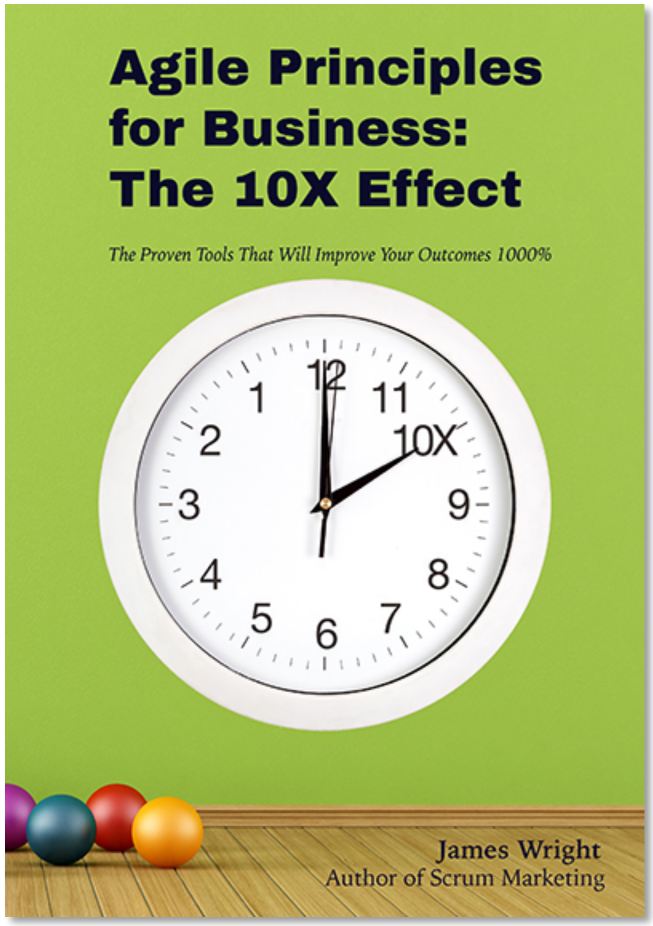

The Principles

- Defined Mission and Strategy
- Outcome Over Output
- Accountability
- Leadership
- Planning and Prioritization
- Validated Learning
- Focus
- Flexibility
- Collaboration
- Communication and Transparency
- Innovation
- Make a Big Difference

Excerpts from Chapter 23

Make a Big Difference

Going Yard

My advanced statistics professor required all of us in the class to complete a sizable project. I can't remember what I did. One student in the class went overboard on the assignment. He did a multivariate regression analysis on attendance at San Francisco Giants games at Candlestick Park. His model included more than 100 variables. The math wasn't too tricky, but with the limited time for the assignment, it was impressive how much data he collected in those pre-internet days. If he had fifty data points per game for a decade of 162-game seasons, then the data must have taken scores of hours to assemble. His model was extremely accurate. So much so that the Giants bought it. By looking at the coefficients and variables, the team could not only forecast how many fans would come to the games, but they could also identify the things to change to improve attendance. Today, we might call this predictive analytics or data science.

Many companies today think employing "predictive analytics" is a game-changer. As I write this paragraph, a quick search found 122,731 job listings on indeed.com with one of those two buzzwords. As hot as the topics of predictive analytics and big data may be right now, they aren't really the kind of big difference I'm talking about. These tools can help you make big improvements, but only if you are willing to imagine new directions, ask new questions, and commit to changing course for a new destination.

In the 10 years before using his data model, the Giants' average annual attendance was 977,193.[5] Over the ten years after acquiring and presumably using the model, the Giants had an average yearly attendance of 1,769,458. That's an 81% improvement. Was that statistical model the difference? I'm sure that it helped them predict how to manage their business better, but the primary reasons for the improved attendance were the arrival of more talented players and an improved winning percentage. The model said that more people would come if the team were contending for a division lead. That's obvious. It's easy to decide to have a better team, but doing so is much more difficult. Ask the San Diego Padres.

Be careful not to confuse correlation and causation. The model didn't cause more people to come. Having the model allowed them to allocate resources appropriately and make changes at the margin. For example, the model might have helped to make decisions such as doing more bobblehead giveaways or when to schedule day games instead of playing at night.

What questions do you ask your data? Are you happy managing around the margins and attempting minor improvements? I had a client with a manager who told me, "I don't need any help. My group improved 10% last year." I gave what I hoped was a diplomatic response, but in my mind, I was thinking, "And that attitude is why your organization is in so much trouble." As you learned in a previous chapter, it doesn't matter how much you did, only if you did what was necessary.

Even after a world series appearance and big stars on the team, including Barry Bonds, the Giants could only break the 2,000,000 attendance barrier twice within the 15 years ending in 1999. Candlestick Park's capacity was about 60,000, but they only sold 33,600 seats per game in their best year. If you've ever been to that park, you understand. It was cold. In the middle of July, it could feel like the coldest place on the continent. The fog came down from a hill and into the park. The winds could be icy, biting, and unpredictable. I brought my Alaskan parka to night games. One summer night in particular, even with the parka fully zipped and buttoned up, I was so miserably cold that I wished I was as warm as I remembered Anchorage being in December.

