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EMPATHETIC IMAGINATION: The Art of Designing the Blockbuster

Inspiration exists, but it has to find us working.
—PABLO PICASSO

When a twenty-four-year-old Joe Mansueto began buying mutual funds in the early 1980s he was wading into lonely territory. Mutual funds had been around since before the Great Depression, but they were a niche product for a niche audience—only wealthy individuals invested in the stock market, and most of them used brokers who pushed individual stocks. Relatively few brokers promoted mutual funds, resulting in few individual investors’ buying them.

None of this deterred Mansueto. A meticulous person, he was unintimidated by the effort required to contact multiple mutual fund companies and order the quarterly prospectuses for each fund he wanted to follow. They came in the mail, pounds of paper delivered to the front step, which Mansueto then lugged up to his one-bedroom apartment to pore over at the kitchen table. It was during one research session that he thought to himself how useful it would be if someone compiled a report that gave all the information about comparable funds in a simple, attractive format, with a quick assessment that compared funds on the basis of certain features. “Gee, this could be a business,” he recalled thinking.

Two years later—after brief stints learning about the financial sector at an investment bank and a financial management firm—Mansueto launched Morningstar, a business that specializes in investment research, with a particular

focus on mutual fund performance. Over the subsequent thirty years, mutual funds in the United States went from a niche product to a mainstream investment tool with more than eight thousand available options and \$2.8 trillion invested. Morningstar was able to ride that growth, offering a product of such obvious value to the mainstream investor that it is hard to imagine there was ever a time when people operated without it. The business expanded exponentially from 1984, when Mansueto penned the first edition of his flagship *Mutual Fund Sourcebook*, to its present status as a multicountry, multiproduct financial publishing firm.¹

THE DUAL POWER OF EMPATHIC INSIGHT AND IMAGINATION

In the example of how Joe Mansueto conceived his business we see a set of dynamics that occur throughout the billionaire population. There is a market on the brink of change; an untapped, unrecognized need about to be unleashed; and a Producer with deep empathy about the needs of the customer, coupled with the imagination to convert that empathetic insight into a great business idea with broad market potential. The dual power of empathetic insight and imagination is the Producer's formula for conceiving the blockbuster idea.

It's easy to see in hindsight what makes the blockbuster unique and innovative. Billion-dollar businesses often share an element of ex post facto obviousness that belies the fact that many Producers experience almost crippling resistance to their ideas in the early months and years of their ventures. People who genuinely know the markets these Producers are trying to penetrate argue that their ideas won't fly. For example, Sara Blakely, the founder of Spanx, struggled to find a hosiery factory willing to create prototypes for her because the factory owners believed her idea of footless, slimming tights was destined for failure in a struggling market in which old stalwarts like L'eggs and Hanes were losing revenue.

These examples should make clear that good ideas are hard to find, and great ideas even harder. But they are conceivable by Producers who consciously and meticulously cultivate the skills of empathy and creativity in order to see potential where others don't.

Producers whose careers don't

What allows Producers to see what others cannot? What allows them to merge empathic insight with imagination? Where do their blockbuster ideas come from?

Our research shows that Producers generate ideas through a mode of creativity known as divergent thinking. Divergent thinking involves the free flow of different ideas and associations for the purpose of identifying solutions to a problem. Everyone at the strategic levels of business must engage in some divergent thinking. The difference in the quality—or, rather, the imaginativeness—of the outputs depends on the quality and variety of the inputs and the *relative emphasis* the Producer places on imagining what could be and judging it based on what already exists. Imaginative people are able to do both with near simultaneity—they can imagine new ideas and evaluate how the idea can be improved and enhanced.²

This is markedly different from how most of us operate in business circles. Nature works against most of us by isolating our imaginative impulses from our evaluative capabilities. Then nurture kicks in, and through culture or training or fear we learn to tamp down our imaginations and focus instead on ideas that feel comfortable and attainable. As a result, when it comes to developing new ideas we don't allow ourselves the space to ask that “what if” question in a truly open-ended way. We put boundaries around our thinking before we have even begun. We say, for example, that our ideas have to serve the customers we already have, or be executed using techniques we already know how to use, or earn a certain amount of revenue within twelve months. We thus develop and present only those ideas we believe decision makers will accept, or that fit into the existing market or strategic goals, or that we have the infrastructure and skills to execute. By definition these ideas are incremental. Incremental improvement is fine when cultivated as a stepping-stone to exponential change. But in so many businesses incremental is as far as it goes, and is unlikely to produce a breakthrough.

True Producers don't operate that way. They don't shut down an idea just because it is outrageous or improbable or hard to execute. They are capable of full imaginative ideation, developed over a lifetime of honing expertise, cultivating curiosity, and empathizing with the customer. As a result, they are able to escape automatic modes of thinking and have insights capable of creating explosive value.

EXERCISE AND THE IMAGINATION

EXPERTISE AND THE IMAGINATION

Jeffrey Lurie, the billionaire owner of the Philadelphia Eagles, had always been an avid sports fan. Football, basketball, baseball, hockey—he'd watched all of them live and on television while growing up in Boston. But when it was time to start a career, he went into the family business as an executive with General Cinema, the movie theater chain his grandfather founded. Lurie acted as a liaison between the family business and Hollywood studios, and after a few years he launched a production company of his own, Harcourt, where he produced a handful of films, both for theater distribution and for television.³ By almost any measure he was a success, and one of his films, *Inside Job*, went on to win an Academy Award.

