

Foreword by Tony La Russa

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Bestselling Coauthor of *Clicks and Mortar*



STACKING THE DECK



How to Lead Breakthrough Change
Against Any Odds

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More praise for *Stacking the Deck*

“Some leaders drive the train and some are out in front of the engine laying new track. The real differences are made by those who imagine new ways of transport and inspire others to create them. What's most exciting about *Stacking the Deck* is that it comes from an operator, as Dave Pottruck has a lifetime of experience in the excitement, disappointment, and elation inherent in radically changing the order of things. This is a practical guide to bold change—one to use immediately and often.”

—Terry Pearce, founder and president, Leadership Communication

“Dave Pottruck's book is packed with good advice, clear thinking, and a well-organized blueprint for anyone who intends to embark on leading change. His passion for leading change and his expertise as a mentor and a leader come through loud and clear, making *Stacking the Deck* an educational and compelling read.”

—Elliot Weissbluth, CEO, HighTower Advisors

“Being an entrepreneur isn't a profession. It's a condition or maybe an incurable disease. I'd say the same thing about being an agent of organizational change. Both rest on a belief that anything we're doing today, we can do better tomorrow—if we have skills and tenacity. Dave Pottruck, who's been there and done that, points readers in the right direction.”

—Howard Tullman, CEO, 1871

“Many books have been written about why organizations need to change, yet leading change remains one of the hardest things leaders do. *Stacking the Deck* is the first practical, step-by-step guide to leading transformational or breakthrough change. I wish Dave Pottruck had written this book before I was turning around drugstore.com—and you can be sure I'll keep it as a reference!”

—Dawn Lepore, advisor and consultant; board member, AOL, Coupons.com, and Real Networks, Inc.; former CEO and chairman, drugstore.com

“We've all learned the following truth the hard way: managing change is hard! Leaders need a practical guide to achieve breakthrough transformation—and this is exactly what Dave Pottruck provides in *Stacking the Deck*. He's been in the trenches and knows what it takes to successfully lead the change process and create an ongoing innovation culture for your organization.”

—Patrick T. Harker, president, University of Delaware

“*Stacking the Deck* is not just about leading business transformation. It's also about the transformation of a business leader. Dave Pottruck shares his deeply personal journey and those of other seasoned executives as they navigate leading change in uncharted territory. By outlining the do's and don'ts, Pottruck's guidebook equips every C-level executive with the leadership courage and the framework for success in tackling today's exponential and continuous challenges.”

—Lauren Doliva, global managing partner, chief advisor network, Heidrick & Struggles

“I am fortunate to work for an organization with a very focused mission—sustained competitive excellence at the Olympic and Paralympic Games. The complicated part of our business is not deciding what to do, but rather how to do it. How do you make changes in a constituent-based organization where the constituents have equal passion but very different objectives and abilities? It is almost as if Dave Pottruck's book was written with us in mind. As practical as it is thoughtful, this is a must-read if you recognize the need for change but don't know where to start.”

—Scott Blackmun, CEO, United States Olympic and Paralympic Committee

“Where others see challenges and problems, Dave Pottruck sees opportunities. Throughout my time with Dave at Charles Schwab, he sought out transformational change with greater and lesser success but always with an eye to opportunity. Dave moderates the complexity of change through simplified checklists and gives you confidence that you, too, can implement radical change.”

—Jan Hier-King, cofounder, Bicycle Financial; former CIO and head of human resources, Charles Schwab

“There's great comfort in knowing even the best leaders and the best plans run into resistance. Dave Pottruck's detailed, step-by-step guidance for overcoming barriers and leading change successfully is both practical and inspiring, whether you're in the profit or not-for-profit world. I'll put the insights and wisdom of *Stacking the Deck* to good use!”

—John Denniston, president, St. Vincent de Paul Society, San Mateo County; former partner, Kleiner Perkins

“Attempting to lead breakthrough change without this book is like bringing a knife to a gunfight. Who wouldn't want to gain an unfair advantage by tapping into Dave Pottruck's vast experience and powerful, purposeful approach, augmented with valuable insights from other successful leaders? *Stacking the Deck* will help you succeed.”

