

# THE CHIEF REINVENTION OFFICER HANDBOOK

# HOW TO THRIVE IN CHAOS

NADYA  
ZHEXEMBAYEVA

CO-CREATED BY

A community of 3,000+ reinventors from 40+ countries

DESIGNED BY

Maxim Gorbach & Ilya Galushin, PRESIUM



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PREVIEW

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AN INTRODUCTION

# CHANGE IS NOT A PROJECT

# CHANGE IS NOT A PROJECT

On January 11, 2020, Chinese media reported the first novel coronavirus death, a sixty-one-year-old man. In the months that followed, the world suffered millions of infections and mourned hundreds of thousands of deaths from what became known as COVID-19.

Suffering struck many organizations, communities, and livelihoods as well. In the United States alone, 30 million people filed for unemployment by May 2020. Century-old companies, passed down for generations, disappeared seemingly overnight. Entire careers vanished.

Yet, as in every global upheaval before, the suffering went hand in hand with courage. Medical professionals worked unimaginable miracles to save the infected. Grocery workers packed food for all to eat. Bus drivers continued to connect the communities. Businesses took on the

chaos and fought to make lives a little bit easier – or a lot.

Before COVID-19 put much of the world on lockdown, Miro was a nine-year-old company with 280 employees and a respectable following of 3.5 million users. Designed to deliver a collaborative virtual experience for a team of people working on a digital whiteboard, Miro's flexible solution mimics the experience of sitting together for a brainstorming session even if team members are dispersed around the world, sitting on their own couches in sweats.

Like many other virtual collaboration providers, Miro recognized and embraced the growing trend of teams needing to work together while separated in space and time. Most solution providers, however, made their bets on offering a simple but relatively rigid structure, still requiring more sophisticated and

unstructured collaborations to be done in person. Miro went a different way, offering extreme freedom and flexibility of use, allowing for infinite ways to use the virtual board (digital “sticky” notes included).

Andrey Khusid, Miro's CEO, explains: “My interest in the power of visual communication and collaboration began more than a decade ago when I was running a design agency. From the start, our product gained traction among people who usually relied on physical whiteboards but had to collaborate with people in different locations: designers, product managers, scrum masters, agile coaches, project managers, program managers, strategists. We got immediate feedback that our product was solving a real problem for so many remote workers and distributed teams.”

As the virus forced people to stay indoors and away from their offices, Miro grew its base to five million users and 21,000 paying customers, including such household names as Dell, Salesforce, PwC, Electronic Arts, Verizon, and Deloitte. Educators and non-profit leaders joined in as well. Because of Miro, critical solutions were developed, deep insights were secured, jobs were saved, learning opportunities were pro-

tected, and projects got lifted off the ground, shutdown be damned.

Miro saw a significant change in quality, not just quantity of customer experience: Larger collaborative sessions with twenty to twenty-nine simultaneous participants on a board in a given week soared 1,807% in mid-April compared with early March. Meanwhile, the total time spent

video chatting increased by a whopping 2,379% in April compared with March. The world was clearly ready to reinvent virtual collaboration.

As many companies got crushed by the waves of pandemic destruction and sank to the bottom of the economic ocean, Miro managed to pull some survivors out of the murky waters and offer them jobs.





By April 23, 2020, the company landed a hefty \$50 million Series B investment, had more than 330 employees, and announced plans to hire 150 more by the end of the year.

Miro's story of thriving and serving in crisis is neither an exception nor an accident.

In 2010, in the middle of another crisis, researchers Ranjay Gulati, Nitin Nohria, and Franz Wohlgezogen showed that during the recessions of 1980, 1990, and 2000, 17% of the 4,700 public companies they studied did not survive. They went bankrupt, were acquired, or simply were dismantled. Such fates are expected in any significant wave of change, but here is what was striking. Nine percent of the companies not only survived the chaos, but also thrived, beating the competition by at least 10% in both sales and profits growth.

In 2019, Walter Frick shared a powerful Harvard Business

Review article, "How to Survive a Recession and Thrive Afterward," with similar results for more recent studies done by Bain and McKinsey. During the Great Recession of 2008-2011, "the top 10% of companies in Bain's analysis saw their earnings climb steadily throughout the period and continue to rise afterward."

The goal of this book is to make sure that you avoid the fate of the bottom 17% and claim your spot in the flourishing 10%.

In the past thirty years, I have seen, lived through, and studied a wide variety of disruptions around the world. Just as with COVID-19, every time a crisis started to descend upon the globe, it unleashed a wide variety of questions. They ranged from the purely practical, such as "How do we cut costs?"; to the more managerial, such as "How do I coach my team through paralysis?"; all the way to the existential

"What does it all mean for the way we live, work, and interact in the future?"

But as time goes on in every crisis, one question seems to take over most business meetings, conversations, and articles. "How do we make it until this is over?" starts an executive meeting. "How do we survive until things stabilize?" echoes a chat room for small business owners. "How do we start getting back to normal?" reiterates a business news article.

Hidden in these statements is a particular assumption: Surviving disruption is to be seen as a project – an isolated one-time event, with a clear beginning and an expected end. All we need to do to survive this crisis is to treat it like any other project, and we'll cross the finish line soon. Right?

The prevalence of this assumption in business today is not surprising.

For most of human history, we've lived in volatile and unpredictable environments. Natural disasters as well as man-made events created a world in which people, organizations, and entire countries could disappear overnight. From the Roman panic of 33 AD to the Dutch Tulip Mania of 1637, financial crises were omnipresent.

Whether your village was disrupted by plague, bankruptcy, or war, one thing was certain: Nothing was here to stay.

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Yet this world of constant crisis seemed to dissolve in the second part of the twentieth century. While isolated wars and disruptions continued, all in all, things seemed to stabilize after the Second World War: no significant global conflict, relatively stable borders, no fundamental economic disruptions. It looked as if we had reached what author Francis Fukuyama memorably called "The End of History."

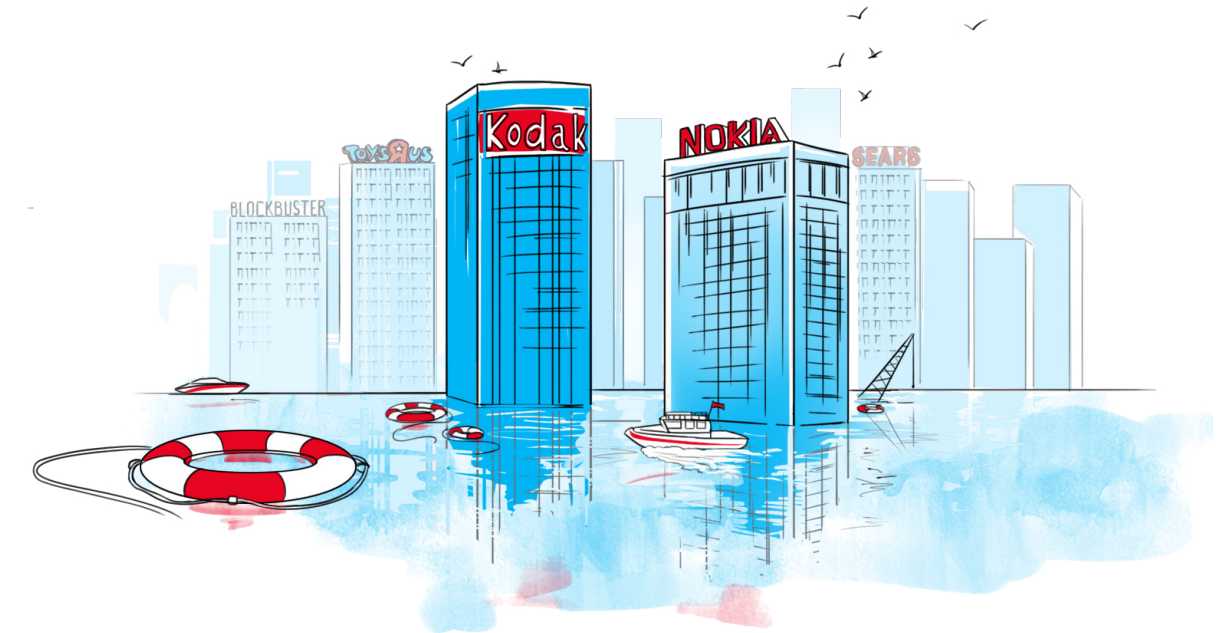
And that's when modern management was born. Although its foundations were laid earlier with the first collegiate school of business created in 1881, what we call management really took shape in the three decades following World War II. The classic management functions – strategy, human resource management, operations research, innovation, IT management, and more – were all professionalized in the postwar era of relative stability. Many of

our most beloved management tools and frameworks – Just-in-Time Production, Total Quality Management, and Michael Porter's Five Forces – were developed for a business environment that was relatively predictable.

For many years, the data seemed to justify the assumption of stability built into our business operating

systems. As Steve Denning of Forbes puts it: "Fifty years ago, 'milking the cash cow' could go on for many decades. Half a century ago, the life expectancy of a firm in the Fortune 500 was around seventy-five years." Geoff Colvin of Fortune gives a similar number for an average life span of an S&P 500 company: sixty-one years in 1958. Cor-

porations worldwide enjoyed long and healthy lives, with a slow rise to the top of financial performance and a gradual decline to annihilation. The rate of change was so slow, and crises were so rare that reinvention was rarely needed. When it was, we had all the time in the world to renew our business on our terms, a once-in-a-lifetime project.



However, the stable, predictable postwar world, if it ever existed, is long gone.

Although popular economic folklore highlights the Great Depression that started in 1929 and the Great Recession that erupted in 2008, there were many others. Even if we forget regional or industry-specific crises and focus only on country recessions, the number is shocking. IMD-Lausanne's Professor Emeritus Jim Ellert shows that even in the recent past, since 1988, the world has experienced 469 country recessions, which would average about one local recession every 25 days.

Beyond economic disruptions, as COVID-19 has demonstrated, our modern deeply interdependent world is experiencing turmoil in every shape and form. The World Economic Forum's 2019 Global Risk Report has mapped out thirty critical risks across

five categories – economic, environmental, geopolitical, societal, and technological – and showed the connections among them. The spread of infectious disease was on that list, even making it to the top 10. COVID-19 was fully anticipated, and so were many other disruptions. To borrow from author William Gibson, “The next crisis is already here – it's just unevenly distributed.”

As globalization, technology, interconnectedness, and many other trends continue to bring volatility and uncertainty to our world, we seem to be stuck with management tools and assumptions that are outdated and life-threatening to our business.

This is showing up in the longevity of today's top firms. To go back to Denning: “What's different today is that globalization and the shift in power in the market-

place from buyer to seller is dramatically shortening the life expectancy of firms that are merely milking their cash cows ... Now [the life expectancy of a firm is] less than fifteen years and declining even further.” That number is supported by the 2018 Corporate Longevity Forecast conducted by Innosight that showed in 1964, the S&P 500 companies would stay on the list for an average of thirty-three years. It “narrowed to twenty-four years by 2016 and is forecast to shrink to just twelve years by 2027.”

“**Since 1988, the world has experienced 469 country recessions, which would average about one local recession every 25 days.**”

Staying on top of the game is becoming an impossible task as well. “Only 44% of today's industry leaders have held their position for at least five years, down from 77% a half-century ago. One out of three public companies will cease to exist in their current form over the next five years – a rate six times higher than forty years ago,” according to BCG, a global consulting firm.

And that brings us back to where we started: When are we going back to business as usual, where things are stable, and disruptions are rare and isolated? A world where we can manage a crisis as we would a project?

The simple answer is: Never.

Volatility is here to stay. In a world of constant flux, change cannot be treated as an isolated project. If you live in a warm climate where snow falls once in fifty years, you can look at a

snowstorm as a rare isolated event to plow through. But if it snows routinely and repeatedly, you need to build a system, allocate resources, and deal with snow as if you mean it (perhaps making a bit of money on a new skiing resort and turning snow into your competitive advantage).

And that brings us back to the story of Miro. When we look at disruption as a rare event, it's easy to see the success of the company as pure luck – a story of a business being perfectly but accidentally positioned to thrive amid an unpredictable pandemic. But the success of Miro was not an accident – just as the pandemic was not unpredictable.

The company was built to capture and monetize the new and emergent reality of remote work. This trend has been explored and researched for years, but countless organizations and entire industries (think tradition-

al education, event management, or office software businesses) all ignored the coming disruption.

