietly and inconspicuously as possible. But Joronen realized that if her colleagues showed up when their clients were on the job, and conducted themselves in ways that demonstrated their smarts and commitment, clients would ask them to do more. And because local offices and frontline teams were authorized to pitch business and cut deals, cleaners essentially acted as salespeople, not just polishing floors but landing business.

As a result, hospitals that first engaged SOL to clean rooms or change sheets now use its people as nursing assistants, helping patients get to their tests and notifying doctors of emergencies in the rooms. In more and more grocery stores, frontline SOL employees no longer just sweep the floors, they also stock the shelves and update prices. At the Hartwall Arena, home of the Finnish national hockey team, SOL went from cleaning the facility to staffing the information desk to providing security guards to conducting round-the-clock monitoring. In other words, SOL does things that its competitors can't or won't do because it has both strategic aspirations and organizational wherewithal that they simply don't have.

The results speak for themselves. When I first got acquainted with SOL, the company had fewer than 2,000 employees and $35 million in revenue. Two decades later, when I got an update on the business from Liisa Joronen's son, Juhapekka Joronen, who runs a big chunk of the operation, I couldn't help but shake my head at its growth and diversification. At the end of 2015, SOL had more than 11,000 employees, 3,500 of them outside Finland, revenues ten times greater than back in the early days, and entirely new lines of business from security services to a temporary-staffing agency. Liisa Joronen, who has retired from her day-to-day responsibilities at the company, is something of a leadership icon in northern Europe, winning awards, attracting attention from business-school professors, sharing her insights with CEOs from cutting-edge fields eager to learn from SOL's performance in its unassuming field. "People are ambitious and unrealistic," she explained back when the company started out. "They set targets for themselves that are higher than what [we] would set for them. And because they set them, they hit them."

"WE ARE THE ONLY ONES WHO DO WHAT WE DO" —PUZZLES VERSUS MYSTERIES

Over the years, as I've exhorted companies and their leaders to embrace a richly defined values proposition rather than a dollars-and-cents value proposition, I've heard all kinds of warnings about the downside to thinking bigger and aiming higher. One common worry is the inevitable competitive backlash: If a braver, more clever, more forward-looking company succeeds at doing something new, the reasoning goes, then surely larger, richer, more established companies will decode that success, mimic its logic, and upend the innovator who moved first. What's the point of launching a whole new way to be in a business if you are inevitably going to be shot down by rivals with all the strategic firepower they need?

Think about Microsoft's legendary (and lethal) response to Netscape, the Silicon Valley start-up that released the first popularly available Web browser and ushered in the Internet revolution—only to be crushed by a copycat browser from the software giant a few years later. Or how the cable titans co-opted the breakthrough recording-and-playback technology pioneered by TiVo, which forever changed how all of us watch television, even as it left TiVo a pale shadow of its one-time aspirations for glory. In life, Clare Boothe Luce famously quipped, "No good deed goes unpunished." In competitive strategy, the worry goes, "No good idea goes uncopied."

Were that the case! In the real world, the struggles of promising game changers such as Netscape and TiVo look more like the exception than the rule, cautionary tales that can inspire far too much caution in a world starved for originality and imagination.

Indeed, I'm constantly amazed at how unwilling or unable most big, incumbent, long-established organizations are to learn from (let alone copy) the market makers in their field. Imitation may be the sincerest form of flattery, but it's among the rarest forms of competitive response. And it's certainly no excuse for limiting, in advance, the scope of your strategic ambitions. What your competitors *won't* do, despite how much they know about what you're doing, may surprise you.

There's a reason for that. More than a decade ago, a national security expert by the name of Gregory Treverton made an important distinction about gathering intelligence that prompted many U.S. government agencies to rethink how they evaluated rivals and sized up threats. His distinction, it turns out, also explains why the companies we've visited are so hard for their rivals to evaluate. During the Cold War, Treverton argues, the questions intelligence agencies faced were *puzzles*: How many weapons were in the Soviet arsenal? Did China sell missiles to Pakistan? Today, the most important questions are *mysteries*: Why would Saddam Hussein boast about weapons of mass destruction that he did not possess? Will Iran live up to its nuclear agreements with the West?

What's the difference between a puzzle and a mystery? Puzzles, Treverton explains, can be solved with better information and sharper calculations. Mysteries, however, can only be framed, not solved. "A mystery is an attempt to define ambiguities," he writes. "Puzzles may be more satisfying, but the world increasingly offers us mysteries." And treating mysteries like puzzles, he warns, can be dangerous and delusional—creating a false sense of confidence that crunching more information will clarify situations that can be understood only with more imagination.[10]

Well, what's true for intelligence gathering is also true for thinking intelligently about strategy and competition. As puzzles, the companies we've met don't have many missing pieces. There's nothing about savings accounts or office-park cleaning that can be patented, no "intellectual property" that can be hidden from prying eyes. There's also nothing very secretive about the processes behind the products. Vernon Hill is happy to share the Metro Bank model with entrepreneurs eager to learn from him, and Liisa Joronen and her colleagues advocate for what they call the SOL Operating System whenever they can. So the reason these companies are so distinctive is not because other companies lack the information to mount a challenge. It's because they lack the imagination to match and respond to these "lighthouse" competitors, to summon their passion and patience for doing business their way. To their competitors, companies like Metro Bank and SOL remain mysteries—one-of-a-kind organizations built on principles that they simply can't imagine replicating.

What your competitors *won't* do may surprise you. Don't let worries about imitation limit your enthusiasm for innovation.

