

Excellence. NO EXCUSES!

Excerpt:

Foreword to Rich Karlgaard's ...

The Soft Edge

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Appendix THREE

Foreword to Rich Karlgaard's ...

The Soft Edge

Bob Waterman and I were hard-nosed guys. Both McKinsey consultants. Both engineers (Bob, mining, me, civil). Both Stanford MBAs. Life for us began and ended with beady-eyed analysis. We also had a McKinsey-ite's view of corporate America. Among other things, we worked in The Firm's San Francisco office, on the 48th floor of what was then the Bank of America's headquarters. A couple of floors above us were the palatial offices of the bank's CEO. Oaken doors, as I recall, that reached into the city's fabled fog. The chief was protected from humanity by a phalanx of underlings in Saville Row attire.

Nonetheless, we found ourselves one afternoon in 1977 driving 30 miles down U.S. 101, turning on to Page Mill Road, and turning into another corporate headquarters. That of Hewlett-Packard. HP had just crossed the \$1B revenue threshold at the time. We had an appointment, gained without the least bit of bureaucratic fol-de-rol, with HP president John Young. Upon arriving, John trotted out to greet us and ushered us to his office. Or is that the wrong word? It was in fact a half-walled cubicle, about 10 feet by 10 feet, that he shared with a secretary.

Hmmmm.

A half hour later, lightning struck. Mr. Young introduced us to what became a life-altering idea. Within the scope of the fabled "HP Way," it was a notion fondly called

"MBWA." Or Managing By Wandering Around. Getting the hell out of the office, hanging out with the engineers or purchasing guys or whomever, exchanging ideas, taking the pulse of the enterprise where the work was actually done.

Now jump ahead five years. Bob and I have written a book titled *In Search of Excellence*, and though it was the early days after publication, a lot of folks seemed to be buying it. We were in New York, heading for an early morning Bryant Gumbel interview on the Today Show. In the so-called Green Room, Bob looked at me with a wry smile and said, "Okay, who gets to say 'MBWA' on national TV?" He was my senior and I demurred.

After five years and hundreds of speeches and dozens of book drafts, Managing By Wandering Around had become a metaphor for all that was wrong—and all that could be right—concerning American management. We called it part of the "soft stuff." It stood for being in touch with your customers, in touch with your employees in even a big firm. It

stood for high-speed innovation fueled by a willingness, without muss and fuss and infinite approvals, to cobble together a quick prototype and get everybody and her or his brother talking about it and playing with it at a fast clip. It was along long way from those mighty BofA oaken doors and assistants to assistants who still resided two floors above us in our San Francisco digs.

We were still engineers. (And proud of it.) And we still analyzed the hell out of any data we could unearth. (And were proud of that, too.) But now—thanks to HP and 3M and Johnson & Johnson and about 40 others of their ilk—we had a fuller picture of sustaining (more or less—nothing is forever) excellent performance. *Yes, the “hard stuff” damn well mattered. But it turned out, to horribly mix a metaphor, that the “bedrock of excellence” was that “soft stuff.” The values around engaging 100% of our staff’s effort and imagination, of intimately hooking up with and co-inventing with our customers, trying cool stuff in a flash without a thousand pre-clearances and shrugging of the inevitable screw-ups and getting on with the next try post haste.*

The times in the USA were tough in that 1977-1982 period when we were doing our research and writing. The Japanese were embarrassing us in the auto market with cars that worked, messing up our already sagging trade balance and, more important, messing with our morale—our Big 3 auto companies were, well, recall the immortal words of GM chief “Engine Charlie” Wilson, “As goes GM so goes America.” Whoops.

We’d lost the quality war in cars as the purebred analysts had reduced all of enterprise to numbers, that is bloodless abstractions, and led us into a frightening cul-de-sac. Likewise, starting a bit earlier, Robert McNamara’s numbers-drenched systems analysis had delivered 58,000 names to be etched on a wall in Washington D.C. and a numbing collage of tail-between-legs departure photos from the roof of the U.S. embassy in Saigon.