In contrast, throughout nearly a decade of its existence, Miro turned reinvention into an art form – anticipating, designing, and implementing change again and again across products, processes, market positioning, and beyond. Want to use a virtual board but don't know where to start? Here is a template. Have your own template that works? Share it via Miroverse – the global Miro community. Need a timer to make virtual sessions easier to facilitate? Yes, it's ready. The list of reinventions is long and colorful.

In 2019, to capture its journey of deliberate consistent change, the company rebranded. Taking a considerable risk, it abandoned an established but narrowly focused brand, RealtimeBoard, to bring renewal and energy

with a more universal Miro. Like many other reinventions before, this one seemed to pay off – preparing the business for the turmoil of 2020. Perhaps the old saying has been right all along: Luck is what happens when preparation meets opportunity.

And that's what this book is all about. The challenge we face isn't about trying to survive until things stabilize, but rather about learning to thrive in constant chaos. That happens only when we accept that change is no longer a project and build a well-thought-out reinvention system that works.

My goal is to help you build such a system.

“**One out of three public companies will cease to exist in their current form over the next five years – a rate six times higher than forty years ago.**”



# YOU ARE READING THE CHIEF REINVENTION OFFICER HANDBOOK.

## BUT WHAT IS A “CHIEF REINVENTION OFFICER”?

What is “Chief Reinvention Officer”? A mindset? A method? A movement? An actual managerial position?

The answer is: All of the above.

“Chief Reinvention Officer” is a term I first coined in 2014 when Mark Levy, a brilliant management thinker and author of *Accidental Genius*, asked me: “If what you do in companies, all those decades of working with disruption and change, had a job title, what would it be?”

That was a tough question, so I went through a list of possible answers one by one. Chief Innovation Officer? No, my job is also about protecting the old. Chief Transformation Officer? We are so tired of the word *transformation*, and it so rarely produces results! Chief Strategy Officer? But what about implementation?

And then it just came out. “Chief Reinvention Officer.” Mark stopped for a second

(he is a tough critic, so I was bracing for impact). Then he said, “I think you should purchase the URL today.”

And that was it.

By January 2015, our first reinvention manifesto was published.

By April 2015, I was speaking on the TEDx stage about why companies need Chief Reinvention Officers and why countries must establish Ministries of Reinvention.

By summertime, our lawyers were asking us to trademark. My answer was as non-negotiable as it was swift. No. We are NOT going to trademark this. Chief Reinvention Officer is a title meant to be used by as many people as possible. Even more important, Chief Reinvention Officer is a title you give yourself long before it gets instituted at your company. So absolutely not!

Imagine my surprise when that simple vision started to come to life!

First, I changed my own title to Chief Reinvention Officer. Since most of all, Chief Reinvention Officer is a way to see the world, we gathered a global community under this banner to share reinvention resources, build new tools, and rethink the way this world works.

In the years that followed, business models, products, processes, and organizational cultures were reinvented. Lives were completely reimagined. Nonprofit organizations rebuilt themselves. All this happened while exchanging successes, accepting failures, and sharpening the tools and ideas within our reinvention tribe.

Then the movement grew, as pioneers from many corners of the world started to claim this title. The first Chief Reinvention Officer at a European manufacturing company. At a South African consultancy. Appointed to a newly created position

for the U.S. state of North Dakota. What in the world did we just start? A revolution.

Now it's your turn to join us. Without anybody's invitation. Without asking for permission. Become the Chief Reinvention Officer of your own life and perhaps of your company as well.

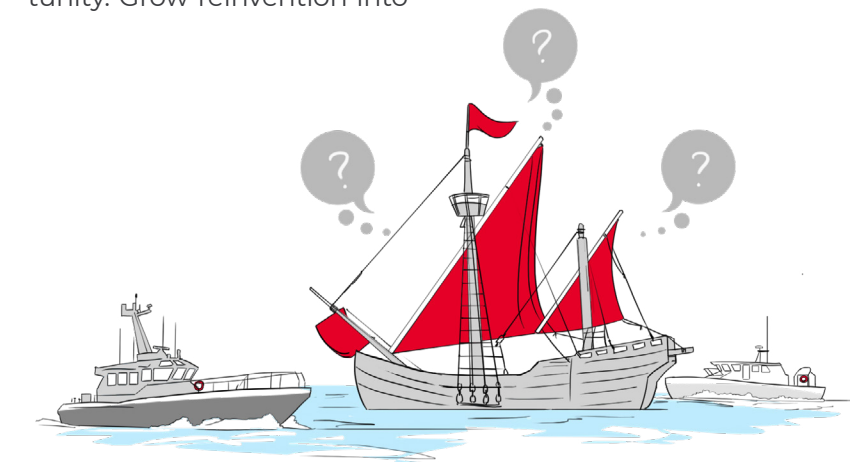
In a world where you are expected to change at least five careers and countless jobs per life, the one thing that will stay constant is reinvention.

So make it yours. Turn change and disruption into an opportunity. Grow reinvention into

your superpower, your core competence, your compass throughout the uncertainty, volatility, and chaos of our world.

Welcome to our global reinvention movement. We've been waiting for you.

**Ready to sail?  
Let's do it!**





Forget programming —  
the best skill to teach children  
is reinvention.



Yuval Noah Harari





THE MAP

# WELCOME TO A BUSINESS BOOK, REINVENTED

# THIS IS NOT YOUR USUAL BOOK

Here's the deal: Traditionally, publishing a book takes two to three years. From developing the content to getting the contract to going through production, this process takes a lot of time. In other words, today's "hot off the press" business books were probably started at least two years ago – and were based on concepts and data developed half a decade earlier.

That all seems so twentieth century!

To put it bluntly, today's speed of change doesn't allow for such a relaxed pace.

In a world where companies need to reinvent themselves every two to three years just to survive, a book based on data and ideas that are five years old simply won't do. Since this is a book about speed of change, it would be laughable to go the traditional route.

We want you to see the benchmarks and insights

from our annual Global Reinvention Survey as soon as we get them – not years later.

We want you to use our diagnostic tool the moment it's tested and has proved its usefulness – not when it's too late for you to diagnose and prevent a calamity.

We want you to see the different ways that companies deal with change as it happens – not when the economic conditions make their lessons irrelevant.

We want to deliver this book into your hands just in time – and make sure you have both theoretical knowledge and pragmatic tools to deliver tangible results.

It could spell the difference between your success or failure.

That's why we're reinventing what a modern book looks like.

This is a living book.

Reinvention is not a spectator sport. Just as you cannot grow your physical muscles by reading a book about push-ups, you cannot grow your reinvention muscles by reading the words on these pages.

You have to live it.

To make sure it's as fun as it is impactful, we've made a few choices to add life to the book:

1. This is a handbook, meant to be always handy, available for a different kind of reinvention challenge. It is rich with tools and designed to be read in different ways: sequentially, from beginning to end, or non-linearly, starting with any topic or tool you find most needed right now.

2. This is a workbook, imagined to be worn out, written on top of, with at least one tool, our Business Model Reinvention Cards, to be cut out of the book and used immediately. Don't skip the practice. Do the work.

3. This is a community project. Every concept, definition, framework, and tool in this book was developed together with practicing business leaders, putting every idea and tool to the test. We've updated and reworked every worksheet, and we will continue to evolve these reinvention strategies as your business and life evolve.

“Reinvention is not a spectator sport.”

## HERE IS HOW IT WORKS:



You buy it once but continue to get new bonus insights and resources, including video tutorials for key concepts and tools.



To access the bonus section, make sure to sign up at [learn2reinvent.com/handbook](https://learn2reinvent.com/handbook)



Throughout the book, additional resources are featured:

- **Our own tools, such as tests, cases, and visuals**, can be used openly in your business and personal life. No permission is necessary, but if you find them useful, we do ask you to provide a reference to our work – so that we can connect and support everyone who needs reinvention most.
- **Recommended books and articles** are offered in each section as additional resources can be easily accessed. Each recommendation is carefully selected and tested for real-world impact. And if you are having trouble finding the mentioned materials, you can always go to the resource section of our website to find the links for all the recommendations and much more.
- **Our private online community**, called Reinvention Society, supports you daily as you put the new reinvention ideas and tools into practice. Here you can ask for feedback on your new product or process, see the latest cases and examples, and get your questions answered at our regular free, live Q&A sessions. You can find more information about the community in the bonus section.

# A global reinvention tribe worked on making this book matter

*The Chief Reinvention Officer Handbook: How to Thrive in Chaos was co-created, tested, and improved by a community of true business leaders, change-makers, strategy consultants, innovation practitioners, and pioneers. We are deeply grateful to our tribe of over 3,000 practitioners from more than 40 countries who participated in our workshops, surveys, and tool-testing efforts. And some went above and beyond crafting, editing, and contributing to these pages:*

Katarina Aaron, Canada	Marité Ball, USA	Mike Bucher, Austria	Elena Chernenko, Belarus
Nurtay Abilgaliyev, Kazakhstan	Michelle Bartlett, United Kingdom	Svitlana Buko, Russia, Slovenia, & Italy	Dmitry Chernenko, Belarus
Shelagh Aitken, United Kingdom	Maia Beatty, USA	Anna Bulaeva, Russia	Lisa Chernenko, Belarus & Russia
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<b>Klemen Šešok</b> , Slovenia	<b>Alima Sumembayeva</b> , Kazakhstan	<b>Henrik Vittrup Pedersen</b> , Denmark	
<b>Saviola Shahollari</b> , Albania	<b>Sherri Sutton</b> , USA	<b>Eugene Volkov</b> , Russia	
<b>Yerbol Shaimakhanov</b> , Kazakhstan	<b>Ingela Svedin</b> , Sweden	<b>Michael Walsh</b> , Italy & United Kingdom	
<b>Prabha Shankar</b> , India	<b>Alexander Sychev</b> , Russia	<b>Pamela Ward</b> , South Africa	
<b>Scott Shelfer</b> , USA	<b>Alexandra Sytnik</b> , Kazakhstan	<b>Cindy Washabaugh</b> , USA	
<b>Natalie Shell</b> , Israel	<b>Don Tamelin</b> , Canada	<b>Robert Wellman</b> , USA	
<b>Maryam Shirazian</b> , Canada	<b>Ziva Tavcar</b> , Switzerland		



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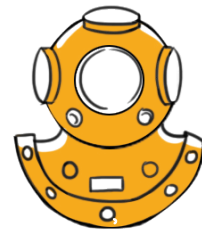
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PART 1

WHY

BUSINESSES  
SINK

Ask any manager or entrepreneur on planet Earth, “What is your key challenge?” You are sure to hear an answer like this over and over again: “Staying afloat!”

The fast-moving, up-and-down economy we live in today makes the task of staying afloat increasingly difficult. Just as we handle one crisis, another appears on the horizon.

Digital, millennials, new regulations, new competition, political turmoil, Artificial Intelligence, Industry 4.0, blockchain, sharing economy, circular economy, substitute products, you name it. The waves of disruption come crashing faster and faster, fundamentally changing the way we work, profit, and compete. How do we survive and even thrive?

The metaphor of staying afloat – the way a sailing boat stays afloat on the raging ocean – offers a perfect

answer to all of us looking for an answer. A sailing boat does not fight the waters or try to avoid the wind. Instead, it uses the power of water and air to move with purpose. It not only survives, but also thrives on turbulence, making wind its friend. But to do that, we have to make sure that the boat is built correctly, the crew is trained properly, and the right maps, binoculars, and compasses are at our disposal.

That is why we use the story of a ship as the central theme of this book. It is an invitation to think of yourself, your team, and your organization in a new way. The key question is not how we survive until the storm is over. The key question is how we learn to use the storm to power up our sails. And for that, we have to start by understanding and embracing the storm.

How do we survive — and even thrive?



What trends, changes, and disruptions are most important for you and your business? What keeps you up at night? What gets you excited?

Handwriting practice lines consisting of a solid top line, a dashed middle line, and a solid bottom line.

# WHAT REALLY SANK THE TITANIC AND HOW TO PREVENT YOUR COMPANY FROM GOING UNDER

For nearly twenty years, we've been working in the field of survival and sustainability – researching and developing ways for businesses to stay afloat, no matter what disruptions come their way. To understand the mechanics of survival, it helps to look at the successes and failures of the past.

One of the best known and most illustrative failures of all time? The Titanic.

On a chilly Sunday night, April 14, 1912, at 11:49 pm, the Royal Mail Steamer Titanic, en route from Southampton to New York, collided with an iceberg and sank within three hours, leading to the deaths of nearly 1,514 of the 2,224 passengers and crew. The ship's story is both famous and powerful as it holds lessons to be learned on how to create and prevent disasters.