Despite his success, in the early 1990s Lurie began to feel that he'd been looking for blockbuster hits in the wrong place. "It dawned on me that there was a real separation in those days between the movie/television business and the sports business," he said when we sat down with him at his spacious, windowed office overlooking the Eagles' practice fields. "There was almost no connection. Nobody really saw the fact that the NFL was producing hit television shows that were starting to dwarf anything that Hollywood was producing. The marketplace was valuing television production in a very, very strong way. Yet there was no real value for guaranteed hit-making [like NFL games provided]. So that combined with the notion that—I think several of us kind of realized—the distribution of this was just beginning. It wasn't just going to be NBC, CBS, ABC, and a couple of pay cable channels, HBO and Showtime, which is what it was in those days. You started to see satellite. You started to see cable. It was before the Internet, so nobody anticipated exactly how that was going to play out. I felt there was going to be a significant paradigm shift."

Like many blockbuster ideas, it is obvious now, in our reality TV era, that consumers would embrace sports as a form of entertainment, and that sports programming would therefore be priced competitively with, say, *Homeland*. In fact, Lurie's insight has become so fully dominant in today's sports world that sports coaches regularly refer to what they do as part of the entertainment business. But Lurie repeatedly asserted during our conversation that his initial insight into the future of football as entertainment was not obvious from the start.

The record supports his assertion. The \$185 million purchase price that

Lurie ultimately negotiated with then-Eagles owner Norman Braman in early 1994 was the highest price ever paid for an NFL franchise, so high that even Lurie himself had a moment of concern when the deal was done and he finally got a clear look at what he had bought, complete with run-down practice facilities and a dilapidated stadium. “I get here and I look at the facilities and I’m thinking, ‘I just bought this? Sight unseen?’ Rats are running across the office I’m in. No windows. People were like, ‘Who is this young kid?’”

That same day, the *Wall Street Journal* published an article critical of Braman’s tenure over the Eagles, and of Lurie’s purchase, which the author characterized as an emotional, juvenile buy with a purchase price that far exceeded the value of the team.⁴

“And the worst part of it,” Lurie said of his reaction to the *WSJ* piece, “was that I thought, ‘I think they’re right. I just wired a hundred and eighty-five million dollars to Norman Braman. He really must have taken me. I don’t know what I’m doing and they do and I might be really dumb here.’” It was too late by then, and Lurie is not one to mope. In any event, those feelings were fleeting. He was sure of his insight that the worlds of sports and entertainment were going to merge and that his job, after acquiring the team, was to revitalize the Eagles into a world-class franchise capable of inspiring what is known throughout the United States as a loyal and passionate Philadelphia fan base. “I just sort of ate those words and said, ‘Okay. I’m going to plow ahead and do everything I planned and see what happens.’”

He didn’t have to wait long for affirmation of his vision. “Right after I bought the team, the Glazers bought Tampa Bay for the same or more, and that’s when Fox [Broadcasting] got in the game. That was the game-changer. A new network game-changer.”

All Oceans Are Purple

When we started researching the evolution of self-made billionaires and their businesses, we had some clichéd expectations about business inspiration as a magical, accidental—even lucky—process. Some of the language the billionaires used to describe their experiences conformed at first to this viewpoint. Jeffrey Lurie told us, “It was a sort of an ‘a-ha’ moment. It wasn’t some long figuring out, some long analytical process. It was a paradigm change. Entertainment could come from anywhere. Blockbuster ratings and demand to see could come from anything.”

Lurie's experience could be more accurately characterized as an "a-ha" moment forty years in the making—the approximate age Lurie was when he bought the team, and the amount of time it took him to amass the knowledge and expertise he needed to realize the opportunity and act on it. In reality, blockbuster ideation is more accurately defined as cumulative and iterative. When we look at the circumstances through which so many self-made billionaires come up with the idea that snowballs into a blockbuster, we don't see a random and instantaneous flash out of nowhere, but instead a deliberate accumulation of knowledge and experience acquired through a long-term commitment to a particular domain. Though there are some exceptions, the blockbuster idea is most often steeped in a set of skills or ideas that the billionaire has been immersed in for years—sometimes even decades.

Joe Mansueto was a very young man when he had the idea that would eventually become Morningstar, but he was already a serial entrepreneur and more experienced than most in the art of investing—he had been managing his own growing portfolio for years, and had developed such a reputation for smart, profitable investing that other members of his family had given him their money to manage for them. Nor was Jeffrey Lurie's ability to see an entertainment paradigm shift an accident of proximity. He could visualize it so exactly because he was so deeply entrenched in the workings of the film industry and had an obsessive love of spectator sports.

The role that experience plays in imagining the blockbuster hit may explain where billionaires tend to launch their businesses. Ask any man on the street to list five self-made billionaires, regardless of whether the street is in New York, Shanghai, Mumbai, London, or Mexico City, and we bet that at least three out of five will be billionaires who earned their money in the technology, telecommunications, or media sectors. Steve Jobs and Bill Gates might show up on the list, as might Alibaba's Jack Ma, Foxconn's Terry Gou, Mexican telecommunications magnate Carlos Slim, Google's Larry Page and Sergey Brin, Bharti Airtel founder Sunil Mittal, and worldwide personality and media maven Oprah Winfrey. Billionaires who reach celebrity status tend to be associated with new industries or stunning innovations, so much so that when professionals talk about extreme success or wealth they tend to associate it with the discovery of entirely new sectors, such as the emergent PC market or the explosion of the Internet.

