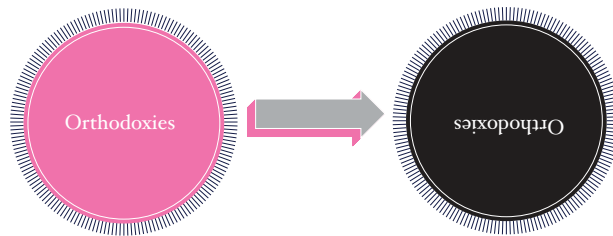


Every organization has deeply held beliefs about ‘how things are done around here.’ Leaders can use a five-step game plan to challenge – and overcome – ingrained orthodoxies.



Flipping Orthodoxies: Overcoming Insidious Obstacles to Innovation

by **Bansi Nagji** and **Helen Walters**

IN 1982, JAY DOBLIN AND LARRY KEELEY walked into a meeting with the top executives at Xerox, including newly-appointed CEO David Kearns and co-founder C. Peter McColough. These were serious guys who were pioneering incredible advances in Physics, Optics and Engineering. Xerox was the undisputed king of copiers. Yet Jay had sacrilege in his hands: the Canon PC10.

Xerox's leaders were distinctly unimpressed by this chugging machine, which laboriously churned out a series of fairly poor quality copies right there in the boardroom. As Larry tells the story today, their scowls said it all: "We are busy people. Why are you showing us such an inferior product?"

They were right, the copier *was* inferior – and yet, as we know from disruptive innovation theory, the Canon design heralded the end of Xerox's dominance in this market and introduced a self-service revolution.

Without realizing it, Xerox's leaders demonstrated the threat posed by *orthodoxies* – tightly-held beliefs that guide a company's decisions. Xerox believed that copiers would always break down at some point, so the key to success was to build the world's best copier repair force, along with ever more high-tech products. Commitment to this system was woven into Xerox's culture, and a matter of pride for the firm's leadership. Canon, in contrast, knew



that it couldn't compete on these terms, so it flipped the orthodoxy to imagine and develop a totally different kind of service. In so doing, it left Xerox reeling.

Why Orthodoxies Matter, and Where to Find Them

Orthodoxies range from seemingly-innocuous biases or conventions to, at their most extreme, something that approaches religious-like devotion to a specific set of ideals. Oftentimes they are easy to see, but more often they are not explicitly recognized. Unstated assumptions that go unquestioned, they are the 'entrenched wisdom' that employees don't even think to challenge – leading to blind spots that prove to be the insidious, seductive handmaidens of stasis and resistance to change. The end result: people fall into autopilot mode and fail to imagine better ways to tackle challenges and everyday activities. To be clear, orthodoxies are not all bad. In fact, it's a mistake to assign any kind of judgment to them, because they are neither good nor bad; they just *are* – but it is critical to be conscious of them. As the late **CK Prahalad** and **Gary Hamel** wrote in *Competing for the Future*, "All of us are prisoners, to one degree or another, of our experience." The roots of an organization's orthodoxies can be found in the 'sensible practices' through which the company first found its feet and place in the world. But if executives are not hypervigilant, these careful systems can calcify as the industry evolves, providing a reassuring but false sense of security, even as the sands of disruption shift beneath the organization. It's only a matter of time before a competitor spots and exploits an opportunity.

Looking for orthodoxies needs to be a conscious process throughout the organization. Admitting your organization is rife with them is a good first step toward dealing with them, even while some orthodoxies, particularly those related to security or legal issues, may never – for good reason – be overturned. But, as economist **Daniel Kahneman** wrote in the June 2011 edition of *Harvard Business Review*, "Knowing you have biases is not enough to help you overcome them." All orthodoxies need to be subject to regular scrutiny, and leadership needs to ensure that nothing becomes too sacred to be rethought. It is useful to think about orthodoxies in two distinct categories: internal and external.

Internal Orthodoxies. These are often embedded in a company's culture, so finding them is a major challenge. This means that leaders have to be ready to openly question beliefs and practices that at one point may have defined a company's success. Gauging when an orthodoxy has morphed from being helpful, inspirational and useful – and instead become an obstruction – is enormously challenging. Being conscious of internal practices and how the rest of a team approaches its work will help.