The largest man-made moving object at the time, the Titanic was considered unsinkable by all: experts, me-

dia, and the public. The ship was equipped with the most advanced naval technology available, as well as a remarkable crew of some of the most experienced and respected naval leaders of their time. So the crucial question is: Why did the Titanic sink?

**“ The crucial question is: Why did the Titanic sink? ”**



What, in your view, sank the Titanic? Don't worry if you haven't studied the history of this disaster; the famous movie is a solid reference as it has been confirmed to be historically accurate and will do for the purpose of this exercise.

**Write down whatever easily comes to mind:**





# Warnings

Most of us know that the Titanic's crew was aware of the dangerous icebergs in the area. But some of us don't realize how many times the crew was warned. The answer: at least six times! The last and most specific of the six was not passed along to the captain by senior radio operator John George "Jack" Phillips because it was not marked with the prefix "MSG" (Masters' Service Gram), which requires a personal acknowledgement from the captain. Phillips interpreted the message as not urgent and returned to sending messages for the first-class passengers to a receiver on shore at Cape Race, Newfoundland, before the ship went out of range.

Even more: Before the Titanic hit the iceberg, Phillips was so concerned with keep-

ing the high-paying customers satisfied that when interrupted with a warning of the upcoming ice field, he told Cyril Evans, the radio operator of the passing ship Californian, "Shut up, shut up, I am busy; I am working, Cape Race!" Customer satisfaction is all the rage. But pushing it for the wrong whim of every customer might accidentally push your business over the edge.

Unless the job requires constant customer contact, chances are your employees have near-zero interaction with customers and their needs. When it comes to suppliers, the situation is even worse: Unless you are a buyer, most believe it is the job of the procurement department to get insights and warnings from suppliers.

Yet it is precisely the regular and deliberate connection with customers and suppliers that offers you rich insights and timely warnings of a possible crisis to be averted. Having most of the employees cut off from the external partners creates real danger and increases the chance of missed opportunities.

“**Customer satisfaction is all the rage. But pushing it for the wrong whim of every customer might accidentally push your business over the edge.**”



How often do you get insights, trends, and warnings from your customers and suppliers?  
What can you and your team do to get better and more timely warnings?



# No practice

The Titanic's final voyage was also its very first. In fact, the ship barely made it out of the construction site and had only a few hours of test runs in open waters before sailing across the ocean. Neither ship nor crew had significant time to "gel" together, and the most vital performance and safety procedures were never practiced.

The ship's mandatory sea trials began at 6 a.m. on Tuesday, April 2, 1912, only two days after all final fittings were completed and barely eight days before it was due to leave Southampton on its maiden voyage. Over the course of about twelve hours, the Titanic was navigated at different speeds, first in a protected area and then in open waters. The ship's turning ability was tested, and a "crash stop" was practiced. The Titanic was

able to come to a full stop in 850 yards (777 meters) or 195 seconds. Twelve days later it would take the Titanic about thirty-seven seconds from the moment the iceberg was sighted to the moment the ship collided with it. When reality hit, it hit the Titanic hard and fast.

Even more disturbing is that absolutely no safety drills were ever organized before or during the voyage, and no one among leadership was in charge of passenger safety. In an ironic twist of fate, the first lifeboat drill for passengers and crew was scheduled for 11 a.m. on the day of the ship's sinking. However, the captain canceled it with no explanation just hours before the collision. As a result, the crew had no idea how to act in a disaster.

No procedures were developed, and no skills were built for operating lifeboat equipment.

No clear passenger communication and organization protocol was designed or taught to the crew.

Cost of no practice? Even though the ship carried about 2,224 people, it had only lifeboats for 1,200. With no practice for lifeboat operations, the crew deployed many boats half-empty, and as a result, no more than 710 people were saved.

Just like any other competence, managing change can be learned and developed into a strong managerial muscle. The problem is that most of us in business are expected to perform improvisation-

ally: We never hold "practice meetings" or give teams a few weeks of "rehearsals time" before the project commences. When it comes to managing change, the situation is more dire: When building our businesses, we have a bias toward stability. Most companies are built with an assumption that the situation will remain stable and predictable with a relatively low volatility.

Take the budgeting process, for example. For a typical publicly traded company, the budget is set once a year, and adjustments are made quarterly. But what happens when markets get dangerously volatile or a global pandemic hits?

We recently worked with a global 70,000+ employee commodity company that experienced a nearly 80% drop in prices for its signature product. The company had absolutely no way to reconcile this difference quickly. Its formal re-budgeting would take months, and by then the damage could have been irreversible. When it comes to change, practice is crucial.

“ Just like any other competence, managing change can be learned. For that, practice is crucial.

How does your company cultivate change and reinvention capacity in its people and managerial processes? What works? What can be improved?



# Past success

On the night of the collision, the ship’s captain had already gone to bed. First Officer William McMaster Murdoch was left in charge of the ship. At age thirty-nine, Murdoch had sixteen years of maritime experience behind him and was known for his “cool head, quick thinking, and professional judgement.” In fact, Murdoch was particularly famous for his masterful track record of averting ship collisions.

In one instance, Second Officer Murdoch of a new liner, the Arabic, averted a disaster when a passing ship was spotted bearing down on the Arabic out of the darkness. Murdock overrode a command from his superior to steer the ship to the left, rushing into the wheelhouse, pushing the quartermaster to a side and holding the ship steady on course. As a result, the two ships passed within inches of one another without any damage.

The incident with the Arabic was one of many that Murdoch mastered in his career, and in the thirty-seven seconds between the first sighting of the iceberg and its collision with the Titanic, the officer fully relied on successes of the past to make executive decisions in the present. We all know how it turned out.

While practice is crucial to work out the details, it is essential to use past experience deliberately and intelligently. Practice gets you prepared but can quickly turn into overconfidence or refusal to change. Companies large and small have a love affair with the man-

tra “We’ve always done it this way.” However, as a slew of research summarized by Fast Company suggests, past experience can be deceiving and dangerous: “It’s important for leaders to understand their teams’ tendency to over-generalize from past experience. Just because one product launch went well doesn’t mean the same approach will work equally well for the next one.”

Marshall Goldsmith and Mark Reiter in their best-seller, *What Got You Here Won’t Get You There*, paint a clear picture of how past successes limit our ability to deal with new challenges: “We get positive reinforcement from our past successes, and, in a mental leap that’s easy to justify, we think that our past success is predictive

“What got you here will not get you there. Instead, your past success might actually destroy your every dream.”

Where do you see past experience serving your company well, and where is it limiting progress? What can you do to become more mindful and selective in the use of past experience?



Handwriting practice area with horizontal dashed lines.

# No binoculars

The night of the collision was clear and still. Perched 50 feet (15 meters) above the forecastle deck in a small open box called “the crow’s nest,” lookouts Frederick Fleet and Reginald Lee worked their two-hour shift. Inside the nest, Fleet and Lee had a large bell to grab general attention and a telephone to reach the captain’s bridge. What they did not have, however, was a pair of binoculars.

A company’s ability to notice and adapt to change is often seen as an issue of motivation and commitment. Motivation is important, but it can take you only so far. No matter how motivated and committed to success your people are, if they don’t have “binoculars” – the tools they need to deliver – your efforts are useless. User-friendly technolo-

gy, solid assets, smart business processes, and well-oiled management systems must be at the fingertips of employees to be able to perform when it matters the most.

One hundred years later, with all the advances in modern technology, it is still hard to imagine any ship in the open waters with no binoculars. The Titanic, too, had a number of binoculars on board, but for much of the trip they were locked up in a storage cabinet.

The key was held by Second Officer David Blair, who, in a last-minute leadership change decision, was asked to sit out the trip before the ship’s departure from Southampton on April 9. Leaving the Titanic at the last minute and very disappointed, Blair forgot to hand the key to his

replacement. It is likely that the cabinet or its lock could be broken. However, nobody made the call.



**For your business, what tools are crucial today? How can your company make sure that everyone has these crucial tools at the right time in this changing environment?**





Lookout Fred Fleet, who survived the Titanic disaster, would later insist that if binoculars had been available, the iceberg would have been spotted in enough time for the ship to take evasive action. The use of binoculars would have given “enough time to get out of the way,” Fleet reportedly said.

By the time the iceberg was noticed, the ship was too close to avert the disaster.

This was, quite literally, the case of blinding overconfidence.

The binoculars story also highlights that major leadership decisions were made while the Titanic was already in progress. David Blair was one of the top three executives in charge of the ship when it left for its maiden voyage. However, he was asked to step down and had to leave the ship during its first stop, taking the key to the binoculars cabinet with him.

Moving people the same way you move furniture, without full understanding of their scope of responsibility, is a recipe for disaster.

**“ This was, quite literally, the case of blinding overconfidence. ”**



**In your company, how are leadership and team decisions made? What can you do to strengthen the capacity of your teams to be ready for unexpected change?**



# The iceberg

We already reviewed a number of possible causes for the Titanic disaster, but we may not have come to the one you probably wrote down first: the iceberg.

Whenever we work with a company or discuss the Titanic story on stage, the iceberg is among the first causes mentioned. And if you go back a few pages and review your own list of the possible causes, chances are the iceberg is among the main ones.

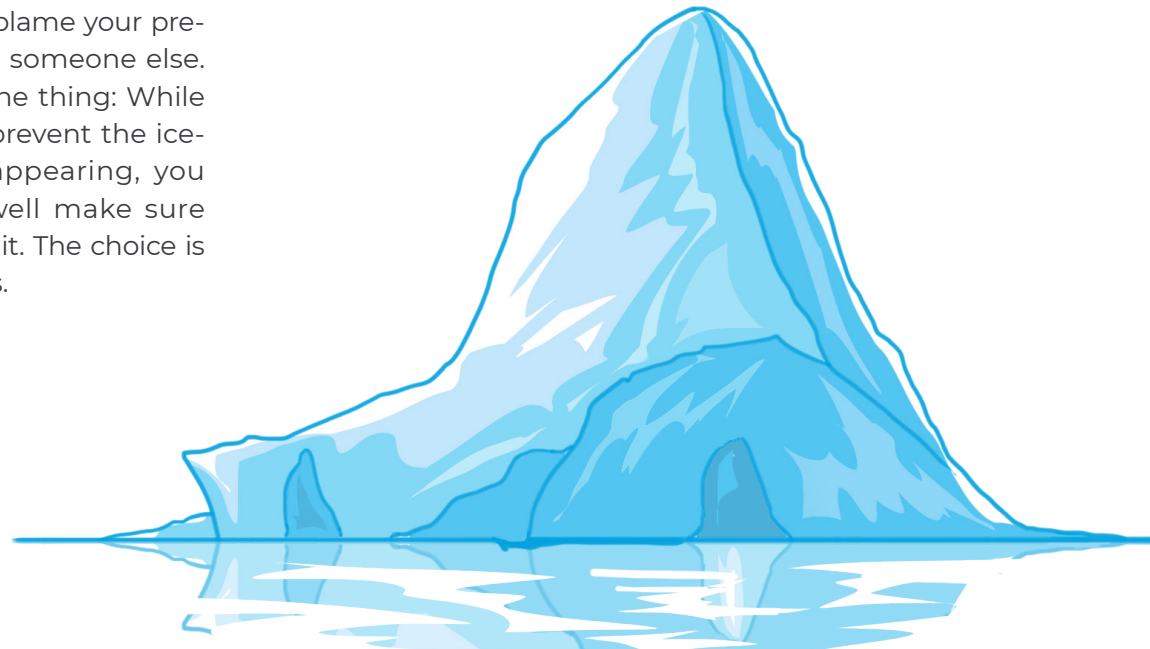
So why did we leave the most obvious for last?

Most of the time when we are asked to work with a company on reinventing its products, processes, or the entire business model, we are not there during the good times. By the time we are called,

things are already deteriorating: The iceberg has been hit, so to speak. And oh boy, it is easy to blame that iceberg!

The iceberg can take many forms. Sneaky competitors, overbearing regulators, lousy weather, bad design, late suppliers, lazy customers, those finance-department knuckleheads: We've heard it all. It is so easy to blame your predicament on someone else. But here is the thing: While you cannot prevent the iceberg from appearing, you can damn well make sure you don't hit it. The choice is in your hands.

**“While you cannot prevent the iceberg from appearing, you can damn well make sure you don't hit it. The choice is in your hands.”**



# The sea and the sky

Finally, there are two more “suspects” in the Titanic story that often get forgotten: the sea and the sky.

