

Chapter 2

Don't Reinvent the Wheel, Make it Better: Assembling Analogs, Antilogs, and Leaps of Faith to Get to Plan B

Getting to Plan B is about taking your good idea and developing it into a business or other organization that has high impact, makes you and your investors money, solves the needs of your constituents – sometimes customers, sometimes beneficiaries or others – and is sustainable in the long-term. More importantly, though, it is a book about experimentation and growth, about finding a way for your idea to evolve over time into one that's not simply good, it's compelling!

This book is also about not getting stuck in a rut or missing real opportunities. Mediocre success – finding a passable business but missing the real potential – is equally problematic. Arguably, it's worse than missing the target completely, because it will tie down your considerable talent in a venture with no real future. You and other entrepreneurs and innovators like you are the lifeblood of today's economy. And to waste your talent on something mediocre would be a real shame.

We'd rather that you make a difference, make the world a better place in whatever way is important to you. If that way is also important to your customers and to other supporters, have confidence, they'll sign on. How then, might you ask, do you go from the germ of an idea to one that's truly compelling with a business model to match? **How do you ensure that your epitaph doesn't read, "His business was OK, nothing special. It just kind of limped along"?**

<a> Goal for Chapter 2: Don't Start From Scratch

Let's take a step back and think about theater, the world of Shakespeare and Moliere, of Rogers and Hammerstein, of Andrew Lloyd Weber. French playwright Georges Polti, based on the work of an 18th century Italian dramatist by the name of Carlo Gozzi, surmised that only thirty-six basic literary plots existed.¹ Thirty-six in total! Polti and Gozzi argued that you could take every play ever written and fit it into one of these thirty-six plot lines. Bernstein's *West Side Story* is Shakespeare's *Romeo and Juliet*, set in New York's Harlem in the 1950s. *Magnificent Seven* is

just another twist on *Seven Samurai*. Thus, each time a playwright or screenwriter develops a new script she is really just building on something that has come before.

So, is business like theatre? Can you grow your good idea into a successful business as playwrights do, by studying, leveraging, borrowing, even stealing, and learning from that which has been done before?

Chapter 2 is about learning from the experiences of others, using both successful and failed endeavors to inform your decisions, then develop and test hypotheses, and mold your business. The beauty of this method is that by using other people's experiences to shape your decision-making you have the benefit of their mistakes, their blood, sweat and tears. They have already waded into the water to test for jellyfish while you've been watching from the shore with a gin and tonic in hand.

Each of the companies whose stories comprise this chapter learned from their predecessors' successful and not-so-successful ventures. To learn about product concepts, business models, customer behavior, markets, and operational issues, they used analogs – successful predecessors worth mimicking in some way. They also learned from antilogs – predecessors (whether successful or not) – compared to which one explicitly decides to do things differently. In both cases, they were looking for indications that, based on the experiences of others, their idea would be successful or not. And, for both analogs and antilogs, they took care to frame their comparisons in the context of the current market environment.

Thus, **whatever you do, DON'T start from scratch.** There are far too many examples that will spotlight the critical unknowns and risks you need to resolve. These examples will answer many of your questions, and they will also identify some crucial beliefs you may hold – what finance types often call “assumptions” – that lack any evidence to either prove or refute them. We call these beliefs your leaps of faith, beliefs about which neither analogs nor antilogs can provide satisfactory evidence. By identifying the critical leaps of faith early, you can then methodically focus your limited time and money where it will make the biggest difference, on proving or refuting the hypotheses that grow out of them.

Taken together, the process of uncovering analogs and antilogs, identifying your leaps of faith, and testing your hypotheses can provide the evidence you need to either continue with your Plan A or modify it into what might be a breakthrough to a better Plan B. (Chapter 3 focuses on how best to guide your journey as you undertake such tests.) We examine this process with three examples:

- We explore the transition that Apple made from an innovative but struggling PC hardware and software marketer to a consumer electronics and music distribution powerhouse. Apple shows how relevant analogs and antilogs can be found both inside and outside your own industry.
- We travel to India to examine the rapid growth of Pantaloon, India's largest retailer, and the experimental, trial-and-error process it followed. We'll see that leaps of faith don't always pan out. Failed experiments are good (if inconvenient) news, not necessarily bad.
- Finally, we witness in Africa a story that's unfolding as we write. The African Leadership Academy (ALA) seeks to provide a new kind of educational experience that can create the next generation of African leaders. The ALA's founders have relied heavily on analogs and antilogs to draw lessons from each into their plan. And we see how the ALA quickly made huge strides forward by finding an ingenious way to test its most critical leaps of faith quickly and inexpensively.

Each story offers unique lessons about getting to Plan B. But they also share a few common themes. First, analogs and antilogs can play a variety of roles in helping to get you from Plan A to Plan B, all very useful. Second, analogs and antilogs can only take you so far. **Real innovators don't blindly copy the analogs**, they mix and match them and turn them upside down or give them their own unique twist. And it's the new twists on old models that sometimes set the world on its ear! Third, the process of getting from Plan A to Plan B is a systematic one, we believe. One you can easily learn and apply to your business old or new. So let's get on with the learning!

