

*Tom Peters' Manifestos 2002: The BRAWL WITH NO RULES Series*

# PSF

The [TOTAL] Victory of the Professional Service Firm\*

# Unbound

*\*I think*

Tom Peters

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**“We are in a brawl with no rules.”**

**– Paul Allaire, former CEO, Xerox**

**MANIFESTO.** The word suggests a pointed view. (Rodale’s *Synonym Finder*: Manifesto ... Proclamation. Declaration. Pronunciamento. Broadcast. Airing. Broadside.) And “Pointed View” is precisely the idea of this series of “booklets” – in what we call **The BRAWL WITH NO RULES Series**. Each booklet is an expanded chapter of my cornerstone day-long seminars. But I have chosen these topics for two particular reasons. First, I think they (1) are important and (2) present enormous opportunities and (3) are grossly neglected by most organizations. Second, I have a Radical Point of View about each one; you will find no half-way suggestions here!

# PSF Unbound

**I had an idea.** Work, as we've known it for the last several decades, if not several hundred years, is changing. "Enterprise" software is doing to white collar jobs what the forklifts and robots did to blue collar jobs. White collar workers (the vast majority of us) will have to figure out something new to do. It's as simple as that. And as profound. And so I conjured up a model. A model of white collar work as High Value Added Work. And I found a precedent. Namely ... back to the future. New White Collar Work as "Old" Professional Service Firm Work. (More later.) And the model "sold." Large numbers of folks "got it."

But it has dawned on me – over time – that my "PSF Model" of FWCW (future white collar work) is not enough. Or, at least, it's not encompassing enough. There's more. MUCH MORE. And that's what I want to address here. **I call it ... *PSF Unbound*. That is ... how about a world ... where ... PSFs Rule? Create, in effect, ALL the Value Added?**

## 1. "Org World" Re-invented.

Frederick Taylor (he of "time-and-motion studies") clicked his Fabled Stopwatch ... and ... THE REVOLUTION ... was on. That was over one hundred years ago. And Blue Collar Work has never been the same. (Understatement.)

Who cares?

Who cares ... in 2001? That is, today, we (in developed countries) *all* do White Collar Work. In the United States, for example, 77% of us work in the service sector. So what? Probably 90% ... in Manufacturing Companies work in "service" jobs. (They call an accountant at Caterpillar a "manufacturer." Do the same thing for DHL, and you're a member of the service sector. It only speaks to the stupidity of the classification system.)

And now ...

And now ...

***And now ... we are going after White Collar Productivity ... with the same unmitigated vigor that we have gone after blue collar productivity for the last century.***

(Hold on to your hat.)

It was July 29, 2000. The headline in *The New York Times* read as follows: ***"Bank of America to cut 10,000 jobs. Middle-level and senior managers are expected to be the principal targets of the job cutbacks."*** If you recall, this was before the market "sof-

tened.” This was a time when the unemployment line was shorter than it had been for a half century. And yet ... here was an announcement of a huge layoff. And: **A LAYOFF DIRECTLY AIMED AT SENIOR MANAGERS!**

What’s going on?

In 1970, an “elder” informant from the London docks tells us, it took 108 guys 5 days to unload a timber ship. (540 man days.) Then came ... CONTAINERIZATION. Now the same activity takes 8 guys ... one day. That is, Reduction In Force, in effect, from 540 man days to 8. That is: **a 98.5% RIF.** (*Blue Collar RIF.*)

You’re not surprised. Of course. We know about the effects of containerization. And forklifts in the distribution centers. And robots in the auto factory.

**But what about us?**

**But what about *me*?**

I give speeches. Stand in auditoriums. Pace around. For hours. But will I be doing that ten years from now? I DOUBT IT. The market for talking heads, wandering around hotel ballrooms, is doomed. Just last year, IBM moved 1/3 of its training to desktop machines. (And saved \$150 million in the process.) “Talking Heads” ... like yours truly ... are doomed ... in their/our/my current form.