As you remember from your school days, ocean and air work together as a part of the water cycle, much the way the different forces in our business environment work together to form new storms or calm the waters for our company. When it comes to literal or metaphorical Titans, there is no question that the sea and the sky always play a role.

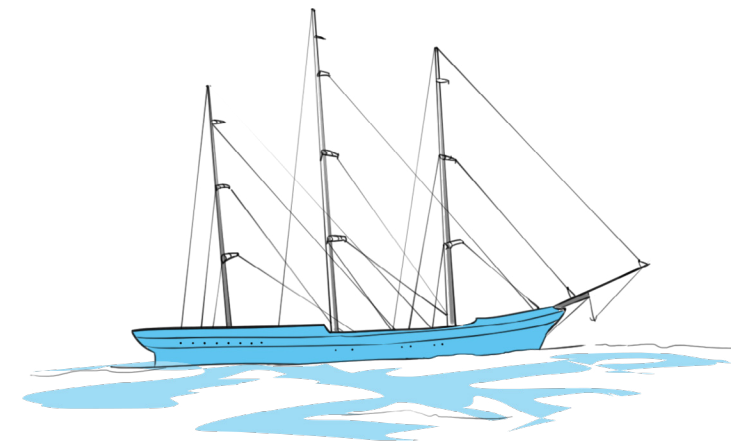
If it were not for the movement of the water and the wind, the iceberg and the ship would not have encountered each other on that fatal night in the North Atlantic Ocean. Similarly, without a wide range of interconnected forces – technological, eco-

nomic, social, political, ecological, and much more – our companies would not have to face many of the disruptions and crises we do today. It seems that lately, the sea and the sky that our businesses aim to navigate are turning increasingly more chaotic.

At the beginning of the book, I spoke about the rate of change and the constant disruption we are all experiencing. Let me add a few strokes to that picture: 2017 PWC survey of CEOs concluded that crises are hitting with greater frequency, with 15% of CEOs facing five or more crises in the past three years and 30% anticipating more than one crisis in the following three years, including financial, legal, technological, operational, humanitarian, reputational, and human cap-

ital disruptions. By the end of those three years, the fears seemed well-justified: In the 2020 survey, the share of business leaders very confident in their twelve-month growth prospects fell to 27%, the lowest level since 2009.

**“It seems that lately, the sea and the sky that our businesses aim to navigate are turning increasingly more chaotic.”**



How can we not only survive, but also thrive in this chaos?

To answer this question, we must first understand the nature of chaos. What comes to your mind when you hear the word?

In the spring of 2020, I asked more than 700 students of our Reinvention Academy – all business managers, owners or consultants – this very question. “What comes to mind when you hear the word *chaos*?”

The answers were incredibly consistent: disorganization, anarchy, loss of control, craziness, darkness, mess, horror. One answer stood above all: lack of order.

Yet when you pose the same question to scientists, they paint a completely different picture. Look up chaos across the wide range of scientific publications, and you'll see that as mathematicians Jonathan Borwein and Michael Rose put it, “Order and chaos

are not always diametrically opposed. Chaotic systems are an intimate mix of the two: From the outside they display unpredictable and chaotic behavior, but expose the inner workings, and you discover a perfectly deterministic set of equations ticking like clockwork.”

You will also discover Margaret Wheatley, who in her classic book *Leadership and the New Science: Discovering Order in a Chaotic World* explains the relationship between chaos and order in this way: “These two forces are now understood as mirror images, two states that contain the other. A system can descend into chaos and unpredictability, yet within that state of chaos the system is held within boundaries that are well-ordered and predictable. Without the partnering of these two great forces, no change or progress is possible. Chaos is necessary to new creative ordering.”

Perhaps the best illustration of what chaos is that I ever saw came from geneticist Bruce Lipton at one of his lectures about three years ago.

Remember the last time you were at a busy rail station like the Grand Central in New York. Imagine you are standing on the balcony looking down. You see hundreds of people moving in different directions, wedding pictures being taken, and people waiting to meet their loved ones.

It seems like a lack of order, but it's not. This is actually chaos. The reason is that everyone in this picture is not moving mindlessly or randomly. Everyone has a purpose, a direction, a logic for their actions.

“How can we not only survive chaos — but learn to thrive in it?”

What would lack of order look like? If I get a megaphone and scream “Fire!,” people will panic and run with no purpose or clear direction. That would be disorder indeed, but it has nothing to do with chaos.

Chaos is not a lack of order. Chaos is a presence of more than one order. Chaos is having some of your customers yearning for a new car while others are seeing car ownership as “something boomers do,” and you still need to find a way to satisfy both. Chaos is having some of your suppliers betting with one type of technology and others choosing an alternative, and you still need to work with both. Chaos is noticing one country's regulation is a complete opposite from another, and your company's policy still needs to find room for both. Chaos is a natural state of any complex system, the kind we are living and working in today. And understanding this gives

you power to use chaos the way a sail uses the wind as a new and emerging reality rather than running or hiding from it.

“Chaos is not a lack of order.  
Chaos is a presence of more than one order.”



# TITANICS OF THE TWENTY-FIRST CENTURY

We've already talked about a number of the problems that helped sink the Titanic, but there were many others that we haven't yet mentioned. The quality of the metal that held the walls together was questionable. The construction was rushed. The ship was traveling at high speed despite repeated ice warnings.

But of all these things that went wrong, there was one problem that was more important than all the others: **the arrogance and overconfidence in past success.** The blind trust of the status quo. The absolute, often unconscious belief that what works now will continue to work indefinitely. The numbing assumption that things will stay the same. The love affair with our existing way of life, our products, our ways, our ships.

Embedded in every aspect of the Titanic operations was the assumption of the ship's

mighty power. In the eyes of everyone involved, it was untouchable, unbreakable, and unsinkable. For a ship perceived as "too big to fail," no vigilance was necessary, no preparation for a possible disruption was required, and no technology for crisis management was assured. The team became overconfident and complacent. Unsinkable led to the unthinkable.

The story of the Titanic is one of the most known and recognized worldwide, so it is hard to imagine that it can repeat itself. Yet every year with remarkable consistency we see companies large and small calling "SOS" amid serious business crisis. In fact, you might be surprised how many companies end up getting acquired, declaring bankruptcy, or worse – never recovering – in the process. One statistic best illustrates the low survival rate of "unsinkable titans of business": Of the 500 mighty compa-

nies originally included on the Fortune 500 list in 1955, only 60 survive today. That is a sinking rate of 88%.

Take, for example, the most known "Titanics" of the twenty-first century: Kodak and

## “ Unsinkable led to the unthinkable.

Nokia. Kodak had been the staple of American culture throughout the twentieth century, selling at one point 90% of all photographic film and 85% of all cameras in the United States. Nokia had been the number one cell phone seller from 1998 to 2007, controlling at its prime 40% of the entire global handset market. Yet Kodak filed for bankruptcy in 2012, while Nokia was forced to sell its mobile devices business to Microsoft in 2013 to save itself from its own collapse.

Both companies had to use their "shipwrecks" to rebuild

from the ground up, taking years to find a new footing.

The story of the Titanic is the most powerful example of a "too big to fail" mindset. Our friends at Kodak and Nokia suffered from the same disease: The sheer size of the companies created an illusion of being untouchable and unsinkable. Enron, Lehman Brothers, Blockbuster, Toys R Us, Borders, and Myspace all went through the same disenchantment of blind belief in their own ability to withstand any storm or disruption.

Blockbuster, for example, at its peak in 2004, employed more than 60,000 people at its 9,000 stores.

When Dish Network bought the bankrupt Blockbuster in 2011, it was staying afloat with only 1,700 stores remaining. But it did not have to go that way. Greg Sattel of Forbes explains:

"In 2000, Reed Hastings, the founder of a fledgling company called Netflix, flew to Dallas to propose a partnership to Blockbuster CEO John Antio-co and his team. The idea was that Netflix would run Blockbuster's brand online, and Antio-co's firm would promote Netflix in its stores. Hastings got laughed out of the room. We all know what happened next."

The Titanic Syndrome has sunk many companies. This is why it is time for us to meet this enemy. Titanic Syndrome: a corporate disease in which organizations facing disruption bring about their own downfall through arrogance, excessive attachment to past success, or inability recognize and adapt to the new and emerging reality.

What does Titanic Syndrome look like?

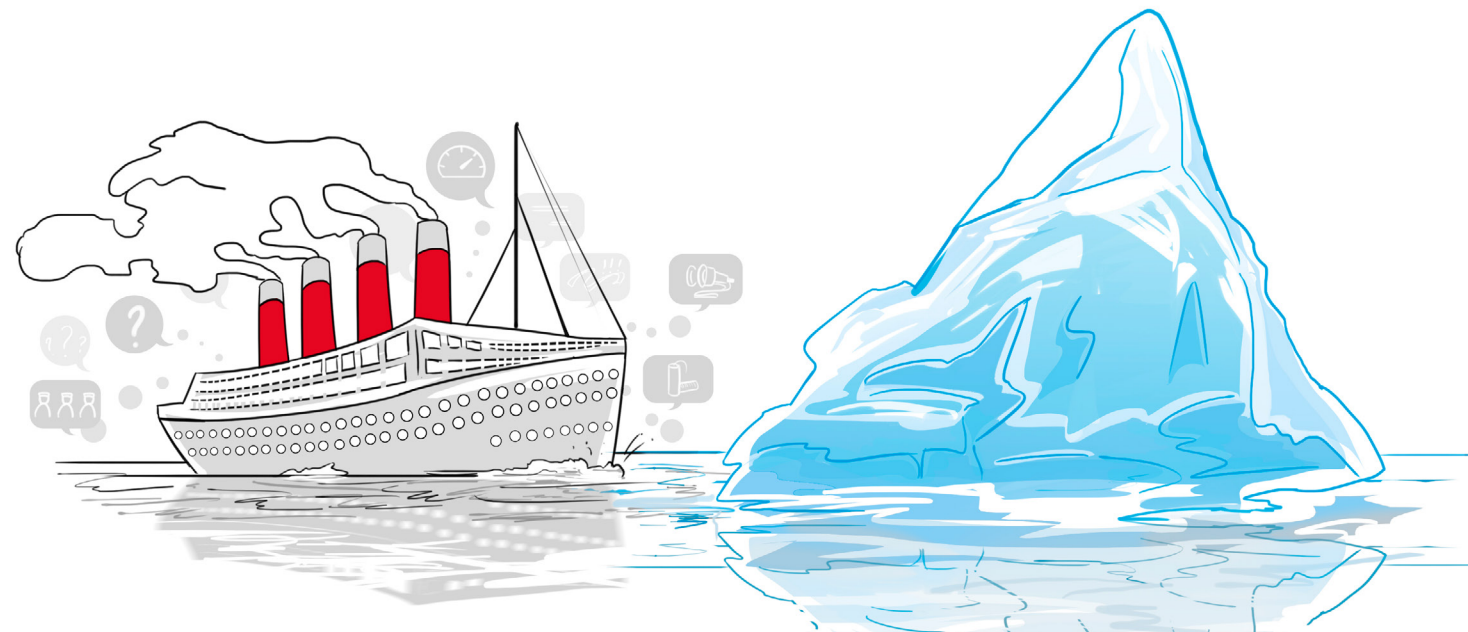
In meetings, discussions, and decisions, people throughout the "infected" company show explicit or implicit assumptions of superiority, untouchability, and unsinkability. At a personal level, this shows up as an overwhelming belief that success of the past will guarantee achievement in the future.

It also shows up when we rely blindly on our own past experience. We all love a great success story. Getting it right, making things work, and achieving success are in the very DNA of modern life. However, when things change abruptly, your own past success might quickly become your greatest enemy. What worked yesterday might destroy you today. What got you here will not get you there. Instead, it might actually sabotage your every dream.



Some companies develop Titanic Syndrome not via arrogance or strong attachment to past success, but through pure inability to recognize that things might change suddenly. All of us are creatures of habit, and it is so tempting to think that things will stay as they are. For such companies the idea that things that worked before no longer work comes out of nowhere – blinding and paralyzing everyone along the way. Disaster follows.

**“ Titanic Syndrome: a corporate disease in which organizations facing disruption bring about their own downfall through arrogance, excessive attachment to past success, or inability to recognize the new and emerging reality.**



## Why Titanic Syndrome is more dangerous to business today than ever

Once upon a time, our companies enjoyed long and healthy lives, with a slow rise to the top of financial performance and a gradual decline to annihilation. The rate of change was so slow that it was easy to develop Titanic Syndrome and still survive. We had all the time in the world to renew our business on our terms. If a new “iceberg” showed up on the horizon – a new competitor, a new technology, a new regulation – your company could adapt slowly and even get to enjoy the ride.