<a> Case 1 Apple Branches Out From Personal Computers

If you ask anyone born after about 1990 what Apple is famous for, they will likely say "the iPod." And, with half of Apple's 2006 revenue generated through sales of its iPod and music-related business,² this young person wouldn't be all wrong.

But those born before 1990 remember that Apple was once a computer company. Apple built the world's first PC with a keyboard. Apple developed sleek computers that were innovative in design and intuitive to use. By consistently offering the world a different and better computing experience, Apple grew a population of vocal evangelists: people who lived

and breathed for Apple products and who were willing to stand in line to get a glimpse at the newest Apple creations.

But it was the iPod that catapulted Apple from its computer origins into the world of consumer electronics. The wildly successful portable music device and its associated music store did not magically appear out of Apple's DNA, however. Apple's music portfolio can be traced to a few key analogs and antilogs.

In 2000, Apple was looking for its next big product. The company had struggled for years in the hotly competitive personal computer industry and was in need of some dramatic reinvigoration. Apple needed something as revolutionary as the Apple II had been to the computer world in 1977. So, rather than sticking to its bread and butter, Apple's legendary leader, Steve Jobs, decided it was time to take a stab at the new digital music phenomenon. Music and consumer electronics were not industries where Apple had any obvious advantage. They would have to innovate.

In 2000, the music industry was seeing a flurry of activity and change. Napster, the new peer-to-peer music-sharing site, was wreaking havoc on record companies' bottom lines. In what can only be called a massive theft operation, Napster's users were – illegally, as the courts later decided – downloading millions of pirated songs to their computers. It was no surprise that the music labels grew increasingly hostile to digital music, opting to sue Napster for copyright infringement.

By late 2000, there was a seemingly large market for digital music. It appeared that everyone under the age of twenty-five was downloading tunes. Piracy of copyrighted music abounded. But without court action, there was seemingly no way to get people to start buying music, versus stealing it. And there were no well-designed products to play digital music, in Jobs' view. **The scene was set for Apple to pounce.**

 Apple's Analogs and Antilogs

Jumping into a totally new industry requires more than just guts. It also requires some savvy about what works and what doesn't work. Fortunately for Apple, there were some analogs to light the way, starting with Sony's Walkman. The Walkman, a revolutionary product, was the first truly portable, personal music player, introduced in 1979. Sony CEO Akio Morita said, "Although I originally thought it would be considered rude for one person to be listening to his

music in isolation, buyers began to see their little portable stereo sets as very personal... We found that everybody seemed to want his or her own."³ Sure enough, within twenty-five years after it entered the market, Sony had sold more than 330 million Walkmans.⁴ The Walkman analog proved that people all over the world enjoyed listening to music on their own and were willing to pay for a device to do so. Most importantly, it proved that personal listening on the go was a socially acceptable activity.

Further, with Napster having some 26 million users worldwide sitting around in their jeans and t-shirts sharing their music files, it was clear that individual songs were just as much if not more appealing to music consumers than complete albums.⁵ Napster proved to the world – and to Apple – that downloading music from the Internet was more attractive than going to the local record store. It also proved that people would go through the trouble of downloading digital music if it were free. Whether they would pay, however, was another question.

It was a question for which the record companies themselves offered some clues. Angered over the onslaught of music piracy, they decided to have a go at selling downloadable digital music online. Various record labels launched websites where music could be downloaded, for a fee, of course. The first, MusicNet and Pressplay, were subscription-based models, to which users paid a monthly fee to access the songs. With MusicNet, users could download songs to one computer, but as soon as the subscription ended or a bill wasn't paid, those songs disappeared. And MusicNet didn't allow users to download their songs to portable devices, so users had the option of listening to their music on their computer or not at all. Pressplay did allow users to burn a small subset of their songs to CDs for use on the go, but users of these two services didn't really own the music they purchased. And each of the record company sites only provided songs from the musicians that they represented. As a result, neither site contained an exhaustive music library, so users would have to shop from site to site to find the songs and artists they wanted. Consumer response was tepid at best.

From these two pay-for-music antilog sites, it became clear to Jobs and his team that users wanted all of their music in one place. And, if users were in fact going to pay for music, they didn't want to rent it, they wanted to own it and be able to play it on their portable devices – not just on their computers. Moreover, people wanted songs, not albums.

Apple could learn from another antilog. In 1998, Diamond Media Systems launched the Rio, the first mass-marketed MP3 player. But its clunky user interface made it difficult for users to find or organize songs. There was only enough storage to play about sixty minutes of music.

And it was painfully slow to transfer music from a computer onto the Rio. “The products stank,” recalled Greg Joswiak, Apple's vice president of product marketing.⁶ The Rio’s struggle in the marketplace confirmed for Jobs that there was no market for anemic or complicated portable digital music players. If it wanted to enter the MP3 player game, Apple would need to solve the storage and user-interface problems that Rio presented.