And so are you!

We don’t talk so much, in 2001, about ERPs; that is, Enterprise Resource Planning systems. They’ve been brutalized by the stock market. And difficulties with implementation. After ERPs ... we started jowling about ASPs ... Application Service Providers. And a lot of them got whacked by the market, too.

To which my response is: **SO WHAT?**

That is ... “it” ... is coming. FAST. Believe it.

The White Collar Transformation-Revolution is on. Sure, Ariba and Scient might be in the tank. Sure, PeopleSoft has had its problems. (Understatement.) But the phenomenon is real. It will be some strange and wild and wooly amalgamation of the ERPs and ASPs and wireless and ... and ... and ... or, as I’m more fond of putting it: **REPENT! REPENT! THE WHITE COLLAR ROBOTS ARE COMING!**

That’s it! **The new WCS/White Collar Software is nothing more (and nothing less!) than “forklifts for the mind.”** The forklifts took all the “crap work” out of the distribution center. (Or most of it, anyway.) And the White Collar Forklifts are in the process of doing the same thing for white collar work. After all, we read Dilbert. We laugh. We weep. We acknowledge that 90% – or more – of white collar work is **TUB** ... Totally Unnecessary Bullshit.

Well ... now ... finally ... BELATEDLY ... we are going to do something ... BIG ... about “it.” The TUB, that is.

Yes, it will be the White Collar Robots. (ERPs and ASPs.) And the ... once the bugs are ironed out ... B2B “boards” on the Internet. (Such as, if it pans out, Covisint ... the GIANT HUMUNGOUS ... automobile parts exchange.) And, just as in manufacturing, a lot of the white collar work ... initially the “crap work” ... will be shipped overseas. E.g.: back-room software activities to Hyderabad and Bangalore in **India**. (And, of late, **Ghana**.)

They’re after *us*! They’re on *our* case! “***A bureaucrat is an expensive microchip,***” proclaims consultant and executive coach Dan Sullivan. And if you know anything at all, even casually, about Artificial Intelligence and Expert Systems ... well ... you know the worst. That is, the **P**ositively **B**rilliant **W**ork that you & I do can be captured by about ... forty well-written “decision rules.” (*And that’s not baloney!*) For instance, there’s still a shortage of technology workers. And IBM is addressing it. By spending billions upon billions of dollars. On research. “They” call it Project eLiza. The goal: to automate-the-bloody-hell out of computer systems’ maintenance activities ... using artificial intelligence. Message: **COMPUTER SYSTEM, DIAGNOSE AND FIX THYSELF**. Computer to us: **OKAY!** And there go ... hundreds and thousands ... perhaps millions ... of jobs. ***And, uh: \$100,000 jobs!***

***GE denied the headline story.*** It denied, early in 2001, that it was laying off 80,000 people. And perhaps the denial was legit. That was, I hasten to add, before the economy tanked. When demand for GE’s products such as aircraft engines and locomotives and light bulbs ... was buoyant. So why the big cutback? Because of Jack. Every three or four years, Legendary CEO Jack Welch would go after a Big Initiative. About four years ago it was the Internet. GE embraced it ... with Extraordinary Vigor. And now the payoff is coming. Do the “Internet thing” right ... and you will eliminate an Astonishing Share ... of your white collar functionaries. Perhaps the layoff number won’t be 80,000. But I’ll bloody well bet that it will be 30,000 or 40,000 or 50,000. In fact, I’ll bet that the 80,000 isn’t far off. Reason: “a bureaucrat is an expensive microchip.” **REMEMBER? (“The Internet is the death knell for bureaucracy at GE.” – JW, 2000.)**

This “thing” is ... real. And ... big. And ... immediate. Believe it.

