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3 Things Great Leaders Do Differently

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Encourage collaboration, risk-taking, and learning from failure.

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All episodes

Details | **Transcript**

HANNAH BATES: Welcome to *HBR on Leadership*, case studies and conversations with the world's top business and management experts, hand-selected to help you unlock the best in those around you. As the host of two hugely successful business podcasts, Guy Raz has interviewed hundreds of entrepreneurs and leaders. His podcasts *How I Built This* and *Wisdom From The Top* offer an inside look at how visionary leaders build their careers and their companies – from Starbucks to Procter & Gamble. Raz says that some of those leaders do have unique qualities that help them succeed. But he has identified three behaviors that they all share. They create a culture of collaboration; they encourage risk-taking;

and they allow for failure. In this episode, you'll learn how to incentivize internal collaboration, rather than competition—and why that approach often leads to stronger innovation. You'll also learn how to inspire your team to take risks, share bold new ideas, and embrace learning from failure. This episode originally aired on *HBR IdeaCast* in January 2023. Here it is.

CURT NICKISCH: Welcome to the *HBR IdeaCast* from Harvard Business Review. I'm Curt Nickisch. We love to celebrate entrepreneurship. We love to celebrate great business leadership. But for all that attention and oxygen, it's still an enigma. You know it when you see it, but what are the necessary traits of a successful founder? What is the decision tree that a compelling organizational leader follows? On this show, we talk to researchers who study founders and executives. We talk to professors about their deep-dive case studies, and we often talk to founders and CEOs directly. My guest today interviews entrepreneurs and leaders week in and week out. He's the host and co-creator of the podcast How I Built This, where company founders break down their journeys with him, and he hosts the podcast Wisdom From the Top, conversations with leadership experts and visionary leaders. Our guest today is Guy Raz, and he joins me now to talk about what he has learned from all these in-depth conversations with remarkable business people. Hey, Guy.

GUY RAZ: Curt, hello. Thank you for having me on the show.

CURT NICKISCH: You've got hundreds of episodes of How I Built This, where you spend a good three hours in a studio interviewing an entrepreneur, a founder. You also have dozens of conversations with leaders in Wisdom from the Top. Has out of all of that a pattern emerged, or a template emerged for you? What's essentially a large qualitative research project – what has come out of that?

GUY RAZ: I think that's exactly right. Obviously, I think of these as shows. But the other side of it is that it is a large dataset. So, we've got about 700 interviews with founders and CEOs, in depth interviews about how they built their careers, the decisions they made, the mistakes they made. And what you find over that time, you find a lot of qualities. Some leaders are really warm and personable. Howard Schultz is a great example of this. He hugs people, he gets to know his employees really well. He really lives and breathes culture. And we hear about this; we hear about leaders who are really good at feedback, leaders who are really good at transparency, leaders who are really great at rallying their teams, leaders who are really good at managing people and organizations. There's a huge variety of qualities, but if you were to make a word bubble and you were to take all of these interviews and you start to build a Venn diagram, what you would find is there are three qualities that all of them have, or three things that they do in their businesses, their companies, that I think are common to successful organizations. It doesn't mean they're all doing everything all the time, but what they all do, and what they all have in common, are these qualities and these approaches that really help explain why some businesses become great and others don't. The first is, they all create a culture of collaboration, all of these leaders. Full stop. The second thing they do is they encourage risk-taking, and then the opposite side of that coin, which is the third thing they do, which is they allow for failure.

CURT NICKISCH: All right. Well, let's spend a little bit of time on each of these then, and let's do those in order. Let's start with collaboration. It seems like it's almost like a throwaway word nowadays to say you're collaborative, or you're looking for people who are collaborative. When we dig into it or when you hear people talk about collaboration, what reveals itself then?