 Apple’s Leaps of Faith

Jobs and the Apple team faced some tantalizing questions that led to their leaps of faith. Was there a different business model that would work? Jobs believed there was. Would there be equal excitement toward a site that offered a huge selection of music for a small fee? It was a leap of faith that music lovers would actually pay for their tunes. What if Apple offered both hardware and software – an MP3 player and the tunes to play on it – in such a way that the record companies would play Apple’s tune? Would they play? Jobs was confident they would.

Step one for Apple was taken in early 2001. The iTunes Jukebox, launched in January of 2001, allowed Apple PC users to store, manage, and group their music from any source (otherwise known as creating “playlists”) on their Macintosh computers. Around the time of the launch, Jobs also decided it was time for Apple to have its own portable music device, so Apple users could take their newly organized playlists with them. He gave his development team eight months to deliver and launch the new device.

The device or “iPod” as it was coined, launched in October 2001 just in time for the holiday season. The iPod was a chartbuster from day one, contributing revenue of \$143 million to Apple in its first year on the market.⁷ Apple had officially entered the consumer electronics industry. But to complete the picture, Jobs needed a way to sell music as well. Considering Gillette as an analog, Apple was already selling razors (the iPod), but Jobs wanted to sell the razor blades (music), too.

At about the same time, Napster closed its site in accordance with a court injunction. But the Napster analog had shown that an online music store with a large inventory of free music could be successful. Jobs knew the Recording Industry Association of America (RIAA) wanted to take down anyone who dared to enable infringement. So, a pirating music website like Napster wasn’t going to work. But customers needed an easy – and legal – way to get digital music. Apple’s solution was brilliant.

Jobs personally called individual artists, including Eagles lead singer Don Henley, to persuade them to make their music available on the service.⁸ Apple was the first to negotiate and reach agreement with five record companies, allowing Apple to sell hundreds of thousands of songs from artists spanning all five major labels. In a revolutionary move, Apple worked out a deal to sell (not rent) each song for 99 cents. Once they shelled out the cash, Apple's customers could keep their songs indefinitely, share them on as many as three Macintosh computers, burn them to an unlimited number of CD's, and transfer them to any number of iPod portable music players.

The online iTunes music store was born in April 2003. On its first day, Apple sold a million downloads. By the end of July, it had sold 7.5 million tracks.⁹ Apple's iTunes would be named *Time* magazine's Coolest Invention of 2003. The iTunes proposition was straightforward. No subscription was necessary, and there was no variability in the song price: every track cost 99 cents. It was simple, clean, and easy for a user to buy, download, organize and own music. Famous musician Seal described the iTunes store saying, "You can't stop piracy, so you have to work with technology, and you have to get into the rhythm of it. That's what Apple has done here."¹⁰ Best of all, the record labels were happy! One record label executive said, "Until Apple, it wasn't cool to buy digital music. This was about getting to that pivotal group of people – the people who buy the cool sneakers and wear the right clothes – and showing them that legally downloading music could be cooler than stealing it."¹¹

 Turning the Razor and Razor Blades Model Upside Down

Of course no one was really going to fill an iPod with thousands of songs each for 99 cents each. Sure enough, by 2007, only about 3 percent of music on iPods was downloaded or copied from the iTunes music store.¹² The rest was downloaded from other places and was therefore unprotected and playable on any device. But Apple didn't care. The iTunes music store completed the user experience, and as long as a critical mass of people bought at least some of their music from the iTunes site, Apple could keep itself out of trouble with the RIAA. It didn't really matter to Apple financially if people only bought a small percentage of their music from iTunes because the 99 cent price tag was barely enough to cover Apple's costs and the record companies' licensing fees. **Shrewdly, Apple had turned the traditional razor and razor blades model on its head!** Its novel recasting of the razor and razor blades business model allowed

Apple to make money selling razors – the growing assortment of iPods – even if customers continued to steal most of the blades!

 Lessons from Apple

Steve Jobs moved his well-established business in an entirely new direction – with new profit horizons – and confronted a bold leap of faith: that people would pay a premium for a snazzy portable music device and purchase at least some of what they had stolen before. Analogs and antilogs suggested – rightly, as things turned out – that his gambit would work. As Jobs unabashedly described his company’s strategy, “Picasso had a saying, he said good artists copy, great artists steal. And we have always been shameless about stealing great ideas.”¹³

The result of Apple’s journey to its digital music Plan B? Apple transformed itself from an innovative but struggling PC maker to what is looking increasingly like a consumer electronics powerhouse, accomplished with just a single product line, the iPod, which Jobs has called the “21st-century Walkman.”¹⁴ In 2006, the company pocketed \$9.6 billion from its music business (iPod, iTunes, and other music accessories).¹⁵ By 2008, Apple had sold 6 billion songs to 75 million customers since its launch six years earlier.¹⁶ **How did Apple do it?** Jobs and his team enabled the device to play and store large amounts of digital music. They found a way to legalize downloaded music that was sufficient to keep the RIAA off their back. And they packaged all of it as only Apple can; in a sophisticated, cool, fresh, and usable design. In short, they placed a big bet on their leap of faith, though Jobs’ confidence was backed by analogs and antilogs that suggested his gambit would work.

We now look at another company’s journey in a different industry in a different part of the world. In the sweeping economic phenomenon that is today’s India, we meet a pants merchant who has drawn on the stories of Macys, Marks & Spencer, Wal-Mart and others while fine-tuning what has become India’s largest retailer.

