

Out•Think



HOW INNOVATIVE LEADERS
DRIVE EXCEPTIONAL OUTCOMES

G. Shawn Hunter

Foreword by **TIM SANDERS** author of *Today We Are Rich*

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Praise for Out Think

“If you want to deliver exceptional outcomes as a leader, read this book! Shawn Hunter has been all over the world uncovering exciting new insights into innovation and leadership, and he shares them here. I highly recommend this book to anyone who is serious about leading others.”

—**Paul Hiltz, FACHE, President and Market Leader,
Community Mercy Health Partners**

“Out Think is a book that brings the art of innovation near everyone, underlining the practical and making the quest within the reach of leadership.”

—**Prof. Liisa Valikangas, author of *The Resilient Organization***

“Out Think is a great source of concentrated innovation practices, the kind that leaders need in order to drive their businesses forward in these disruptive and challenging times.”

—**Chip Conley, Founder, Joie de Vivre Hotels, author
of *Emotional Equations***

“Shawn Hunter presents actionable strategies for leaders to spark collaborative, innovative thinking within their organizations and tailor it to their needs— just what we need in times like these.”

—**Matthew E. May, author of *The Laws of Subtraction*
and *The Elegant Solution***

“A timely and important book. Out Think is a top-notch distillation of ideas to help you build and apply powerful new leadership skills in your organization.”

—**Garry Ridge, President and CEO of WD-40 Company,
and co-author of *Helping People Win at Work***

“Out Think awakens the creative mind and lays out a clear roadmap for innovation. In today's competitive world, innovation has become the currency for success and Shawn Hunter helps you unleash it. A must-read for those looking to take their organizations—or careers—to the next level.”

—**Josh Linkner, Author, *Disciplined Dreaming*; CEO, Detroit Venture Partners; Founder, former CEO, ePrize**

“In this powerful book, Shawn provides us with well researched, tested and proven wisdom from diverse international thought leaders, and wonderfully adds his own personal perspective, providing us with a new lens to see the possibility and potential in us all.”

—**David Penglase, author of *Intentionomics***

“Shawn Hunter has the innate gift of being able to decipher conversations and link insights meaningfully to unveil profound wisdom. This book is a must-read for all those who want to create their own personal armoury of insights, ideas and stories for bringing innovation and purpose to their leadership.”

—**Sujaya Banerjee, Chief Talent Officer & Sr. VP for Human Resources, Essar Investments Limited**

“I've been an entrepreneur for forty years and I can tell you Out Think shows you how to mix the key ingredients of success—how to find your dream, be persistent and honest, and the insight to work smarter than anyone else.”

—**Harris Rosen, President & COO, Rosen Hotels & Resorts**

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Exceptional Outcomes

G. Shawn Hunter

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To my parents, Hal and Bev Hunter, two of the greatest leaders and innovators I know.

Foreword

Innovation occurs when a creative solution makes its way to market. It runs the world, from business to society. We have problems that need engaged people willing to finish what they start. It's not about coming up with new ideas. That's a recipe for procrastination and nonexecution. To truly harness innovation, you need to leverage a culture that will stop at nothing to fix bad ideas and stomp out mediocrity. And that requires trust-based leadership.

And that's what this book is all about.

How do we get engaged and emerge as leaders and relentless problem solvers? We arrive at a psychological intersection: purpose and passion. We combine our emotions, mental faculty, and sense of spirit. Often, this happens because there is someone in our lives who challenges us or inspires us to dig deep and find energy. When we do, we detect something powerful that draws us in, and we innovate.

Let Shawn be your guiding force, and allow this book to be the device that helps you open your eyes for worthy problems to address; open your ears for feedback about your creative solutions; and open your heart to the importance of your task, and the suffering you are addressing—be it an inconvenience or true misery.

This book will take you on a journey, offering you helpful pieces of advice that will build up to a personal system of innovation mastery. Once you crack the code of self-engagement, finishing what you start will be a snap.

Along the way, Shawn will give you a well-researched glimpse into the future of business, resulting from what he cleverly calls “a marketquake.” It's likely your company is

not fully prepared for the Creative Age, the next big wave since the Industrial Revolution.

And this final stop, the tendency and tenacity to execute, is what separates creativity from innovation. Without a result, your ideas are just happy talk. Speaking of talking, the best way to drive innovative thinking isn't by putting out more words. According to Shawn, it's quite the opposite. It's about asking the right questions, then giving others the breathing room to innovate.