—Jim Hornthal, chairman and cofounder, Signal Labs and LaunchPad
Central

STACKING THE DECK

HOW TO LEAD BREAKTHROUGH CHANGE AGAINST ANY ODDS

David S. Pottruck

Foreword by
Tony La Russa

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*To my grandchildren,
Max, Roxanne, Charlotte, Harriet, and Leo
With hopes for successful breakthrough changes and a
better
world for all of us*

Foreword

By Tony La Russa

When you imagine breakthrough change, does baseball come to mind? Probably only on a limited basis, since baseball is often thought of as a traditional game, changing little over time. That may still be true in Little League and high school, but in the major leagues, baseball has changed dramatically, on the field, behind the scenes, and in the front office.

Baseball has been part of my life for over fifty years. I started playing professionally when I was seventeen and I've been a major league manager for more than three decades. Over those years, I've seen Major League Baseball embrace change while retaining its traditional roots, on and off the field. MLB Commissioner Bud Selig has never been afraid to innovate, even in a game that traditionally has been resistant to change. He recently tapped a few of us with uniform experience to join with MLB staff to see if we could bring the benefits of technology to enhanced instant replay in baseball without slowing down the pace of the game. Could we build a model that worked, that didn't stop every play, but could help in instances in which human error had the potential to dramatically change the outcome of the competition?

This was a radical idea for baseball and a very public change. Being able to identify and clarify possible kinks in advance—to test the concept before rolling it out—was critical. We ran field tests during fall development games and spring training, where we could acquaint umpires and uniform personnel with the enhanced replay system. With these tests behind us and with the addition of two new

crews of umpires, we have seen how replay challenges, very selectively used, can improve both the reality and the perception that the right call was made. The process has proven just how difficult the umpires' jobs are—and how good they are.

For this change, we had the advantage of time for extended advance planning, testing, and risk management. We also had an exceptional staff manning the entire effort. But what if you don't have these advantages? Then you will have to rely on the depth of your experience and perhaps outside advisors to spell the difference between success and failure. And now, you can also rely on the accumulated experiences of Dave Pottruck and the dozen top leaders he interviewed in developing and testing the concepts that appear in *Stacking the Deck*. His book provides the benefits of a range and depth of experience in leading breakthrough change that would take many lifetimes to accrue.

About a month before Dave asked me to consider writing this foreword, I'd taken on a new position, one that was new to me and to all of baseball: chief baseball officer of the Arizona Diamondbacks. The team had been struggling and the front office realized it was time for breakthrough change. It's no secret that struggles create great opportunities. Sometimes that's hard to see from the inside, but the concept is clear to Dave. *Stacking the Deck* helps readers discover the opportunities that obstacles hold. That next step—leading breakthrough changes that turn opportunities into success—is one that all leaders must face, whether on the ball field, behind a desk, or in the boardroom.

Although my position is unique in the baseball world, its functions are familiar to many businesses. I was hired to evaluate and inspire people, and to help make our organization's teams more competitive by some changes in

how we play the game. These are not easy tasks under any circumstances. But in baseball, the product has more moving parts than in most businesses: it's the team at large, the players for each game, the end result, the fan base, the league standing. Ultimately, the goal is a championship team and a winning season. And—in contrast to a tangible product off a production line—each year the product we're aiming for resets. We restart at zero, and are always competing against the changing rosters of 29 other teams.

On paper, I'm responsible to the organization and the people who hired me; personally, I'm also responsible to the members of the team, all the people involved with the team, and all the fans. My focus, as always, is very much about working with people. Success requires developing personal relationships. It's about communicating and inspiring people throughout the organization to be and perform at their best. Most particularly, in this new position, it's about inspiring players to be professional ball players and contributing teammates while also providing them the fundamental tools to succeed.

We are face to face with the effects of two of the major changes in baseball (and professional sports in general): the distortions in basic values and the distractions of fame and fortune that come along with the contracts today's players receive. Another dramatic change stems from the influence of analytics and metrics that can now be captured to help improve the product. Helpful as these numbers are in calculating averages and setting the teams, players are human and analytics alone are no substitute for human judgment and experience.