A good example of internal orthodoxies in action comes from Detroit. American car companies are known for their fierce internal cultures, which proved to be more of a millstone than a boon as the 21st century rolled around. In 2006, **Alan Mulally** left **Boeing** – his corporate home of 37 years – to join the **Ford Motor Company** as president and CEO. The company was in crisis, hammered by multiple forces, including the deeply-

ingrained manufacturing processes and systems on which the firm was run, with tightly controlled fiefdoms run by executives accustomed to running their own shows. Within three months of his arrival, Mulally hosted the year's earnings call, announcing that the company had lost \$17 billion. As he explained in a later **BBC** interview, "You can run out of money really fast when you lose \$17 billion a year."

Mulally – viewed with suspicion as an industry outsider unfamiliar with the mores of the auto industry – had a few ideas of his own. He recognized that tackling the entrenched belief systems and practices of his team was the most important point of order. His tactic was simple: he instituted a weekly, global meeting. At 7:00 a.m. on a Thursday, no matter where in the world the members of his senior team were located, they were on that call. Together, they looked at screens showing the progress of the various current projects, colour-coded by status: red for serious issues; yellow if a project was potentially problematic; and green for projects that were on track.

The only problem? None of Mulally's lieutenants was prepared to admit that they had a problem. The screens were a sea of uniform green; given the \$17 billion loss, there was clearly a disconnect somewhere. The internal orthodoxy of 'managers getting work done on their own, often in secret', had morphed from being the way things were done at Ford to hampering the potential survival of the company itself. Mulally abruptly stopped the meeting and asked outright for his lieutenants to come clean, to reflect reality so they could get on with the business of fixing it. Silence prevailed, with eyes pointed at the floor. But the next week, **Mark Fields**, head of Ford's Americas division, showed a chart concerning the Canadian launch of the Ford Edge. The chart, featuring everything from technical readiness to the business plan to proposed schedules, had transformed into a sea of red.

Everyone on the call fell silent. "Now we'll see what our new leader is going to do," Mulally realized the managers were silently thinking. And so he clapped. He clapped his hands, congratulated Fields on the visibility he'd afforded the team, and asked him what they could all do to help. This one moment, he says, had a galvanizing effect. Within minutes, various department heads were volunteering solutions and manpower. The following week, the 320 charts considered in the meeting had turned into what he describes as "a rainbow of honesty."

Ford executives had given up their long-held orthodoxy of tightly managing information in order to show what was really happening. The exercise also helped them to overcome two more orthodoxies: that asking for help is a sign of weakness, and that only good news gets discussed in public. And while Ford's turnaround can clearly be attributed to more than this one culture-changing shift in thinking, in April 2011, the company posted its best first-quarter profit since 1998.

External Orthodoxies. Industries and markets can be just as beholden to the 'way things are done' as companies are. That's why outsiders so often seem to be able to come along and upend or dis-

Common Internal Orthodoxies

Not Invented Here

Characteristic: Constant need to reinvent the wheel
Conquerer: **Netflix** famously overcame an ongoing issue with its recommendation engine by challenging anyone from the public to solve the problem. It worked.

That's The Way We Do Things Around Here

Characteristic: Resistance to change
Conquerer: **Ford**. When **Alan Mulally** became CEO, he knew one of his major challenges was to change the entrenched systems by which his managers worked.

We Work from 9 to 5

Characteristic: Static, inflexible structure
Conquerer: **Best Buy**. With its "Results-Only Work Environment," it became the poster child for an organization that allows its employees to dictate their own hours.

Quantity over Quality

Characteristic: Strict rules for sales/support staff to expedite business
Conquerer: **Zappos** takes customer service very seriously, training the loyalty team to take the time to make sure a customer's needs are met – no matter how much time it takes.

Common External Orthodoxies

Airlines

Orthodoxy: Charge business travelers the highest fares
Conquerers: **Southwest**, **RyanAir**. Southwest flipped numerous orthodoxies, including the system by which the rest of the industry operated. Its no-frills approach has been mimicked both within the U.S. and globally.

Rental Cars

Orthodoxy: Focus on business travelers
Conquerers: **Zipcar**, **BMW DriveNow**. Many rental car companies focused on business travel and are located at airports. Zipcar had a different idea, focusing on urban centers and betting on consumers who might need to rent a car for a day (or even an hour or two). In April 2011, BMW and **Sixt** launched DriveNow, a car-sharing pilot scheme in Munich, Germany.

Government

Orthodoxy: Baffle with bureaucracy
Conquerers: **Gov 2.0** initiatives; **Arab Spring**. While it's still too early to estimate the true impact of social media on the various countries that experienced political upheaval in 2011, it's plain to see that these tools are being applied in ever more innovative ways, preventing business-as-usual and forcing office holders to face up to long-held orthodoxies.

rupt an entire industry, simply by having a fresh way of looking at things. And that's why Harvard Professor **Clayton Christensen's** theories of disruptive innovation retain such resonance, years after they were first published.