Shawn is certainly no pontificator; he's partnered with some of the brightest minds in the business world over the last decade. He's also successfully conceived, built, and sold a start-up—so that means he knows where the bones are buried for entrepreneurs.

So, dive into this book, take notes, and get ready for a new you.

Tim Sanders

Author, *Love Is the Killer App* and *Today We Are Rich*

Introduction

Then

In 1993, I was in Korea teaching English. It was fun and adventurous; I was 24. Meanwhile my dad, Hal Hunter, was 58 and had recently been right-sized, downsized, outsourced—fired from his job. He was cooking up a new adventure himself.

My father had been working in the human-resources research and development world for decades, mostly in the Washington, D.C., area for government contractor firms. He had been developing an interest in what was then called “distance learning.” A number of emerging technologies were available to deliver such virtual learning, including expensive laser-disk technology (predecessor of CD-ROMs and DVDs) and audio-graphics (which evolved into WebEx and other online sharing tools).

My dad had assembled a group of key people from around our nation's capital, all of whom had similar interests on the customer side of the equation. The one thing he could get them all to understand and agree on was that television should be a main component in the approach. Television was the one technology everyone easily understood.

My dad contacted me to tell me he was starting a business focused on televising training and was interested in broadcasting it live by satellite to distant, remote audiences. I had no idea what he was talking about, but it sounded like fun. I had saved about \$5,000 from teaching, so I jumped on a flight and joined him.

The basic idea was to take talented instructors into television studios and broadcast them live to remote audiences and charge locations pay-per-view fees to attend. We even made it interactive, using telephone lines and fax

machines. People could call into the studio and ask questions.

We made great learning content designed for television, but unfortunately very few people saw it because we had no idea how to properly market or sell it. As far as I was concerned, we were still having a blast and learning about a new viable business that, as far as we knew, was unique. We were never aware of anyone else trying such a business model, but then we'd never thought to look.

My dad was funding the entire enterprise with his own modest retirement. At the time I had no idea of the bravado and conviction of that decision. A year or so after we had started the effort, we were having lunch one day and my dad looked at me and said, "Tell you what. I'll put another \$20,000 in the business account. When that runs out, we'll shake hands and congratulate ourselves on having a good run of it."

I remember thinking, "Oh, right. There's an end to the money!" I hadn't previously considered the possibility of failing by lack of money. With this realization, I knew we needed to get inventive—and fast.

We stopped producing the expensive broadcast content that we couldn't sell and found a couple of small companies that were, in fact, doing much the same thing we were. It turned out a few companies in the United States had the same idea we did and had developed a similar service. We approached them and offered to resell their content. Our margins were smaller, since we kept only commission on sales, but the big overhead had vanished. We had managed to lower the immense financial burn rate and still have a product to sell.

Over the next couple of years, we built a strong customer base and regained a solid financial position. Then we started producing our own content again. The winds were with us when the dot-com revolution happened and streaming

videos online entered the market in the late 1990s. By that time, we had an inventory of video content, a schedule of live broadcasts, and a way to reach a much broader audience by streaming media over the Internet. And still we remained one of the few providers of such content. In fact, at the time, the few companies that offered competition were in the process of dying out due to mismanagement or financial collapse. However, unbeknownst to us at the time, a new generation of competitors was soon to emerge.

In this book, I often refer to the learning experiences I had through the company my dad and I founded, which started in the mid-1990s and lasted until 2007, when we sold that business. I didn't know it at the time, but this period would be greatly influential in building what I now call the Out Think process.

Now

My wife and I live in Maine with our three kids, all under the age of 13. The other day I was musing about how to teach gratitude to them and posed this question to my six-year-old as we were sitting at the kitchen table: "Annie, would you name three things you are grateful for?"

"What's grateful?"

"Thankful. Name three things you are thankful for."

She thought for a moment and said, "Santa Claus!" Cute. She also said painting with her grandmother and playing with our dog. A good start. Gratitude, just like innovation, can be learned.

The global economy has moved on, from the Information Age to what some have dubbed the "Creative Age." This book is about the importance and power of engaging ourselves in our work, connecting with the people and world around us, and deviating from convention to reliably create innovative value in this new age.