## **2. “Soft” Rules!**

The setting. Winston-Salem, North Carolina. The client. **Sara Lee Corp.** A seminar for their top management. Fact: We didn’t connect. Sara Lee believed in vertical integration. (Own everything.) I was leaning in the direction of dis-intermediation. (Vague foretellings of the “virtual corporation.”) The day ended. Life went on.

Place. Winston-Salem, North Carolina. Date: A coupla years later. I’m about to give a public seminar. Newspaper arrives, at my hotel door, a 6 a.m. Headline: Sara Lee is shedding *all* of its manufacturing assets. Then-CEO John Bryan declares that he is creating the first ever “**asset-**

*less*” consumer goods giant. The company will divest its “hard stuff” (those manufacturing “gems”) and retain ... only ... its *brands* ... its *information infrastructure* ... and its *marketing* and *design* prowess.

Indeed. Welcome to the **Age of the Asset-less Corporation**. The management guru who anticipated this best? Peter Drucker? No. Try, instead, Forrest Gump. In his immortal words: **“Don’t own nothin’ if you can help it. If you can, rent your shoes.”** And now that’s become almost a commonplace. Senior PricewaterhouseCoopers consultants David Schneider and Grady Means, in their excellent book *MetaCapitalism*, describe New Economy harbingers Cisco Systems and Dell Computer as **“brand-owning companies” that sell “customer satisfaction.”** Or in the words of Jim McDonnell, a vice president at IBM: **“We own all the intellectual property, we farm out all the direct labor.”** Frankly, though, my favorite explication of all this comes from Richard Rosecrance, in his marvelous *The Rise of the Virtual State*. “The virtual corporation,” he writes, “is research, development, design, marketing, financing, legal, and other headquarters functions with few or no manufacturing capabilities ... **a company with a head but no body.**” Or: welcome to the Age of the Head.

Eh?

### **3. Enter the “PSF.”**

GE – Thomas Edison’s proud *manufacturing* company – embraces the Internet with Edisonian vigor. And may shed close to 100,000 jobs as a result of the efficiencies brought about thereby. Sara Lee dumps its manufacturing ... and becomes ... ASSET-LESS. Corporations in developed countries, at least, become ... Heads With No Bodies.

Do we have any “models” that will guide us? We tried, a few years ago, and with some success, to Invent a New World from Scratch ... by coining the phrase “virtual organization.” An organization that subcontracts all the non-essentials, and holds on to a core competence or two. Fine enough. But, despite the madness of the moment (and many moments to come), I think there is an important Back to the Future opportunity.

There are some folks who’ve been “doing this stuff” for a long time. Names? Arthur Andersen. McKinsey & Company. Ogilvy & Mather. EDS. Et al.

***We call “them” ... Professional Service Firms. And we have paid no damned attention to them. Ever.*** In fact, we’re embarrassed by them. They don’t lift bales of hay and cotton. They don’t push glowing hot slabs of metal into blast furnaces. They don’t smash away at seams of coal at the face of the mine.

They’re wimps. Wear suits. Always have a white collar. “Just” use their heads.

BUT ...

I posit: There is a New Building Block for the New World Organizational Order. And I call it, yes: THE PROFESSIONAL SERVICE FIRM.

Fact: Every “white collar activity” performed in the corporation today ... from benefits management in the human resources world to state-of-the-art research & development in biotech world ... is performed ... on the outside ... FOR PROFIT ... by some flavor of professional service firm.

David Maister. Lives in Boston. Has a unique distinction. ONLY HUMAN BEING ON THE PLANET EARTH TO STUDY PROFESSIONAL SERVICE FIRMS FOR A LIVING. (I think I know the turf, so I think that outrageous statement is actually true.) But the question remains: WHY? Why is there only one person who has studied this class of firms ... that I’m arguing is now about to become DOMINANT?