External orthodoxies were already rife within the American airline industry by the time **Southwest Airlines** started flying its planes in June 1971. Founder **Herb Kelleher** was determined to take on the incumbent airlines – the likes of **Braniff**, **Trans-Texas** and **Continental**. It's not like the competitors didn't see Southwest coming. In fact, Southwest faced 31 separate judicial proceedings from established players looking to shut down the young upstart in its first five years of operation. Yet that neither deterred Kelleher nor stopped Southwest from establishing itself as a major player. It did so by refusing to play along with the accepted industry orthodoxies, insisting on doing things its own way.

Back then, the airlines all ran very similar kinds of businesses: they flew passengers in multiple types of planes via major hubs, then on to their desired airport. The airline was king, and cus-

tomers flew according to its rules. Kelleher wanted to do things differently. He refused to stock his fleet with multiple aircraft, instead buying only one type of plane (the Boeing 737) to cut down on maintenance problems and make sure he had access to the right plane parts wherever he needed them. He refused to design a 'hub and spoke' geography of routes, instead developing a system whereby not only did all planes fly directly 'from point to point', but customers bought one-way flights each time. And he utterly rejected the dismissive attitude shown by other airlines towards their customers, putting Southwest passengers at the center of a unique type of service, where the emphasis was on fun.

The unorthodox system sparked a revolution in the airline industry, but at the time, people thought Kelleher was nuts. "It wasn't just the other airlines that were contemptuous of what we were doing. The New York financial community was, as well," recalled Kelleher in a 2002 interview. "After maybe nine or 10 years, [an analyst] with **Credit Suisse First Boston** got up at an investor seminar and said, "For 10 years we've been telling Herb Kelleher how to run

Asking “why not?” isn’t simply the prerogative of whiny children, it’s a useful exercise to ensure you’re not slipping into bad habits.

Southwest Airlines, and for 10 years he’s been telling us to bug off. Since they’re the most profitable airline in America, how about if we all bug off?”

Many of Southwest’s flips of the entrenched airline industry are still firmly in place. Multiple competitors have tried to mimic the company’s success, with rivals such as **JetBlue** (started by Southwest veterans) and **RyanAir** in Europe trying similar tactics. Still others, such as **United’s TED**, tried and failed. The company currently flies 548 Boeing 737 aircraft among 72 cities, and 2010 marked its 38th consecutive year of profitability.

How to Flip Orthodoxies

Overcoming orthodoxies rarely happens in isolation or as a one-off exercise. They are generally far too pervasive and deeply rooted to overturn simply by decree or exhortation. Rather, you have to design initiatives in such a way that you can identify, discuss and challenge key orthodoxies.

Following is a five-step game plan to make sure you don’t let orthodoxies block your innovation agenda, or allow your organization to be blindsided by a competitor imagining a different reality.

1. Be ruthless about finding them

Leaders need to be extremely open-minded when it comes to confronting truths that might make them feel uncomfortable. Even naming orthodoxies can be an illuminating process, not least to note who agrees with whom, but also to see which suggestions spark the most energetic response. Oftentimes, rigorous deconstruction of iconic stories from within your organization or industry – particularly the failures – might yield surprising results. Younger and newer employees will likely experience your orthodoxies most acutely – so ask them to help. Meanwhile, identifying orthodoxies can help to frame an innovation project and can prove to be a useful diagnostic tool that can smooth the often bumpy path of the process. Consciously pushing back against orthodoxies can help leaders set a truly groundbreaking agenda. The exercise can also prove useful later in a project’s evolution, when those involved begin to back away from trying something new or scary. By devising a list of identified, common orthodoxies that need to be overcome upfront, you can remind everyone involved in a project that they’ve made a commitment – and they need to stick to it.

2. Ask ‘why not?’ on a regular basis

One way to challenge preconceived ideas is to keep a simple mantra in mind at all times. Asking “why not?” isn’t simply the prerogative of whiny children, it’s a useful exercise to ensure you’re not slipping into bad habits or missing important opportunities. An alternative way of thinking about this is to turn every response into a version of “yes, and...” In her recent book, *Bossypants*, comedienne **Tina Fey** described how this mantra has been key to her own success. “Whatever the problem, be part of the solution. Don’t just sit around raising questions and pointing out obstacles. We’ve all worked with that person. That person is a drag,” she writes. Asking why something might not be feasible, viable or possible may well elicit some reasonable answers, but the exercise will allow leaders to think differently about received wisdom and ‘the way things are done round here’, which can be the most stifling orthodoxy of all.