The INSEAD academics Renée Mauborgne and W. Chan Kim dubbed these new spaces "Blue Oceans" in their highly regarded book, *Blue Ocean Strategy*.

“Blue Oceans” offers an emotive and useful metaphor for the belief that companies need to look for brand-new territory in order to create huge value, while “Red Oceans”—those bloody, battle-ridden markets challenged by a large number of competitors—are tapped out.

While Mauborgne and Kim captured the way that corporations tend to think about untapped markets, Producers do not appear to be concerned with these distinctions. From the outside, the markets they work in all look purple, a blending of new approaches within old modes that reveal ways to re-create the space. James Dyson didn’t stop reimagining the vacuum cleaner because Mr. Hoover got there first. He just imagined it better, as a more beautiful object created for a public trained by brands like Braun and Apple to *want* to see function in the form.

In fact, 80 percent of the self-made billionaires we studied made their fortunes in contested market spaces that would by any measure be considered “red.” Billionaires don’t seem to view the world that way, however. To them, all oceans are purple, a blending of available opportunity extant within established practice. John Paul DeJoria launched John Paul Mitchell Systems into the populated market of high-end hair care; there were other ways to pay sellers online before Elon Musk bought PayPal; Bharti Enterprises founder Sunil Mittal got his start importing *known*, legacy technologies into India; Sara Blakely’s Spanx were inserted into a hosiery market dominated by L’eggs and Hanes; Carnival Cruise billionaire Micky Arison made his billions by reinventing the cruising business away from its status as a vacation option only for the wealthy and elderly; James Dyson invented the dual cyclone to compete in a product space that was so entrenched that Mr. Hoover’s name had become synonymous with “vacuum cleaner”; Farallon hedge fund founder Tom Steyer employed investing techniques similar to his peers; the housing developer Eli Broad embraced his flagship idea of building affordable homes without basements in part because he saw it had already been done somewhere else; coffee was already thousands of years old—one of the oldest commodities in the world—when Howard Schultz bought and then revamped Starbucks; and Glen Taylor, whose business was a printing shop, was part of a wave of business owners recognizing the escalating investments people were making in weddings.

These examples are great news for established corporations: they make clear that the opportunities are there, all the time, to create a blockbuster product within an existing market. The Producers in your midst understand that nothing is permanent and no market is owned solely by a single product or idea. Those who can take advantage of the flux can win big.

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Producers constantly take on and reinvent products or approaches in established markets. From this act of imagination they often emerge with a blockbuster play. Their deep knowledge about a certain status quo in their industries consistently allows them to see the potential for change in the making—to make out veins of purple. On closer reflection, the story of the upstart newcomer or the overnight sensation that is so popular in our Internet era is more likely to have a knowledgeable veteran at the helm, someone who understands how things are usually done and has enough imagination to envision an alternative.

“I had seen this movie before”

Chip Wilson, the founder of Lululemon, illustrates the role that knowledge and immersion played in his ability to see a blockbuster business in the ancient practice of yoga.

The first thing we noticed when we met with Wilson in Australia was his size—six foot three with the broad shoulders of the Canadian junior national butterfly champion he was as a kid. Sports were at the center of the conversation when he was growing up—sports and *clothes*. His dad was a phys-ed teacher and his mom was a sewing hobbyist, so when Wilson wasn’t outside with his dad or at the pool practicing, he sat with his mom at the sewing machine. “I probably got my ten thousand hours,” he said to us of the experience.⁵

The California-born billionaire grew up in Vancouver, Canada, returning stateside for a month every summer during his childhood to visit his grandparents. The surfing craze was just starting in California’s beach towns when Wilson was a teenager, and he joined in when he could, taking a break when he was nineteen to go with a friend to Alaska to work on the oil pipeline. He returned home after a year with what was—for a twenty-year-old with no obligations—a small fortune. He was self-sufficient, able to put himself through college, and take trips to Europe and Asia.

The knowledge Wilson had gained about fabrics, clothing construction, and international fashion started to bear fruit. “There were surf shorts,” he said, “but in those days, I mean, really you could tell the year of a dime in your pocket, the shorts were so tight. I was a big guy, so for me to actually wear stuff I had to make it.”

Wilson started making clothes for other people. The styles he saw in

California weren't available in Vancouver, so he first made a woman's short inspired by one he'd bought in the United States as a gift for his girlfriend. Then, as he got more into surfing, he decided that a longer, looser short would work better for surfers than the tight shorts that were in style, so he made some of those too. With two products he approached the major Canadian department stores Eaton's and The Bay, but they weren't interested, so he set up his own store, Westbeach Surf, with \$10,000 of start-up capital he'd earned on the pipeline.

"No one had ever made those before," he said of the baggier, longer shorts he designed. "I sold a couple of million of them. Basically, I took the surf industry. I was the first one to take it into Europe and then I took it to Japan. And then when skateboarding hit that was the perfect short for skateboarding. . . . And I was just perfectly situated in Vancouver. Windsor Mountain was there and it had a glacier and all the fourteen-and fifteen-year-olds in the world came to Windsor during the summertime to snowboard. So I thought, 'Now there's something I can be very authentic at and really understand,' and I could see the [snowboarding] market ten years before anybody."

Many billionaire businesses experience years of slow growth, mediocre outputs, and even outright failures. Just as Picasso produced literally thousands of paintings in his lifetime, but only a handful of true masterpieces, 94 percent of the billionaires in our sample have created or led more than one business, but not all of the businesses generated a billion dollars in value. Having a blockbuster idea requires real immersion in a subject, real willingness to come up with many ideas, and the ability to suspend judgment of ideas that may seem odd or out there and to take chances and potentially fail.