My casual hypothesis. When I started to work for the consulting firm McKinsey & Co., back in 1974, the consultants and the lawyers and the ad agency types and the industrial designers and the accountants were seen as ... parasites living off the sweat of REAL MEN’s brows. Now it’s a new world order. “*We*” *have won*. The small remaining number of people in the steel mills are, in fact, the captives of the software being invented by all those “soft” nerds. (Or, BILLIONAIRES, as we now call the best of them. Ellison. Gates. Andreessen. Yang. Jobs.)

Game over. Victory to the ... PROFESSIONAL SERVICE FIRM. Thence, my suggestion. (Demand!) A few minutes ago you saw yourself as Department Head of Finance. Running a 73-person shop that supports a 4,000-person division. Forget it. I changed your job title. (And, I hope, your outlook on life.) Now you are: **Managing Partner, Finance Inc.**, a wholly-owned subsidiary of that 4,000-person division embedded in MegaCompany.

Okay?

*The nugget of the idea. I said that you were running a 73-person “finance department.” My point: I see no difference ... NO DIFFERENCE WHATSOEVER ... between you, that “department head,” and ... Nancy Smith, Managing Partner of a 73-person Deloitte & Touche office in downtown Kansas City. No difference. No difference whatsoever.*

Well, that’s not strictly true. Ms. Smith’s D & T Office Administrator ... at the end of the month ... sends out invoices which are subsequently paid. The nature of her work is such that it is valued ... HIGHLY ... by her Clients. And what if you ... HR Director ... IS Director ... Finance Director ... sent out bills (big ones!) to your internal clients? They’d either throw up. Or laugh. (Right?)

Hence the notion that “real” professional service firms ... on the outside, like Deloitte & Touche ... or inside, per my new model ... do ... **W**ork **W**orth **P**aying **F**or. The **WWPF Idea** is paramount!

And where does it begin? The same old place. Boring. ATTITUDE.

April 2000. New Orleans. I’m the keynote speaker at the annual meeting of the National Association of Purchasing Managers. To be frank, purchasing used to be about favors done by vendors to ensure the business of their customers. Tough negotiations were rare. Then the BCB/Big



Competitiveness Battle began ... and purchasers and their vendors squared off ... and went on a cost-cutting binge. But now, even that is history. I addressed those purchasing managers and said:

***“When I look out at you I see Rock Stars of the B2B Age!”***

Some heard me. Many didn't. But I'll say one thing for myself: I was serious! Dead serious! *Because, as I see it, the Imaginative Ones amongst those purchasing chieftains will gather together with their colleagues in logistics and finance and IS ... and become the co-architects of the eCommerce Strategy of their enterprises.* They will be paid for their imaginations. They will potentially add **billions of dollars** to the bottom lines and market capitalization of their firms. They are ... beyond doubt ... Rock Stars. (If they see it that way.) (And I'm afraid that far too few, even in Y2001, do.)

We wrote a whole book on this topic, titled *The Professional Service Firm50*. But I can summarize those 230 pages in just a few words:

(1) ***All work becomes High Value Added Projects.*** HVA Project Work is important, but not necessarily the alpha and the omega in the average “department.” At Deloitte & Touche or McKinsey: *HVA Projects Are Life*. It's HVA Project or Die. (Professionally.)

(2) ***Pursue Pioneering Clients.*** *We grow to the extent that we are around those who will foster our growth. (Period.)* Sure, as an internal service provider you've got to serve “everybody” ... but not really. *Smart “internal service providers” seek out the strangest & most curious & most innovative amongst their “internal clients” ... shower them with the greatest resources ... and Co-Make Revolution with them.* You will be as “cool” as your “coolest” (internal) clients, period.

(3) ***The PSF will inculcate an Adventurous Culture.*** “Adventurous Accountants.” The ultimate oxymoron? I think not! *I believe that every “internal” “staff” activity in the firm is ripe for major ... wild & weird ... innovation.* HR. IS. Purchasing. Logistics. Finance. Engineering. You name it. And so ... **Bold Pursuit of Exotic Adventure** ... makes as much sense ... if not more ... for the former “finance department” (turned PSF) as it does for marketing or new product development.