The unchallenged rise of Metro Bank in London may be the ultimate case in point. From the moment Vernon Hill announced his intention to enter the UK market, the high street establishment knew what it was in for. His strategic playbook was an open book for any powerful organization that wished to copy it, or at least respond to it. Hill made no secret of the business model he planned to roll out in London (he spent years in discussions with regulators to get their approval), and the performance of Commerce Bank in the United States was well-known and well documented, including in the form of a widely read Harvard Business School case study. Some time-traveling Paul Revere in reverse could have galloped down Oxford Street or around Piccadilly Circus shouting, "Vernon Hill is coming! Vernon Hill is coming!"

So how did the Big Five respond? With a big whiff. In fact, it was precisely this lack of response that allowed Hill to recruit Metro Bank's CEO, Craig Donaldson, who has been instrumental since the earliest days of its meteoric growth. Donaldson was an up-and-coming executive at the Royal Bank of Scotland, a thirtysomething leader responsible for a business unit with ten thousand people and billions of dollars in revenue, when he was sent to Harvard Business School for an executive education program. Lo and behold, one of his first assignments was the Commerce Bank case. What Donaldson learned startled him, intrigued him, made him think. After he returned to London, he was asked to strategize about RBS's future retail-banking presence in the United Kingdom. So he went back to the United States, this time to see Commerce for himself. (By this point, Commerce had been sold to TD Bank, but the core ideas were still in place.) He grew more enthusiastic than ever, convinced that RBS could reclaim lost ground if it adopted some of the practices that made Commerce so successful. Donaldson made his pitch to the board, but it was rejected in favor of recommendations from (fittingly enough) McKinsey, which advised RBS to cut costs, close branches, reduce head count, and emphasize online banking.

"At that time, all the big banks were going in the same direction," Donaldson recalls during a break in the branch-opening festivities in Milton Keynes. "Everybody was cutting costs and closing locations. I'm a great believer that if everyone is heading in one direction, you should head in the other. Zig when others are zagging." Alas, there would be no zigging in Donaldson's future—until, shortly after the board decision, he got a call from Vernon Hill, who was looking for an experienced (and open-minded) London banker to help lead his British invasion. Donaldson, amazed by the timing of the call, told Hill that he had already studied his operation in the United States and had recommended that RBS embrace it. "If you can't copy the bank," the American replied, "why don't you come talk to me about setting it up in Britain?"

Thus began a series of transatlantic trips, including long stays at Hill's vast estate in Moorestown, New Jersey, during which he and Hill would talk strategy, visit banks and other retailers, and develop a shared mind-set about what Hill wanted to build in the United Kingdom. (Nothing Vernon and Shirley Hill do, it should be said, qualifies as average. Their Moorestown home, called Villa Collina, or "Hill House" in Italian, is a granite-clad Italianate palazzo that sits on forty-four acres and features waterfalls, sculpture gardens, and a "lemon room" with a variety of trees.) Donaldson was impressed by both the surroundings and the business strategy, but most of all by what he calls Vernon Hill's "zealot-like focus on the customer." Still, it was an unexpected encounter at the Philadelphia International Airport that ultimately convinced him to sign on as Metro's CEO.

"The last time I flew in to see Vernon, there was this big guy behind the counter at passport control," he says. "These guys never smile, they never make personal conversation. He looks at my passport and says, 'Sir, this is the fourth time you've been in the country in the last few months, can you explain why?' I tell him that I am here being interviewed for a job to set up a new bank, working with a local fellow named Vernon Hill. 'What?' he says. 'Vernon is setting up a new bank?' Then he turns to the guy behind the glass. 'Ralph, Vernon Hill is setting up a new bank! The power of red! It hasn't been the same since it went green!' [TD Bank's corporate color is green, as opposed to the red used by Commerce and now Metro.] Then I thought, how do I break it to these guys that the bank we're setting up is in England? I got in the car after I cleared customs, rang up my wife, and told her I had to take the job. I had never seen anything like that in my life."

Those passport-control officers didn't express unbridled enthusiasm about something as mundane as a bank because Vernon Hill's outfit was a little friendlier or a little more convenient than other banks. It was because Hill and his colleagues had created a way of being in the business, a sense of energy and color, that simply did not exist anywhere else. They made promises other banks could not make: unprecedented hours, unusual services, unique terms and conditions for normally cookie-cutter products such as checking accounts and debit cards. They delivered a performance no other bank could deliver, from stylish facilities to silly mascots to cheerful employees. All of which makes it so disconcerting, in the United States or the United Kingdom, for banks that have been around for centuries to respond in meaningful ways.

"If a typical British banker thought about starting something like this, he'd get ten friends together, they'd hire ten consultants, and they'd come up with a hundred reasons why it wouldn't work," Vernon Hill cracks. "The big banks can see what we are doing, but when they run it through their models, do the usual ROI analysis, they can't figure out how it works. Competing like this requires a leap of faith. That's why most things are so bland. Nobody is willing to take a leap of faith."

That's precisely what CEO Craig Donaldson experienced up close and personal when he was an executive at RBS, and how his big-bank rivals are responding (or failing to respond) to the Metro challenge today. "Go look at the established banks," Donaldson says. "They are all competing to do the same things. Lloyd's is green, Barclays is blue, but it's the same products in the same stores with the same hours. Same, same, same. That may be competition, but it's not choice. We bring choice. Competition is not the same as choice."

Shirley Hill explains Metro's unusual and uncopied presence even more simply. "We don't exist for us, we exist for the customer," she says, as she and Sir Duffield take one last tour of the Milton Keynes operation. "Everything we do is designed to make the customer happy, to look for reasons to say yes. This message, this attitude, this culture, is a way of life. It's amazing how many of our people will visit other banks, take pictures, and send them to me—'Can you believe how terrible this is?' I truly think we are the only ones who do what we do."