If you created teams by the numbers alone, as people do in fantasy baseball, putting together the best team for each game might seem simple. But, critical as they are, the

historic numbers—players' batting averages against certain pitchers, base-running speed, steals—and the newly created analytic measures cannot reliably predict future performance. Once the teams are on the field, the human element trumps the metrics every time. It's the unmeasurable factors of competitive heart, toughness, and the willingness and ability to be a team member and a team player that give the edge. It's understanding the glories of competition and preparing the best you can. It's feeling the urgency and passion, and stepping up individually and as a cohesive team that make the difference—in each moment and in each game.

When it's all working right, the long-range goal of a winning season comes closer, game by game. But professional baseball is a long haul: 162 games over six months tells only part of the story. Tenacity, persistence, and resilience are all absolute requirements. There's the travel, the training, the injuries, the losses, the absence from loved ones. Years ago, when I was considering whether to continue as a coach or a manager, the late, great Cardinals' coach George Kissell told me that I had to have the desire and then asked, “Do you love the game? Do you want to learn it?” It was a simple formula that made clear his point that unless you relish learning every aspect of the game, you're not cut out for coaching or managing.

His advice really resonated and is, in my opinion, relevant for anyone heading for a baseball career. More broadly, his formula is applicable in approaching any field, determining whether you are sincerely passionate about it and can put your heart into it. You simply have to love your field and learn it in detail; you need passion, enthusiasm, and skills; and you must be personally accountable to be successful and to stay in the game.

No matter what you're involved with or what you're leading, if you love it, the fact that staying ahead is a constant learning experience becomes a pleasure. You must also learn to be a leader and to demonstrate that you are worthy of trust and respect. Every single day. Only then can you perform your leadership duties and reach your goals.

In baseball, we prepare for success by looking ahead, knowing the competition, lining up our players to be their best possible fit, and competing at our highest level for the winning score. Similarly, throughout the nine-step process set forth in *Stacking the Deck*, Dave shows how experienced and maturing leaders can develop a game plan for success and be better prepared as they approach and then overcome the challenges of breakthrough change. He demonstrates the importance of communicating honestly and effectively, in ways that keep the urgency and the importance of the change foremost—and in ways that move individuals and the organization into a better future. He demonstrates the importance of caring about your people, not just on a professional level but on a personal level. Further, with his emphasis on linking the purpose and the mission and helping people see the reasons—the *why* behind the changes—Dave gets to the heart of important undercurrents in today's world.

There's no crystal ball to tell you with certainty how quickly you can get to your goals, but the process Dave sets forth provides signposts and guidance that you can use to increase your chances for success. Whether in baseball or in a more traditional business, getting people to believe and having them be all in with the vision and the goals are crucial. You must constantly work to build a strong culture supported on a foundation of trust. That foundation, plus the leadership lessons and process structure provided by *Stacking the Deck* will enable you to achieve breakthrough change and breakthrough success more efficiently and with

fewer detours. This is not to say it's easy. Achieving excellence is hard work that demands nonstop and unrelenting effort. It's also how lasting value gets created.

Introduction

We are continually faced with a series of great opportunities brilliantly disguised as insolvable problems.

— *John W. Gardner Secretary of Health, Education and Welfare under Lyndon Johnson*

One reality of business that seasoned executives know well—often by learning it the hard way—is that introducing and implementing breakthrough change is an uphill battle. No matter how necessary the change or how seemingly evident the need, this process demands continuous hard work. This book is designed to help you understand and overcome the difficulties in finding and advancing a smoother path.

The problems leaders face are perhaps more pervasive today, given the accelerated pace of business in a much flatter world. However, problems also present opportunities. You can learn to recognize such opportunities and show others that the potential victories far outweigh the discomfort that change will elicit.

Breakthrough change refers to those disruptive initiatives that dramatically, profoundly affect the organization and the people in it. It redefines the prospects for the future and interrupts the organization's cautious momentum plan with incremental improvement. Breakthrough change can increase revenues or reduce costs. It can mean a new distribution channel or a new line of products. And it can be as exciting as launching an international expansion or as scary as a massive restructuring and downsizing effort. Breakthrough change also depends on the situation, or context. What is breakthrough to one organization can be business as usual to another.

You need to do everything you can to stack the deck in favor of success. That's exactly what you'll learn how to do in this book.

Why “Stacking the Deck”?