GUY RAZ: Well, let me give you an example. First of all, I would say that collaboration, you're right, it's one of these throwaway words that we just assume that everybody is collaborative, but it's actually a very nuanced idea. There are some sectors where it's harder for leaders to encourage and create and facilitate a culture of collaboration. For example, the service industry, like law firms or finance firms, where it's eat what you kill, and where people are judged by their individual sales or their P&Ls. And this does apply also to larger organizations where different units are competing against other units. At the end of the year, you look at the P&Ls and then you decide who's done the best, and then they're compensated based on those P&Ls. What I find is that companies that have a different model that actually incentivize collaboration tend to be more innovative. You might hear this and think, "Well, startups, easy to be innovative. They're scrappy, there's less bureaucracy. They can break rules and do things that more established companies can't do."

CURT NICKISCH: You might as well share ideas with each other, because you're going to be out of business anyway unless something happens.

GUY RAZ: You're going to be out of business anyway, exactly. But one of the most collaborative companies is also a company that some people might think of as a dinosaur: that's Procter & Gamble. This is a company that was founded before the Civil War, and it's a company, I think they have 60 or so brands, and I think at least 20 of them are worth over a billion dollars. So, this is a massive multinational company. What distinguishes Procter & Gamble from a lot of its competitors is that they do encourage cross-collaboration. I went and visited P&G before the pandemic in December of 2019. One of the coolest stories that I came out of P&G with is a story of toothpaste. Back in the '90s, they owned Crest, that's one of their brands, and Crest was getting its butt handed to it, kicked, by Colgate. Colgate was really doing very well in the marketplace, and Crest was trying to figure out how to build a new product. There was a guy at Crest at the time named Paul Sagel. He was a researcher there. He was working on teeth whitening products. At the time in the '90s, this is when people started to go to the dentist to get their teeth whitened, so this was a huge trend that started, and he thought, "Well, could we bring this home? Could we get this product into people's homes and they could do it themselves?" So, he came up with a solution that you put on your teeth, and it really worked great. The problem was, he couldn't figure out how to get the solution onto teeth. He couldn't figure out an easy way to do it. Was it going to be a hard plastic mouth guard? He couldn't figure it out. Anyway, he was having lunch with a colleague named Bob Dirksing, who worked in another division of Procter & Gamble. He was working on a plastic product. At the time, Procter & Gamble was trying to compete with Glad and Saran Wrap to come up with a new plastic wrap.

Anyway, Bob Dirksing was listening to Paul Sagel's dilemma, and he said, "Look, why don't you come down with me to plastics? We're working on this product. Let me see if I can cut a piece out and we can see if it'll work." So, they cut a piece of this plastic wrap out, put the teeth whitening solution on it and wrapped it around their teeth, and it worked, it stayed. A couple weeks later, they took this prototype to the CMO and they said, "Hey, we've come up with something really cool, that we think is really cool." Within six months, that product was on the shelves in stores in the US. It was called Crest Whitestrips, and in year one, that product generated $300 million in revenue for Proctor & Gamble. It's the kind of example that shows you that when people from different parts of an organization come together, they can build incredible things, because oftentimes you've got incredible specific expertise in one part of an organization and really great expertise in another part of an organization, and it's not as common as we think when those two parts of the organization come together and build something.

But in organizations where you do find a culture of collaboration where people are rewarded and recognized for collaborating, they come up with great products.

CURT NICKISCH: What have you heard from some of the leaders and founders that you've talked to just about competition in the workplace? Having a healthy competition that's there, but also directing it all so that it doesn't become toxic competitiveness or, "I don't want to help that person because they're going to get the revenue and they get the bigger budget, and I just end up losing in this whole situation by sharing information."

GUY RAZ: One of the key things is to recognize collaboration and to really put a spotlight on it. There's a guy who used to run into it who I'm sure many of your listeners are familiar with, Brad Smith, was the CEO. Back in the mid-2000's – basically at that point Intuit, in his view and Scott Cook's view, had become more of an established company with bureaucracies and many different divisions, and they were trying to recapture that startup sensibility.