<a> Case 2: More than Pants for Pantaloon

Halfway across the globe, in the world’s second-most-populated country, another business mastermind had already begun to make his mark. Kishore Biyani, son of a Mumbai textile merchant, had grown up watching India multiply from a country of 600 million people in 1975 to

almost double that at the turn of the 21st century.¹⁷ He saw that things were changing in India, and changing rapidly. Not only was India's population growing, but its demographics had shifted dramatically.¹⁸ There was suddenly a significant and fast-growing number of young, educated, working-age people. Finding well-paid jobs meant moving to the cities. With what seemed like low incomes to those in industrialized nations, these households could afford consumer goods like ready-made apparel, plus durables like air conditioners, washing machines, even hired help.

Biyani founded Pantaloon in 1987 (under its first name Manz Wear Pvt Ltd.). At first Pantaloon was a menswear maker, manufacturing ready-made pants sold mostly in independent mom-and-pop retailers and kiranas.¹⁹ In 1997, seeing the growing size and potential of the Indian consumer market and the lack of business savvy of many of the retailers who were his customers, Biyani decided to turn Pantaloon into a retail operation. He felt the world of manufacturing didn't have enough of an opportunity, claiming it didn't provide him with a "big enough canvas."²⁰ Retail, on the other hand, would provide him with unlimited opportunity, in his view. But what did a pants merchant know about retailing?

 Analogs in Retailing: Pantaloon Learns from Wal-Mart

The first thing Biyani did was to start reading about leading retailers, looking for lessons – analogs and antilogs – that he could apply in India. "I read every book on Sam Walton, Macy's, Marks & Spencer. And management gurus like Tom Peters whose book *Re-imagine* impressed me," Biyani said.²¹ But, almost in the same breath he declared that he didn't make a practice of visiting these stores. He reasoned, "By going to a Wal-Mart or a Macy's, you could get overwhelmed into thinking that was the best model and stop learning," he says.²² Instead, Biyani combined his exposure to foreign retailers with his practical understanding of Indian attitudes and buying behavior.

"When a consumer thinks about Wal-Mart," recalled Biyani, "The first thing that usually comes to mind is the store's huge selection of discount goods spanning hundreds of categories from sporting goods to apparel to food to hair supplies. When a fellow retailer thinks about Wal-Mart he thinks about the company's maniacal focus on its supplier relationships and merchandising. Traditionally, Wal-Mart purchased a large percentage of its products directly from its manufacturers. In so doing, the company eliminated the cost of doing business with wholesalers, and was able to influence and more tightly manage relationships with its

manufacturers. By removing the cost of a middleman, Wal-Mart was able to pass along savings to customers. Wal-Mart was also famous for its merchandising ability, focusing much of its energy on product selection and pricing. The company institutionalized the concept of category management, using shopper analysis, customer research, and merchandising plans to determine what should sit on the retailer's shelves. In the end, the Wal-Mart customer always found the right products at the right price."²³

For Biyani, Wal-Mart served as the perfect analog for both supplier relations and merchandising. Both his hypermarkets, called Big Bazaar, and his grocery stores, Food Bazaar, were modeled in many ways after Wal-Mart. Like Wal-Mart, but uncommon in India, Biyani went straight to his manufacturers rather than relying on wholesalers. Between 50 and 60 percent of Big Bazaar's products were bought directly from manufacturers.²⁴ Like Wal-Mart, avoiding the middleman allowed Biyani to pass savings along to his customers. Discounts in the Big Bazaar ranged from 5 to 60 percent. And just like Wal-Mart, Biyani was focused on merchandising. He practiced the concept of category management both in his Big Bazaar and Food Bazaar stores, as well as in his growing chain of apparel stores, Pantaloon. He explained, "We have over 150 product categories and each is looked after by a manager who is responsible for its growth and profit."²⁵ Damodar Mall, president of Pantaloon's food business said, "By undertaking these activities, the category leader along with the retailer undertakes marketing and promotional activities for the particular category."²⁶

 Pantaloon Borrows from Marks & Spencer and Zara

Biyani wasn't done gathering his analogs. Marks & Spencer, the UK-based food and general merchandise retailer, had sold private labels – goods made exclusively for its stores – almost since its inception in 1893.²⁷ For Marks & Spencer, in-house labels provided higher margins than did other brands. To gain the benefits of higher margin goods, Biyani followed suit, offering private branded products both for his Big Bazaar and Food Bazaar retail stores. The Pantaloon apparel stores carried both branded apparel and vertically integrated private label items for the entire family, including casual, ethnic, formal, sports, and winter wear. The private label items were generally less expensive than the name brands, but delivered high margins. Biyani explained, "Someone who is unable to afford the premium brand will opt for our brands which are not exorbitantly priced."²⁸

The Spanish apparel retailer Zara provided Biyani with yet another analog, this one for inventory management. **Zara's lesson** (explained further in Chapter 9) **was that customers were fickle and that fashion preferences changed with the wind.** To ensure that Zara never had an abundance of unwanted inventory, the company utilized an inventive product design and production process called fast fashion. Most Western retailers took half a year to design a line of clothing, get it produced in a low-wage country, and bring it to market. Zara's fashions moved from drawing board to store in as little as fifteen days.