Chapter 2

WHY MISSIONARIES BEAT MERCENARIES (AND PASSION BEATS DRIVE)

"Some Things Have to Be Believed to Be Seen"

A few years ago, *Fortune* editor Adam Lashinsky wrote a well-reported book called *Inside Apple* that offered lots of intriguing material about Steve Jobs and the strategic choices, design principles, and business tactics that gave rise to a juggernaut unlike any the business world has seen. The book more than lives up to its title. There are colorful details on Apple's obsession with secrecy and the extraordinary lengths to which the company went to keep new projects under wrap from outsiders (and even company insiders). There's an eye-opening chapter, titled "Overwhelm Friends/Dominate Foes," about the demanding ways in which Jobs and Apple dealt with partners and competitors. There is a nuanced analysis of Apple's commitment to design and the exacting level of detail that attaches to even the tiniest elements of the company's product and packaging.

But for all of Lashinsky's behind-the-scenes stories about Apple's legendary founder, it was a public story about Jobs's successor, CEO Tim Cook, that offered a truly powerful insight for market makers everywhere. The story goes back to Cook's initial conference call with Wall Street after Jobs announced his medical leave of absence. The first question, Lashinsky reports, was from an analyst who wanted to know how the company would be different if Cook replaced Jobs permanently, which, of course, he eventually did. Cook did not respond with a detailed review of Apple's technologies, products, or retail presence—what it sold. Instead he offered a statement of what he and everyone else at Apple *believed*, "as if reciting a creed he had learned as a child" in Sunday school.

"We believe that we are on the face of the earth to make great products, and that's not changing," Cook declared. "We believe in the simple not the complex. . . . We believe in saying no to thousands of products, so that we can really focus on the few that are truly important and meaningful to us. We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in ways others cannot. And frankly, we don't settle for anything less than excellence in every group in the company, and we have the self-honesty to admit when we're wrong and the courage to change. And I think that regardless of who is in what job those values are so embedded in this company that Apple will do extremely well. . . . I strongly believe that Apple is doing the best work in its history."[1]

For companies and brands that aspire to do something truly extraordinary, what you believe has become as important as what you sell. The job of leadership today, the essence of strategy and competition, is about more than introducing marginally superior products or providing better-than-average service. It is about developing a set of deeply held principles that challenge received wisdom, and helping your organization get to the future first. Simon Sinek has written that great leaders "Start with Why"—they "choose to inspire rather than manipulate" and to "rally those who believe" to support a shared cause. He's right. Whatever the specifics of the company or the field, leaders who break new ground are those who are willing to make promises that other leaders won't make, because they have a point of view about the future that other leaders don't share. As the English poet Ralph Hodgson put it, "Some things have to be believed to be seen."[2]

For companies and brands that aspire to do something extraordinary, what you believe has become as important as what you sell.

John Doerr, the chairman of Kleiner Perkins Caufield & Byers, and one of the world's most accomplished venture capitalists, makes a poetic distinction of his own between two kinds of entrepreneurs and company builders—a distinction that gets to the heart of the difference between competing on what you sell rather than on what you believe. The definition of an entrepreneur, Doerr likes to say, is someone who "does more than anyone thinks possible with less than anyone thinks possible." And successful entrepreneurial ventures, whatever their industry or discipline, share a number of important traits: an A+ founder or founding team, a commitment to technical excellence, a devotion to building an authoritative, trusted brand and an obsession with the customer experience, a reasonable approach to financing, and a sense of urgency.[3]

But the most important trait, the distinction that separates high-impact entrepreneurs from those who don't make such a big difference, is less about what they do and more about what they believe and how they behave. The company builders Doerr is most eager to work with are "missionaries." The others, the ones he finds less compelling, are "mercenaries." There is room for both kinds of leaders, he concedes, but the difference between mercenaries and missionaries "is all the difference in the world."

In Doerr's mind, mercenaries are "opportunistic." They're "all about the pitch and the deal" and eager to sprint for short-term payoffs. Missionaries, on the other hand, are "strategic." They're all about "the big idea" and partnerships that last, they understand that "this business of innovation is something that takes a long time"—a marathon. Mercenaries have "a lust for making money," while missionaries have "a lust for making meaning." Mercenaries obsess about the competition and fret over "financial statements," while missionaries obsess about customers and fret over "values statements." Mercenaries display an attitude of entitlement and revel in the "aristocracy of the founders," while missionaries exude an attitude of contribution and welcome good ideas wherever they originate. Mercenaries strive for success; missionaries aspire to "success and significance."

Ultimately, Doerr argues, drawing on a distinction first made by entrepreneur and author Randy Komisar, himself a Kleiner Perkins partner, mercenaries are motivated by "drive," while missionaries are motivated by "passion." What's the difference? "Passion and drive are not the same at all," Komisar explains in his influential book, *The Monk and the Riddle*, which has become a bible of sorts for Silicon Valley entrepreneurs who aspire to create tremendous value without losing their values in the process. Drive, he says, "pushes you toward something you feel compelled or obligated to do." Passion "pulls you toward something you cannot resist." It comes down to who you are and what you believe. "If you know nothing about yourself, you can't tell the difference," Komisar says. "Once you gain a modicum of self-knowledge, you can express your passion."[4]

> **An entrepreneur "does more than anyone thinks possible with less than anyone thinks possible."**

That's a lofty ambition, I suppose, but it speaks to a lesson I've learned and relearned as I've studied hugely successful innovators in brutally competitive industries. And it's a lesson, oddly enough, expressed most lyrically in a tribute to another California institution, the Grateful Dead rock band. The Dead hold an iconic spot in the history of popular music thanks to their unique sound, devoted fan base, and ahead-of-its time business model that generated almost all of the group's revenue from live performances rather than studio recordings—a model that musicians and executives still learn from today.