One of the things that Brad Smith came up with was 10% time. You basically were handed 10% of your time to do anything you wanted to do that that would help the company, help make you better at what you do, help make the experience better for customers. At the time, their biggest product was TurboTax, and most people by the mid-2000's were using it on a desktop computer. This was a massive generator of revenue for Intuit. But there was a guy at Intuit named Amir Eftekhari. Like many other people, he took this 10% time very seriously. In fact, at a certain point, there were about 1800 concurrent independent projects going on at Intuit because of this 10% time. So, what Amir Eftekhari decided to do was to think about mobile. Now, that might not sound so radical today, but in 2005, 2006, that was kind of radical. This was still the era of

Blackberries, and he was thinking, "Well, why can't you just take a photograph of your documents?" He said, "For most people, taxes are fairly straightforward. Why can't you just take a photograph of your documents and then just upload them and make it really easy to do?" And there was quite a lot of pushback internally on this idea, because that technology wasn't really developed yet. This was still pre-iPhone. Their bread and butter, the golden goose, was TurboTax for desktops.

CURT NICKISCH: The classic cannibalization conundrum.

GUY RAZ: Exactly, exactly. And he really perseveres on this project with a colleague from another part of the company who was really focused on marketing. Her name was Carol Howe. The two of them really worked on this idea together, and within a few years they came up with TurboTax Mobile, which that product completely transformed the company. Today by far, far and away, it's the most profitable engine within Intuit, TurboTax mobile, and I think it's the most common, still the most widely used, or one of the most widely used, ways for Americans to file their taxes. Both Amir and Carol, who worked on this product, were rewarded not just in terms of recognition, but I think they were given close to a million dollars worth of Intuit shares. And so it's not only, of course, about recognizing what people do publicly and celebrating them, but it's also I think what you're finding with more and more leaders is they are giving their employees equity in the business. They're giving them something to work towards, because when they own the business, and it's their business too, they have something to gain and something to lose depending on how the business does. It's something that Hamdi Ulukaya of Chobani does, who was on How I Built This a couple months ago. That is a huge part of how he incentivizes collaboration and teamwork, is that everybody owns the company, and everybody increasingly owns more of the company every year that they're there.

CURT NICKISCH: Collaboration might be easier than risk-taking, which is the kind of second commonality that you identified. Risk-taking is a little scarier, right?

GUY RAZ: It is.

CURT NICKISCH: We all like to say we're collaborative. Not everybody likes to even say that they take risks. What have you heard then in your conversations about creating a culture for risk-taking that… First of all, what do you hear from people about what kind of culture they have, and then how do they actually create that?

GUY RAZ: Yeah I mean this is one of the most – both risk-taking and a willingness to fail are two sides of the same coin. It's one of the hardest things to do, but one of the most important things to do, because, and it almost sounds intuitive, self-evident, that you have to innovate; you have to take risks, and you have to make mistakes in order to innovate. We all know that intellectually, but we are all mostly risk-averse to a certain extent, because huge swings for the fences are scary. One of my favorite stories is a story of James Dyson, who is just a born entrepreneur, but also a huge risk-taker. He had a product that he came out with initially called the Ballbarrow, and it was a wheelbarrow that was going to change the way people garden and work, even on construction sites, because it was designed to have a low center of gravity. Imagine a big yoga ball in front of a wheelbarrow instead of the single wheel. It was a giant ball. It didn't sink in the mud, and it was a great product, but the product never sold, and he was kicked out of the company that he founded. He brought in a bunch of investors. They actually took over the IP, he lost it, and he was out of work in his mid-thirties. But what he saw during that process, during the creation of the Ballbarrow, was he noticed that when they were powder coating the Ballbarrows with paint, when they cleaned up the paint factory at the end of the day, they had these huge suctions, these huge turbine fans that would suck out all of the particles from the air. He just thought to himself for a moment, "Why don't we have vacuum cleaners that are that good, home vacuum cleaners that can suction things that way?" He had no idea why, so he started to investigate this, and he discovered that it was because vacuum cleaners depended on bags, and when the pores of the bags got full, the suction of the vacuum was no longer effective. So he set out – he's a self-trained engineer – he set out to create a vacuum cleaner without a bag. It would take him seven years of experimenting on his own. He went through something like 5,000 prototypes before he landed on one that eventually worked, and he took that vacuum cleaner to a mid-size retailer in Britain called John Lewis, and they agreed to carry it in one store. But it was such a weird product, it was so quirky and so interesting, that it caught the attention of people who then started using it, and word of mouth really propelled the growth of that product. Of course, it's the Dyson vacuum cleaner. By the way, he was broke when he was 42. He was totally bankrupt, overleveraged, mortgaged his house. I think he's the 12th or 13th richest person in Britain today. He's in his late seventies. But what he did with that product has carried into the DNA of the company. They are constantly coming up with ideas that they don't actually put out into the marketplace, or things that they do put out into the marketplace, but that they'll pull quickly if they don't work. They make great products because they also make products that fail spectacularly. It allows them to really push the boundaries.