The benefits were considerable. The faster you could bring a design to market, the better the chance customers' preferences would be the same as when the product was designed. This minimized the risk of launching a product that was already passé, forcing the retailer to mark down its obsolete inventory. And under this system, there was far less money tied up in inventory, freeing up cash for other uses, like opening more stores! "The aim ... is to respond to the demand of the market rather than try to forecast it months in advance," said Biyani. "This will be the key differentiator between the winners and losers because it reduces working capital requirements and improves return on capital."²⁹

 Pantaloon's Leap of Faith: Getting the Shopping Experience Right

Biyani knew, however, that all these Western analogs would apply largely to the back end of his retail operation. How his stores should be organized and his merchandise presented was an entirely different matter.

He thought about Wal-Mart, whose stores were orderly with long, straight aisles and systematically shelved products. Wal-Mart stores were often located in busy suburban areas with plenty of parking. The purpose of Wal-Mart's design and location was to make the shopping experience as convenient as possible for time-constrained American customers. Time and convenience were simply not the driving concerns of Biyani's target market, however. **Was the typical clean and orderly Wal-Mart store layout an analog, too? Or was it an antilog that would be rejected by Indian consumers,** who were used to spending hours each day haggling in Indian markets?

Biyani's leap of faith – that Wal-Mart's layout, with orderly shelving and long aisles, would appeal to his customers in India – would be resolved by launching his first Big Bazaars.

Alas, he found that, “The customers never stopped. They kept on walking.”³⁰ And Biyani needed them to stop to pick up goods to buy!

 Pantaloon Opts for Some Disorder in its Plan B

For inspiration, Biyani looked no further than the traditional Indian bazaar. Bazaars, common throughout the country, provided Indians a place to buy just about everything. The bazaars were hardly an organized or sophisticated shopping experience. Quarters were cramped, with one vendor bumping up against the next. Customers had to pick through both dirty and clean items to find what they wanted. And, of course, there was no such thing as fixed prices. Bargaining and haggling were the modus operandi for the Indian bazaar, and this was the experience Indian shoppers were used to.

So, Biyani created a totally chaotic front-of-house shopping experience to mimic the Indian bazaar, while keeping his back-of-house efficiencies, unseen by the customer, in place. Letting the buyer choose the vegetables he/she wanted gave the buyer “a sense of victory,” Biyani said. To keep the noise-level up, employees announced deals on bullhorns. “The shouting, the untidiness, the chaos is part of the design,” Biyani explained.³¹

Biyani was learning that Western analogs could only take his ideas so far. Companies like Wal-Mart, Marks & Spencer, and Zara taught him how to operate his retail stores efficiently and cost effectively. But none of these chains were targeting this new and still highly diverse market, with more than two thousand ethnic groups, four major languages, plus a dozen more languages spoken less widely. It was Biyani’s opportunity to put their lessons to use. At a certain point, Biyani had to address some crucial questions, of which orderliness versus chaos was only the first.

He had to experiment where best to locate his stores, how to merchandise his products and how to design the layout of the stores. He did so systematically and iterated rapidly, continually improving his results. Not everything worked at the outset, but the back-end fundamentals were sound thanks to tips taken from his Western analogs. Biyani’s attitude helped his business, too: he was nothing if not adaptable.

< b> Is Pantaloon’s Plan B Working?

By 2008, eleven years after Biyani's retailing company was founded, Pantaloon was India's largest retailer, with some one thousand stores – including Pantaloon apparel stores, Food Bazaars, Big Bazaars, and more. And the National Retail Federation in the United States named Pantaloon the International Retailer of the Year for 2007.³² But the best news was this. Even with \$350 billion in revenue, organized retailers accounted for only 3 percent of retail sales in India. There was still plenty of room to grow!³³

 Lessons From Pantaloon

All is not lost when your leaps of faith don't all work out – Indian consumers preferred some chaos, in addition to great merchandise selections and low prices. Instead, Biyani's experimental mindset paid Pantaloon huge dividends, as he tested hypothesis after hypothesis about what his analogs could not convincingly tell him. As is often the case in emerging economies, many of the analogs and antilogs turned out to be US and European companies. **Biyani shrewdly realized, though, that some of the best-in-class paradigms applied to his emerging market, while others did not.** For those situations where there was no applicable model, or where the analogs seemed not to fit, he had to take a leap of faith and try something totally new. Who knows, if Biyani had not introduced some noise and Indian chaos into his stores, his customers might still be walking rather than buying!

In our next case, you'll meet two inspiring entrepreneurs who put analogs, antilogs and leaps of faith together to pursue their dream: to provide a world-class education for some of Africa's brightest young students. As we shall see, this methodology is equally helpful to for-benefit ventures as it is to for-profit businesses.