I never intended to write this book. But as it turned out, there were no practical books on change written by and for people from midcareer managers to global senior executives. There was no resource for on-the-ground leaders seeking clear ways to develop the skills to implement change within their organizations, whether for-profit or nonprofit. Plenty of books and articles about leading or managing change have been written, many of them very insightful. Some, especially John Kotter's groundbreaking *Leading Change*, have stood the test of time and are invaluable. But none of them offered the whole picture, or at least not the picture that I saw through the lens of my background and experience—the practical, operational side of leading breakthrough, transformational change. And none of them deeply engaged with the human reality of leading big, risky change initiatives—not in ways that could be immediately put to use.

I saw a need for a book that would go beyond outlining the strategies and processes required for success, one that would also address the challenges leaders are likely to confront in driving and implementing change. A book that told in-the-trenches stories of individuals who led bold, sweeping change; that walked readers through the social and emotional reality of leading others without shortchanging the real difficulties involved in promoting a change to people who, perhaps rightly, are fearful of it. A book not for the novice, but for people who have years of firsthand experience leading others.

These are the people I teach in various venues, ranging from Wharton's Executive MBA program through corporate programs tailored for specific needs. Whether as emerging executives or seasoned senior executives, these leaders have high expectations and enormous demands on their time. In all of my classes and presentations I offer a specific nine-step Stacking the Deck process and an approach to leadership that students and participants may never have encountered before, either in their careers or in their formal business education. By exploring leadership within the framework of a problem to be solved, this approach enables people to better understand the demands and requirements of leadership. It enables them to look at the whole picture: the people they must lead, the purpose of the change, the steps through which they must travel, and the actual situations they will confront. There's nothing abstract about change when it affects the job security, 401(k) programs, and even identities of real people in an organization. This process of contextualizing leadership strikes a chord and makes the information real, current, and immediately useful.

Eventually I realized that the book I was looking for would have to come from someone like me—someone with a personal history of business leadership that has provided a wealth of practical, hands-on lessons. Someone who had to learn on the ground, and who sometimes made big mistakes. Someone whose many attempts to lead breakthrough change were much more difficult than they actually had to be—but were certainly more instructive as a result. Someone who could keep you from making those same mistakes.

Stacking the Deck for Breakthrough Change

Most organizations' processes and culture are structured for predictability, reliability, control, and risk minimization. Breakthrough change is the polar opposite. It is unpredictable and favors responsiveness to new realities over control and staying the course. Breakthrough change is inherently risky and goes against every instinct the leaders of the company have developed over the course of their careers. Is it any wonder, then, that employees often resist breakthrough change—even in companies whose leaders say it's exactly what they need?

Every business is filled with people who depend heavily on procedures continuing “as they have always been.” That's what “expertise” is; you spend 10, 15, or even 20 years doing something a certain way and therefore become an expert in it. Your knowledge of the way things have always been done is what gives you value as an employee. So when some brand-new executive comes in and tells you everything is about to change—but it's going to be great and you should greet it with open arms—how would you feel?

If you answered “pretty darn nervous,” you're not alone, or irrational. People's emotional responses to a specific change initiative can be unpredictable and very powerful. Leaders must find ways to help people see the need for change and then inspire them to move toward it with confidence and urgency. This is a daunting struggle and one that is not explored deeply enough in most books on leading or managing change. *Stacking the Deck* explains not just the *what* of change but the *how*.

The nine-step Stacking the Deck process is designed to mitigate the risks that come with change by having you take concrete steps to increase your chances of success. This preparation does not make the change less bold—and it doesn't guarantee success. What it does do is create an

advantage (or more accurately, a series of advantages). These steps—culled from my experience, tested in practice, shared, and refined—provide a guide to preparing and planning so that your change initiative, and your team, have the best possible shot at succeeding. The Stacking the Deck process allows you to take on big, transformative change with increasing confidence and momentum because you know that you have a proven approach going in.

I've seen successes and I've seen failures. The failures were not because the proposed change was toxic or wrongheaded, and not because the effort was inadequate. Instead, these failures were often rooted in an inadequate understanding of how truly difficult it is to overcome resistance, to deal with uncertainty, to respond to new facts, and to execute the myriad details necessary for success.