CURT NICKISCH: For the third commonality that has come out of these interviews, you find that founders and the leaders you talk to, they really have an appetite for failure. They essentially allow people to take risks that will fail, and they're also willing to fail themselves. It's funny, I notice on your show, you're speaking to successful founders, for instance, but it's almost like you talk about failure more than you do success.

GUY RAZ: We do, because I think we learn more from the failures of founders than we do from their successes. If you're on How I Built This or IdeaCast or Wisdom From the Top, we know you've succeeded, right? It's not a secret. And just talking to somebody about their successes is fine, you can still learn things from it, but I think you can learn a lot more from the decisions they made that didn't work out, and why. One of the ways I think about it is that there are no shortcuts in starting a business or running a business. It's really hard work. There isn't a single founder or leader I've interviewed who's lazy, or who just rolls out of bed every day and fleets from success to success without any obstacles. It's just not true. But if there is any shortcut, it's that if you can figure out or if you can understand the mistakes that other people have made, it might help you prevent making the same mistake. And so risk-taking is hugely important, and there are risks that can be failures, but almost always pay off in some other way. There's almost always something that comes out of it in some other way. The example of the Ballbarrow leading to the Dyson vacuum cleaner. One of my favorite stories is a story of a company called Spin Master. It's a toy company. It was started by a guy named Ronnen Harary, and back in at the beginning, they started out with a product called the Earth Buddy. The Earth Buddy was basically a nylon pantyhose material stuffed with soil and grass seed. You can imagine what would happen when you put water on it, and they pasted googly eyes on it and eventually it would grow a head of hair, of grass hair, and it was called the Earth Buddy. That was their first product, and it was a minor hit. But what you discover when you run to a toy company is that kids, children, are probably the most fickle consumers on the planet. They might like a toy for six months or a year, and then it's dead. So, what Ronnen Harary did was he began to reflect on why certain things work and certain things didn't, and what he decided that he really needed to do was to build a multi-generational brand. Now, this is one of the hardest things to do in kids' toys. If you think of a multi-generational kids brand, it's easy.

Mickey Mouse, Bugs Bunny, Spider-Man, the Marvel characters, but it's really hard to build a character that lasts that long. Think about the cartoons you watched when you were a kid. Very few of them are still resonant today; it's so hard. But if you can do it, it's the Holy Grail of kids' content. So, what he decided to do was go to the smartest people he knew, in different sectors, like people who were experts in video and animation and games, in apparel and publishing, and he asked them a bunch of questions like, "What works? What colors work? What themes work? What characters work?" Just a bunch of different questions. He got some common answers, and the answers were dinosaurs, space, animals, puppies and pandas in particular, trucks, rescue workers like firefighters and police officers and so on. He took in all this data. They decided to start with products first: lunch boxes, action figures, and really build that out first and then focus on television, cartoons, films. The concept that they landed on was anthropomorphic puppies who happened to be emergency rescue workers. I think you probably know where I'm going with this: It was called Paw Patrol. That brand was introduced in 2014. It hasn't been out that long, and yet to date, that brand has generated about $10 billion in global revenue. It is among the most enduring multigenerational, multi-platform children's brands in the past two decades. It's in 40 languages; it's everywhere. That was the result of watching things fail and then assessing why they failed, and coming up with a plan to really figure out in this very deliberate, intentional way what might stick, and it did.