<a> Case 3: The African Leadership Academy Develops Tomorrow's Leaders for Africa

It was the summer of 2004, and Fred Swaniker, a native of Ghana whose family ran a primary school in Botswana, and Chris Bradford, a former brand manager with Procter & Gamble, had just completed their MBAs at Stanford's Graduate School of Business. While living in Nigeria, Swaniker had come to realize the urgent need for effective and ethical leaders in Africa. **"I was struck by the disproportionate impact that just a few individuals (like Nelson Mandela and Desmond Tutu) could have** and started to envision a way to develop a critical mass of the kind of leaders that could transform African society."³⁴ Bradford had done a short stint teaching

economics and physical science to African boarding school students in the United Kingdom and, on a study tour to South Africa, had also seen first-hand the limited opportunities available to most African youth.

The intrepid pair thought a leadership academy was needed. But before they attempted it, they would need to address five key beliefs that Swaniker and Bradford thought lay at the heart of the African continent's numerous challenges:

1. The root cause of many of Africa's problems is an undersupply of leadership across all sectors.
2. Individual leaders can catalyze the actions of large groups of people and unleash massive positive change in society.
3. It is necessary to invest in Africa's leaders when they are young and dreaming and give them the confidence they need to bring their ideas to the world.
4. A pan-African approach is required to catalyze growth and development.
5. Africa needs entrepreneurial leaders across all sectors who will throw off the constraints of existing institutions to change the paradigm and create value.

Together, Swaniker and Bradford set out to build an innovative institution that would bring together top students from countries across Africa and inspire and equip them to be ethical, entrepreneurial leaders committed to creating a bright future for the continent. Their Plan A was to build a boarding school that would emulate the elite American and European boarding schools, all analogs. Schools like Phillips Academy Andover, Eton College, and Philips Exeter Academy attracted diverse groups of top students and prepared them well for top universities.

These schools nurtured capability and confidence as well as lifelong connections between their often-powerful alumni – all goals of the ALA. Swaniker had met many wealthy African parents who were paying \$50,000 per year to send their kids to prep schools in Europe, an indication that a portion of the top African students they were targeting for the ALA could afford to pay substantial tuition.

 Analogs and Antilogs Define the ALA's Parameters

As Swaniker and Bradford talked about their concept with a wide range of people globally, they were pointed to another somewhat different analog that neither of them had heard of before,

Raffles Junior College (RJC). Raffles, a prestigious school in Singapore, offered a two-year course for graduating high school students. On average, 95 percent of RJC graduates attended university, many on scholarships. In recognition of its sterling academic accolades, Raffles had been termed by *The Wall Street Journal* as the Southeast Asian "Gateway to the Ivy League." Even more impressive was the fact that numerous Raffles alumni had gone on to assume very significant positions of power in the country, including two former presidents and many other notables. It seemed that Raffles had achieved in Singapore much of what they were setting out to do in Africa. They visited the campus and quickly learned as much as they could about the school and its programs.

The duo then looked to United World Colleges (UWC). At the time, UWC ran eleven, two-year, pre-university residential schools worldwide (in 2008, they count twelve), offering the International Baccalaureate Diploma curriculum. Their mission was to make education a force to unite people, nations and cultures for peace and a sustainable future. UWC brought together students from all over the world selected on personal merit – irrespective of race, religion, politics or the ability to pay – with the explicit aim of fostering peace and international understanding. High academic standards, a strong emphasis on community service and a wide range of cultural and outdoor activities were all part of a UWC education.

Raffles demonstrated success in building a world-class institution producing extraordinary leaders for a single country. UWC suggested that it was possible to recruit students from many countries and put them through a two-year program that resulted in significant leaps in international understanding.

Swaniker and Bradford also looked to their Stanford MBA experience. Several weeks into his first quarter at Stanford, Swaniker was one of seven students sitting at breakfast with Carlos Ghosn, the CEO of Nissan and Renault. "I realized that if an ordinary person could lead such a successful global organization, so could I." Meeting top executives regularly in courses and extracurricular events at the School helped demystify the process of leadership for Swaniker. "It gave me the gall to think big," he says. If he and Bradford were going to build a new generation of leaders for Africa, the opportunity to meet and interact with high level business and government leaders would be a critical component of what the ALA had to offer to its students.

Swaniker and Bradford were also mindful of some antilogs. Many of the historically white elite African boarding schools had changed their messaging to a focus on building a new

generation of African leaders, but the curriculum and recruiting practices had not been revamped to deliver on that promise. They provided a reasonably good educational experience but did not excel at cultivating leadership capability, in Swaniker's view.

Finally, there were also several short-term African leadership development programs, mostly targeting established leaders and engaging them in community service. While these provided good networking opportunities and some positive outcomes in terms of community focus, they were not really expanding the pool of African leaders or significantly increasing entrepreneurial leadership capacity.

 The ALA's Leap of Faith

Swaniker and Bradford felt building a school was clearly doable. But they had five key questions for which their analogs and antilogs had provided insights, perhaps, but no clear answers:

1. Could they successfully recruit the best students from multiple African countries?
2. Could they establish sufficient credibility to attract top-notch faculty and administrative staff from across Africa?
3. Could they raise the philanthropic capital necessary to launch the school?
4. Could they attract high-profile business and government leaders to teach and mentor the students?
5. Could they have a self-sustaining financial model for the school's ongoing operations? In other words, was there a business model that would work?