In the case of Chip Wilson, he had no exceptional immunity to making the wrong call. "I had a couple of failures in there," he told us. "Beach volleyball didn't go anywhere, mountain biking didn't go anywhere. So, it's not like I could see every trend go through."

But he definitely saw enough with Westbeach to know what would win and when he should get out. Wilson sold the company, then Westbeach Snowboard, Ltd., in 1997, just as it was beginning to struggle—Westbeach sold 70 percent of its products in Japan, according to Wilson, so when Japan began its economic malaise of the 1990s, Westbeach was deeply affected. But it wasn't long before Wilson saw what his next step was going to be.

"When I saw yoga the feeling that I got out of it was the same feeling out of surf, skate, and snowboarding. And I could tell: I had expertise in technical clothing and I saw a class go from six to thirty people in thirty days—and I had

...and I saw a class go from six to thirty people in thirty days — and I had seen this movie before.”

In 1998, Wilson launched Lululemon, the yoga clothing retailer that established yoga chic, made one of the first comfortable, stylish flat seam workout pants on the market, and turned Wilson into a billionaire. Far from an a-ha moment of miraculous inspiration, Lululemon was a natural offshoot of Wilson’s talent and experience of more than twenty years. Because he knew so much about clothing, sports, and the international spread of sport trends, he was able to build a billion-dollar business to capitalize on the yoga trend.

CURIOSITY

Experience counts for a lot in generating practically creative ideas, but experience might bring little benefit without a sense of natural curiosity, that impulse to ask “why” companies or markets operate a certain way, or “what if” about new, seemingly strange ideas. In our research we observed a direct connection between a habit of curiosity in the billionaire population and the discovery of an idea that created a billion-dollar business.

This observation gels with another finding from psychology and neuroscience literature, namely that creative people are more likely to exhibit what psychologists refer to as openness to experience. Openness to experience is one of the “Big Five” personality traits that psychologists use as a framework to define an individual’s personality “type.” Openness to experience is marked by a sense of curiosity and adventurousness, a willingness to explore and learn about people, places, ideas, cultures, and other aspects of life that are outside one’s immediate experience.⁶

Reading was the most popular method used by billionaires to get inspiration. The billionaire home builder Eli Broad, for example, read multiple newspapers every day when he was a twenty-year-old accountant. It was the 1950s and the postwar baby boom was under way and a subject of heated discussion in the news. Broad’s reading habit catalyzed his imagination and he started thinking about twenty-year-olds of the future and how the changing demographics of the United States would create burgeoning demand for affordable homes for young up-and-comers. This empathetic insight into the wants and needs of the baby

boom generation allowed him to imagine an affordable home-building business, which he honed and refined with his partner, Don Kaufman, an experienced home builder who happened to be a family member (Kaufman was married to a cousin of Broad's wife). Together, the two created a new firm designed to capitalize on the opportunity.⁷

We told the story in Chapter 1 of how Dietrich Mateschitz, the founder of Red Bull, likewise got the idea to start an energy drink business from reading about the owner of a brand of syrupy energy drink in the newspaper. Mateschitz was working at the time for Blendax, the German cosmetics firm. He frequently traveled to Asia on business, and he was familiar with the drinks—he had even used one brand to good effect as a tool against jet lag. But he hadn't considered their commercial potential until he read in *Newsweek* about the Japanese manufacturer of the drinks.⁸ Mateschitz concluded that the drinks were big moneymakers, a fact that by itself would have led to nothing if Mateschitz had not taken it a step further to consider whether a Western consumer would embrace them. His empathetic insight into the needs of active, outdoorsy consumers convinced him that there was a market in the West for a diluted, carbonated energy drink, and he started the wheels rolling on a business to create just that.

Then there is the serial entrepreneur Mark Cuban, currently the owner of the Dallas Mavericks, who credits his appetite for information as the source of his success. Cuban's habit of getting as much information as he can dates back to when he was a kid trading stamps and baseball cards. Even then his curiosity helped him gain an edge over other buyers.

"I remember staying up till three, four, or five in the morning reading about stamps," he told us when we spoke with him at his offices in Dallas. "I memorized the value of everything so that when I went to a stamp shop, I'd know. I learned early on that most people don't do the work and that if I was prepared, I would have an edge. It was same with baseball cards. What was the demand for baseball cards? I probably was ten and there's a park down the street where I grew up and I would repackage baseball cards that I bought and go down there and I could charge a premium. I was doing the math so I could make money. I just think I was wired that way."⁹

This habit served him well over the years when the transactions started to get larger and more serious. Cuban formed MicroSolutions in the mid-1980s to service the burgeoning population of business computer users. "I was still just ten months from my first introduction to PCs, and had no clue about multi-user

systems,” he has written about his first days in business. He learned what he needed to know by taking the time *to read* about it. “I read every book and magazine I could. One good idea would lead to a customer or a solution, and those magazines and books paid for themselves many times over.”¹⁰

Billionaires use other methods to satisfy their curiosity. Some, like Steve Jobs of Apple or Steve Case of AOL, went to liberal arts schools that encouraged cross-disciplinary study. When Case reflected on his experience at Williams College, consistently ranked among the top three liberal arts colleges in the United States, he described the environment as a kind of laboratory for imaginative thinking. “Liberal arts education is important,” Case told us, “particularly in a world that’s changing rapidly, because there’s a lot of fluidity. There’s the melding of different perspectives, having a sense of things and having a sense of how to learn about things and to look for connections. How do you connect the dots between disparate thoughts? It was more about appreciating the value of learning and understanding that it was the ability to take this information and dissect it and reconnect it. Like a Lego, how do you take all these pieces on a table and then reassemble them in interesting ways?”