I believe “innovation” is now what “entrepreneurial” was to the 1990s and what “excellence” was to the 1980s. The pursuit of “innovation” has been urgently added to the business buzz vernacular because the velocity of change demands that companies constantly innovate to remain relevant.

Consider: Disney, CNN, MTV, Hyatt, Burger King, FedEx, Microsoft, Apple, Texas Instrument, 20th Century Fox, Gillette, AT&T, IBM, Merck, Hershey's, Eli Lilly, Coors, Bristol-Myers—the list goes on.¹ All of these organizations were started during economic downturns. Our greatest opportunities exist in such times, but we need to let go of some of the attitudes and attributes, methods and mindsets, that have worked in the past, because they're not working so well anymore.

So how do we, as leaders, deal with this continuing upheaval in the marketplace? How do we out think our competitors and think outside the norm to achieve continuing success? The Out Think process described in this book is not a linear blueprint for success. It's not a series of infallible steps that will lead you, the reader, inexorably toward innovation, market leadership, and world domination. It requires that you participate in the journey.

I've synthesized in this book many of those truths in emerging innovative leadership practices that guide reliable value creation from around the world. Out Think is a set of ideas and practices for generating new value in the form of innovative products and services.

I don't believe in definitive models, but I do believe each idea we find in the world presents certain truths and value, represented in the behaviors and beliefs, the methods and mindsets, that drive results—in ourselves and in others. Having interviewed, collaborated with, and filmed hundreds of successful executives, business leaders, and researchers, I have discovered some consistent guiding methods and

mindsets for individuals, groups, and organizations around the world that have been proven to be reliably valuable in today's volatile economy.

You will find within these pages that sense of purpose is a pervasive ingredient within each step of the journey. Passion may drive us, but purpose is what connects us to our community and to the world.

Chapter 1

Marketquake: Moving beyond Arrested Decay

I can't recall a period of time that was as volatile, complex, ambiguous, and tumultuous. As one successful executive put it, "If you're not confused, you don't know what's going on."

—*Warren Bennis, founding chairman of The Leadership Institute, University of Southern California*

In 1859, a prospector named William S. Bodey discovered gold high in the Sierra mountains of California, and within 20 years the developing town—named after him—had a population of more than ten thousand people. The town, whose name was eventually changed to "Bodie," was a thriving and rapidly growing community, as the people harvested the rich silver and gold deposits from mines dug into the hills. The residents quickly built all the necessary foundations of a full community, including a town hall, merchants, fire and police departments, and schools. Such was the demand for lumber and materials to support the housing explosion that even a railroad was constructed to deliver building materials to Bodie from the nearby town of Mono Mills.

By 1915, Bodie was labeled a "ghost town"; by 1918, the rail line had been dismantled; and by 1942, the town was completely abandoned. However, to this day first the U.S. National Park Service, then the state's park service in conjunction with a private foundation, has maintained the town in an intentional state of arrested decay to show how

life was in the town when it was abandoned. That is, the structures, furniture, streetlights, and even the last markings on the school chalkboard have been kept just as they were left, in an attempt to neither improve upon the town nor allow it to fall further into disrepair.¹

Many organizations behave in much the same manner. We build processes, operations, behaviors, and cultural habits based on the one good idea or market opportunity that surfaced either when the company was founded or during the last product or service triumph the company enjoyed. Then we congratulate ourselves and reminisce about the good old days instead of moving forward.

If we spend our time and resources focusing on building more of the same, instead of something different, we wind up competing only on price, which is a death spiral. No company will ever remain the cheapest in this world of commoditization. Even if it were possible to maintain having the lowest price, this will almost necessarily mean having the smallest profit margins, as the cost of the goods and services sold approaches the market offering price. The cheapest products and services often have a greater likelihood of suffering from lack of product integrity and early obsolescence. And being the cheapest does not build a secure customer base but instead attracts the discount buyer, a buyer with no loyalty and one who often brings a lot of headache.

The urgency for organizational culture change that supports democratized innovation practices has never been higher. Companies that recognize that there is opportunity in chaos and that traditional structures are no longer the answer are likely to lead the way in innovation, leaving those stuck in yesterday's corporate culture behind.