But that fairy tale is long gone.

As I mentioned in this handbook’s introduction, Steve Denning of Forbes paints

this picture perfectly: “Fifty years ago, ‘milking the cash cow’ could go on for many decades. What’s different today is that globalization and the shift in power in the marketplace from buyer to seller is dramatically shortening the life expectancy of firms that are merely milking their cash cows. Half a century ago, the life expectancy of a firm in the Fortune 500 was around **seventy-five** years. Now it’s **less than fifteen** years and declining even further.”

Denning’s claims are supported by research published by Richard Foster and Sarah Kaplan in 2001, which documented how corporate life cy-

cles were diminishing rapidly. Yet much has happened since 2001.

The increasing level of globalization, showcased so painfully during the 2008-2009 global economic crisis, powered by the ever-increasing access to knowledge (think Google, free online courses, Khan Academy, etc.), means that more of us are inventing every day and sharing those

inventions globally than ever before. There is more startup activity today than ever before, but those startups also continue to die at a high rate: Only one-third survive to the ten-year mark.

With all these pressures, the demand for corporate (economic, communal, and personal) reinvention has grown even more.



# Are you suffering from Titanic Syndrome?

You know that Titanic Syndrome destroyed many companies and careers. You see that it's becoming particularly dangerous today – when the winds of change are blowing stronger and the icebergs show up more and more often. But how do you know if you are ready?

How do you protect yourself and your organization from the dangerous hands of Titanic Syndrome?

How do you diagnose and cure it today – and make sure to prevent it tomorrow?

To answer these questions, we've used insights from key research and added a heavy dose of testing to develop our own Titanic Syndrome Diagnostic. Thousands of peo-

ple have used it to date and hundreds of organizations (for-profit and non-profit) have been able to start crucial transformations with this tool.

I myself use it regularly in both business and personal life as Titanic Syndrome sneaks up on me even though I should always know better.

Have the tool handy and run this test regularly by yourself, with your team, and across the entire organization to open honest dialogue and lay a foundation for needed action.



## Get honest with the Titanic Syndrome Diagnostic



Read each statement below. On the scale from 0 to 5, zero being “This is nothing like our company,” and five being “This is 100% our company”, assess the relevance of each statement for your organization.

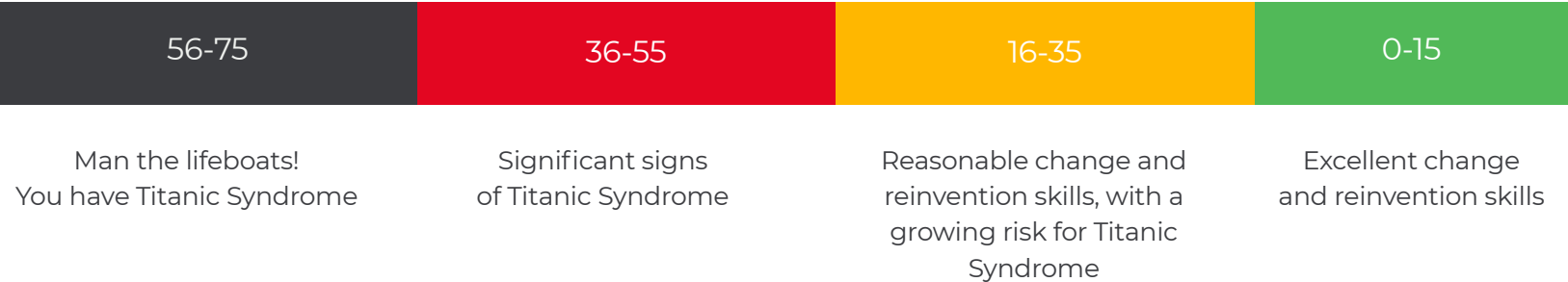
ANTICIPATING CHANGE	DESIGNING CHANGE	IMPLEMENTING CHANGE
<p>Our company gets insights and warnings <b>from the same sources</b> (for example, suppliers, customers, professional magazines, etc.) and <b>rarely</b> goes out of its comfort zone in soliciting information from unusual sources.</p> <p>0 1 2 3 4 5</p>	<p>I <b>regularly</b> hear “We have always done it this way” and “That’s just the way we do it here” when discussing change at company meetings.</p> <p>0 1 2 3 4 5</p>	<p>I <b>have not received any training or instruction</b> for how to start and implement change in our company. I (and most likely many others) are not sure what the procedure is if I want to introduce change.</p> <p>0 1 2 3 4 5</p>
<p>Other employees and I are <b>rarely asked to share</b> insights and reflections on potential threats, disruptions or opportunities to our business.</p> <p>0 1 2 3 4 5</p>	<p>Most people in our company <b>get angry and frustrated</b> with the need to do something differently, even if it is for the better.</p> <p>0 1 2 3 4 5</p>	<p>There are significant gaps between <b>what we say</b> about our company’s commitment to change and <b>how we actually work</b>, allocate our resources, spend our time at meetings, award bonuses, etc.</p> <p>0 1 2 3 4 5</p>
<p>When our company gets insights and warnings about potential disruptions, they are shared with a <b>small group of people</b>.</p> <p>0 1 2 3 4 5</p>	<p>In our company, leaders often <b>justify their decisions using past experience as the main argument</b>. For example: “Trust me, I’ve done it a million times” or “We tried it this way already, and it will never work.”</p> <p>0 1 2 3 4 5</p>	<p>In our company, we <b>do not welcome</b> “practice rounds” or experimentations. Instead, we are expected to execute all change perfectly and are <b>punished for mistakes and failures</b>.</p> <p>0 1 2 3 4 5</p>
<p>In our company we usually start <b>reacting</b> when we are pressed by an unfolding crisis, rather than <b>anticipate</b> possible threat or opportunity and respond <b>proactively</b>.</p> <p>0 1 2 3 4 5</p>	<p>When we fail, our company often places blame on somebody <b>on the outside</b> (competitors, suppliers, government, consumers).</p> <p>0 1 2 3 4 5</p>	<p>During the process of change, we <b>rarely</b> stop to celebrate small or short-term wins. Often, <b>we feel demotivated</b> and cannot see the progress we are making.</p> <p>0 1 2 3 4 5</p>
<p>We <b>don’t take enough time</b> for reflection, strategizing, creative thinking, and proactive action.</p> <p>0 1 2 3 4 5</p>	<p>In our organization, changes are made by a small group of people. <b>Employees rarely get an opportunity to actively engage in developing and deciding on</b> the new products, processes, and strategies - and learn about decisions at the time of rollout.</p> <p>0 1 2 3 4 5</p>	<p>The way our company is organized <b>makes it difficult to react to change quickly</b>. For example, our budgeting process is very bureaucratic, making it hard to introduce change in the middle of the year, or our production and investment decisions lock us into a product for years with no easy way to change.</p> <p>0 1 2 3 4 5</p>



# How is your company doing?

Sum up all numbers circled and put the total here:

GUIDE TO SCORES



# What do you need to work on the most?

Sum up all numbers for each category and put the totals into boxes below:



# With your diagnostic results in hand, the question becomes: What do you do?

Whether you scored high or low, whether you are perfectly equipped to manage any kind of business disaster or your company is suffering from a full-fledged case of Titanic Syndrome – there is something you can do right now to get yourself even more prepared for this era of volatile business:

## WHY

Start a conversation on **WHY** Titanic Syndrome is taking over our businesses today. Hold a coffee-and-doughnuts meeting on why businesses are at greater risk of sinking today than ever before. Bring results of our study to your meetings to foster greater understanding of hidden trends that quietly shape our twenty-first century reality.

Survival is not an individual sport. This kind of collective dialogue helps you bring potential problems to the surface, develops a common language, and makes your company much more prepared to address any kind of iceberg heading your way.

## WHAT

Equip yourself with specific strategies and solutions on **WHAT** to do to stay afloat. What does successful reinvention look like? What examples can you explore and learn from? What should be done specifically to prepare for the era of endless disruptions?

The second part of this book deals with this topic. Make sure you do the exercises offered at the end of all cases, engage with the frameworks, and explore all twenty-five business model options to choose from.

## HOW

Build your own toolbox around **HOW** to make your company watertight: specifically, how you transform your company into an adaptive, ever-evolving powerhouse ready to face any disruption and transform it into a business opportunity.

The third part of the book will offer insights on this subject. We'll focus on the six essential pillars of reinvention as a system – and offer a new canvas for implementing a consistent strategy in the age of extreme uncertainty.



The greatest danger in times  
of turbulence is not the  
turbulence, it is to act with  
yesterday's logic.

“

Peter Drucker

PART 2

WHAT

TO DO  
TO STAY AFLOAT

# THE ONLY WAY TO STAY IN BUSINESS IS TO REINVENT

We spent the first part of the book exploring why companies sink. Now that we understand the drivers and symptoms of the Titanic Syndrome, and even more importantly, the fundamental changes that make our world more turbulent and unpredictable than ever, it is time to turn to the central question.

**So what?**

**What's the cure?**

**What can we do to stay afloat?**

For most businesses we worked with or studied, the initial knee-jerk reaction is to brace for the disaster, hold on to the past as much as possible, and pray that it all blows over.

"We just need to wait for the market to recover, and then it is business as usual!"

"The trouble with suppliers is a freak disruption, so let's just wait and see."

"It is too risky to act on incomplete information. Let's allow

things to develop – we can always tighten our belts."

Sound familiar?

This desire to hold on, to cling to the past, to endure whatever the harsh environment has to offer, is well documented by social scientists. A 2010 study, for example, found that the longer something is thought to exist, the better it is evaluated, whether we talk about university requirements, art, acupuncture, or food.

Dr. Heidi Grant Halvorson writes: "People who saw a painting described as having been painted in 1905 found it far more pleasing to look at than people who saw the same painting described as created in 2005.

"Students preferred the course requirement described as the status quo over a new version regardless of whether the new version meant more or less course-work.

"People who were told that acupuncture had been in existence for 2,000 years expressed more favorable attitudes toward it than those who were told it existed for 250 years.

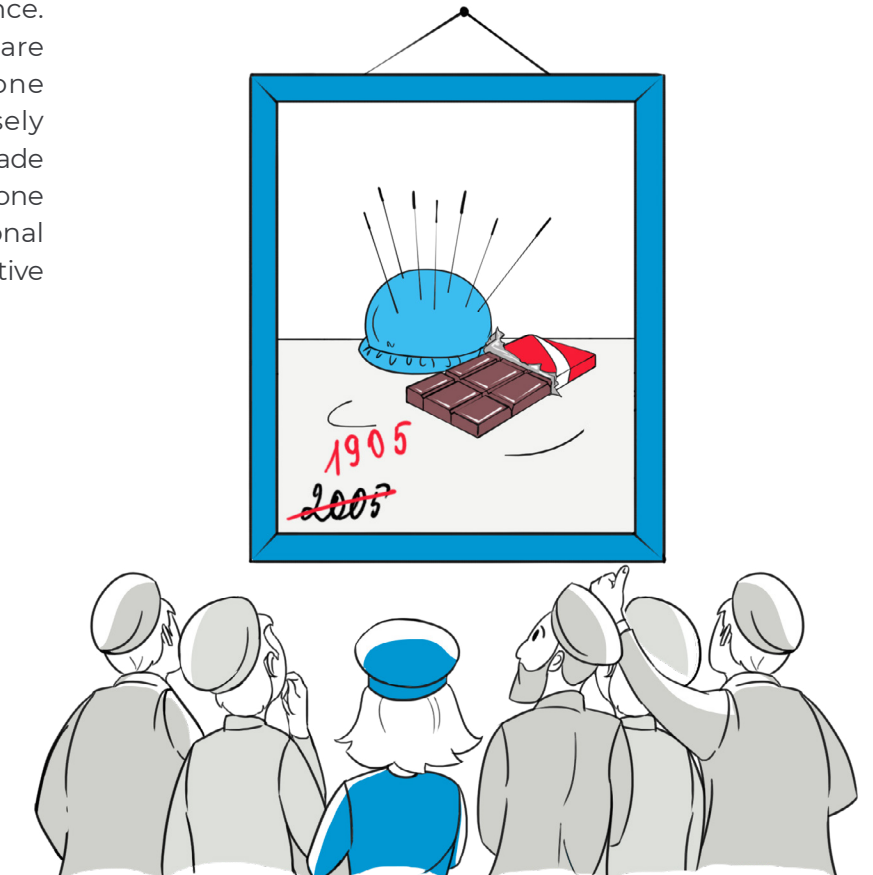
"Study participants were given a piece of European chocolate. It was described to them as having first been sold in its region either seventy-three years ago or three years ago. Guess which group rated the chocolate as better-tasting...?"