Lastly, we saw those billionaires with particularly extrovert personalities sate their curiosity through social learning. One oft-repeated story about Jack Ma, the founder of Alibaba, the largest e-commerce site in Asia, tells of how he used to ride his bicycle every day to the hotel in his city to offer guided tours to the Western businesspeople staying there. Ma got to practice his English and ask a lot of questions about what the visitors liked about working in China. That experience helped him see the potential for systems that could make commerce easier, like China Pages, a service he created to host Web pages for Chinese businesses, and later at Alibaba with its multiple e-commerce business platforms enabling B2B, B2C, and C2C transactions.

PRACTICING EMPATHY

We’ve pointed out multiple times in this chapter that blockbuster ideation begins with empathy—an insight, honed over years or decades of experience in a market, into what potential customers, value chain partners, or investors are going to embrace. The ability to empathize captures the intuitive nature, the “felt

sense” as Jeffrey Lurie called it in our interview with him, of what masses of people are going to want from a product that does not yet exist. By definition, blockbuster ideas appeal to huge numbers of people, customers in large markets or participants in major long-term trends. In the nuances of the product itself and its delivery—which we discuss in Chapter 4—billionaires capitalize on an unmet market need.

Steve Case, the founder of AOL, had his own empathetic insight in the early years he spent building the online content provider. AOL is often spoken of as an “overnight success” of the Internet era, but in fact Case and his team had been building the company for ten years before it became a known player. In its early years before the explosion of the Internet, AOL provided dial-up connections to a closed, proprietary communication network. Competitors like CompuServe started with similar products but were geared to technology professionals and other tech-savvy communities, and as a result, the functionality and interface were developed for that smaller, though active, audience.¹¹

Case had a different take—he believed that online communication was a major trend for everyone, that it would become the mass-market system it is today. The market clearly didn’t exist yet, but Case did not compromise on his vision. Instead, his vision drove AOL to target its product to the mass market, a decision that led to significant investments in streamlining the sign-up and connection processes, reducing the functionality, creating a highly usable, attractive (for the time) user interface, and, later, marketing to every household in America by sending free sign-up CDs through the mail and launching an unlimited data-pricing model that initially taxed the system. The tech community may have initially ignored AOL, but Case’s empathetic insight into what the average user would need brought the company much further into the future.

Such empathetic insight is intimately linked to deep experiential knowledge—these Producers know the customers, but more important, they know what those customers will embrace today and have a strong sense of what they will need in the future.

We can see this play out through a number of iterations for those billionaires whose businesses evolved and shifted focus over time, as it did for Hengan International billionaire Hui Lin Chit.¹² Mr. Chit was a young village farmer in the region of Anhui, China, in the 1970s when China began the economic reform program that allowed private individuals to start their own businesses. “[I started] a zipper factory that was very small and did not need a lot of capital,” Mr. Chit told us when we met with him at his offices in Anhui. “The machine

[used to make zippers] was very simple, with a manual process and did not need much investment.” But the low cost of entry to the zipper business made it easy for others to get involved as well. “More and more families started their own zipper business since the barrier of entry was low. We made less and less, and I sensed there was no future in it.”

Still, there were plenty of other products needed in the country, and plenty of room for competitive growth. Mr. Chit expanded into apparel, also on a small scale: “My neighbors brought sewing machines to my house. We drew the style and they did the sewing.” He also helped a publishing company with its shipping processes. He continued in this way, starting and expanding different lines until a friend told him about sanitary napkins. The machine needed to manufacture them cost \$80,000, Mr. Chit told us—too much for him to invest on his own. So he partnered with Sze Man Bok, another entrepreneur in the garment business, and started what would become Hengan International to manufacture sanitary napkins.

Hengan targeted lower-income women in the villages with a product that was far superior, cleaner, and safer than the self-made alternatives so many poor women used at the time. Even when Procter & Gamble (P&G) entered the Chinese market in 1985 with a line of feminine products made and priced for wealthy, urban women, Hengan continued its focus on the average citizen and gradually grew in production and quality. Over time, it expanded upmarket so that in 1992 it launched a line of feminine products in direct competition with P&G’s. Hengan has since launched other products, such as tissues, its largest product category, and disposable diapers. Today Hengan is China’s largest domestic manufacturer of these products.

Empathy drove so many of the business lines Mr. Chit pursued. “Some people ask me why I do not enter other markets with higher profits, such as property development,” Mr. Chit said to us. “I did not because I do not think that I understand that market. I believe in the consumer market, which is a continuing growth market in China. If we focus on this area and pay more attention to innovate the products, we will continue to grow.”

BLOCKBUSTERS COME FROM EMPATHETIC INSIGHTS ABOUT TODAY AND TOMORROW

Hui Lin Chit's focus on understanding a market, and the customers, may not sound, on the surface, remarkably different from the ways that many business executives talk about the need to "know the market" or "put the customer first." The difference lies in the translation. Established businesses are so occupied by day-to-day operations that many are challenged to take the knowledge they have of how the customer behaves today and translate it into a future vision for a breakthrough product. The story we told earlier in this chapter of how Sara Blakely almost failed in her attempts to launch Spanx illustrates this form of tunnel vision.