Optimizing the park, the uniforms, the promotions, the scheduling, or even the team weren't the answers they needed. They needed a new park. Candlestick had been the team's location since 1960, and many fans were attached to it. It was there that they had first seen hall-of-famers like Willie Mayes, Juan Marichal, and Willie McCovey. Yet, if you asked the data the question and were willing to listen, it would tell you that the only way to Make a Big Difference in attendance was to get a different venue.

In 2000, they opened what was then called 3Com Park in downtown San Francisco. It was smaller, with 30% less capacity, but was much more comfortable and accessible. Since they opened that park, the average annual attendance has been 3,236,162, with the worst year being 2,862,110.[6] It can still get cold—not arctic cold—at the new park, but it's such an enjoyable experience.

I'm not minimizing the effort to get the new ballpark built. On the contrary, it was an enormous task. The difficulty of receiving zoning, voter, regulatory, and other approvals was daunting. The financing of the facility was also demanding. It was a huge change that required a huge effort. That difficulty was the excuse many in management used for years to shy away from doing it, or accurately, they took measured approaches to the problem. In fact, it required the sale of the team after the 1992 season to a new ownership group with a different management team. Back then, the Giants' selling price was right at the average estimated value for baseball teams. In 2016, the Giants were the fourth most valuable team in the league.[7] That valuation runup could never have happened if they had stayed at Candlestick Park, even with the best teams, schedules, and bobbleheads. The stadium had a 10X return on investment.

Looking for Something Big

My first position at Iomega was as the channel marketing manager. We finished establishing the new sales channels, pricing structures, and promotional programs and experienced tremendous growth. Cooperative marketing funds topped $50 million that year. Other marketing programs and initiatives totaled about $150 million more. Since the company was going through that change from the old to the new world, cash flow was a key consideration. Marketing was the easiest place to find cash.

At one of the CEO's standup meetings, he asked me to identify which marketing programs worked the best and worst. I had recently set up our channel sell-through data collection system and had a few months of numbers. I anticipated that a rather basic regression analysis would provide the answers. I was wrong. My correlation coefficients were insignificant. I added lag times and other math tricks, trying to squeeze out answers. As much as I tried, I only found two programs that had a statistically significant effect on sales. The radio spots we did for our Ditto tape product line showed marginal impact. Paying the premium to put our products on end-cap displays within retail stores had excellent returns on investment.

My director and vice president were not happy. Ditto was a small portion of our income, and end-cap programs were our least expensive initiative. They were terrified that if I presented this information to the CEO, Kim would slash their budgets. If so, they would cut me first. I was convinced that I could identify combinations of programs that worked together to produce significant positive returns if I had more data. As it stood, the numbers said that our products' success was due to their innate attractiveness to customers and the umbrella of branding and awareness activities.

The deadline for my report was rapidly approaching, and without an answer that was both honest and would keep me employed. I didn't know what to do. Had the company's Agile attitude extended beyond product development, operations, and product management and into the rest of marketing, there wouldn't have been an issue of reporting on the numbers as they were. Ironically, my predicament caused by traditional managers forced me to do something extremely Agile.

Late at the office one night, I reasoned that if I wouldn't be allowed to answer the CEO's question as he asked it, I'd change the question to something I could answer. Kim really wanted to know what big things marketing could do to improve profits and cash flow. That's a much bigger question.

I restarted my analysis. Instead of focusing on programs, I decided to identify where we sold the most disks—where the company made its profits. I built up an analytical model that evaluated all the attributes that I could think of about our channel partners. I analyzed more than 30 variables individually and in combinations. I forced myself to look at the problem from every angle and toss out any assumptions. My colleagues and managers would often poke their heads in my office to check my progress, but this kind of process isn't like baking a cake where the timer can precisely predict when the complete work product is ready to come out of the metaphoric oven. We were all nervous about what I would have to report when the deadline hit, though our reasons for anxiety were different.

I found something completely unexpected. We sold Zip disks in several configurations. Customers could buy disks in single packaging and bundled packs of 3, 6, and 10. Not every one of our channel partners sold all the configurations. My results showed that every reseller that sold 10-packs sold more disks than those that didn't. By an even much higher difference, those that sold single disks sold less than those stores that didn't sell singles. These rules held constant regardless of the type of channel or any of the other variables. The magnitude of the difference was enormous, and the statistical significance, or my mathematical confidence in the results, was very strong.

My quick presentation on the appointed day was short. I think I used only 3 slides and less than 10 minutes. I told the CEO that it was my recommendation to kill the single disk packaging and do all we could to encourage everyone to sell the 10-pack. I included a forecast of the impact that would create. The expected results were far beyond what he had hoped. It wouldn't affect the marketing budget, so my director and VP were happy. To top it off, it wouldn't cost us anything to make the change. Good news all around.