Bob and I had effectively waded into that quagmire, with our slide rules in hand (yes, slide rules, or primitive TI/HP calculators) and discovered things we hadn’t expected and that messed with our pre-conceptions. We had found the real and figurative likes of MBWA, or, rather, a heartening, humanist, non-abstract model of excellence at home—just as the best-selling management books (*Theory Z*, *The Art of Japanese Management*) were urging us to copy the Japanese approach before it was too late.

The ideas and stories from *In Search of Excellence* were hardly “the answer,” but we did help nudge a new model of enterprise management toward the forefront.

But times change—or do they? To be sure, the HP Way became tarnished, perhaps even unrecognizable, at an apparently rudderless Hewlett-Packard, circa 2013. And, as illustrated by the Enron-Worldcom and then sub-prime fiascos, the reality-free, numbers obsessed, models-r-us gang again ascended to the top of the economic pyramid and again caused unimaginable damage.

Time for a reset?

I think it is high time for a reset, and that brings me to the delightful task of cheering on the birth of a new and necessary revolution heralded by Rich Karlgaard's magisterial *The Soft Edge*. As publisher of *Forbes*, Rich, not unlike Bob Waterman and I, brings impeccable analytical and hard economics credentials to his task. And also like Bob and I, or even more so, in *The Soft Edge* he hardly runs away from the analytical side of things.

Rich offers and effectively defends a balanced triangle of forces: “Hard Edge” (the systems and processes that guide complex execution tasks). “Strategic Base” (you stumble and tumble fast if you don't have a clear strategic direction). And, his focus in this book, “Soft Edge” (oft ignored or underplayed, it provides humanism and resilience in a mindbogglingly nutty world).

Let me précis the argument here in the author's words:

“I believe the business world is at a crossroads, where hard-edged people are dominating the narrative and discussion. ... The battle for attention and money boiling inside most companies and among most managers is that between the hard and soft edges. ...

“Far too many companies invest too little time and money in their soft-edge excellence. ... The three main reasons for this mistake are:

“1. The hard edge is easier to quantify. ...

“2. Successful hard-edge investment provides a faster return on investment. ...

“3. CEOs, CFOs, chief operating officers, boards of directors, and shareholders speak the language of finance. ...

“Let me now make the case for investing time and money in your company’s soft edge:

“1. Soft-edge strength leads to greater brand recognition, higher profit margins, ... [It] is the ticket out of Commodityville.

“2. Companies strong in the soft edge are better prepared to survive a big strategic mistake or cataclysmic disruption ...

“3. Hard-edge strength is absolutely necessary to compete, but it provides a fleeting advantage.”

The heart of the book, not unlike the “eight basics” that form the heart of *In Search of Excellence*, consists of chapters which examine in colorful and instructive detail the principal components of the Soft Edge:

***Trust**

***Teams**

***Taste**

***Smarts**

***Story**

While discussing the basic element labeled “taste” (which clearly underpins the likes of Apple’s mind-warping success), Rich Karlgaard offers an example that pulled the entire book together for me. Though the author lives and plies his trade at the epicenter of Silicon Valley, he purposefully reached out to every corner of the economy. Consider this telling remark by Robert Egger, the chief designer of Specialized Bicycles. Egger calls “taste” the “elusive sweet spot between data truth and human truth. ... If you don’t have an emotionally engaging design, no one will care.” The “hard edge” and “strategic base” are indeed in order—but they amount to little more than a piffle without the more or less sustainable differentiation contributed by the “soft edge.”

I must admit, in the softest of language, that I nothing less than love this book. I have been

fighting the “soft edge war” since 1977—that is, 37 bloody years. It is in fact a

“war” that cannot be “won.” I fervently and unstintingly believe in balance (c.f., Karlgaard’s triangle of forces). But I also believe that the default position will always favor the strategic base and the hard edge, and that the soft edge, without constant vigilance, will always be doomed to the short (often very short) end of the resource and time-and-attention stick. And yet, as is demonstrated here so brilliantly, in general and perhaps today more than ever, only a robust and passionately maintained commitment to a vibrant soft edge will up the odds of sustaining success and, yes, excellence, in these days of accelerating change.

In short, ignore the argument in this marvelous book at your peril.

