

Crossing the Chasm

Corporate Culture and
the Product Champion



How do corporations define “success?”

The background image is a dark, textured landscape. It features jagged, dark grey or black rock formations. In the center, there is a bright, glowing orange and yellow lava flow that appears to be bubbling and moving. The sky above is a deep, dark red color. The overall mood is intense and somewhat ominous.

Corporate ‘success’ often focuses on **profit** – yet this is *rarely* the main focus.

“Success” faces conflicting demands...

- What type of business are we going to be? (profit or non-profit).
- Researching product ideas (what do we plan to sell?)
- Finding investment (where to we find start-up money?)
- Hiring, training, and paying “multi-hat” start-up employees.
- Marketing (customer research, product strategies, pricing).
- Industrial Design (end-user experience, blending form with function).
- Engineering (detailed product design, testing, safety certification).
- Manufacturing (building factory systems that build products).
- Selling (advertising, distribution, public image-building).
- Administration
- Finance

**Large Scale Success Requires
Large Scale Institutions**

The definition of “success” stems directly from the personal values of the corporate founder.

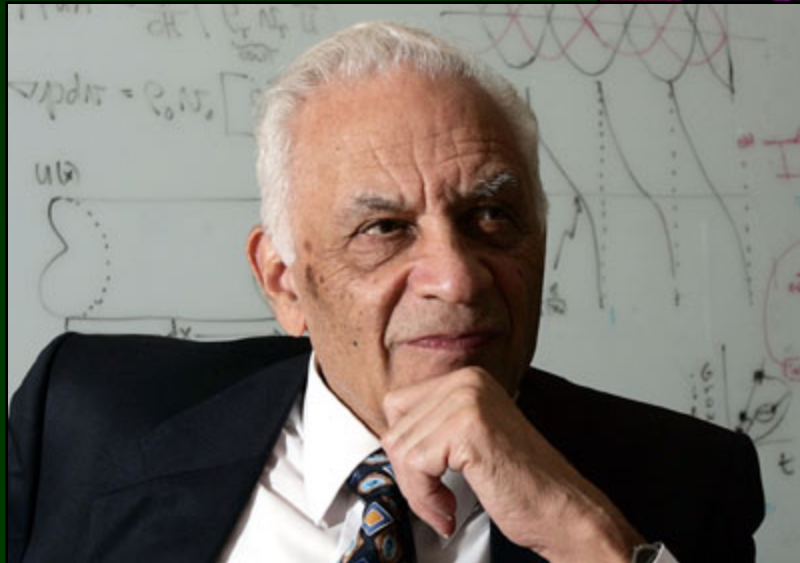
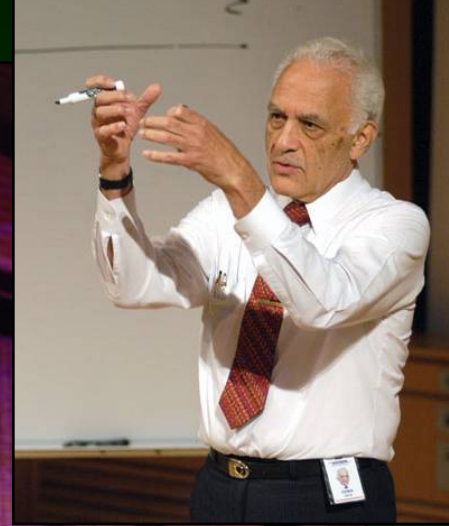
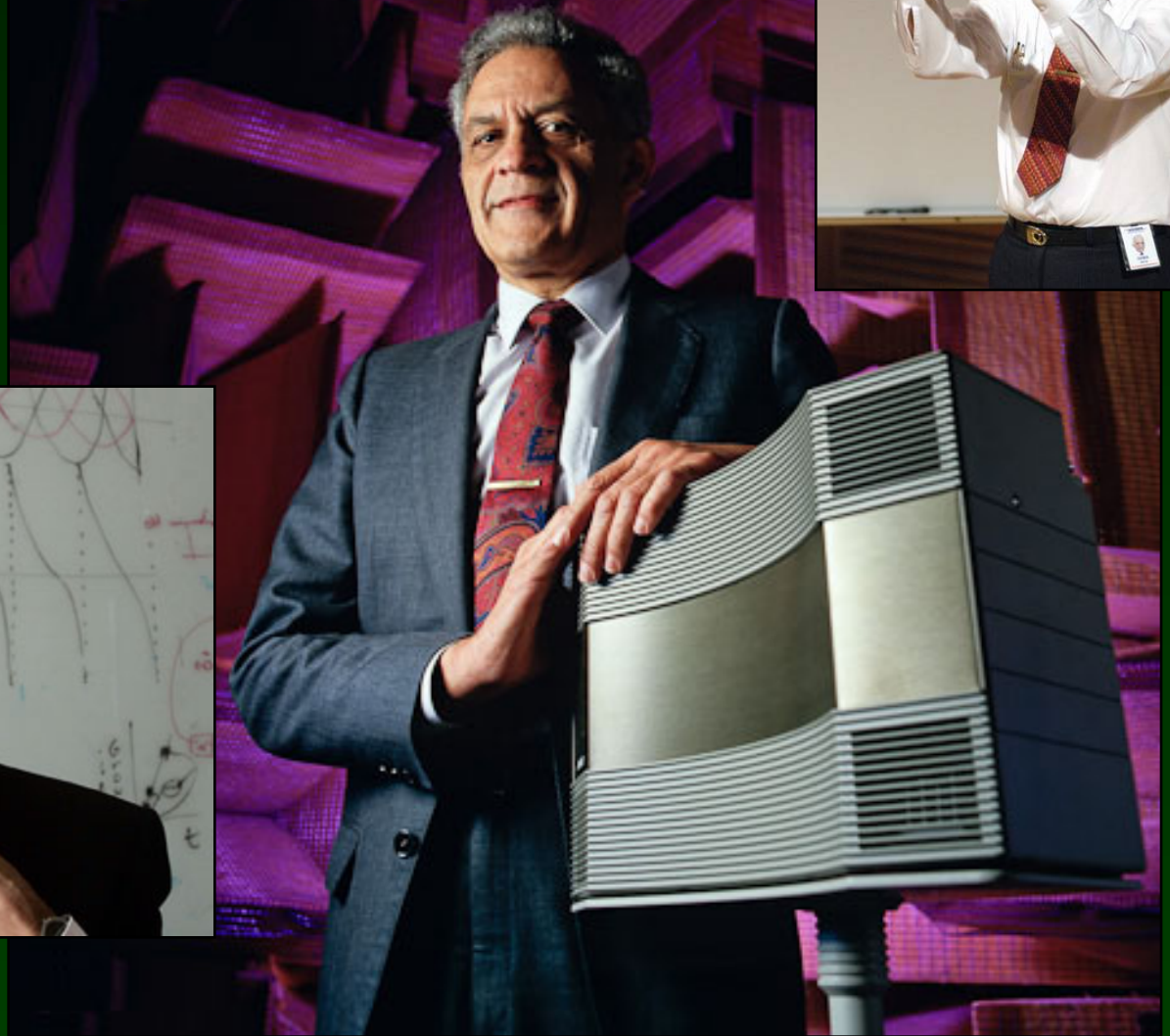
If you want to understand the values of a company, study the **key person** who started the business.