But Blakely, a stand-up comic supporting herself as an office supplies saleswoman, had firsthand empathetic insight into what young, fashion-forward women need to feel good in their clothes. Spanx in many ways was built to produce the product that Blakely herself wanted. The idea came to her one night before a stand-up performance. As she was getting dressed, she pulled a pair of white pants out of her closet. She'd bought them years before but never worn them because she didn't like the way her underwear showed through the light fabric. For some reason that day she decided to take a pair of nude pantyhose from her underwear drawer, cut the feet off, and pull them on to wear under her pants. The effect was exactly what she wanted—the pantyhose smoothed the line of her clothes while remaining invisible under them.

She knew she was onto something and started putting the pieces in motion to start a business. Then she hit a glitch with the manufacturers. She contacted more than one hundred hosiery factories in the United States, and they all turned her down. These manufacturers should have been the first with insights into the needs of the customer, but they were using indirect data about the slipping numbers in the hosiery market to determine the value of a new idea. Blakely's luck changed only when one of the factory owners who had originally rejected her idea agreed to a trial run. What caused his change of heart? He reportedly went home after work and over dinner told his teenage daughters about Blakely. "We want those," they said.¹³ Seeing the response of the real target audience made him change his mind about the potential for Spanx, and a billion-dollar business was born.

How many of us have found ourselves in a similar situation to those dozens of hosiery manufacturers, having rejected a great idea only to find, later, that someone else or another organization made a success of it?

SERVING THE CUSTOMER, NOT THE COMPETENCY

It is reassuring—even exciting—to see how billionaires insert new ideas into competitive markets. It’s also worth considering the ways in which established firms get it wrong. Part of the issue may lie in the tendency—almost ubiquitous and completely understandable—to emphasize in-house competencies over the evolving needs of the customer. Management gurus C. K. Prahalad and Gary Hamel were railing against a certain lack of corporate focus when they published “Core Competence of the Corporation” in the *Harvard Business Review* in 1990.¹⁴ But focusing on the competencies of today is exactly what causes companies to get stuck in the markets they serve and the products they deliver now, with little eye for the shifts and innovations they will need for tomorrow. Sometimes it takes a slight twist in perspective to see opportunities through a different lens.

Glen Taylor, the billionaire founder of the Taylor Corporation, was a junior employee at Carlson Letter Service, a local printing company, when he had the empathetic insight that allowed him to turn the business into the leader in wedding merchandise. Taylor was a Minnesota farm boy studying math and physics at Minnesota State when he started a part-time job with Carlson. Taylor intended to work for Mr. Carlson until he finished his studies and became a teacher. But when Taylor was set to graduate, Mr. Carlson offered him a full-time job, along with an implied promise that Taylor would take over when he retired. Still, Taylor wasn’t convinced.¹⁵

“You don’t really have a business here,” Taylor recalled telling his boss. “It is just not a business. We don’t have a product or anything like that.” When Mr. Carlson asked Taylor what he thought could be the company’s product, he said, “Maybe our product could be wedding stationery.”

Why wedding stationery? “It was really the only thing that I thought he was making money on,” Taylor told us when we met with him in his offices in Minnesota.

It seems a brash comment for a junior employee to make to his boss, but Taylor had by then already earned the trust of Mr. Carlson. He had the man’s ear, earned by doing what Producers do—making connections and seeing opportunities that others ignore.

He operated that way right from the beginning. Growing up on a farm, Taylor came to the job at Carlson's with the mentality that you always need to fix a broken machine or system yourself, and upgrade how you work to get more from less. "If you don't have any money—and we didn't have any money—when things broke down you had to fix it," Taylor said of his upbringing.

Taylor didn't just fix the presses in Carlson's shop—he improved them. Within weeks on the job he got Mr. Carlson's attention for working twice as fast as anyone had before on the stamping press, a hated job that "no one wanted to do because it was a manual press you had to hold down." But Taylor didn't mind because he could make adjustments to the press and build a jig for it to make the job go faster, a change "no one had ever thought to do because you didn't get paid by the piece."

Soon Taylor could run the stamping press and another press simultaneously, a feat that earned him a lot of credibility and a promotion to work on stocks. "Now all of a sudden I was starting to work with Mr. Carlson a little differently," Taylor told us. "Working the stock and keeping track of inventory, I started to give him suggestions on how we could save money. 'Why don't you do this? They charge us extra, the freight is too much. I just looked at the bill. We should be ordering double and we could pay the same freight.' You know, just the little things like that."

By the time Mr. Carlson offered Taylor a full-time job, he had moved his young employee to purchasing, where Taylor's ability to see growth opportunities became even stronger. "We were a job shop. We did wedding stationery and we did invoices and we did envelopes, whatever anyone came in with we did. [Mr. Carlson] had never looked at which products made money, but being in purchasing it was pretty easy for me to figure out if something was making money or not."

Taylor's insight that wedding stationery was the company's sole source of profit sparked his imaginative vision to see the printing business not as an end in itself, but as a platform from which he could capitalize on the burgeoning growth in weddings and other special occasions. As a first step, he had the empathetic insight to know that if he made it easy for people to buy wedding invitations he could grow his best product far beyond stationery. With Mr. Carlson's permission, Taylor started courting clients by ordering phone books for the suburbs of St. Paul and Minneapolis and sending free samples of Carlson stationery to every retail store that advertised wedding invitations. "I did the same thing with the Dakotas, and Kansas. I put a little marketing thing together." He then worked to ensure his samples stood out from those of his competitors.

he then worked to ensure his samples stood out from those of his competitors. Taylor went out and asked his friends (and friends of friends) what they wanted in their wedding stationery. “They said, ‘I want stationery that matches my dress.’ Or, ‘I want something pretty on it other than just two rings intertwined.’ So I went out and developed those products that the bride said she wanted.”