Science fiction author William Gibson once said, "The future is already here, it just isn't very evenly distributed." We've entered a new era. Call it the age of imagination,

ideation, conceptualization, creativity, innovation—take your pick. Creativity, mental flexibility, and collaboration have displaced one-dimensional intelligence and isolated determination as core ingredients of a competitive advantage.

Creative people who can bring innovation to the world are our greatest capital now, and with the right leadership and inspiration, creativity can be nurtured in everyone. In any field, expertise is not only an expectation—it is a given. Success for workers and companies centers on being nimble, creative, and having the initiative to bring unique solutions to unexpected problems.

The new creative class includes people working in all sectors of the economy, including engineering, design, science, poetry, music, technology, and whose economic contribution is to create new ideas and take action that yields innovation. They come from all over the globe, collaborating and easily moving from one challenge to the next. The drivers of those in this creative force have a tenacious curiosity and passion for what they do.

Dan Pink, author of *A Whole New Mind: Why Right-Brainers Will Rule the Future*, has popularized the importance of “symphonic” thinking. This concept dates back to 1907, when composers Jean Sibelius and Gustav Mahler considered the nature of symphonies. According to Sibelius, the symphony is about the “profound logic that created an inner connection between all the motives” and that “the symphony should be like the world: it must embrace everything.”²

Symphonic thinkers see the big picture; they look at the whole system and take their information from a variety of sources. They take a multidimensional approach to solving problems, seeing connections, and finding effective solutions. Such thinkers include Margaret Mead and Gregory Bateson, who developed interdisciplinary perspectives in

systems theory; Amartya Sen, an Indian economist, who made great contributions to social-choice theory and welfare economics, particularly focusing on the poor; George Pólya, a Hungarian mathematician, whose work in mathematics education focused on experience-based techniques for problem solving rather than rote memorization; and Martha Nussbaum, an American philosopher noted for, among other things, her championing the idea of reconnecting education to the humanities, rather than viewing it strictly as an economic tool.

Organizations are succeeding by being open to innovation. Amazon went from being an online bookseller to a powerhouse when it started offering a wide variety of web-based services. Google and Apple have added a host of online services to their core competencies. And Toyota has enjoyed a decade-spanning, market-dominating run owing to its policy and practice of empowering its frontline employees to be innovators and change agents. Management has come a long way since Henry Ford once quipped, “Why is it, whenever I ask for a pair of hands, a brain comes attached?”

Companies that can out think their competitors in this chaotic environment usurp the market position of incumbents consistently: Blockbuster got Netflixed,³ Borders Books got Amazoned, Tower Records got iTunesed, and, if iTunes isn't careful, it might get Spotifyed, as Spotify offers access to more than 15 million songs that can be streamed for \$9.99 per month.

We need to understand that knowledge and expertise are easily accessible, common, expected, and cheap or even free. They no longer represent a lasting competitive advantage. We have moved to the age of creative, symphonic thinking, where the ability to harness seemingly disparate pieces of information and ideas and mash them into wholly new iterations that can be used to create

innovative solutions is, in fact, the competitive advantage for individuals and for organizations.

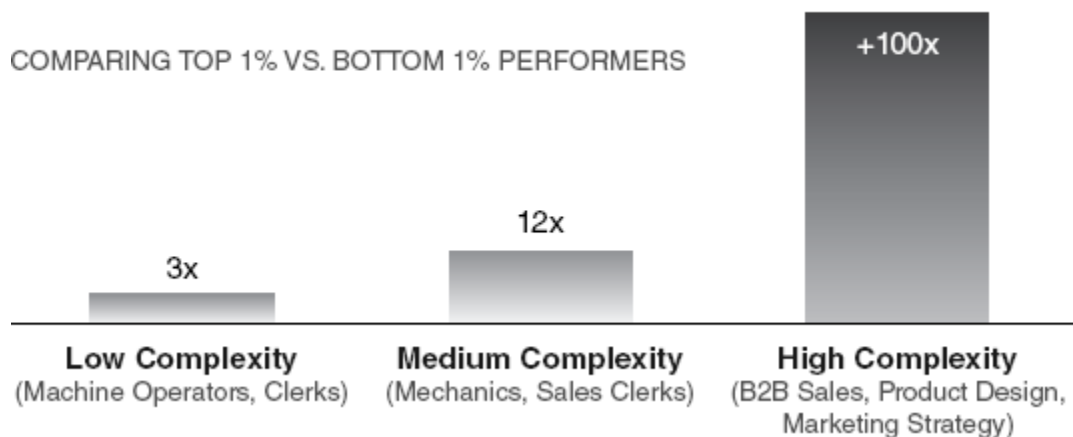
Embracing a creativity agenda is not easy when we have quarterly earnings, deadlines, and clear outcomes at stake. Reading this, you may be tempted to think, “Sounds great. I believe in the value of creativity and conceptual thinking, but how does that possibly affect my company's bottom line?”