Intuitively, as is almost always the case for committed, passionate entrepreneurs, they felt that the answers to all five questions were yes. In their hearts, though, they knew they had scant evidence to support any one of these beliefs. All were huge leaps of faith.

Short of building and launching the school they ultimately envisioned, Swaniker and Bradford needed an expedient way to examine their most critical leaps of faith with some hypothesis testing. They hit on the idea of developing a one-month, summer youth program in Cape Town, South Africa to serve as a small-scale trial for the ALA. They recruited Stanford classmate Ronalee Bayani, the former head of a summer program that prepared minority high school students to enroll at the University of California.

The Summer Academy launched in 2005 in Cape Town. The program featured a robust African studies curriculum, twelve teachers from around the world, and seventy students from thirteen countries. "The impact of the program was tremendous," said Bradford. "Our students gained confidence and recognized their power to positively affect the world, and they became passionate about their community and continent." Through the Summer Academy, Swaniker and Bradford gained credibility and experience while validating some key leaps of faith. What did they learn? There were three points of very good news:

- They had no problem recruiting students from multiple geographies.
- They attracted excellent teachers for the program.
- There was the potential for a financial model mixing traditional philanthropy with fees.

Further, they were extremely pleased with the positive relationships that quickly developed between students from different countries and different socio-economic backgrounds. Perhaps most importantly, the hands-on leadership curriculum seemed to have a big impact on the students.

 Difficult Decisions for the ALA

It was time to finalize their plans for the real ALA. Would it be the Plan A already established in elite African education, building a boarding school along the lines of the similarly elite European and American schools, as they had originally contemplated? Or would it be a Plan B along the lines the RJC model? It was beginning to appear that Plan B was better-aligned with what Swaniker and Bradford were trying to accomplish in Africa.

An early decision to locate the school in Cape Town was also reversed. The Summer Academy taught them that it was difficult to recruit government and business leaders, who were central to the ALA experience, because a special trip was required. Bradford explained, "Johannesburg is the business and government hub with a much larger pan-African population of prospective mentors and role models and consequently is a more suitable location. We made the difficult decision to walk away from a scenic part of the country to a less idyllic, but more practical location."

So, were they ready to forge ahead? The summer experiment had proven some key leaps of faith: it seemed that great students and faculty would sign on. They had also nailed down decisions about the program's format and location. They were feeling confident, thanks to

the successful Summer Academy experience that they could show to philanthropic investors. They were ready to dive into deeper water, securing an initial campus and recruiting a Dean.

 Is the ALA's Plan B Working?

Dive they did, and several milestones have already been met. A beautiful campus in Johannesburg has been leased. And more than 1,400 students from thirty-four countries applied to the first class, including the top performers on the national exams in Rwanda, Senegal and Cameroon. The ALA admitted ninety-seven students in September 2008 from twenty-nine countries.³⁵ Christopher Khaemba, a Kenyan known for his ability to inspire and develop students from a wide variety of socioeconomic backgrounds, has signed on as the inaugural Dean. A new generation of African leaders is beginning to come together!

 Lessons From the African Leadership Academy

We've seen how drawing lessons from various analogs helps to shape your own unique model.

For the ALA, the business and governmental involvement that Raffles Junior College was able to obtain in its Singapore location, as well as the multi-country student body that United World Colleges attracted, served as good indications of what the ALA might achieve. Your dreams are crucially important, but blind copying of analogs in me-too fashion is not what we're prescribing. Instead, choosing a little of this and a pinch of that until you've got a recipe that serves up what your customers want and what your business model can support. Crucially, this recipe must respond directly to the market and the industry circumstances you encounter.

From the ALA, we've also seen that **ingenious ways can sometimes be found to test key leaps of faith** – live, in the marketplace – in ways that cost far less than going full speed ahead with your ambitious Plan A. These tests, if they pan out, not only build your own confidence in the path you are following, but they provide tangible evidence to financial backers and others – top students and faculty, in the ALA's case – that you are onto something worth being a part of.

<a> Lessons Learned about Analogs, Antilogos, and Leaps of Faith

We hope that at least some of these key messages have hit home for you:

- Analogs and antilogs have varied roles in developing your new business or transforming your existing one.
- Mixing and matching – not simple copying – is the best way forward
- Oh, it's a process! And a systematic one, at that!

Let's examine each of these themes in some detail to be certain that these messages sink in.

 The Varied Roles of Analogs, Antilogs, and Leaps of Faith

Analogs, antilogs, and the testing of hypotheses to prove or refute your most crucial leaps of faith can inform all kinds of decisions, including operational and marketing plans, without breaking your piggy bank. And they can provide insights into issues much broader than whether your customer will buy.

There's another role, too, that's probably even more important, because walking before you decide to run is a very good idea. Testing your leaps of faith early and often helps safeguard your company against risk. Thus, doing so deserves focused managerial attention until the questions you pose and the untested beliefs you hold are convincingly resolved, either proven or refuted.