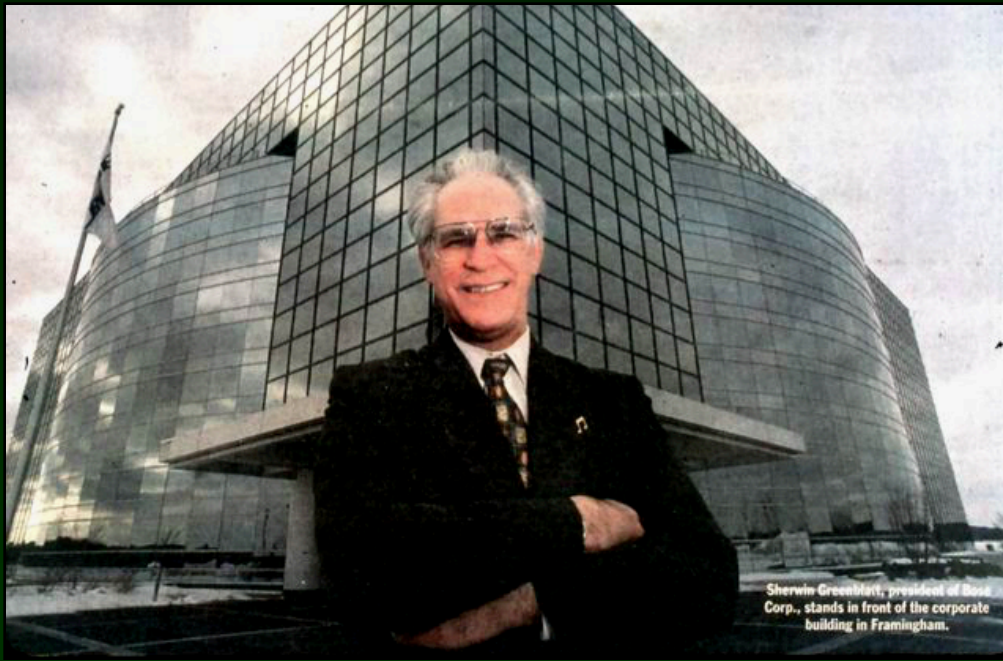


The most respected name in audio

-JD Power



Dr. Amar G. Bose



Sherwin Greenblatt
1st Bose Corp Employee (1964)
(President 1985–2000)

“We didn't think we'd be an audio company. We wanted a company that would somehow make people's lives better. It wasn't a mission with a technology or in a field. It was a mission of how we were going to go about our business.”