(4) ***A Proprietary Point of View.*** There's a “McKinsey Way” of doing things. And an EDS Way. And an Accenture Way. These “proprietary methodologies” are worth ... literally ... billions of \$\$\$\$\$. And what about yours? Does your “PSF” (formerly the Logistics Department) have a ... **Seriously Cool Proprietary Methodology** ... worth billions? (If not, why not?) (Damn it.) (Marketing & Ideas Uber-guru Doug Hall claims, with a ton of supporting data, that only the services that demonstrate a **“Dramatic Difference”** make Big Money in the long haul. Needless to say, I think this holds for “internal” “PSFs” as well as “marketers.”)

(5) ***W.W.P.F. Work Worth Paying For. Period.*** What if you sent out invoices at the end of the month to your ... internal Clients? Well, perhaps that's a non-starter. But you get the

idea, I presume. But here's a more practical idea: *I strongly believe that within ... 12 months ... at least 25% of your work should come from Billable Activities with Outside Clients.*

NO BULL!

It's simple: ***If you can't find somebody on the outside ... who will pay you well ... then the work you are performing is not worth doing inside.*** Your company should subcontract it. (PERIOD.) I've seen it coming, in "old" arenas such as manufacturing. I worked with a decrepit GM plant, years ago. Corporate headquarters finally allowed them to seek outside work ... with competitors. They'd been *talking* about quality forever at this place. And the results were marginal. But now they sought outside work. And, in fact, based on their pricing, won a contract with Honda of America Manufacturing. Talk about a tough customer! Honda taught them ... ORDERED THEM ... to Get With The Program ... posthaste. They made some money. More important, they went on the world's fastest learning program ... thanks to a Seriously Cool Client (Honda) who wasn't up for screwing around. Same thing holds, as I see it, for an "internal" training department. Or a finance "department." Or a logistics "department."

So?

## **4. The "Holy Shit" Day!**

We all know about the tragedy of 11 September 2001. But 11 September 2000 was also a (very) big deal – commercially. At about noon, I logged on to AOL. I'm fifty-eight. Nothing surprises me. Nothing! **I AM SURPRISED. ASTONISHED. STUNNED.**

The AOL business headline reads: Hewlett-Packard offers **\$18,000,000,000** (**EIGHTEEN BILLION \$\$\$\$**) for the services of ... PricewaterhouseCoopers' consultants ... 31,000 of them.

Hewlett-Packard! The paragons of Manufacturing Excellence! Best in the world! Bar none. Excellence in quality. Excellence in manufacturing. Excellence in engineering. So ... WHY? WHY? Why do they need to absorb 31,000 consultants? Ann Livermore explains. She runs the service division at HP. "These days," Ms. L says in a subsequent interview, "building the best server isn't enough. That's the price of entry."

Yikes! Or: **Welcome to the Age of the Ubiquitous Professional Service Firm! Corporate Value Creator El Supremo.**

(P.S.: The deal fell through. Stock price issues. No matter. The offer was made. It reveals the value of a "PSF," and offers a glimpse of the strategic issues facing even the best "manufacturers.")

## 5. “PSFs” Rule!

***Was:*** In 1980, 30% of GE revenue came from “service stuff.” ***Is:*** 70%.  
***Was:*** A decade ago, 13% of IBM revenue came from “service stuff.”  
***Is:*** 40%.