We really like to keep things around for as long as possible. Neuroscience of leadership shows that our brain requires much more energy to deal with new choices than to revert to old routines – and thus tries to avoid it. We also tend to see new things as a potential threat, evoking the fight-or-flight response that takes over our body in an attempt to protect ourselves against a real or imaginary enemy. It's no won-

der that we see change as a negative. In organizations, that shows up as outright resistance to change. 2005 research, for example, suggested that of all the emotions we feel toward change, three primary ones are cynicism, fear, and acceptance. Two of these emotions are fiercely negative and one vaguely positive. Intensely positive emotions never made the top of the list. For anyone who survived organizational transformation, this negative bias is hardly surprising.

The desire to hang onto things as long as possible and avoid change at all costs drives us to create endless lockdown rules and excessive regulations, to design rigid processes and detailed instructions, and to celebrate

books that showcase businesses that are "built to last" (which happens to be the title of an exceptionally good book!).





We all want to last.

To continue.

To get back to “business as usual.”

We want to hold on to the world just the way it is.

And that is where the central problem lies – and why so many business transformation efforts are doomed. It is the desire to stick with, to sustain no matter what, that ultimately gets us killed.

Why?

Sustainability doesn't drive life. Change does.

Every second of every day, things change, even us. We breathe in and out, becoming a different person with every molecule of oxygen that enters our bloodstream. (Incidentally, did you know that every single day you are guaranteed to inhale at least one of the molecules of air that passed through Genghis Khan's lungs?)

We see the seasons turn on the calendar and eat foods produced through the gradual change called growth.

We survive the ups and downs of the stock exchange and come in and out of economic recessions.

Remember the statistics from Part One? If we counted only country-level recessions and forgot about industry or global recessions, that still would mean an average of one recession every twenty-five days!

Nothing in the world holds on.

So if holding on or locking down don't work, what can we do? How do companies survive? How can we sustain?

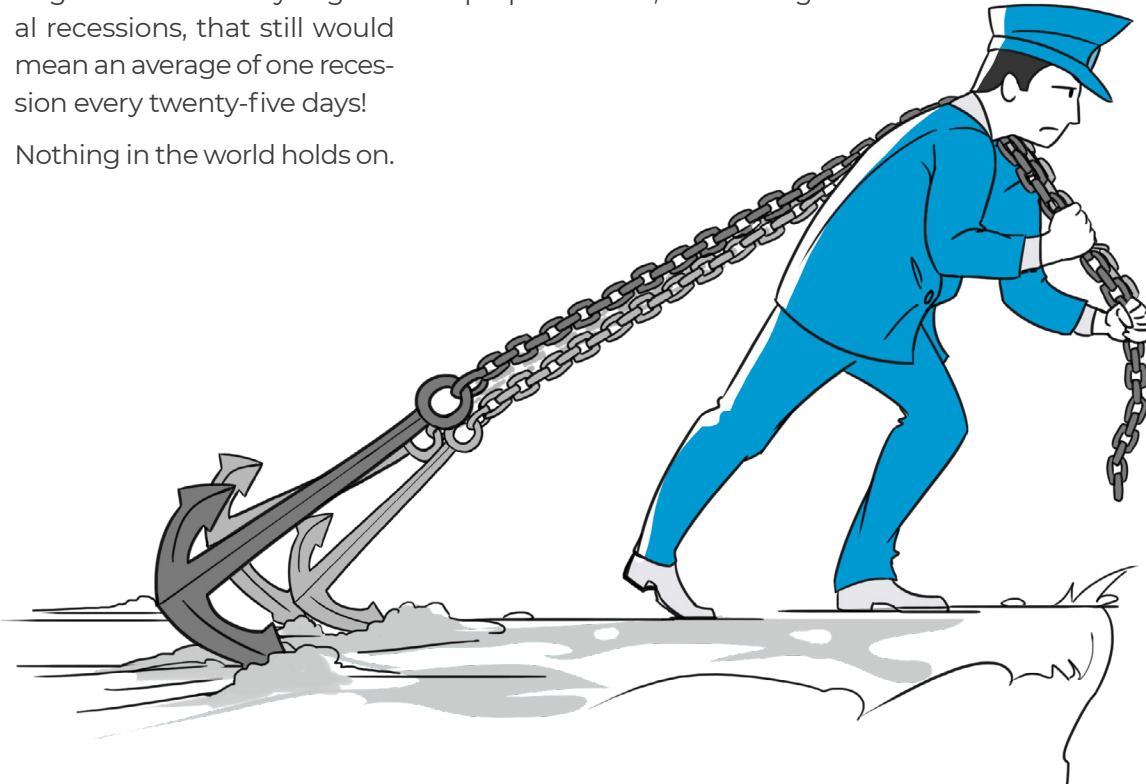
It will sound almost paradoxical.

The secret of true sustainability is simple: Take the essence of what you are and let go of everything else. That essential core is what you need to propel forward, reinventing

yourself vigorously over and over again, with staggering rapidity.

The secret is reinvention.

Let's dive in.



## Reinvention

# A DEEP DIVE

Now that we've covered the essential nature of reinvention – the creative act of balancing the needs of the present and the hopes of the future – it's time to take a deep dive into making all of this theory work for you.

To do that, we'll look at three different stories of reinvention: a manufacturing company in Slovenia, a cosmetics company in the United Kingdom, and a service business in the United States. Like the very first reinvention case we shared in Part 1, these too will end with practical exercises to warm up your transformation muscles.

Then we'll provide you with a map, or even better, a radar to find your next direction in reinvention and offer a powerful tool for reinventing your business model. After that, it's all about you doing the work: Reinvention is not a spectator sport.

The task in front of you is simple but not easy. (*Simple* and *easy* are two very different things). Instead of desperately trying to stay in business by all means possible, it is time for you to get out of that business and into a new one.

To get you going, we are building a collection of cases with fresh ideas and hands-

on exercises that will help you answer the key question: What should I reinvent in my business?

These cases will give insights into the wide variety you have to choose from, and later we'll offer even more examples to inspire you.





Reinvention case #4

# PENZONE



**The coffee is fresh and robust, with a rich foam that rivals any brew from Starbucks. Yet I'm not in a coffee shop.**

The makeup counters are crowded with customers, testing the latest eyebrow trends. Yet I'm miles from the nearest Sephora.

A staffer hurries past me with a pot of warm Ayurveda oil. Yet I'm not in an alternative medicine clinic.

Where am I? At one of the many locations of PENZONE Salons+Spas.

It is February 2019, and a week ago this salon brought home the coveted title of Salon of the Year at the North American Hairstyling Awards, held in California. Yet it is snowing outside, and Dublin, Ohio, is a far cry from the limelight of Hollywood.

What is even more remarkable is that the PENZONE isn't a newcomer, unburdened by the weight of the past. This innovative, award-winning, homegrown brand is fifty years old.





## At the time of its founding in 1969, PENZONE was a contemporary to some of corporate America's most powerful titans.

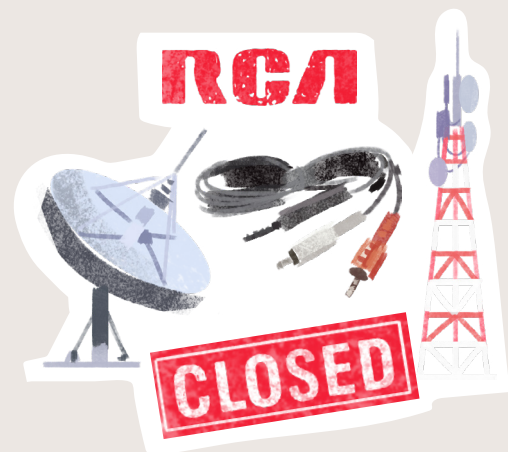
Take, for example, RCA. In the year of PENZONE's incorporation, RCA appeared on the Fortune 500 list as №20. A giant in electronics, radio equipment, marine, and international commu-

nications, and broadcasting. When General Electric acquired RCA in 1986, most of its assets were liquidated.

The year 1969 was also great at Pan American World Airways, known to most as Pan Am. Advertised with the slogan "The World's Most Experienced Airline," Pan Am had 150 jets flying to 86 countries on every continent except Antarctica. It made enough profit to stock up cash reserves of \$1 billion.

By the late 1980s, however, the company was hit by a series of external disruptions (read: icebergs!), including rising fuel prices caused by the Gulf War. By January 1991, Pan Am filed for bankruptcy, and it closed up shop in December that year.

PENZONE, though, is still here.



## How did a small hair salon from sparsely populated mid-Ohio survive and thrive while the giants disappeared?

And how does the same brand continue to grow and grab awards as a disruptor and innovator today?

Created as a single salon by Charles A. Penzone, the company was built on the idea of constant disruption. Debbie Penzone, the company's current CEO, says:

"Reinvention has been in our DNA since the beginning. Charles Penzone, our founder, loves change, and he loves inspiring others to be bold. He doesn't want to be that old leather chair that's so worn nobody sits in it."

As far back as the early 1970s, the company did the unusual. For instance, Charles brought the then-unheard-of hairstyling techniques of Vidal Sassoon to the Columbus neighborhoods, which allowed the company to grow to nine salons and 150 employees.

The year 1991 marked the company's new reinvention cycle. At that time, the country-wide average size for salons was 3,000 square feet. PENZONE went in a different direction. It built its first Grand Salon — a whopping 18,000 square feet — as a three-floor structure, consisting of hairstyling stations, manicure room, treatment rooms, an employee training area, and a private garden.

A significant boost in revenue and national press followed:

Think *Today Show*, *Inside Edition*, *Redbook*, *InStyle*, and *People*.



During the following decades, PENZONE opened two additional Grands while branching into new businesses and concepts.

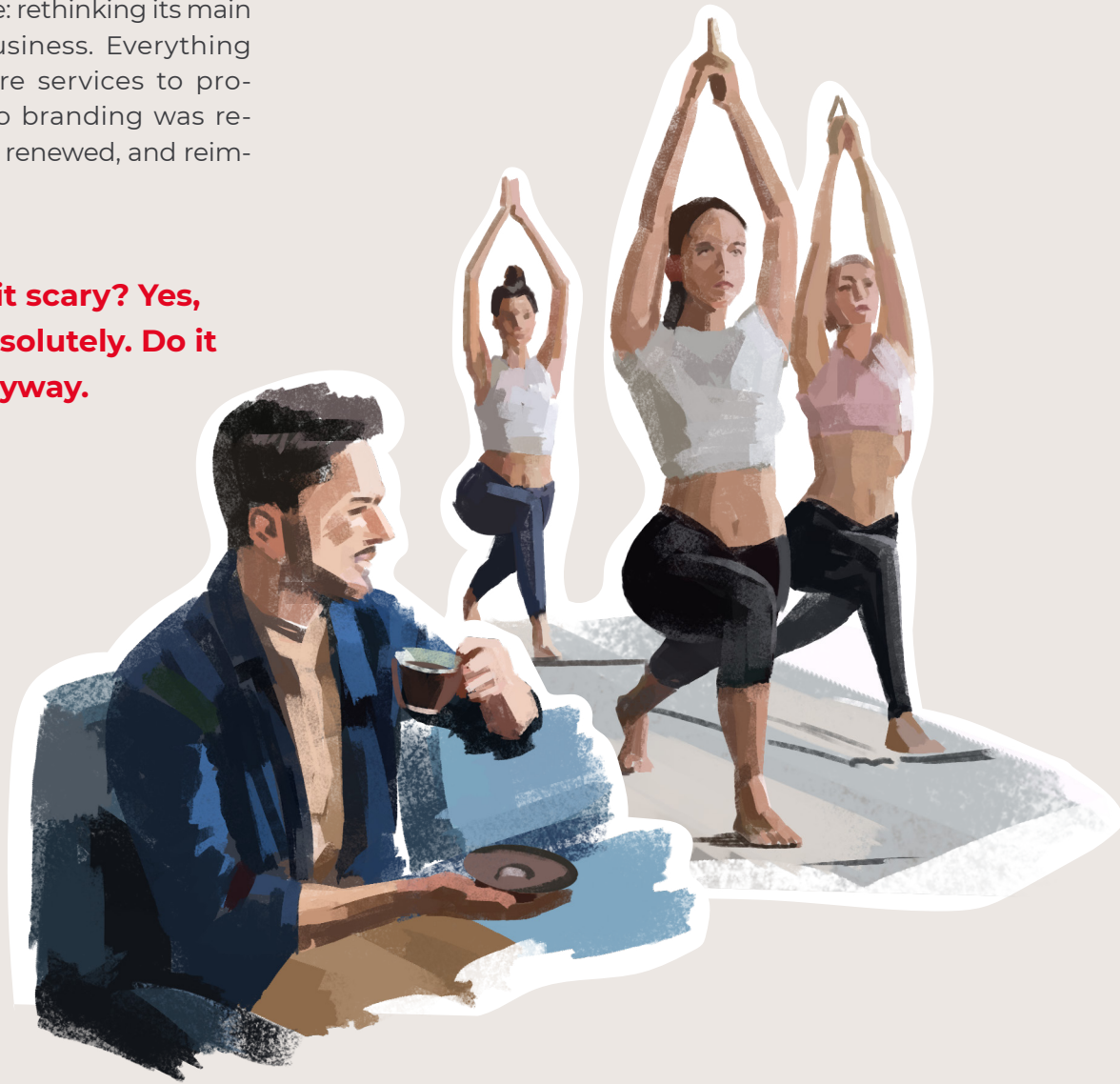
In 1996, the company introduced an urban hair salon concept under the brand of MAX THE SALON, growing it into a healthy chain in the early 2000s. Then it added the Royal Rhino Club Barbershop & Lounge and the LIT Life + Yoga studio, adding diversity to the services and the guests PENZONE served.