As Dan Goleman relates in his seminal book *Working with Emotional Intelligence*, researchers John Hunter (Michigan State), Frank Schmidt, and Michael Judiesch (University of Iowa) conducted a study in 1990 in which they evaluated the economic value of the top 1 percent of contributors to company profits.⁴ Their findings revealed that top performers in professions that require dealing with high levels of complexity (business-to-business salespeople, lawyers, doctors, designers, and engineers) contributed more than one hundred times the productivity and productive impact than the bottom 1 percent in those same professions.

As the figure below illustrates, as the level of job complexity increases, so does the productive impact value of those at the top of their game. Being able to conceptualize—to be creative—pays off. And being able to draw that discretionary level of initiative, creativity, and passion out of those around us will distinguish the best leaders of the future from those of the past.

Figure 1.1 Economic Value of Conceptual Thinkers

Source: John Hunter (Michigan State), Frank Schmidt, and Michael Judiesch (University of Iowa)



Creativity vs. Innovation

This book is about how to lead teams to innovation, so how does that differ from creativity and invention? Paul Sloane, author of *The Innovative Leader*, lays out the distinctions among the various terms:

Creativity is the capability or act of conceiving something original or unusual.

Innovation is the implementation of something new.

Invention is the creation of something that has never been made before and is recognized as the product of some unique insight.

If you have a brainstorm meeting and dream up dozens of new ideas then you have displayed creativity but there is no innovation until something gets implemented. Somebody has to take a risk and deliver something for a creative idea to be turned into an innovation. An invention might be a product or device or method that has never existed before. So every invention is an innovation. But every innovation is not an invention. When your company first published its website, that was a major innovation for the company even though many other websites already existed.⁵

Sloane goes on to say that, while we tend to think of all these terms as applying to a physical product, they can also be applied to services. For our purposes here, “product” means both, unless specified otherwise, and “innovation” includes applying creativity, that is, taking creative ideas to their implementation.

The Innovation Gap Shrinks

When the rate of change inside an organization is slower than the rate of change outside an organization, the end is in sight.

—Jack Welch, former chairman of General Electric

While we may intuit that creativity is a vital component of innovation, we urgently need a process by which we can accelerate our new-product and value-creation pipelines. Throughout the organizations that my colleagues and I at Skillsoft Corporation have visited in recent years while interviewing executives and collaborating with thought leaders, we've consistently discovered an innovation-delivery gap that is shrinking. This gap is between an organization's ability to create new and distinctive value that the market recognizes and rewards, and the speed at which competitors can emerge and deliver innovative products and services to the market.

Several accelerating forces are influencing this competitive marketplace innovation gap. These include the ubiquity of technologies that enable global collaboration, and the increased accessibility of new ideas and commercial opportunities in emerging markets. Added to these are the broader adoption of open-innovation practices and companies' increasing tendencies to develop capabilities with individuals and groups outside of their own organizations.

Technology Globalizes Innovation

Norm Merritt is the CEO of an internationally recognized business-process outsourcing (BPO) company, iQor. The company helps organizations around the world service their customers and support their operations. In an interview Merritt said:

Globalization is a lot more about technology and innovation than people often recognize. The reason globalization is happening, in my view, is not because the laws have changed, or countries are suddenly more friendly towards trade. It's happening because the Internet came around in the mid-'90s. And it's making the Philippines as accessible as Phoenix.⁶

In other words, it's now much less about *where* than it is about *how* skills are sourced, services are performed, and innovation is achieved. Merritt goes on to say that globalization used to mean “finding and sourcing the lowest-cost labor.” Now, the lowest-cost labor is a moving target; it's more about who can perform the best services and, as a company, be nimble enough to fluidly move operations and innovation to leverage the greatest market opportunity, conduct the most promising research, or deliver the best support services.