***I THINK THIS “PHENOMENON” IS A LOT BIGGER THAN I THOUGHT THIS PHENOMENON WAS. A LOT BIGGER!*** It dates back to a week before the HP announcement about PricewaterhouseCoopers. I had just given a speech to the Service Division of Sun Microsystems. One of Sun’s true bigwigs had just taken over. Why? Well, a half-dozen years ago, the revenue from “services” at Sun had run about five percent, as I recall. Now it was about three times that much. But the idea was that it could soon become ... THE TAIL THAT WAGS & DEFINES THE DOG. That is, Sun could become “one of those” service companies ... that *used to be* a manufacturer. How is Sun going to accomplish this transformation? I asked the new big cheese. He said that Sun was “buying” “consultants” from the likes of ... PricewaterhouseCoopers. (Hmmm. Maybe the HP plan was a preemptive strike ... take the PWC folks out of play in the marketplace. NO BULL.) Sun figured that it was going to automate its service activities for the approximately 75% of its customers who were “commodity” (box) buyers. Then it was going to focus-like-hell on the Profitable Top 25% ... providing “strategic-systems-integration-support” for those companies.

It rang a bell. EVERY DAMN BELL IMAGINABLE. This Sun speech took place in mid-Y2000. My first speech of the year had been to the Power Systems Group of General Electric. GE does a lot of exotic things. Medical devices. Entertainment. Extraordinarily complex financial services. But the folks who were the most profitable were ... GE Power Systems. And the reason? Bob Nardelli, then boss of GE Power Systems (now CEO of Home Depot), said: ***“We want to be the air traffic controllers of electrons.”*** That is, he wanted to play hardball in the Enron League. Be the Supreme Leader of the Utilities Revolution ... along with a (tiny) handful of others. He intended to be *The Guy Who Provided the Integrated Services Package*. Not just “the guy who made turbines.” Nothing wrong with turbines, except they are now ... no matter how sexy ... the entry point ... not the Grand Finale. Not the Great Yo’ Mama.

***All of this speaks to an amazing year.*** A year in which I listened to people from the most diverse set of companies imaginable ... United Technologies ... Corning ... Carpet One ... Delphi ... Budweiser wholesalers ... talk a New New Language. A language in which they said, in effect, that “commodity servers” (or commodity anything, including rugs and beer) would not pull their bacon out of the ever hotter fire. Instead they needed to migrate up ... ***WAY UP*** ... the Value Added Chain ... Fast ... to Survive.

A trip to **United Technologies** in Hartford, Connecticut, to talk to the leaders of R&D activities. The story was the Sun story. The HP story. **Pratt & Whitney** was not just going to provide “air

craft engines,” not even engines with “excellent service.” P&W was going to provide ... **Integrated Aircraft Subsystems** ... that would redefine the “product.” (And vault the “service” component to the fore – though it would be a Brand New & Encompassing definition of “services added.”) So, too, **Otis**. (Elevators.) And **Carrier**. (Air conditioners.) (Both are subsidiaries of UTC.) From “boxes” – air conditioners and elevators – to Integrated Building Subsystems ... with Consultative Services Added. (Holy smoke! Another offer for PricewaterhouseCoopers?) In the automobile world, new competition and B2B boards like Covisint were rapidly turning “ordinary” parts into commodities. So **Delphi**, the auto parts giant spun off from GM, and **Visteon**, the auto parts giant spun off from Ford, were hastily selling off their “ordinary” products businesses ... and moving up the value chain to ... SURPRISE ... **IASs** ... **I**ntegrated **A**utomotive **S**ubsystems.

Maybe the guy who explained it to me best was then-GE’s Nardelli. His language was intriguing. He said that he was moving from “**customer satisfaction**” measures to “**customer success**” measures. “*We are getting better at Six Sigma Quality every day,*” Nardelli declared, “*but we really need to think about the customer’s profitability. Are customers’ bottom lines really benefiting from what we provide them?*” That is, GE Power Systems would not simply measure themselves on the basis of a narrow “service” definition such as “Did ‘it’ (box, called a gas turbine) arrive on time?” Instead, GE would measure itself on the degree to which the system, brilliantly installed and supported with IT et al., was creating measurable profit improvement & business redefinition for the customer in the newly competitive utilities marketplace. **That is, GE Power Systems would become ... Full-scale Partners for Systemic Profit Maximization.** May sound like a semantic quibble to you, but to me it sounds like the whole nine yards.