Talk about a long, strange trip: The Grateful Dead have gone from symbols of the counterculture to fodder for marketing case studies and meditations on the nature of creativity. One business-school professor, an authority on executive leadership and a veteran of IBM and John Deere, actually wrote a book called *Everything I Know About Business I Learned from the Grateful Dead*, which identifies lessons from the band's creativity and staying power that can inspire other organizations. The book has inspired a cottage industry of journalists, marketers, and business analysts eager to turn their youthful indiscretions into management wisdom.

"By implementing a loose management style, long on flexibility and short on structure, the Dead pioneered practices and strategies that would subsequently be embraced by corporate America," argues Barry Barnes. "They placed an enormous value on customer service, and understood that keeping customers happy led to greater profitability. . . . Throughout all their ups and downs, they remained committed to improvisation and innovation, and they were never satisfied unless they were constantly reinventing themselves, their music, and their business. In today's business climate, beset by crisis and continual change, what lesson could be more important?"

Back in the early days, when the band was at the height of its powers, Bill Graham, the legendary rock promoter, himself an entrepreneur of the first order, was asked why the Grateful Dead were so successful. He didn't talk about their songs, their tours, or how their approach to the music business was a little more progressive than everyone else's—their drive. He talked about the band's sense of mission and purpose, what they were trying to achieve without regard to how anyone else operated—their passion. "They're not just the best at what they do," Graham said. "They're the only ones who do what they do."[5]

I can't think of a more compelling way to describe the mindset, the outlook, the point of view, required to achieve something extraordinary in highly competitive fields, whether it's the business of filling stadiums with music fans or the challenge of building organizations that will thrive, not just survive, in a turbulent world. As a company or as an individual, the goal is no longer to be the best at what lots of other people do. It's to be the only one who does what you do. That is, to approach your work, your company, your style of leadership, as a missionary rather than a mercenary.

"IF WE CHASE PERFECTION WE CAN CATCH EXCELLENCE" —EXTRAORDINARY PERFORMANCE IN ORDINARY SETTINGS

In his three-plus decades as a venture capitalist, John Doerr has funded some of the best-known business missionaries in some of the world's most advanced and dynamic fields, from life sciences to ecommerce to mobile apps. But Doerr's critical distinction doesn't just apply to high-flying, world-shaking innovators based in San Francisco or Seattle. The virtues of missionaries over mercenaries, the impact of passion as opposed to drive, apply to fields with none of the star power of smartphone technology or the cultural cachet of social media. That is one of the messages at the heart of this book: You don't have to be in a cutting-edge business to develop some edgy ideas on how to compete and win.

Are you hungry for evidence that it is possible to do extraordinary things in some pretty ordinary settings? Then head to Kingsport, Tennessee, pull into Pal's Sudden Service, and order a Sauceburger, large Frenchie Fries (yes, I got that right), and a sweet tea, the most popular item on the menu. You'll leave with a mouthwatering (if highly caloric) meal, plenty of time to eat it, and lots of food for thought about the big lessons this small company has to offer. Over the years I've come to appreciate that you often discover the most amazing ideas in the most unexpected places. Pal's is one of those places. What you learn here will stick to your ribs, and feed your appetite to learn more.

At first blush, there's nothing all that amazing about Pal's Sudden Service. It has twenty-eight locations in northeast Tennessee and southwest Virginia, all within an eighty-mile radius of its home base in Kingsport, in what's known as the Mountain Empire region, nestled between the Appalachians and the Great Smoky Mountains. It sells hamburgers, hot dogs, chicken sandwiches, fries, shakes—pretty much standard fast-food offerings, although the taste and quality have a well-deserved reputation for excellence. (Having sampled the fare, I still get the occasional craving for the Frenchie Fries, which are truly without peer.) Dig deeper, though, and you begin to appreciate that nothing about Pal's is standard for its business—or any business.

What makes the company so special? Most obvious is its fanatical devotion to speed and accuracy. Pal's does not offer sit-down service inside its restaurants. Instead, customers pull up to a window, place their orders face-to-face with an employee (no scratchy loudspeakers), pull around to the other side of the facility, take their bag, and drive off. All this happens at a lightning pace—an average of eighteen seconds at the drive-up window to place an order, an average of twelve seconds at the handout window to receive the order. That's *four times faster* than the second-fastest quick-serve restaurant in the country, which requires more than a minute on average to take an order. (Hence the name, by the way. When Fred "Pal" Barger founded the company decades ago, he wanted to communicate that his outfit would dramatically outperform traditional fast food. What's faster than fast? *Sudden* service. The company's slogan: "Great food in a flash.")

But Pal's is not just absurdly fast—sorry, sudden. It is also staggeringly accurate. You can imagine the opportunities for error as cars filled with bickering families, rowdy teenagers, or frazzled businesspeople zip through the double-drive-through stations in fewer than twenty seconds. ("I said Sausage Biscuit, not Gravy Biscuit"; "I wanted a Double Big Pal, not a Double Big Pal with cheese.") Yet Pal's makes a mistake only once in every thirty-six hundred orders. That's *ten times better* than the average fast-food joint, a level of near perfection that is without peer in the business. Indeed, one reason customers pull away from the handout window in twelve seconds or fewer is that almost none of them bother to check their orders before they drive off. It is the universal mantra of the Pal's experience: "We don't look in the bag because we know it's right." Says David Jones, an instructor at the Pal's Business Excellence Institute (more on that later): "It is not acceptable to us that a customer gets his or her order wrong—*ever*. There is a huge difference between doing it right most of the time and all of the time. We expect all of the time."[6]