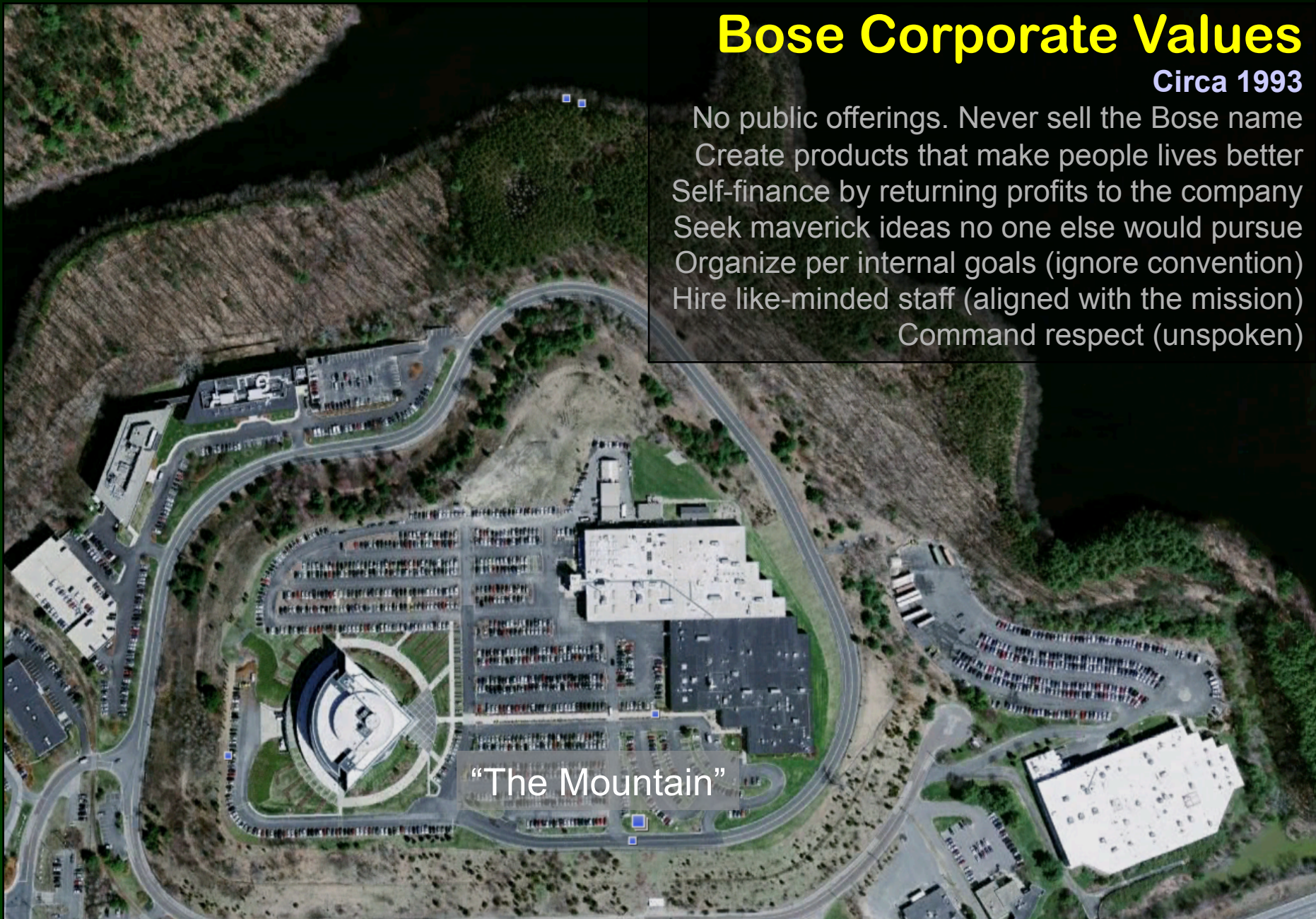


“The thing that excited me was the idea of what the company would be.”

Bose Corporate Values

Circa 1993

No public offerings. Never sell the Bose name
Create products that make people lives better
Self-finance by returning profits to the company
Seek maverick ideas no one else would pursue
Organize per internal goals (ignore convention)
Hire like-minded staff (aligned with the mission)
Command respect (unspoken)



"The Mountain"

“The Wave Radio Affair”

1993 – 1996

When the music almost stopped.