Hey, I discovered that there are no limits to this! **Federal Express** recently teamed up with ... guess who? **Cemex**. Cemex is the primary cement producer in Mexico – and now a big player in the U.S. And Cemex is increasingly cited as one of the new-classic examples of those “oldies” who “get it” ... that is, “get” Internet World. In times past, 50% of Cemex’s loads had to be dumped at the jobsite because something there was screwed up ... and the product is, of course, extremely perishable. But pairing up with FedEx, Cemex created local wireless auction systems. Thus, when a truck shows up at the site and the site is unprepared ... the Cemex driver conducts an insta-auction for his load to anybody within the perishability radius who is ready to accept his cement. “Dumped loads,” in this New Scheme of Things, plummeted from 50% to 15% ... almost overnight.

Thus, Cemex developed an enormous position in, for example, several Texas markets. And in the process transformed itself from a “commodity ‘stuff’ ” producer into an “**Integrated Services Provider.**”

Everybody’s doin’ it, doin’ it. **Heading up that merry old Value Added Chain ... as fast as they possibly can.** Well, not everybody ... just the ... Smart Ones.

## 6. Redefining PSFs.

### WHAT IF ...

**What if ... these former “departments” (“overhead,” “cost centers”) ... recently (about two sections ago in this booklet) ... transformed into Full-fledged PSFs ... became ... *in tandem* ... the ... Centerpieces of Value Creation in the Enterprise?** I don't think that's farfetched. Not at all.

First, as noted above, we're going to scrap the “departmental” mentality. Turn every PSF Boss (formerly department head, remember) into a Value Added Fanatic ... producing Work Worth Paying For. But then we're going to take a Giant Leap ... reminiscent of the HP bid for PricewaterhouseCoopers. We're going to turn those Newly Unbound PSF bosses into ... Leaders of the Pack.

**Fort Mill, South Carolina.** A visit to Springs Industries, a southern textile “maker.” Rooted deeply in tradition. (I.e.: MANUFACTURING Tradition.) But Springs figured out that their future lay less in the “production” of sheets and pillowcases ... and more in the ... *here we go again* ... **Provision of Integrated Services for Large-Scale Retailers.** Most of Springs' business would be coming from the likes of Target and Wal\*Mart.

So Springs, in effect, is getting out of the “manufacturing sheets and pillowcases business.” And ... hurtling into ... the HP-PricewaterhouseCoopers flavor of business. That is, the company now offers its big retailers, the heart of its revenue stream, a ... ***Complete New Turnkey EXPERIENCE.*** Springs creates collections. To create those collections the company goes way beyond its traditional manufacturing sources, and goes to anybody anywhere ... who can add something interesting to the mix. It does tailor-made packaging for the big retailers. Tailor-made merchandizing. Tailor-made promotions. It excels in “soft services” such as design, and then does fully integrated systems management activities that go as far as literally overseeing the allocated shelf space at the retailers, such as Wal\*Mart. Bottom line: *It's a Long ... Long ... Way ... Baby ... from “selling sheets that come from cotton balls.”*

In the spring of 2001 I spoke to the “sales” leadership of General Mills. And the subject was ... THE SAME. In fact, speaking to salesmen, I went so far as to include a slide that had the following sentence on it: ***IS THERE A FUTURE FOR SALES?***

I suggested that there was *not*. Sales as ... “selling stuff” ... “booking orders” ... was DEAD. Instead, I suggested that we use a horrible term ... that I recommended ... ***Full-scale Partners in Marketing & Business Systems Integration & Market Creation.***

I'm the first to admit that's more than a mouthful. It's an awful, jargony mouthful. (The worst of all worlds.) But the idea, nonetheless, is right. VERY RIGHT! Similarly, I had spoken a week or so before to a “customer service” seminar in the United Kingdom. Focusing, in particular, on eCommerce. I had included a provocative (at least in my mind) slide that said: “***Customer***

*service' is DEAD. 'One-to-One Marketing' is DEAD." Instead, I said: "Welcome to a new world ... where we live together in seamless-responsive harmony with all Members of the Value Chain. We Create together. We Fulfill together. We Learn together. We Adjust together. All old categories – which imply separation and linearity and hierarchy and 'Do-to-themism' – must die. NOW. That is, the likes of sales and customer service people must learn to work together with their Inside & Outside Partners to create value in a 'professional service' sort of way."*

Okay?