Don't get the wrong idea. Pal's is not some sort of robotic assembly line churning out orders quickly, accurately, and colorlessly. There is a real sense of whimsy about the restaurants. Their vivid blue exteriors and stair-stepped designs feature giant statues of burgers, hot dogs, fries, and a drink cup. When I pulled up for the first time, I couldn't resist the urge to park the car, jump out, and persuade someone to snap a photo of me in front of the place. (Sadly, my selfie skills are not exactly world-class.) A huge sign outside each location displays a new THOUGHT OF THE DAY every day, and these gems of insight and inspiration ("Chase Your Dream," "Wave at a Policeman") get posted to the company's Web site and Facebook page. The menu is limited and pretty fixed, the better to deliver speed and accuracy. But Pal's also spices up its menu with goofy-sounding limited-time offers, like the Bar-B-Dog (pulled pork on a hot dog bun) and the self-explanatory Lil' Philly Steak Melt. Hard-core customers also know that there are a bunch of "secret" menu items that represent strange and offbeat variations on the formal offerings but never appear in public.

The result of this relentless efficiency and colorful personality—a true lighthouse identity, to use Adam Morgan's phrase—is a level of customer loyalty that is off the charts for the quick-serve field. One trade magazine claimed that Pal's is "loved with cult-like ardor" in the places it operates, and it's no exaggeration. Pal's customers visit its restaurants an average of three times per week. McDonald's customers, by comparison, visit its restaurants an average of three times per month. I make no claims about the health consequences of all this repeat business, but the financial consequences are clear. An individual Pal's location, which requires only 1,100 square feet of space, generates a staggering $2 million of annual revenue, a sales-per-square-foot performance ($1,800) that is the envy of just about any fast-food restaurant in America. (The typical McDonald's location generates less than $650 of annual sales per square foot.)

These facts and figures speak only to bottom-line results.

What's truly intriguing about Pal's, though, is the level of intelligence and intensity with which it approaches everything it does—how it hires, how it trains, how it shares its ideas with other companies eager to learn from its success. Despite the rather humble field in which it operates, Pal's Sudden Service ranks among the most committed, the most reflective, and the most *intellectual* companies I have encountered. But don't take my word for it. Back in 2001, Pal's became the first restaurant company of any kind to win the prestigious Malcolm Baldrige National Quality Award—an award that's been won over the years by Cadillac, FedEx, and Ritz-Carlton. Since then, only one other restaurant company has won a Baldrige—and that company, it would be the first to admit, learned everything it knows by studying Pal's.

"If you watch professional athletes, everything they do looks so smooth and fluid," says Thomas Crosby, who joined Pal's in 1981 and became CEO in 1999. "But eventually you realize how much work went into that performance, all the training, all the skill building, all the hours. It's the same for us. We are known for speed, but there are no timers in any of our restaurants. We are very particular about process design, quality, hiring, and training. We home in on the key elements of the customer experience, the things we can be great at, and work on them until everyone can be smooth and fluid. Speed is the outcome, but it's not the point of the exercise."

So what *is* the point of the exercise, the big-picture mission that drives this quick-serve outfit and allows it to connect so personally with customers who never sit down inside its locations and have interactions with frontline employees that, by design, last for only a matter of seconds? "Customers don't come here to spend time with us," Crosby replies. "They want us to make their lives a little easier. They're in such a hurry, they have so much else to do, we help them get on with their lives. And we treat them like adults—there's no 'suggested selling,' no 'Would you like a drink with that?' Our customers know what they want, they don't need us to suggest extras. So we give you back your time. And we give you the confidence that when we hand you that bag, everything is just as you asked for it. You hit the accelerator and you're on your way."

It's hard to capture just how much careful thought Pal's applies to the seemingly mundane task of making burgers and fries quickly and well, or just how personally Thom Crosby and his colleagues take their work. But here's a little taste of how the company runs. Pal's twenty-eight locations employ roughly 1,020 workers, 90 percent of whom are part time, 40 percent of whom are between the ages of sixteen and eighteen. The company has developed and fine-tuned a screening system to evaluate candidates from this notoriously hard-to-manage demographic—a sixty-point psychometric survey, based on the attitudes and attributes of Pal's star performers, that does an uncanny job of predicting who is most likely to succeed at the company. Among the agree–disagree statements: "For the most part, I am happy with myself"; "I think it is best to trust people you have just met"; "Raising your voice may be one way to get someone to accept your point of view."

Once Pal's selects its candidates, it immerses them in massive amounts of training and retraining, certification and recertification. New employees get 120 hours of training before they are allowed to work on their own, and must be certified in each of the jobs they do: grilling burgers, making fries, mixing shakes, taking orders. (Most employees are certified in as many as eight different jobs, although some specialize in just one or two.) Then, every day on every shift in every restaurant, a computer randomly generates the names of two to four employees to be recertified in one of their jobs—pop quizzes, if you will. They take a quick test, see whether they pass, and if they fail, they get retrained for that job before they can do it again. (The average employee gets two or three pop quizzes per month.) The goal is for everyone at the company to be so good at what he or she does, to stay at the top of their game throughout their tenure at Pal's, that the company operates at what it calls the Triple 100—100 percent execution 100 percent of the time, even when restaurants are operating at 100 percent of capacity.

It's like that maxim from legendary football coach Vince Lombardi: "Perfection is not attainable, but if we chase perfection we can catch excellence." CEO Thom Crosby puts it slightly differently: "We believe in certification over graduation," he explains. "We train you, we graduate you—that's when most companies stop. But people go out of calibration just like machines go out of calibration. So we are always training, always teaching, always coaching." Importantly, Crosby adds, most of that coaching is built around positive reinforcement for superior behavior, "catching people in the act of doing it right." At Pal's, "If people aren't doing something right, that's not a problem with them, it's a problem with the training. We are cheerleaders for success. But if you want people to succeed, you have to be willing to teach them. So we have formalized a teaching culture. We teach and coach every day."