\$349.00

Initial model, no CD player

Idea to SOP: 36 months

Design attempts: three

Cost to develop: \$30m

Projected sales: 30k/yr

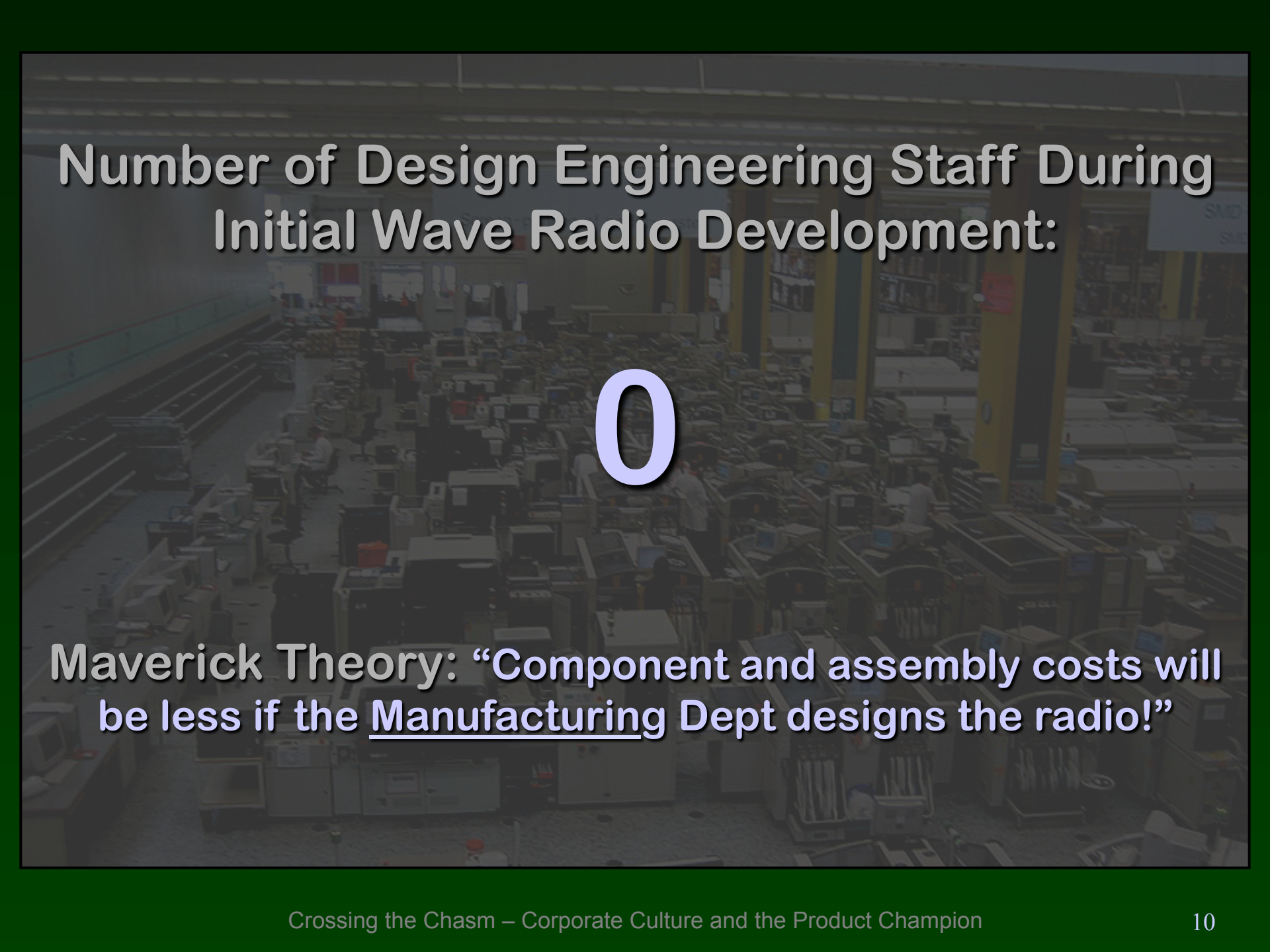


Staff Opinions...

Marketing said: “Horrible for brand identity – It’ll never sell”

Engineering said: “Who wants to design a ‘clock radio’?”