Debbie Penzone illustrates:

“We tried many things. We owned a distribution company for the beauty industry, which we later sold. We even had a landscaping business! Is it scary? Yes, absolutely. But you must continue to do it, afraid. You are always going to be afraid. Do it anyway.”

In 2018, the company started yet another massive reinvention cycle: rethinking its main stake business. Everything from core services to processes to branding was rethought, renewed, and reimaged.

“Is it scary? Yes, absolutely. Do it anyway.”



## BEFORE



Designed as a stand-alone building, the original Grand Salon projected a sense of classic beauty, high price, and exclusivity.

Most appointments were booked by phone.



Upon arrival, check-in counters and a waiting room took center stage.

The message to customers, whom the company sees as guests, was crystal clear: The only service you can have done right now is what you booked previously.

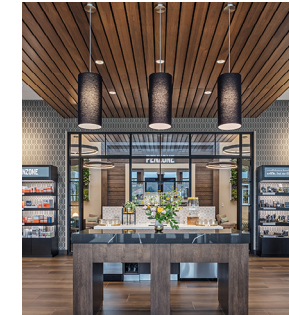
Any other services are by appointment only.

## AFTER



The new salon concept is built with a sense of modern lines, freshness, and openness.

Appointments can be booked by phone, on the website, or through a newly minted app.



Check-in counters are surrounded by product shelves — where guests are testing new products and exchanging advice.

A bar welcomes you with teasing aromas — a centerpiece of the Social Room, which features coffee, tea, organic juices, wine, plant-based foods, and community programming.

The message to guests is clear: You're here to explore, discover, connect, and share. This is a salon, a beauty store, a coffee shop, and a community space wrapped in one. A world of possibilities awaits.



BEFORE



The space is designed for an individual customer having an individual experience.

The waiting room seats are isolated and spaced out to keep each customer to him or herself.

This room is for waiting.



The center of the brand is the founder's name.

AFTER



The space is designed to foster community and connection.

The seats are arranged around tables, fostering an easy exchange of conversation and ideas.

A coffee bar serving high-end coffee allows for a relaxed and approachable atmosphere.

This room is for connection and conversation.



The founder, Charles Penzone, accepted the team's daring proposal to rebrand by dropping his first name. Now it still honors this amazing person — but at the same time, it celebrates the entire PENZONE community and the experience that unites them.

As the first two locations were reimagined with the new PENZONE concept, the company courageously grew from a traditional hair salon to a full-service spa, a beauty store, a coffee shop, and a community space wrapped in one. Today, it no longer offers isolated customers isolated beauty services, but rather builds a well-rounded wellness experience rooted in a supportive community.

The results? Newsworthy!

Since the reinvention of the Short North and Dublin locations, **product sales went up between 35% and 65%.**

**Service sales are up 10% to 44%,** while “door swings” — a crucial metric measuring customer presence on premises — **are up 8% to 36%.**

No wonder why the North American Hairstyling Awards chose PENZONE as its 2019 Salon of the Year, beating hundreds of innovating brands at dozens of hot and glitzy locations.



**65%**  
sales  
of products



**44%**  
service  
sales



**36%**  
“door  
swings”



**Salon  
of the  
Year**

## The story of PENZONE Salons+Spas is one of remarkable bravery

When you look at a story like this one, it is easy to assume that change comes easily to some. But just because someone reinvented successfully does not mean it was easy. It is difficult, and you still get it done.

When your company has existed for a half-century, the old ways run deep. “But we’ve always done it this way” becomes the mantra of the old-timers. Resistance to change becomes palpable.

Says Debbie Penzone: “Some of our more tenured artists preferred Charles Penzone brand name because it is all they knew. They were proud of it, proud to be connected to the founder. But Charles himself connected with many of them, assuring that he en-

dorsed this move for the company’s future. That helped relieve uncertainty and tension. Instead of private spaces for hair and nail services, our new concept literally took down the walls to foster more community. Our artists resisted it — hard.

“They were afraid that it would be a detriment to their personal connection with their guests. What they didn’t realize is that while open, our new spaces were designed with the human connection in mind. Instead of forty-five salon chairs in a single room, they’re spaced throughout five salon spaces – making the evolution much more manageable for both artists and guests.”

So, what can a company do when dealing with resistance to change?

In the case of PENZONE, the answer was communication. Whether it is talking to guests or talking to team members, it is relentless and consistent communication that became the cornerstone of the company’s reinvention strategy.



Debbie illustrates:

“It was really hard. So, we really went out and talked. We got groups of people to talk together. We heard them. We listened to them. And then we shared our bigger vision: ‘Seriously, who are we right now? Because that person sitting in a glass house judging everyone — that is not me. Who am I to say who is beautiful?’ We started challenging the idea of who are we at our core and what do we want to stand for, what do we want to be known for. I don’t want to have a fashion show which is all skinny people. Or I don’t want only the models that the society perceives as ‘perfect.’ So, we have to talk, and we have to find a way to change, to stay relevant.”

“We’re so much more than just outside beauty. With the new concept, we wanted to challenge the idea of who we are and what we wanted to be known for in our future. The foundation of our business is a more holistic approach with mindfulness and self-care at the core. Daily, we strive to improve lives from the inside out. Not many in our industry have adopted this approach — but they will as it’s most certainly the future for beauty.”




This courage to change, to stay relevant despite all objections, is what makes PENZONE’s team and its remarkable leaders a benchmark in reinvention. Now it is your turn.








# Your personal take-aways

What does the story of PENZONE teach you? What can you take into your own team, your company, your industry?

Team	Company	Industry
		

What allowed PENZONE to successfully reinvent its existing offer into a better version of itself is a deep understanding and redesign of the *total experience* that the customer is having while interacting with the company – from the brand promise to appointment booking to arrival and check-in to the experience with the service and beyond.

What parts of the experience your customers are currently experiencing with your product or service can be reimagined, rethought, and redesigned?

	Before the product/ service is bought	During the purchase	After the purchase
<div><div>AS IS</div><div>Customer experience with our brand</div><div>TO BE</div></div>			

PART 3

# HOW

# TO MAKE YOUR COMPANY WATERTIGHT

# In the world of speed and uncertainty, is strategy still needed — or even possible?

Our answer is a resounding YES, but it comes with a big BUT.

To make a strategy work today, we have to move from a deliberate to an emergent framework. Instead of looking at strategy as a rigid plan, we need to create a format and a process that allows for continuous reinvention.

“There are two people whose ideas I believe must be taught to every MBA in the world: Michael Porter and Henry Mintzberg. This was true more than twenty-five years ago when I did my MBA at the University of Southern California, and it remains true today. These are two academics who have

had real impact for a long time,” writes Karl Moore, a McGill University professor and Forbes contributor. “Both have been very influential in the study of strategy, an area of considerable interest to many Forbes readers. You can contrast their two views as Porter’s taking a more deliberate strategy approach while Mintzberg’s emphasizing emergent strategy. Which one is more useful today?”



“ **Instead of looking at strategy as a rigid plan, we need to create a format and a process that allows for continuous reinvention.**

Before I give you my answer to Moore’s beautiful question, let’s make things super-transparent: I had a chance to work closely with Henry Mintzberg while co-teaching the long-running Roundtables

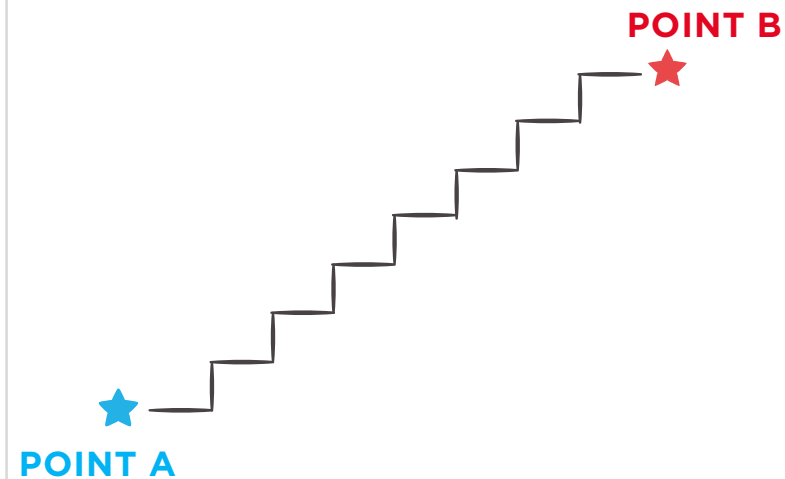
for Practicing Managers for a number of years. He has been an amazing help in developing ideas for my previous books. While I have never worked directly with Michael Porter, I always have used his models in classrooms and boardrooms and continue to do so whenever possible.

So this is not about kicking somebody to the curb. It is about developing strategic sophistication that our volatile world requires today.

What’s the difference?

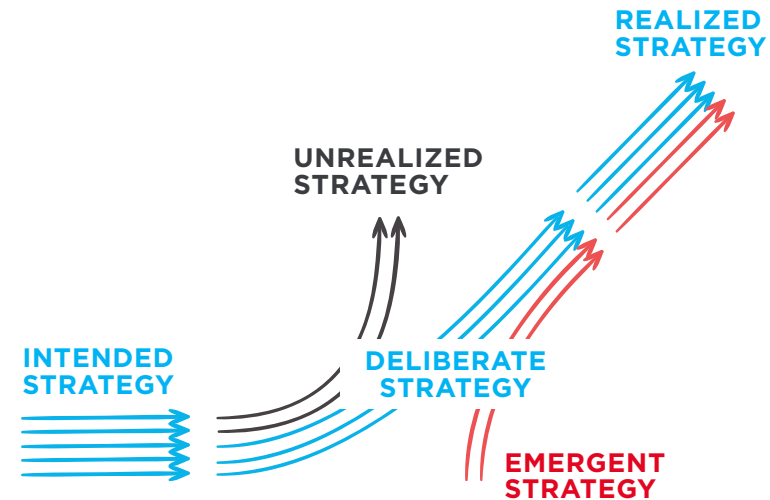


## DELIBERATE STRATEGY



Emphasizes the role of thinking and planning before acting. Here, past performance data go through the in-depth analysis to serve as the basis of all decisions. Most important decisions are made before a single step is taken – often at a posh executive retreat with the support of an external consulting company. Once the decisions are made, implementation kicks in as a separate step of pure execution.

## EMERGENT STRATEGY



Emphasizes the role of trying and learning as a part of the strategic process. Here, strategy emerges over time as plans collide with and accommodate always-changing reality. Most important decisions are made throughout the entire process and are often based on the first set of actions taken and feedback received. As such, the emergent strategy is all about turning your organization into a place of constant learning, adapting, and re-inventing.

# Now that we have clarity on the difference between deliberate and emergent strategy approaches, which one works best today?

I am sure I gave my answer away already: for a world where things move suddenly, building flexibility and re-invention into a strategic process becomes crucial.