To be honest, my going-in assumption was that Pal's rigorous screening of its applicants, the hours and hours of training it requires, and its never-ending commitment to certification and recertification would make for a workforce that is uptight, stressed-out, anxious about screwing up and suffering the consequences. In fact, just the opposite is true. When I spent time behind the counter, in the kitchen, and in the storage rooms, I was struck by how calm, methodical, and even-keeled the atmosphere was—the opposite of Lucy and Ethel on the chocolate-candy assembly line. The system is so carefully designed, and everyone in the restaurant so well trained, that the operation can be fast without being furious, relentless without being joyless.

The result of this culture is that employees at Pal's show the same sense of loyalty as its customers. Turnover numbers are absurdly low. In thirty-three years of operation, only seven general managers (the people who run individual locations) have left the company voluntarily. Seven! Annual turnover among assistant managers is 1.4 percent, vanishingly low for a field where people jump from company to company and often exit the industry altogether. Even among frontline employees, the part-timers and high schoolers who can be so tough for most organizations to rely on, turnover is one third the industry average. "People ask me, 'What if you spend all this time and money on training and someone leaves?'" Crosby says. "I ask them, 'What if we don't spend the time and money, and they stay?'"

Crosby takes his teaching responsibilities seriously—and personally. For example, Pal's has assembled a master reading list for all the leaders in the company, twenty-one books that range from timeless classics by Machiavelli (*The Prince*), Sun Tzu (*The Art of War*), Dale Carnegie (*How to Win Friends and Influence People*), and Max De Pree (*Leadership Is an Art*) to highly technical tomes on quality, lean management, and day-to-day execution. Crosby runs a book club to delve into the material. Every other Monday, he invites five managers from different locations to discuss one of the books on the master list. "All five of them have to read the book and give a presentation," he says. "'Here's what I learned, here's how it applies to Pal's, here's what I am committing to change, here's how I am helping people in my operation grasp the concepts and put them to work.'"

Meanwhile, every day, he identifies at least one subject he will teach to one person in the company. Actually, that's a requirement for all leaders at Pal's, who are expected to spend 10 percent of their time on teaching, and to identify a target subject and a target student every day. On the day I visited, Crosby had three teaching sessions on his schedule. The first was about personal productivity: "When is a job really done? You spend time on something, you 'finish' it, but the fringes are not wrapped up tight. So is it done?" The second was about the creative side of the business: "I talked with someone about what we call the 'chef's mentality.' We spend lots of time on process. But we are in the food business, so we have to think like chefs." The third was a classic management topic, working with a store leader on the sales-forecasting system. "You need to make these formal teaching commitments," Crosby says. "If you teach valuable subjects to the right people, you move the needle as a brand and as a business."

This teaching mentality is so ingrained in the Pal's culture that it has become the primary regulator of the company's growth strategy—which, for all its success and acclaim, is much more modest than it could be. Over the last ten years or so, quick-serve joints with a sense of style (think In-N-Out Burger on the West

Coast or Danny Meyer's Shake Shack on the East Coast) have exploded into the public consciousness and become a mouthwatering destination for investors. (Shake Shack's IPO in January 2015 valued the sixty-three-restaurant company at more than $1 billion.) Given that Pal's is so wildly popular among its customers, and such an icon in its region, it could be racing to add new locations, even new parts of the country, much faster than it has. So why, I asked CEO Thom Crosby, has the company been so restrained in its growth trajectory?

"We could grow faster, and there will be some acceleration as we get bigger," he replied. "But we are very conservative. The thing to us about size, where we see so many others get it wrong, is that they believe growth is about real estate and financial resources. Growth for us is about people and leadership development. Our concept is, let's develop a leader until they push us to a point where we say, 'We can't *not* build a store for you, because you're such a superstar.' Growth is not just about markets or demographics. It's people ahead of everything else."

Even as Crosby and his colleagues are fanatical about the teaching mentality inside Pal's, it informs their relationship with the outside world as well. Over time, as the company's management prowess became the stuff of legend in certain business circles, especially after the Baldrige Award, more and more executives asked to see for themselves what the fuss was about. So Pal's decided to create an institution to teach other companies to do what it has done—not how to make a Big Chicken or a Toasted Cheese, but how to strive for extraordinary in a world with far too much ordinary. Every month, sometimes twice a month, the Pal's Business Excellence Institute convenes a two-day master class in

Kingsport on the ideas, systems, metrics, and techniques behind the company's enormous success. These classes, which sell out weeks in advance, attract students from a diverse set of fields and professional backgrounds.

The session I attended included visitors from hospitality companies, manufacturers, the construction business, a ballet troupe, a public-school system, and, of course, several quick-serve outfits. For many of the organizations in the room, this was the second, third, even fourth time they'd sent staff members to study the Pal's business model. Like the company's restaurants, the Pal's Business Excellence Institute "is kind of a cult," one attendee joked to me. And if not a cult, at least a learning laboratory that inspires lots of enthusiasm and passion. K&N Management, based in Austin, Texas, and the second restaurant outfit ever to win the Baldrige, visited Pal's *fourteen times* over nine years to learn the secrets of its success.

Why do these companies bother to flock to Kingsport? What makes Pal's tick? How do the company's leaders and rank-and-file employees maintain the passion to keep pursuing perfection even in a field as imperfect as fast food? The more I listened to the instructors and watched my fellow students, the more I came to appreciate the missionary mind-set, the shared passions among teachers and students to feel like they were building something special, that they were thinking bigger and aiming higher than others in their field. David McClaskey, cofounder and president of the institute, began the two-day session with a message that was directly relevant to everyone in the class—and to everyone reading this book.