Consider that, according to a *Wall Street Journal* article, top information services and consulting organizations in India—including Tata Consultancy Services, Infosys, and the Bangalore-based software developer MindTree—are now all actively hiring employees in the United States.⁷ Outsourcing from emerging markets to Detroit, Michigan, or Camden, New Jersey, might sound somewhat absurd, but it's happening quickly as globally agile companies rapidly deploy new initiatives and source projects to the right talent markets. According to Ameet Nivsarkar, vice president of India's National Association of Software and Services

Companies (Nasscom), the association's member companies have generated more than 280,000 jobs in the United States over the past five years.

Merritt sums it up best:

To me, globalization is not about lower wages, or a particular country that you need to deal with. It's about thinking of the entire planet in a seamless way, and constructing your business in such a way that it could move across the globe in a second, that it can leverage talent anywhere, and that it can run processes in a way that is really seamless. To put it another way, for a business, I think the concept of a country or a geography is increasingly less and less relevant. The world of a seamless globe has already arrived for businesses, and the sooner people wake up to it, the better. Paradoxically, in our experience this mindset is a net positive for most U.S. markets.

Going Global Means Going Indigenous

ManpowerGroup is one of the largest providers of human workforce solutions in the world, operating in 80 countries across the globe. It is arguably among the savviest businesses in understanding the highly fluid state of the global talent market. In a conversation, ManpowerGroup chairman and CEO Jeff Joerres—then president of the company—described to me that many companies who claim to be global are not truly global—they just have multiple locations offshore for manufacturing or other operations that are managed by the home office in a highly prescriptive way.⁸

Joerres interprets this as nothing more than changing locations to reduce labor costs or to be close to resources, but this does not harness the real opportunity and value that comes from being a truly global organization, which in

his view means providing support, frameworks, and guidelines, not “direct recipes.” He claims his strategy of finding and amplifying innovation within his own company is not complicated:

Our innovation model? Very simple. Innovation is happening every day across the world in our organization. Find it and institutionalize it.

In a conversation in 2011, Bruce Churchill, president of DirectTV's division of emerging business, told me the key to his company's dramatic market growth in Latin America was taking the decision making about how, when, and where DirecTV's services were deployed in Latin America out of the company's U.S. headquarters and instead giving more autonomy to the local operators.⁹ Who knows better than the people who live in Bogotá, Rio, and Caracas what television programming to provide that is culturally relevant, how to price it against the local monetary unit, and what kind of marketing would make the programming stick in each locality? As Churchill says, “You have to allow those people to price, market, distribute—do everything that makes sense—within their local market. So we run a fairly decentralized organization.”

Therein lies the key to an effective globalization strategy—to be a truly decentralized organization, executives need to trust local operators to conduct the business—to *invent* the business—so that it is locally relevant. Churchill goes on to say:

People like to consume media in their local language; it's culturally relevant. So therefore, it makes sense to have people running these businesses that understand the local culture, understand the local media. . . . If you have someone deciding on programming. . . . [i]t's going to make a lot more sense for someone from a local market to make that decision, as opposed to some American guy up

in New York or in Miami, or some other place, imposing their opinion.

Similarly, Michael Byrne, CEO of the Australian company Linfox, Asia Pacific's largest privately owned logistics operator, explained that the key to his company's remarkable growth in India, China, and throughout Southeast Asia over the past ten years can be specifically attributed to Linfox tapping into its local talent and giving those employees control over local operations.¹⁰ With more than 2,500 employees in India, Linfox has exactly one Australian regularly working there—and he's not the boss, either. Linfox provides the shared vision and values that are the bedrock of the company by providing a clear and singular vision of commitment to safety, operational excellence, product integrity, and quality, and then gives trust and operating control to the local markets for culturally nuanced execution.

Those closest to the end-user and buyer are often best suited to make discretionary decisions concerning advertising, support, and distribution of products and services. This is especially true in the global market. From enabling such local autonomy, we as leaders can learn how our products and services are deployed, advertised, and supported, which will keep us better informed on how to manage our business overall.

Open Innovation Offers Opportunity

“Open innovation” is a concept made famous by Henry Chesbrough, a professor and executive director at the Center for Open Innovation at the University of California, Berkeley. In his book *Open Innovation: The New Imperative for Creating and Profiting from Technology*, he defined “open innovation” as “a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and