It is easy in retrospect to say that what Taylor did to grow Carlson Letter Service was obvious, but those with deep knowledge and understanding of the market were not initially supportive of the idea. Mr. Carlson himself, a traditionalist in the printing industry, did not always understand what his employee was doing.

Taylor recalled, “I had the idea—I got some help from Hallmark—of having a groom in his tuxedo with a little red wagon and a little bride he is pulling. Mr. Carlson saw it and said, ‘Who’s going to buy that junk?’ But I could see: brides at different locations in the country want different things.” Taylor had the empathy to see what other people might buy. He also understood that wedding invitations represented just the entry point from which the bride and groom could be steered to any number of add-on, complementary products. Within months the shop’s wedding stationery business was exploding. Taylor grew the base of retailers by sending Carlson the orders while he reinvented the product to address what brides really wanted, doing the work to reconfigure the presses himself.

In ten years Taylor had transformed Carlson from a small local print shop into a growing, regional presence. When Carlson was ready to retire, he sold to Taylor and two other employees—whom Taylor later bought out—for around \$1 million, which Carlson agreed to let Taylor pay in installments over ten years. Taylor’s strategy for growing the business and paying off the money he owed Carlson? Use invitations as the hook, and then advertise all of the other wedding accessories.

“Napkins were something we made a lot of money on,” Taylor explained. “We sold the wedding invitations, and once we sell the wedding invitations the bride is getting all emotional about it and she wants the pretty things that accessorize. For napkins, I took an old press and took the heating coils from an old oven and I had a tube to turn it on and off out of a TV, and I got a celluloid tube off another machine, and with these changes the press made napkins. I earned half a million bucks a year. No one else could do it in the U.S. The old way, you had to handle the napkins once and then handle them again, but I built the machine to handle them just once and I could raise the price because it was such a unique product. It’s like selling farm equipment. The dealer wants to sell

the combine, but it is going to make \$1 million on the parts.” Taylor built and grew the business around the customer’s needs, not around a narrower conception of what his company “did.”

A BIAS TOWARD ACTION

Throughout the chapter we have focused on the tools and routes that billionaires take to come up with an idea—that combination of empathetic insight and practical imagination—that snowballs into a blockbuster hit. We emphasize the capacity with which our subjects balance the ability to understand what customers are going to embrace with the ability to imagine a new business that has broad, practical application.

We all know people who have ideas but do nothing to act on them, whether out of doubt or fear. When something is new and different, it’s more easily ridiculed and dismissed, or approached using the wrong model. For every self-made billionaire, there are likely many more who observed a structural shift and had an idea of how to capitalize on that shift, but they either never tried or failed in the process.

“There’s a lot of people that might have seen a similar paradigm shift,” Lurie admitted to us when we asked what gave him the push to act on his vision of the merger of entertainment and sports. “But you need to—either through your own self-confidence or something else going on—you do need to complete that acquisition, otherwise you can just constantly ruminate about it. You know people that do that. They say, ‘Oh, I could have done that, I could have done that, I could have done that.’ So I don’t know. I guess probably my obsession with the sport helped me make sure it was not just ruminating.”

HOW CORPORATIONS CAN ENCOURAGE EMPATHY AND IMAGINATION

The ideas that Producers like Joe Manganiello, Jeff Lurie, Chip Wilson, Glen

The ideas that producers like Joe Manganiello, Jeff Leine, Chip Wilson, Glenn Taylor, Sara Blakely, Eli Broad, Dietrich Mateschitz, and dozens of others imagine and then pursue arrive through a powerful blend of empathy and imagination cultivated through years of immersion in a specific subject, curiosity, and, ultimately, courage. Good ideas are incredibly rare. Those that have that magic combination of empathy and imagination are even rarer. To increase your odds of having someone in-house discover one, make sure everyone is empowered to practice Empathetic Imagination. Businesses need as many people as possible looking for opportunities and coming up with ideas to capitalize on present and future trends. The trick is having a system and a culture that encourage people to surface ideas, with the understanding that the best among them will be supported and given the resources to go to market. We've provided some ideas for managers and corporate leaders below.

Cultivate Empathy

Start by cultivating empathy. Create opportunities for employees at all levels to understand firsthand what it is like to be a customer of your business. One way that vehicle manufacturers like Toyota and Harley-Davidson do this is by requiring employees to buy their vehicles using the same dealer network the customer uses. Other companies manufacture these experiences by having employees in different departments shadow sales calls or visit retail outlets to watch their products get sold. Others create pseudo-*Undercover Boss* scenarios and have employees pose as customers.^{[16](#)}

These approaches and others give employees a new perspective on where the company excels and where it falls short. They can even reveal hidden opportunities or misconceptions about why the customer turns to you in the first place. It is in these exposures that purple oceans may reside. At the very least, these experiences can help uncover smaller customer irritations or even corporate attitudes that can and should be fixed. Such incremental improvement can clear away distractions that cloud up your day-to-day work, making bigger opportunities easier to spot.