Well, that proposal did meet with some determined push-back. Iomega had been selling removable storage products for 15 years, and had always had a single disk pack as an option. Many long-timers claimed that the company wouldn't make any sales to new or entry-level customers without a single pack. The CEO was not an old-timer, though, and after evaluating the arguments, he killed the single pack.

Four years later, I reviewed my initial forecast and found that I had underestimated the impact. The cumulative net profit from this change was just over $100 million—that's net earnings after everything. It's impossible to calculate the ROI of something when the costs are nothing, but saying that the return was infinite is also wrong. Let's just say that it's undefined.

A $100 million net profit is a BIG difference from 2 weeks of work of 1 person's time. It's also a big difference for a company with cash flow difficulties. That's the kind of difference you can make if you open yourself to the possibilities, are willing to ask new or difficult questions, and commit to go with the answers.

Look Forward

It's relatively easy to set next year's goals based on last year's results and traditional efforts. However, you must challenge yourself to consider new things that you need to address. What big thing must you do now to avoid oblivion or capitalize on opportunities? These are the questions that Nokia and others never asked or answers to which they never listened. How many companies at year-end 2019 considered how they might withstand a global pandemic? If there is something that can kill you, address it. If there is something that can push you over the finish line, attempt it. Either way, the big change to Agile will help identify the course to take and get you moving to that destination.

History is full of stories of nations and companies that do the comfortable things well and fail. We examined in detail the Allies' commitment to attempt the big effort to achieve victory in the European theater of WWII. That total effort was overwhelming. The cumulated courage was perhaps the most ever and in a short period. We still celebrate it more than 70 years later. Our stories of company failures are, at the least common denominator, tales of otherwise good companies that didn't do the big thing. There was plenty of hard work. They lacked the vision to see what to do, the capability of doing it, or just the courage to try.

Perhaps the saddest things in the Agile world are the excess of companies that employ Agile practices to assist their software development or to squeeze out improvements in some sections of their firms, yet fail to exploit the Agile principles to tackle the big things. What a waste! Don't endure all the cost and effort to search for only a few percentage points of improvement. Go for a big difference. If you are only up for transforming your company a portion at a time, start where it will make the most impact. That may be different for each of you. Here's my simple test: What scares you the most? Start there. My experience suggests that the most uncomfortable location usually is the right place to begin. If you aren't sure where to begin, start at the top and work your way down.

Don't get caught up in the typical metrics as you plan for and begin your Agile trip. Don't get trapped measuring your progress against the previous year's performances. Set your goals based on what you need to accomplish and measure against them. Would the Allied invasion of Europe have been a success if the ground troops had been 20% closer to Berlin in May of 1945 than they were in 1944? Many companies would love to tell investors they have improved by 20%. Once those airplanes left the British airfields, success was measured against their objectives. That's the attitude you need; 20%, 50%, or even 100% improvement may not be enough.

When we talk about a 10X improvement, we're talking about an enormous game-changing difference. It could be a literal 1,000% improvement in a key measurement such as sales. Many times, this 10X goal is a combination of factors. The central idea is that the progress is a gigantic difference. Even though the Zip 100 MB disk and drive were slower and had less capacity than the previous Iomega products, the combination of features, packaging, and price made it a 10X solution. The math on Iomega's revenue increase was a little more than 10X. The addition of paratroopers and distributed leadership was a 10X improvement to previous allied invasion strategies. Highspeed broadband access combined with Wi-Fi is more than a 10X improvement over dial-up internet connectivity.

Time for another exercise. In one column on a piece of paper or a spreadsheet, list 5 new products or services introduced to the market over the past 25 years that were 10X improvements over the previous incumbents. Limit your entries to real 10X improvements. When you finish, list any 10X improvements your company has ever created, either internal advances or those for your customers. Don't feel bad if your second list is blank. Perhaps that just means that you're ready to try. Agile people often emphasize continuous improvement so much that they neglect the idea of huge breakthroughs. It's quite blind. Agile adoption itself should be far more than just an evolutionary advancement for your company. If you go into it with the principle of attempting to Make a Big Difference, it will.

Chapter at a Glance

- If you are going to work hard regardless of your company's outcome, you might as well have fun by making a big difference.
- The Giants did not get a 10X in team valuation because they employed predictive analytics. It was because they asked the right questions and did the hard thing.
- Don't settle on delivering answers to easy questions. Ask the right questions seeking 10X improvements.
- Do your planning and evaluation to determine what you need to become. Anything short that can't be considered success.
- The 10X rule has worked in different eras, industries, and outside of business.
- Adopt the 10X rule. Look for the game changers, and commit to whatever's needed. Don't get distracted.
- A complete Agile transformation is the starting point for 10X.
- Go big or go home.