Manufacturing said: “Let us design it!”



Number of Design Engineering Staff During Initial Wave Radio Development:

0

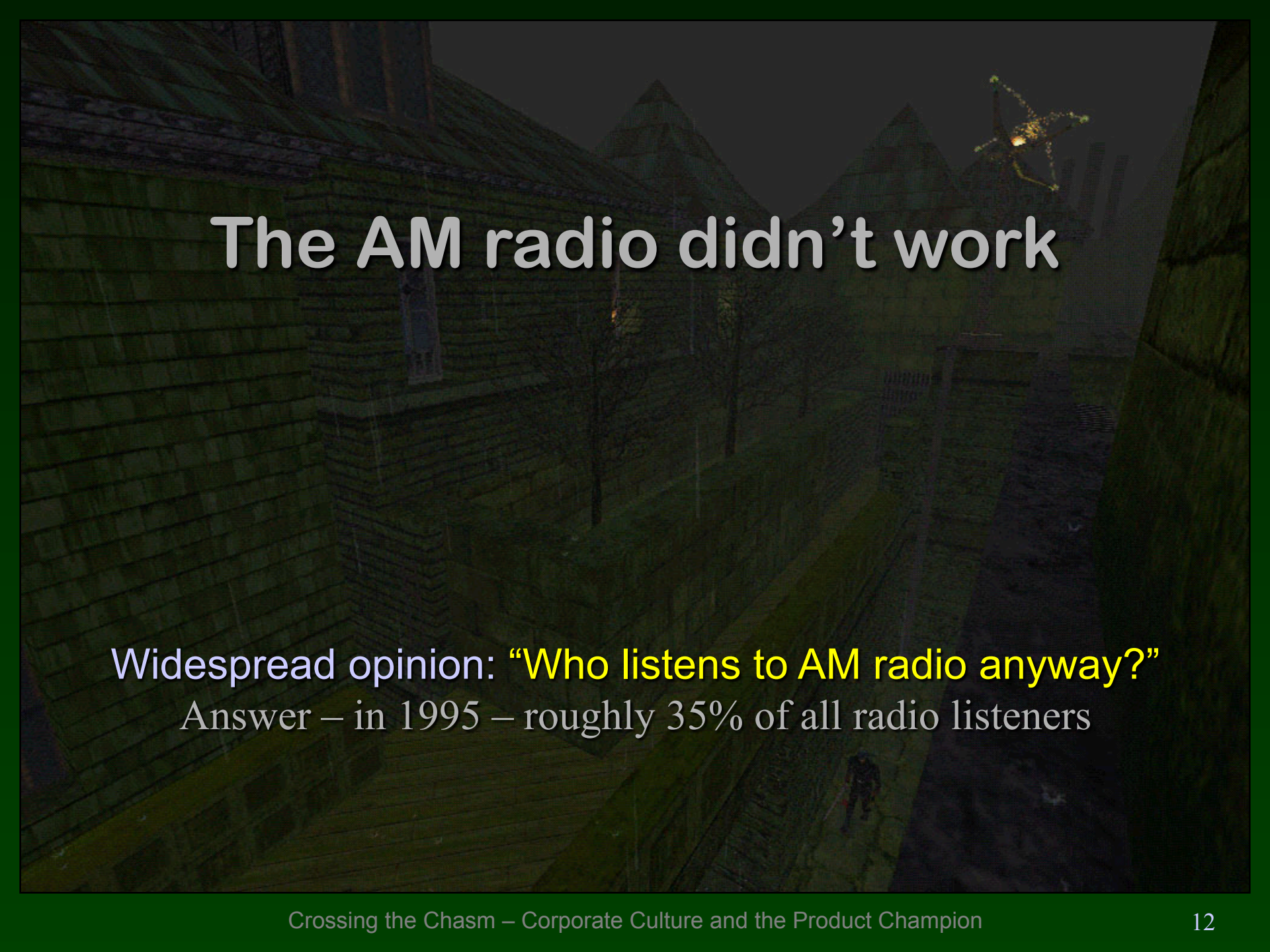
Maverick Theory: “Component and assembly costs will be less if the Manufacturing Dept designs the radio!”