3. Widen your field of vision

These days, it’s no longer enough just to consider the potential orthodoxies of existing industries or organizations. Look in unfamiliar settings to see where orthodoxies have been flipped – and to get ideas that you might try in your own field. The ‘bottom of the pyramid’, for instance, is an excellent place to look for inspiration. This environment is teeming with fast-moving ideas, born of necessity, that are flipping the orthodoxies of western economies to create new business models. **General Electric CEO Jeff Immelt** has embarked on an aggressive course of implementing the practice of ‘reverse innovation’ – taking ideas from emerging markets to figure out how to ‘trickle up’ their inherent ideas to the developed world. Meanwhile, concepts such as mobile phone-based banking don’t just serve a new customer in a new way; they challenge the way those of us based in mature economies do things, too.

4. Be a credible heretic

To challenge orthodoxies effectively, it’s important to understand the potential ramifications of change. **Jeff Semenchuk**, former head of global innovation at **Pfizer Consumer Healthcare** and founder of **Citigroup’s** Global Growth Ventures (currently a senior adviser to **Monitor Group**), puts it this way: “You have to be a credible heretic. You have to acknowledge the orthodoxy and the good reason it existed in the first place, and then you have to be willing – in an open, positive, sometimes playful way – to challenge that.”

Two Orthodoxies Ripe for the Flipping

Supermarkets: Why is it that the people who spend the most time and money in a supermarket – the harassed parents carting screaming children and a trolley load of groceries – have to wait the longest in line? Meanwhile, the young person who breezes in to pick up a microwave meal for one quickly parts company with her measly amount of cash and heads merrily on her way. Supermarkets should look at the orthodoxy of punishing their best customers and figure out ways to celebrate those who truly offer the most value.

Hotels: “Check-in time is after 3:00 p.m.; Check out by noon.” Who exactly is this very common orthodoxy benefiting? Certainly not the hotel guest, whose behaviour is dictated by an old-fashioned system centered on bureaucracy and administration. Of course, everyone understands why this orthodoxy is in place: if a hotel has hundreds of rooms, there has to be some orderly system to make sure they’re cleaned and made available. But the current mechanism has arguably calcified, resulting in a system that actually benefits neither employees nor guests.

Another point to bear in mind: orthodoxies can only be effectively flipped from the top of an organization. That’s why **Virgin** CEO **Richard Branson** specifically designed his role to allow him to challenge his industry’s orthodoxies. “My senior management team, led by CEO **Stephen Murphy**, keeps everything moving along,” he says. “My role allows me to dive in and out of situations, ensuring we keep challenging orthodoxies in every sector we’re competing in.” Of course, Virgin has had some notable failures – in markets from weddings to soft drinks – but Branson keeps pushing and testing. He embodies the spirit of heresy that has seen him build a business based on brands that challenge orthodoxies.

5. Recognize those who dare

Recognizing those who dare to flip orthodoxies can send a powerful, positive signal to the rest of your organization. In recent years, one form of incentive – prizes – has become prevalent as a tool to spark innovation. By opening up a challenge to a wider group than might participate internally, organizations are often able to challenge the industry orthodoxies that plague the incumbents. The Ansari X Prize, for instance, offered \$10 million to the first private sector group to fly a reusable spacecraft into space twice in two weeks, and was won in 2004 by a group led by the legendary engineer, **Burt Rutan**. Since then, over \$100 million has reportedly been invested in an aerospace industry that had barely existed before.

In closing

Leaders everywhere need to dare to imagine a different future that encompasses more than just business as usual. If the process of overturning orthodoxies is not deliberately adopted by the senior leadership of a company, old patterns are certain to re-emerge.

None of this is easy. There is a fine line between a winning formula and hardwired assumptions that constrain a business. But through careful assessment and conscious choices, you can discern between self-imposed limitations and the true cornerstones of your enterprise. **R**



Bansi Nagji is a senior partner at Monitor Group and leader of the firm’s global innovation practice. He can be reached at bansi_nagji@monitor.com.

Helen Walters is a writer at Doblin, part of Monitor Group. The former editor of innovation and design

at *Bloomberg Businessweek*, she can be reached at helen_walters@monitor.com.