"I have a lot of respect for average," he told the group. "In most industries, it is not easy to be average. But we choose to be extraordinary. And it *is* a choice. The world will not demand it of you. You have to fight for it. Every day, people have to ask themselves, 'What am I willing to do that the ordinary leader is not willing to do?' The world will not force you to be extraordinary. You must demand it of yourselves."

> **"In most industries, it is not easy to be average. But we choose to be extraordinary. And it *is* a choice. The world will not demand it of you."**

"NOTHING CLARIFIES LIKE CLARITY" —WHY THE BEST LEADERS TALK THE WALK

One of the most ubiquitous aphorisms in organizational life is that the best leaders "walk the talk." They understand that their behavior and day-to-day actions have to match the aspirations they have for their colleagues and the operation as a whole. But the more time I spend with market-making innovators and high-performing companies, the more I appreciate that leaders also have to "talk the walk." They must be able to explain, in language that is unique to their field and compelling to their colleagues and customers, why what they do matters and how they expect to win. Ultimately, as I've tried to demonstrate in these first two chapters, the only sustainable form of business leadership is thought leadership. Which is why leaders who *think* differently about their business invariably *talk* about it differently as well.

Vernon Hill is so obsessed with the role of language at Metro Bank that when he published a book in Great Britain about his personal story and business lessons, he included a glossary of forty-one words and phrases that have special importance at the bank and help to create a shared understanding at every level about what makes Metro tick. Pal's Sudden Service doesn't just have its own vocabulary, it has its own *curriculum*—courseware, reading lists, and lesson plans that distill into rich language the ideas that drive the company forward and distinguish it from more mundane players in its field. Liisa Joronen and her colleagues in Helsinki have such a granular way of explaining what they call the SOL Operating System that it becomes easy to understand their one-of-a-kind ideas, even if they are hard to replicate by outsiders who don't share the company's point of view about elevating the roles and responsibilities of frontline workers.

Still, I'm not sure I've ever seen the power of language come so vividly to life as I did when I participated in a daylong orientation held roughly every six weeks for new "team members" of Quicken Loans, the online mortgage lender based in Detroit and founded by high-profile billionaire Dan Gilbert, the fiery owner of the Cleveland Cavaliers and the business leader most associated with the Motor City's economic-comeback strategy. Like Gilbert himself, Quicken Loans is famous for lots of things, from torrid growth (the company closed a record $200 billion worth of mortgage volume since 2013, making it the second-largest mortgage lender in the United States, ahead of Bank of America) to much-praised customer service (it is a perennial J.D. Power customer-satisfaction winner) to its intense and outgoing corporate culture, which ranks it high every year among *Fortune*'s "100 Best Companies to Work

For" and "*Computerworld*'s Best Places to Work in IT." But behind all the growth and success, at the heart of the company's approach to strategy, service, and culture, is a language system that defines life inside the organization and captures the missionary zeal behind its success. You can't understand why Quicken wins unless you understand how it talks.[7]

Founder Dan Gilbert and CEO Bill Emerson call this language the company's "ISMs," which is why the rollicking, fast-paced, eight-hour orientation session is called "ISMs in Action." ISMs are short, pithy statements of philosophy, values, and behavior that capture the essence of life at Quicken Loans. "Numbers and money follow, they do not lead." "Innovation is rewarded, execution is worshipped." "Simplicity is genius." "Every second counts." "We are the 'they.'"

Gilbert and Emerson, who present separately and together over the entire eight hours an executive teaching marathon unlike anything I have witnessed, march team members through the ISMs with slide shows, stand-up humor, war stories, and unabashed appeals to the heart. A few of the ISMs get covered in ten or fifteen minutes, some take as much as an hour, even more. But the result is a full-day immersion in a whole new language—a vocabulary of competition that helps to set the company apart in the marketplace and hold its people together in the workplace. It's also an opportunity to watch how frenetic, hard-charging, supremely confident business executives flat-out enjoy the power of words to shape minds and guide action. "Things that are easy to do in the beginning are usually hard to live with in the end," Bill Emerson warned early in his presentation. "If you weren't you, would you do business with you?" asked Dan Gilbert, perhaps channeling the wisdom and spirit of Yogi Berra.

Interestingly, several of the attendees with whom I spoke weren't even new to the company. They'd come back to ISMs Day for a refresher course, a reminder, an opportunity to reacquaint themselves with the language that defines life at Quicken Loans, a chance to spend a day watching the founder and the CEO talk the walk. "This is not about what we do, it's about who we are," Dan Gilbert told the audience. "When you know who you are, then all of the decisions you have to make become a lot easier. When decisions are easier to make, things get better faster. Nothing clarifies like clarity."

On the day I attended, more than a thousand participants crowded into a ballroom in the Marriott at the Renaissance Center on the banks of the Detroit River to immerse themselves in the company's nineteen ISMs and the worldview they are meant to capture. Oddly, the first thing I noticed were rubber wristbands for attendees with the inscription "You'll see it when you believe it," an echo (no doubt unintentional) of Ralph Hodgson's memorable turn of phrase. (It's ISM number 11, actually.) After some loud music and an audience-wide wave, Gilbert and Emerson got down to business. They urged their colleagues to embrace the belief that "The inches we need are everywhere around us"—in other words, there are countless small opportunities for people to tweak a product, improve a process, reduce a cost, that lead to big wins. (That's the second of the company's nineteen ISMs.) They insisted, no excuses allowed, that everyone agree with the ISM "Responding with a sense of urgency is the ante to play." Gilbert personally emphasized again and again, sometimes with jokes, sometimes with withering disdain, the absolute requirement that Quicken employees return every phone call and every e-mail on the same business day they are received. "We are zealots about this," he thundered, "we are on the lunatic fringe" (the same language, interestingly enough, used by Vernon Hill and the bankers at Metro). "And if you're 'too busy' to do it, I'll do it for you"—at which point he gave out his direct-dial extension and promised to return calls for any of his overwhelmed colleagues.