You may know the phrase “stacking the deck” to mean preparing a deck of playing cards so that you will almost certainly win the game rather than rely on chance. This is what I was thinking of when I coined the phrase in reference to leading breakthrough change—except that the Stacking the Deck process is not designed to cheat other players. It implies instead that thinking through and preparing for all the steps and processes we will need to undertake vastly increases our chances of success.

Stacking the Deck distills the useful techniques and processes I have learned throughout my career into a series of logical and sequential steps for leading breakthrough change. Understanding and following these steps—and reading about my own experiences and those of the leaders I've interviewed—will enable you to avoid many decades of trial-and-error that we have worked through. You will learn practical, relevant ways to deal with change

and succeed, without experiencing the risks and the mistakes that were required to amass this knowledge.

A Guide to *Stacking the Deck*

The book is divided into two parts. Part describes the Stacking the Deck process, nine steps through which nearly every breakthrough change inevitably goes. They're presented in the order in which you should undertake them, though there are exceptions. The steps often overlap, and circumstances frequently demand that you double back to repeat or redo a previous step in the process. Change is not linear and nothing about this should throw you off your game plan.

1. Step One is *establishing the need to change and creating a sense of urgency* around that need. Not only is this step critical—it's critically positioned. Much of the Stacking the Deck process focuses on the psychological aspects of change. Making the change necessary and urgent in the minds of those most affected by it is the social and emotional foundation for everything that comes afterward.
2. Step Two focuses on *recruiting and unifying your inner team* of innovation leaders who will help you define the future and make it a reality.
3. Step Three requires that you *develop and communicate a clear and compelling vision* of the future. This is the task that your new innovation leadership team must own.
4. Step Four enables you to anticipate, understand, and plan to *overcome potential barriers to success*. Some will always surprise you—but you can plan to deal with the ones you can anticipate.

5. Step Five describes how to *develop a clear, executable plan* that answers all the big questions a given change poses, while still recognizing the uncertainty and risk involved with undertakings of this magnitude.
6. Step Six explains how to *break the change initiative into manageable pieces* to build momentum and exponentially increase your chances of success.
7. Step Seven discusses *defining metrics, developing analytics*, and the importance of actively *sharing your results*, posting them as motivational tools to further build momentum. The possibilities and opportunities presented by big data are discussed in relation to leading breakthrough change.
8. Step Eight builds on the earlier Step Two principles for building the inner team and addresses the need for *assessing, recruiting, and empowering the broader team*.
9. Step Nine covers the *power of pilot implementations* and the critical differences between proof-of-concept pilots and scalability pilots.

Together these nine steps represent a plan of action that will take you from the first realization that a change needs to be made through a complete shift in the way you implement this change. This process is a practical guide you can use as you initiate and lead the change process. The questions and action items at the end of each chapter in Part are designed to guide you through the process and serve as a mental review whenever you are working through big transitions.

Part turns to the higher-order skills that are necessary for success in the process of leading breakthrough change. Chapter 10 describes the sequencing of the steps and provides practical advice on the final implementation and

rollout process by which you bring the initiative to the real world. Chapter 11 focuses on developing leadership communication skills and the ability to be more inspirational, both of which are foundational to the entire *Stacking the Deck* process. The final chapter and the epilogue look at innovation and change leadership in general.

A caveat: this book is not about how to *create* innovative ideas and strategies. Its purpose is to show you how to implement the transformative concept that is described within. *Stacking the Deck* provides a wealth of examples born of my own and others' experience, stories that are intended to help you bridge the gap between idea and reality as you lead change.

Voices of Experts

As I began the serious business of writing a book, I naturally sought advice and counsel from business leaders who had led extraordinary change initiatives during their careers, people who had a range of relevant experience. I spoke with eBay CEO John Donahoe, former Amylin president and CEO Ginger Graham, former Wells Fargo CEO Dick Kovacevich, and Starbucks chief executive officer Howard Schultz—all experienced CEOs who have seen change from virtually every vantage point. I also wanted some newer leaders who had recently become CEOs or presidents. These interviewees included San Francisco Giants CEO Larry Baer, JetBlue CEO Dave Barger, Asurion CEO Steve Ellis, Pinkberry CEO Ron Graves, and Intel's president Renée James. Mike Bell, former member of the iPhone development team at Apple and now head of new mobile devices at Intel, and Debby Hopkins, Citicorp chief innovation officer, provide the perspective of senior executives who are directly leading bold change. And

finally, to discuss the important skills needed for leadership communication, there is simply no one more knowledgeable and experienced than Terry Pearce, consultant and author of *Leading Out Loud*. Brief biographies for each of the interviewees are in the back of the book. More-detailed biographies, recommended readings relevant to the steps, readings on leadership communication, and supplemental material are available on the book's website.