After 24 Months

Factory constructed
Workers hired & trained
Components in stock
Injection molds ready
Robots programmed
First radios assembled
One small problem...





The AM radio didn't work

Widespread opinion: “Who listens to AM radio anyway?”

Answer – in 1995 – roughly 35% of all radio listeners



Manufacturing worked six months to
fix the AM radio receiver



After six months the radio still didn't work

Despite off-the-shelf modules and other desperate pre-fabbed solutions adding ~\$60-70 per unit



At month 30, the project was handed to an engineering **fire brigade** called in from the OEM division

Fire Brigade Priority: a radio that works!

At month 36...

²Wave Radio is released to production

Excess assembly cost would be wrung out later

Rope Arrow

First 2 Years in Production:

Unit Sales: **1.5million**
(versus 60-90k predicted)

Gross Profit: **\$300m**
(versus \$12-18m expected)

Number-One-Selling Product
(still is)

Was this a success?

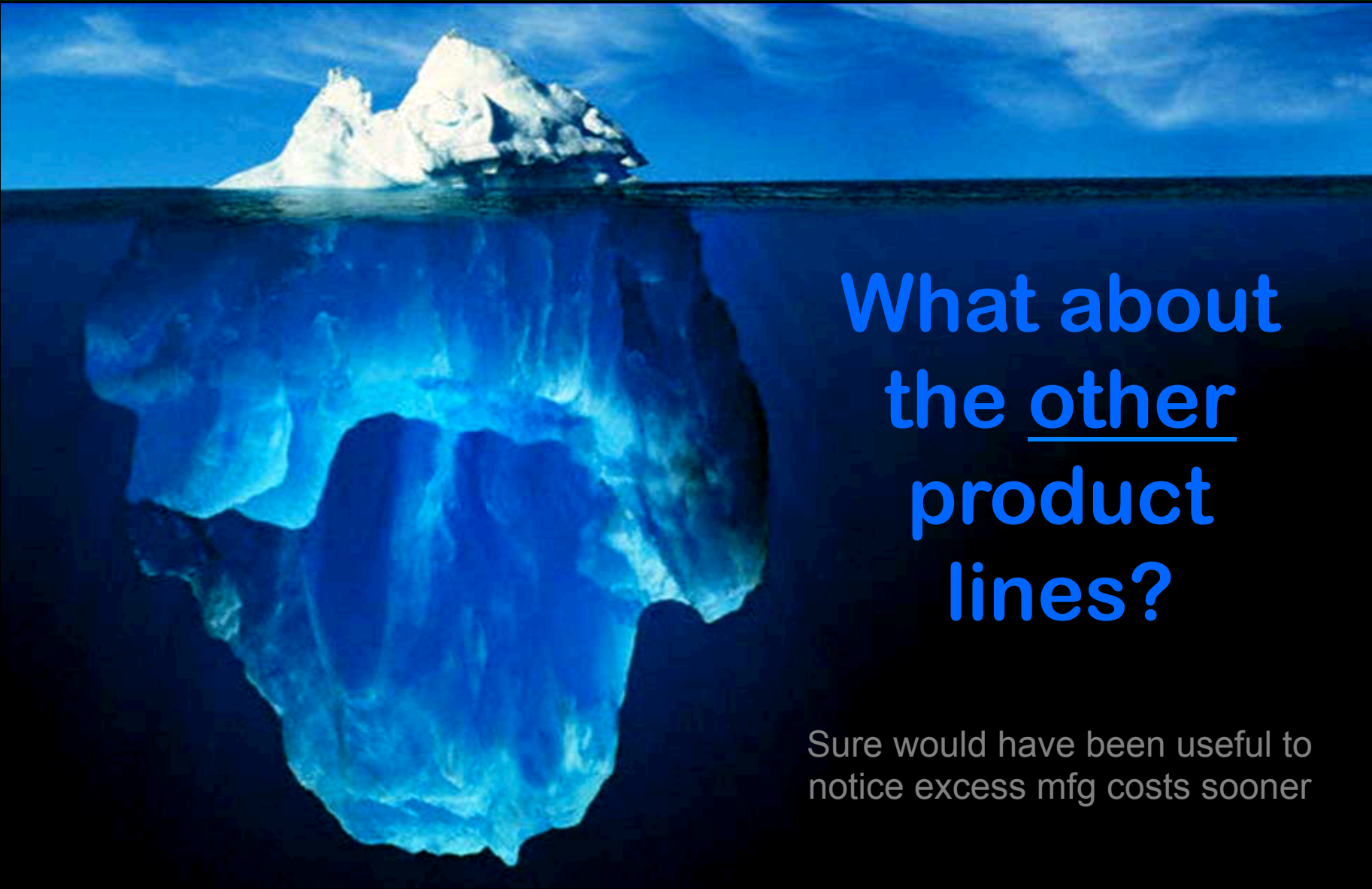
Development should have lasted
15 months (not 3 years)