 Mixing and Matching, Not Simple Copying

Mixing and matching snippets of one analog here, an antilog there, provides a creative melting pot out of which can stew new strategies and business models that can enable your company to stand out in your industry. Each of the companies in this chapter drew lessons from companies that had gone before them, and each of them applied those lessons in new and creative ways. New twists on old models, as we saw from Apple, rather than blind copying, is what you are after. That is what many successful entrepreneurs do. Had Apple tried to replicate the razor and razor blades model faithfully, with low-priced iPods and high-priced tunes, we doubt they would have been nearly as successful.

 Starting an Innovative Business Is a Systematic Process

The process of uncovering and critically examining analogs and antilogs, and identifying leaps of faith to be examined, is a systematic one, and one you can learn. By exposing the strengths and limitations of your initial strategy, the process often leads to changes in Plan A. These changes

can be a series of subtle adjustments, as seen with Pantaloon and the African Leadership Academy, or far more dramatic ones, as with Apple's assault on the consumer electronics and music industries.

Though it doesn't always feel that way at the moment, change is good news, not bad. Refining your plan will make your business more successful. Blind adherence to your original plan is a path to disaster.

In the end, it's often the gaps in the analogs and antilogs, the leaps of faith – and the testing thereof – that are crucial, that make the difference between failure, mediocrity, or slam-bang success. As we'll see in later chapters, some of the most noteworthy successes in business history have arisen when a new kind of business model – mixing lessons from an analog here, an antilog there, and some insightful leaps of faith that turn out favorably – is concocted.

Sometimes, these new recipes create a Plan B not just for the company, as was the case for Apple, but for the industry. Will Apple's digital onslaught on consumer electronics and the music industry turn out that way for the legacy players? What about for artists? And will the iPhone do the same for the cell phone makers like Nokia and Samsung? Time will tell, but we suspect that Steve Jobs and his musical and consumer electronics adventures have only just begun to hum.

<a> Q&A with John and Randy

We've jumped into the deep end in this chapter. There are probably at least a couple of questions that you cannot yet let go of:

- Aside from this book, where else should I look to find analogs and antilogs?
- How do I know which analogs are "right" or most useful (and which antilogs are "wrong")?
- When is an analog or antilog good enough, and when do I need to test what it tells me as yet another leap of faith?

 Where Might You Find Analog and Antilog of Your Own?

As the Apple story suggests, the most useful and revolutionary analogs and antilogs may be those from industries other than your own. That's in part because your lead-footed or narrow-minded competitors aren't as likely to notice, examine, or understand them. The razor and razor

blades analog can probably be applied in many more industries than it is today. Steve Jobs proved that it can be turned on its head with surprising success. Can you do it in your business? Would it help you break through to a better business model?

So where should you start looking? With reams of data, annual reports, books and articles on the world's publicly traded companies, there is certainly no shortage of analogs and antilogs. You can start in the pages of the business sections of your local, national and international newspapers and magazines.

Even better, strong social networks, which are among the most useful assets of most successful entrepreneurs, are a great place to look. Why? Because building a network can help you not only find relevant analogs and antilogs for your business model, but they can also provide you with trusted insight into how those analogs and antilogs really work. Insights shared among friends can provide the clarity and depth that newspaper articles or financial statements lack. And perhaps most important, a strong social network might help to lift you from an emotional rut if a leap of faith doesn't pan out as you had hoped!

 Which Analogs are "Right" or "Wrong?"

At the end of the day, whether **for analogs and antilogs, there are neither "right" nor "wrong" ones, until proven in the marketplace.** Thus, in most cases, the customer – as well as the cash flow – is the final arbiter of whether you have chosen them well and followed their advice appropriately for your situation. It's a hard, cold world out there, and you won't always be right. But being "wrong" – whether about an analog, an antilog, or a leap of faith you test – is OK, as we've noted above, as you can then move forward more knowledgeably to Plan B. So, don't worry too much about what's right and what's wrong. Get on with the process and let your learning begin.

 When Is an Analog or Antilog Good Enough to Move Forward?

If you are in the throes of starting a new venture, whether a raw start-up or a new venture within your established company, you simply cannot test everything with an experiment. There are not enough hours in the day or – most likely – money in the till. Using your best judgment, if an analog or antilog looks like a close enough parallel to your situation, if you and your investors

gain comfort from what it tells you, and if you're happy to assume an element of risk, then you'll have to simply trust some of your analogs and antilogs. That will free you up to focus your attention on other more critical issues – your leaps of faith – where the advice you get from analogs and antilogs isn't so clear.

<a> What's Next?

Leaps of faith are pivotal to the innovation process. They emerge from a thorough understanding of what has come before – analogs and antilogs – and they should be the focus of the scarce time and resources necessary to arrive at the ultimate plan, whether it remains Plan A or evolves into Plan B. The process is systematic and continual, with new questions and hypotheses at each and every critical juncture. But the process is neither dumb luck nor black art. On the contrary, embarking on journey from Plan A to Plan B requires methodical, experimental thinking and requires a different kind of tool, one we call the dashboard. Building dashboards and using them to guide your journey toward a fruitful and viable Plan B is the topic of Chapter 3.

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