The 2007 book by the brilliant thinker Nassim Nicholas Taleb titled *"The Black Swan: The Impact of the Highly Improbable"* introduced us to an idea of "black swan" – a high-profile, hard-to-predict, and rare event that is beyond the realm of normal expectations in history, science, finance, and technology. There

is no question that such an event (if it ever happens) should significantly impact our strategy.

The key word in the definition of "black swan" is *rare*.

Indeed, decades ago, when the organizational and cultural cycles were long, and change was rare, black swans were rarely seen.

But today, the situation is drastically different. As I type these words, my team is working with a global client on scenarios that the client

should be ready for: the uncertain future of Brexit, the unclear results of the U.S.-China (and the world) trade war, new threats of violent conflict in Iran, new deaths in a Sudan uprising, every kind of threat of ecological disaster from climate change to loss of species to catastrophic dwindling of forests, and much more...

Here, no matter what sophisticated analysis of the past I bet on, it says little about survival in the future.

**“Decades ago, when the organizational and cultural cycles were long, and change was rare, black swans were rarely seen. But today, the situation is drastically different. At the moment, all the swans look black.”**

We asked this same question years ago while working with particularly difficult reinvention cases, and we could not find a model that was pragmatic and tangible enough to fit the needs of a real business in real life. Instead of looking at strategy as a rigid plan, we needed to create a format and a process that allows for continuous reinvention.

So we decided to invent our own tool. Behold, our STELLAR Strategy Model!

“ So we decided to invent our own tool. Behold, our STELLAR Strategy Model!



**To get familiar with the model, we suggest you first test this model alone as an exercise, and then bring it to your team or client organization.**

It might be a no brainer — you know where you are — but practice shows that different parts of the company and different leaders might see that spot very differently. Be as specific as possible and exceptionally clear on how you measure Point A. What are the defining characteristics? Is it market share? Customer satisfaction level? EBITDA (earnings before interest, taxes, depreciation, and amortization)? Anything else?

### STARTING POSITION (ST)



## 2. Define your desired end position, your Point B.

Get down to the details on the defining characteristics of Position B: What is non-negotiable? Is it the financial aspect of the desired space? Customer segment? What mark must we hit, and what is optional?

Notice a crucial shift here: Instead of defining B as a point, we invite you to think of it as a position — an area that covers a range of possibilities.

Thinking of this as a range rather than a singular point with one set of strategic goals gives you the flexibility necessary to adapt to a changing environment. It is important to figure out your range deliberately and clearly — and celebrate when you hit any point within the defined range. If your point B is best represented by multiple goals, make sure you choose a range for each goal, giving yourself and your team flexibility and room to maneuver.

Working with a range is backed by science. Management thinker Steve Martin explains why: “High-low goals are both challenging and attainable. Researchers at Florida State University recently demonstrated how this small shift in goal setting can have an impressive impact. In one study, members of a weight-loss club wanting to lose two pounds per week were assigned to one of two groups — a single-number goal group “*lose 2 pounds per week*” or a high-low range goal group that averaged the same “*lose 1 – 3 pounds per week*.” The impact of being set a high-low goal on members’ sustained motivation to pursue their goal (by enrolling in an additional ten-week program) was striking. Only half assigned a single-number weight loss goal persisted with the longer-term target, but nearly 80% of those assigned a high-low range weightloss goal did.”

So the range is the way to go. As you are exploring the possible ranges, make sure the ways you measure A and B are perfectly aligned. If you think that now, you are not doing a good job measuring success, and it's time to come up with a new way of measuring. What does your Position B look like, and how will you know when you get there?

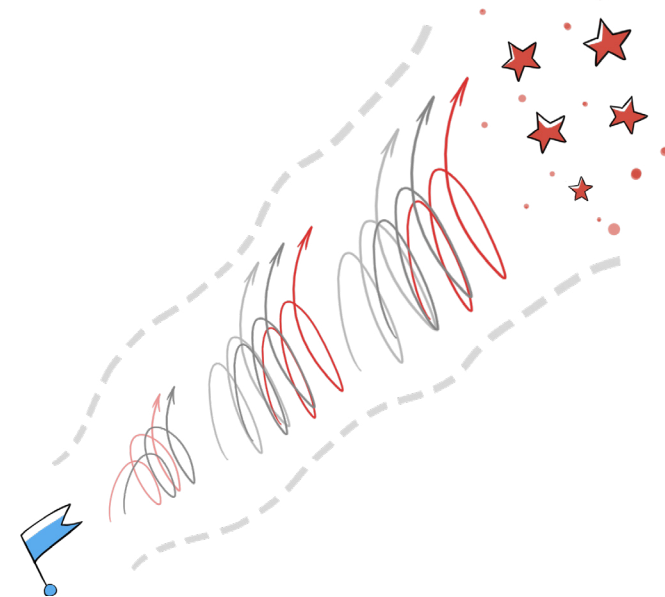
### END POSITION (E)



**3. Using the key lessons from the past, define the limits you don't want to cross.**

Many think that we constantly need to think outside the box, but as amazing creatives have pointed out, to create something new, we need to start with a box.

Limits and constraints are crucial for our creative thinking, and strategy is the best place to apply your creativity. So it is time to put down the constraints. Use the lessons from the past to guide your discussion. What kind of limits will allow you to minimize the need for micro-management and give clarity to your team? Perhaps some level of cost? Regional constraints? Customer segment constraints? What imaginary lines should your business NOT cross as it walks an emergent path from Point A to Position B?



## LESSONS AND LIMITS (LL)



4. Keeping in mind the desired ending position you defined in step 2 and the limits set in step 3, choose some areas of focus and the first set of actions – specific steps that you think will take you from Point A to Point B. Since reinvention is all about trial and error, you are selecting the first steps to try. If they don’t work, you will have a chance to re-view and revise in the process.

A strong and successful strategy must take you from ideas to actions, from talk to walk, from theory to practice.

The crucial thing to remember here is this: All your actions should serve as a way of testing a hypothesis, as a way of experimenting with a question — not as a declaration of the one and only right answer.

Your first set of actions should represent a collection of different hypotheses you want to test.

AREA OF FOCUS	ACTIONS (A)	KEY RESULTS
01	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
02	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
03	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>

Do you think product reinvention will be required to stay competitive? Begin experimenting with product changes.

Think that future competitiveness depends on entering a new customer segment? Start with testing. Perhaps a new process would offer an incredible advantage? Don't think of it as a final decision; rather think of the first actions as prototypes.

If any of the actions chosen for experiments don’t work, you will have a chance to change them in the process. Testing, playing, and prototyping are the right frames of references. They allow your company to embrace agility and reinvention as part of your strategic management.

What are the first steps you can take that will allow you to run the best combination of tests and experiments? How will you measure the success of each test? And what is the KPI (key performance indicator) – or the key result expected for each action?

5. Choose the date and format for your first strategy review.

Set up the first meeting for emergent lessons, revisions, and strategic course corrections. Such meetings should be held regularly at the end of a work “sprint” - which can be as short as few hours or as long as a few months.

REVIEWS (R)

When (date)

Where (location)

Who (participants)

What (format and agenda)

Together, the questions help you guide the discussion while the canvas organizes the information visually and shows places of possible alignment or misalignment.

It’s time to roll up your sleeves!

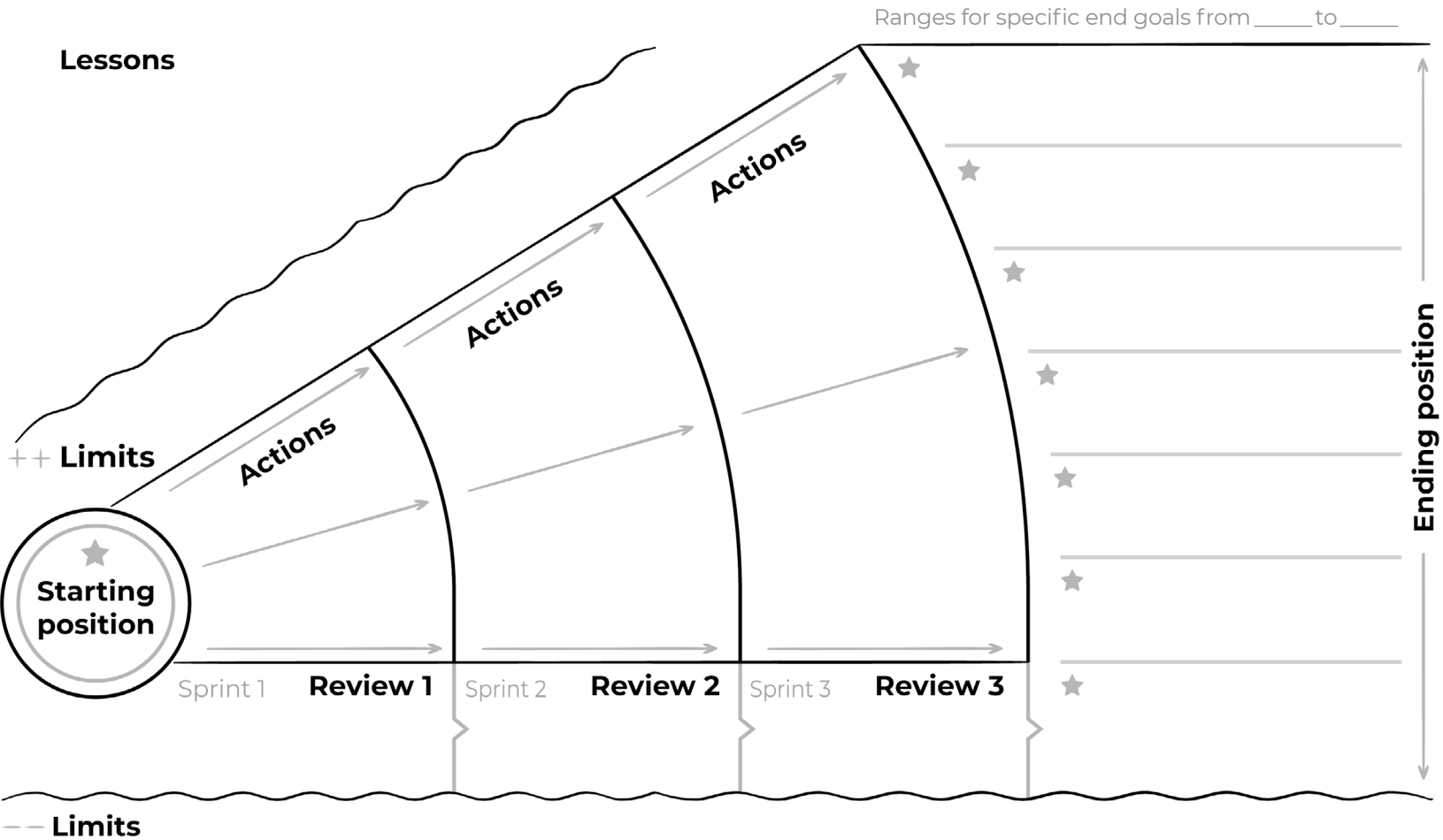


Option B

# STELLAR Canvas

Project

Date



## Meet our team



Written by:  
**Nadya Zhexembayeva**

In Ventures magazine calls her “The Reinvention Guru.” TEDx Navasink calls her “The Queen of Reinvention.” Dr. Nadya Zhexembayeva is a scientist, entrepreneur, and author specializing in resilience and reinvention.

As a consultant and an educator, Nadya helped such companies as Coca-Cola, IBM, Cisco, L’Oreal Group, Danone, Kohler, Erste Bank, Henkel, Knauf Insulation, and Vienna Insurance Group reinvent their products, leadership practices, and business models to meet new market demands and prepare for incoming disruptions. As a speaker, she delivered keynotes to more than 100,000 executives – including four TEDx talks. Nadya is the author of two books, including *Overfished Ocean Strategy: Powering Up Innovation for a Resource-Deprived World*, which was named Best Book of 2014 by Soundview Executive Book Summaries, and *Embedded Sustainability: The Next Big Competitive Advantage*, which was selected as one of the Best Sustainability Books of All Times by BookAuthority.



Designed by:  
**Maxim Gorbach**

After graduating from one of the toughest tech schools of the world, Bauman University, Maxim reinvented himself as the co-owner and Chief Design Director at **PRESIUM**, a design and innovation agency.



Designed by:  
**Ilya Galushin**

Trained in economics and investment management, Ilya is the co-owner and Chief Marketing Officer at **PRESIUM**, a design and innovation agency, where he also oversees new digital product development.

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