CURT NICKISCH: That's a great decision-making story. I wonder what other insights you have into decision-making. You talk to founders who are fighting an uphill battle, and executives have to make strategic choices all the time. In that position, you're facing dilemmas constantly. What takeaways are there from how people think through decisions or work through their decisions?

GUY RAZ: One of my favorite CEOs I've ever interviewed is a guy named Mark King. He ran TaylorMade golf, he was the North America CEO of Adidas, and now he runs Taco Bell. Mark King said something very, very simple. He's like, "My job as the CEO is not to have the answers; my talent is to find the people who have the answers." I think that's such a simple and clear insight. In any business, in any company, there is no such thing as a lone genius. We all know that. There are teams that build things out, and companies that can really create an environment where collaboration is not just valued but celebrated, are companies that succeed. How do you do that? There are a number of ways to do it. The first and easiest way to do it is to enable people to throw out radical ideas, to put radical ideas out; ideas that may not be actionable or may not generate a new product, but might spark a conversation. I'll often be asked by team leaders who might oversee a smaller group of people, like 25 people or 50 people. They'll say, "Well, how do I do that in my team?" And I'll say, "Well, what happens when you're sitting in a boardroom and you've got a team meeting, and there's an open discussion? What percentage of the people in that room dominate the discussion?" It's usually five to 10% of the people in that room usually carry about 90% of that conversation. One of the reasons why is because most of the people or many people in the room are just afraid of being judged for having weird ideas or silly ideas, or maybe ideas that they might even think are stupid. But if you force people to throw out their worst ideas, their stupidest ideas, their silliest ideas, it's not necessarily to force them to come up with something. It's more about creating an environment where conversations can be sparked.

CURT NICKISCH: It's like the same way a singer can hit a high note solidly. It's by stretching and hitting higher notes first and going lower, and expanding the zone before you settle in on the note you want to hit.

GUY RAZ: Exactly. That documentary on the Beatles that came out last year was a great example of this, because you see Lennon and McCartney working out songs, and so many of the songs that we know today that are these incredible, powerful, profound songs began as just gibberish, just meaningless words or even meaningless riffs, that over time were refined. One of my favorite examples of a company that really has figured this out is IDEO, which is a design firm. Their job is to go and help companies figure out how to be the best versions of themselves, and they really pioneered this approach of design thinking, which is to approach any problem with a mindset of empathy and optimism and a willingness to experiment. They really do push this idea of creating an environment where people feel comfortable and safe to throw out radical ideas. You have to have a space that enables people to feel totally uninhibited to throw out really weird ideas, because weird ideas ultimately connect to creative ideas, which ultimately connect to innovative companies and brands. So, I think that to me is the key. It's building a culture of collaboration. It's not easy, it doesn't happen overnight, but it's very possible, it's very doable, and there are some really simple things that small organizations and even big organizations can do to start to do that.

CURT NICKISCH: Well, Guy, thanks so much for taking the time to bring us into the knowledge base that you've built, talking to all these people, and sharing some of the biggest takeaways.

GUY RAZ: Thanks so much, Curt.

HANNAH BATES: That was Guy Raz, host of the podcasts *How I Built This* and *Wisdom from the Top* in conversation with Curt Nickisch on the *HBR IdeaCast*. We'll be back next Wednesday with another hand-picked conversation about leadership from the Harvard Business Review. If you found this episode helpful, share it with your friends and colleagues, and follow our show on Apple Podcasts, Spotify, or wherever you get your podcasts. While you’re there, be sure to leave us a review. We’re a production of the Harvard Business Review. If you want more podcasts, articles, case studies, books, and videos like this, ll at HBR dot org. This episode was produced by Mary Dooe, Anne Saini, and me, Hannah Bates. Ian Fox is our editor. Music by Coma Media. Special thanks to Rob Eckhardt, Maureen Hoch, Adi Ignatius, Karen Player, Ramsey Khabbaz, Nicole Smith, Anne Bartholomew, and you – our listener. See you next week.

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