Allow Employees to Own Their Ideas

To make empathy even more powerful, make sure employees have the ability and authority to act on what they see. Encourage people at all levels to look for

and authority to act on what they see. Encourage people at all levels to look for and implement ways they can do their jobs better, be more productive, or deliver more value to the customer. These ideas may come from direct interaction with the customer; they may also come from experiences within the organization. Most ideas will be small, but they can empower people to embrace changes that redirect the business and make people at all levels feel that their contributions mean something, a seemingly minute action that can embolden people to present even more radical ideas.

Students of the “Lean” approach to change management will rightly see our encouragement for Lean-supported modes of thinking in these recommendations. Continuous improvement, one of the central tenets of the Toyota Production System from which Lean is derived, instills an organizational belief that processes and approaches can always get better, and that the people employed to do the work are in the best position to see opportunities in their zone of influence and act on them. In the realm of Empathetic Imagination, continuous improvement creates an environment in which small ideas have the potential to snowball into big ones, with the added benefit that it helps reveal the emergent Producers in your midst and gives them the opportunity to implement ideas.

Curiosity Breeds Big Ideas

Beyond empathy, embrace curiosity. Create rational opportunities for employees at all levels to learn about other areas of the business, other projects, or even other fields that are not immediately connected to their current area of focus.

The ultimate goal of practicing empathy, enabling incremental improvement, and encouraging curiosity is to Think Big—and sometimes to Act Big. Elevate conversations on big issues whether they are market trends, competitive threats, changes to the strategic landscape, or cultural challenges inside the organization. Address the real issues the business is facing in an open proactive approach that challenges everyone to imagine new solutions and connect the dots.

One example of a big issue that is top of mind in business environments today is data security, made evident by the high-profile breach suffered by Target in the 2013 Christmas shopping season. The credit card data of seventy million Target customers was reportedly hacked from the retailer’s point-of-sale systems. This is clearly a big issue for Target and other retailers struggling to

protect their reputations, but it is most often addressed by looking at the best practices of best-in-class retailers or financial companies to understand how they prevent security breaches. Natural Producers would look at the problem at a higher level, namely, how does the structure of the global credit card system compromise security and is there a global change that could improve it? In the same way that Walmart is influencing the environmental footprint of its global supply chain, could Target change the security footprint of retail payments? In this way, companies shift their organizational focus from day-to-day minutiae to the larger purpose of what the organization is about and what foundational solutions it can offer.

Questions at this level of scale are rarely posed at all, much less at all levels in corporate environments—another example of the ways that many large businesses constrain the collective imaginations of their employees. Thinking small is both safer for the careers of Producers who want to move up and, sadly, encouraged by the corporate tendency to fund only those ideas a company can put in place immediately and count on for a short-to medium-term return.

One way to encourage employees to untether their imaginations is to make clear your intention to stop navigating solely by the idea of core competencies. Blockbuster ideas often leverage a Producer's knowledge of an existing market, but they often attack that market through an entirely new mode. New modes require new competencies, or "value migration" as the theorist Adrian Slywotzky posits.¹⁷ Producers can lead the charge, but they need to be made to feel that they can have big ideas that fall outside the company's core focus and that those ideas will be taken seriously.

Companies that have already identified nascent Producers in their midst by cultivating empathy, allowing employees to own their own ideas, and giving opportunities for people to be curious can go to the next level of signaling their willingness to embrace the new by creating opportunities for experimentation. Newly identified, nascent Producers should be given opportunities to test a big idea—sometimes their own—with actual customers. Only through real engagement in the market can the Producer begin to hone, test, and revise to prepare the idea for full-scale execution. Experimenting not only allows the business to test ideas and Producers but also sends a message to others within the organization. When up-and-coming Producers see others getting a chance to come up with and act upon big ideas, even put something new out into the market, they will be better able to see how their own potential can develop inside the firm and start to act on it.

Integrate Thinking and Doing

Do not isolate employees with big ideas (your thinkers) from the workings—the doing—of the business. Especially when it applies to coming up with new ideas and bringing them to market, you need to bring together your creative resources—product developers, designers, strategists, marketers—and your operational resources—your manufacturing and finance and supply chain—within cross-functional teams.

Most businesses, insofar as they have any imaginative talent at all, structure their organizations to isolate those whose primary role is to imagine from those whose primary role is to make decisions and take actions. Businesses separate these skills as a way to encourage innovation and dampen conflict, but the effect more often is to dampen the organization's capacity to mainstream innovation. Those with judgment have all the power; those with imagination operate in silos.

Our research has convinced us that one of the dominant Producer qualities is their integration of raw imagination with the judgment necessary to hone or manipulate a spark of empathetic insight to prepare it for market. The potential to come up with a blockbuster is that much greater exactly because the billionaire does not separate his ability to see what might be from his ability to assimilate and integrate it into what already exists. Corporate leaders, take note: don't separate thinking and doing. Instead, give integrated jobs to your emergent Producers that require them to both exhibit empathy and imagination, and have the freedom to make decisions about the best way to bring their ideas to market. That larger theme of execution is the subject of Chapter 4.

The last piece is to make clear how important the practice of empathy and imagination is to the business and to individual growth paths. Incorporate the practice of empathy and imagination into your evaluation system—for everyone. You aren't necessarily looking for output (you don't want to encourage people to shout out ideas just to be able to check off a box). Instead, you are creating ways for your managers to make room for imagination in their organizations, and to emphasize the importance of quality trend spotting, identifying problems, and creating useful solutions.