This group of interviewees shared their experiences in large public companies and small private companies, from high tech to consumer products, retailing and services. Some of these organizations are recent or somewhat mature start-ups; others have been around for decades or even a century. One individual has spent his entire career in one company, and three others were or still are consultants who have seen bold projects succeed or fail at dozens of companies over their careers. The breadth of experiences represented by the leaders you will meet in *Stacking the Deck* gave the book the depth I was searching for.

These leaders expanded my thinking, challenged some of my initial ideas, and helped make my principles much more complete and robust. I have quoted them extensively throughout the book, and their influence and value go far beyond the specific quotes I've included. Simply stated, every part of this book benefited and was transformed by the lessons these incredible leaders provided. They provided validation of many of the ideas I had been teaching and added their own stories of how experiences unfolded for them. My hope is that by presenting parts of my history and that of other leaders, I can help readers leap over potential pitfalls on their own leadership paths, thus accelerating success, their own and that of their organizations.

Heading into Change

My experiences in a variety of capacities for corporations that differed in size, goals, industry, corporate culture, and more have shaped how I see change. A brief overview will give a better sense of where these principles came from and the opportunities I've had to put them into practice—or when I failed to put them into practice.

In 1976, I began my career in financial services at Citibank, where I had my first experiences in implementing breakthrough change initiatives. I went from Citi to Shearson, a traditional brokerage that was not interested in change; they were far more interested in sales. When I joined Charles Schwab in 1984, it was still a fairly small company. CEO Chuck Schwab and his chief operating officer, Larry Stupski, were never afraid to dream big. Chuck was the visionary guy and Larry was the strategist and implementation leader. His job was to sift through Chuck's myriad ideas, find the three most likely to work, and get them done. They were courageous leaders and I knew that I was indeed fortunate to join this team.

Originally hired as the director of marketing, I was working on small improvements in the types of ads we were running, the ways we were handling our inbound inquiries, and how we were measuring success. As my career grew, the changes become bolder and more challenging. Joining Schwab when I did was a huge stroke of luck: circumstances and corporate culture combined to provide an unprecedented space for experimentation and risk-taking. I made my first stabs at leading breakthrough change there, and I discovered a lot of ways I would lead differently in the future.

Since those early days, I have served on the boards of many companies—from companies in their earliest stages, to

young public companies, to Fortune 50 corporations. I have seen them succeed, and I have seen them stumble and fail. I've been part of two start-ups that invested over \$150 million in getting off the ground. One failed completely and the other is blossoming even as I write this. I've been on the board of Intel since 1998, and I've seen their successes and the challenges they've faced.

I have been on just about every side of change, big or small. I've seen and made many mistakes, sometimes of judgment and sometimes of process. Somewhere there may be a file of mistakes labeled, "What was Dave thinking?" The redeeming fact is I usually didn't make the same mistake twice. As a self-proclaimed change junkie, I kept at it, trying new ideas and tactics, and learning; over time, I started to succeed more and more.

Change and Learning Are Continuous

Breakthrough change never, ever stops while the world progresses. Competition, the marketplace, and technological advances make it necessary to keep growing and changing. In my own career, I experienced firsthand what happens when you stop leading bold change. I weathered a number of storms during my two decades at Charles Schwab, but the burst of the dotcom bubble in the early 2000s caught me by surprise. Suddenly, my job as Schwab's CEO became entirely about finding new ways to downsize, new places to cut. I did what I had to do: I downsized a 25,000-person company by 10,000 people. But I was slow and uncertain, and had trouble coping with this new reality of my job. I was emotionally paralyzed by the prospect of waking up every day and thinking about the men and women—people I knew well and who had been instrumental in making the company successful—whose