On and on it went—funny stories, sage pieces of advice, a rapid-fire history of the company that underscored the ideas and insights behind its rise to prominence. But mainly an iteration and reiteration of the company's nineteen ISMs. What's more, everything about the day, from the look and feel of the vast ballroom to the smallest details of how the company's leaders presented their material, was meant to bring those ISMs to life. More than once I was struck by how CEO Bill Emerson, a member of Penn State's 1982 national championship football team, almost physically became the ISM he was explaining. During a long (and oddly memorable) explanation of the power of body language in human interactions, its importance even when people are communicating over the phone rather than face-to-face, he was literally lying flat on the stage, trying to underscore the shortcomings of a passive approach to important conversations. "You cannot create enthusiasm sitting on your butt!" he thundered. "You have to be engaged, you have to move around!"

Leaders who *think* differently about their business invariably *talk* about it differently as well.

What was even more striking than what I saw during "ISMs in Action" was what I saw after I left the session and spent time in different corners of the company trying to understand how leadership's obsession with language manifested itself in the day-to-day realities of life inside the company. Those connections were not hard to find. The commitment to sustained, small-bore innovations (one of its ISMs is to be "obsessed with finding a better way") means that Gilbert and Emerson love to talk about the virtues of "building a better mousetrap" in every element of how the business operates. So the company has a Mousetrap Department, created more than ten years ago, whose members (called Mousetrappers) search for small ways to make things smarter, faster, cheaper, more consistent. Meanwhile, the Cheese Factory (get it?) solicits ideas from across the company on every nook and cranny of how the business can be improved, vets the ideas, and then helps get them implemented. In a typical year, the Cheese Factory receives more than 7,000 ideas and implements more than 1,000 of them.

Among the company's 1,200 IT professionals, the signature program for rapid-fire innovation is what's called Bullet Time (a different metaphor that would require too long an explanation). Every Monday afternoon for four hours, members of the IT staff, alone or in teams, work on projects of their own choosing, at their own pace, as long as those projects represent a clear break from what they normally do. (The projects do not have to offer direct benefits to the company.) "Innovation is no longer about people in lab coats tucked away for six months or a year, emerging from some secret place with a 'disruptive' technology," explains Bill Parker, a senior IT leader and the person most responsible for starting Bullet Time back in 2011. "If you make lightning strike a thousand times, you're going to start fires all over the place. That's the logic of how things evolve and improve."

Ultimately, though, the most persuasive example of the power of language inside Quicken Loans, the direct connection between how its leaders talk and how the organization performs, is the way the company recruits and trains its mortgage bankers. These are the people who drive the top line of the business, the revenue generators who field calls from prospective clients, size up their creditworthiness, help them organize their personal finances, determine their goals, complete the government-required forms, and get the loan—all over the Internet or by telephone. It's a fast-paced, detail-oriented, emotionally fraught kind of job, in which the typical mortgage banker has more than a thousand monthly interactions with clients—which means a thousand opportunities not to live up to the standards of focus, service, and immediate response that the ISMs reinforce.

Which is why, explains Michelle Salvatore, who spent more than a decade as a senior recruiting executive at Quicken Loans, only 20 percent of the mortgage bankers the company hires come with a banking background. (The fast-growing organization, which has more than 1,000 job openings at any time, employs some 130 people to find, interview, evaluate, and do background checks on recruits.) It hires more than 125 mortgage bankers per month in Detroit alone, along with bankers based in satellite locations in Ohio, Arizona, and North Carolina. "We don't really like our bankers to have prior industry experience," she says, "because we have to retrain them away from what they learned elsewhere."

Tony Nuckolls, vice president of training and leadership development, who joined the company back in 1996 and was a founding member of the Mortgage-in-a-Box team, the innovation that gave rise to the modern Quicken Loans, underscores Salvatore's point.

"If we can bring someone in as a blank canvas, we can train them up, immerse them in our ways of thinking, our ways of behaving, our ways of treating clients," says Nuckolls, who is something of a legend inside the company. "We've had people come to us from the industry and it's really hard to break some of their habits."

The signature experience for new bankers, called, in classic Quicken Loans style, Banker Greatness Training, is in part a deep dive into the technical process from beginning to end—the laws, regulations, software systems, credit factors, and financial analytics required to be a highly skilled (and government-licensed) mortgage professional in any environment. But the heart of the experience, which lasts as long as six months, is all about human behaviors that trace directly to the ISMs championed by Dan Gilbert and Bill Emerson—service, energy, decision making, problem solving, and communication to be a high performer in the Quicken Loans environment.

"We practice like crazy," Tony Nuckolls explains, "we practice more than anyone else in this space. We listen to phone calls with clients, we break down those calls and analyze how our bankers are behaving. We look at these calls the way an NBA team looks at game film: 'This is what a good call sounds like, this is what it looks like, this is an interaction that brings our brand promise to life, this is a call that didn't live up to our standards.' Great mortgage bankers at this place are phenomenal listeners, they know how to assess the real goals of their clients, they have a sense of urgency, they want things done yesterday. If we're doing our job right, and they are the right people for the job at Quicken Loans, they understand that being a mortgage banker here is new, unique, different, and they like it."

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