Potential Profit Missed:

Opportunity Cost: **\$200m**

Excess Mfg Cost: **\$50m**



What about the other product lines?

Sure would have been useful to
notice excess mfg costs sooner

What went right?

A brilliant chasm-crossing product idea.

Not a 'clock radio.' A **high end** table-top radio.

The ideal kitchen / bedroom / bathroom sound system!

What went wrong?

No one sold the idea internally

The maverick approach did not work

Lack of attention to basic requirements...

- Does the radio work?
- Are production costs optimized?
- **Who is running this show anyway?**

Follow-on

Wave Radio redesigned a fourth time

...converting \$50-100m/yr in costs to profit

Other products with significant sales life also reengineered

...converting another \$50-100m/yr to profit

Typical reengineering project R.O.I.: **600-800% 1st year**

Example: A three-month \$2m reengineering project reducing cost \$12-16m / yr.

Manufacturing Department never engineers another product.

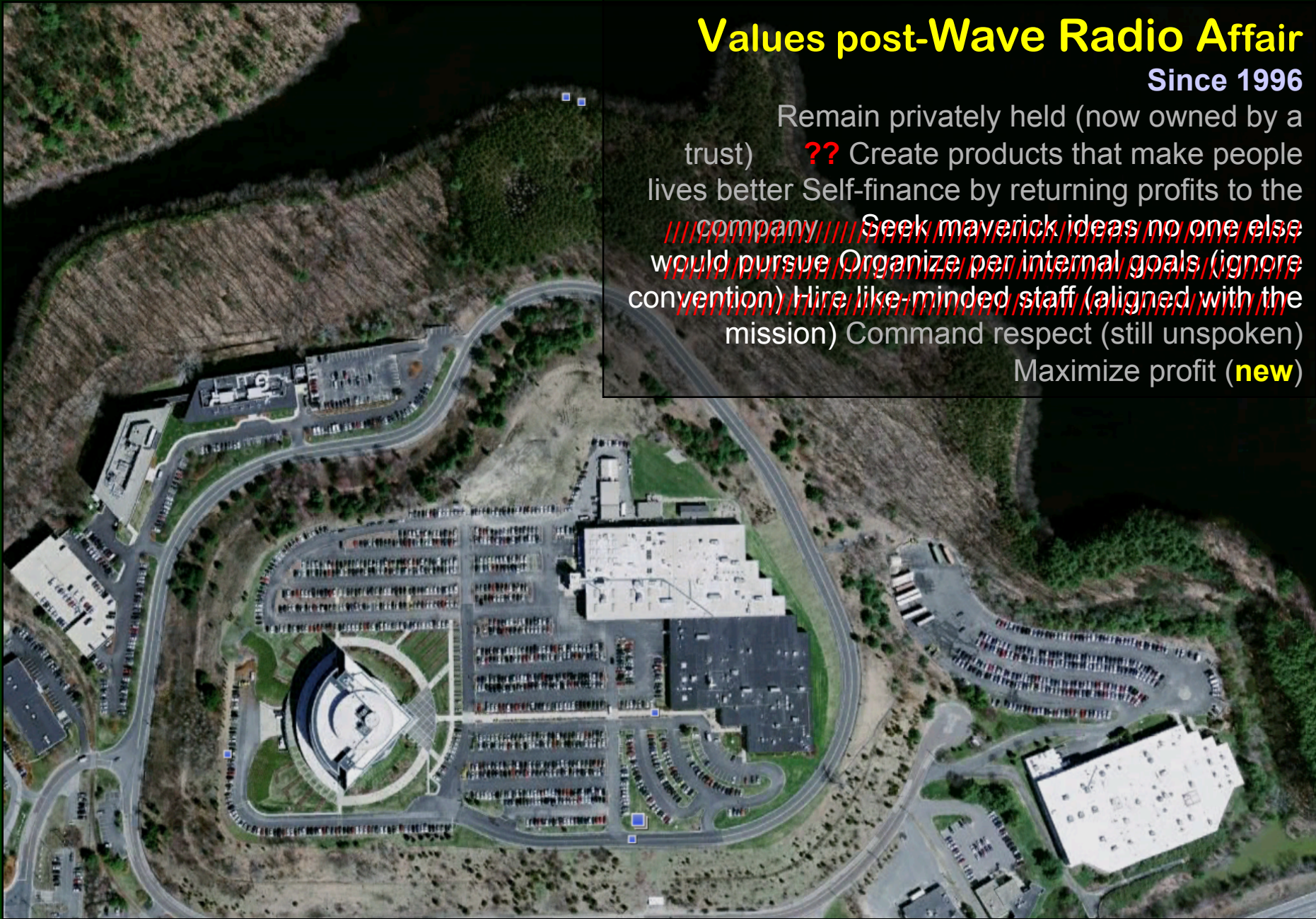
“Bottom-line” management is hired to maximize profits.

Last innovation: Noise-Canceling Headphones (2002).

Values post-Wave Radio Affair

Since 1996

Remain privately held (now owned by a trust) ?? Create products that make people lives better Self-finance by returning profits to the company Seek maverick ideas no one else would pursue Organize per internal goals (ignore convention) Hire like-minded staff (aligned with the mission) Command respect (still unspoken) Maximize profit (new)



The role of a Champion...

Seeks a culture of success – not just today's project

Recognizes and raises flags about...

Untapped market opportunities

Changing business climates

Inefficient operations

An effective 'troublemaker' battling the status quo

Anatomy of a Champion

Chooses projects wisely.

Backs up claims with solid data.

Deeply committed. Willing to go “all-in.”

Need not be an owner or upper level manager.

Main tool is personal persuasion – not official power.

Focuses on measurable success. Measures progress.

Ignores lines of command. Verifies progress firsthand.

Willing to take on anybody standing in the way.

Quits when the doors are chained shut.

The Champions

Spiros Pantazi
Faith & Joe Tiberio
Jim Head
Dennis Reagan
Jim Bannister
Paul Boudreau
Dodge Morgan
Jordy MacFadyen
Finn Arnold

**Champions make a
difference in our lives.**

**Even if few remember who
they are.**

**Even if they're only champions
on one special day.**

Carle Pieters
Pat Remias
Paul August
Dennis Gagne
Chuck Nichols
Jim Spence
Rick Fleeter
Tom Vaneck
James Peverill

Who are your champions?



Next Time...

The Art of Design

The Champions



Sir Richard Branson (Virgin Atlantic) **Burt Rutan** (Scaled Composites)

The Champions



Dr Chris Uhlik
Dir of Engineering,
Google Corp

Gmail

Google Earth

Google Toolbar

Google Shopping

You Tube Acquisition

Google Book Search

Googleye (Brown / AeroAstro)

...and dozens more we never hear about

The Champions



Alec Proudfoot and Chris Uhlik – Google Corp.

Ever notice how champions often have a ‘second in command’?



The Champion's Creed...

“Never delegate thinking”

- George Sebestyen