*That is, what I am imagining is a Re-imagined Enterprise. The newly-anointed-and-unbound "PSFs" would join together – e.g., IS & Engineering & Design & Purchasing & Logistics & Finance & HR & Customer Service – to create New & Awesome Value Propositions (BRAND PROPOSITIONS?!) that would Transform Their Customers' Businesses. GE-style. Springs-style. HP-style.*

Consider ... Alice in Wonderland:

*"There's no use trying," said Alice. "One can't believe impossible things." "I daresay you haven't had much practice," said the Queen. "When I was your age, I always did it for half an hour a day. Why, sometimes I've believed as many as six impossible things before breakfast."*

I love that. It captures the spirit of this essay. Re-imaginings. DREAMS. "Staff Departments" **TRANSFORMED** into Wild & Piratical Pioneers of Value Added. (Okay?) (AM I NUTS?)

***Help Wanted: DREAMERS! Prepared to Reinvent the World!***

## **7. It's the Experience!**

It's a fabulous book! Joseph Pine and James Gilmore wrote *The Experience Economy: Work is Theatre & Every Business a Stage*. "**Experiences,**" the authors write, "**are as distinct from services as services are from goods.**" You could argue that's just a semantic screw-around sort of deal. I suggest it's not. I suggest it's ... the Atom Bomb ... of the New (PSF-based) High Value Added Economy.

**Experiences.** "We have identified a 'third place,'" says Starbucks District Manager Nancy Orsolini. "And I really believe that sets us apart. The 'Third Place' is that place that's not work or home. It's the place our customers come for refuge." Do they ever! And do they pay. "**What we sell,**" claimed a senior Harley-Davidson executive, "**is the ability for a forty-three-year-old accountant to dress in black leather, ride through small towns, and have people be afraid of him.**"

Amen, brother!

“Car designers need to create a *story*,” says Freeman Thomas, designer of the New Beetle and the Audi TT. “Every car provides an opportunity to create an *adventure*. The [Plymouth] Prowler makes you *smile*. Why? Because it’s *focused*. It has a *plot*, a *reason for being*, a *passion*.”

I love all those words. ***Story. Adventure. Smile. Focus. Plot. Reason for Being. Passion.*** It’s the ultimate, perhaps ... from Starbucks to Harley-Davidson to Chrysler to HP in the Age of the New Value Added Proposition.

The authors of *The Experience Economy* offer a Ladder of Progression. We began with the **Raw Materials Economy**. Graduated to the **Goods** (traditional industrial) **Economy**. Then, and not that long ago, stepped up one more rung to the **Services Economy**. And now we are on the verge of the **Experience Economy**. Starbucks gets it. Harley-Davidson gets it. And: ***GE Power Systems gets it.*** And: ***United Technologies gets it.***

My friend Tim Sanders, vice president for Experiences at Yahoo!, offers a lovely example ... from the world of the Ubiquitous Birthday Cake. Go back to 1940, grandmother’s time. *The Raw Materials Economy*. She bought the flour. She bought the sugar. It cost her a buck. And from those “raw materials” she made a birthday cake. Now we move up a generation, to about 1955. Birthdays have entered the *Industrial Economy*. That is, Betty Crocker has arrived. The “industrial economy” ... in Birthday Cake World ... is the box of cake mix. It’s the “goods” economy’s mainstay ... that costs about two bucks. And now we leap forward another fifteen years, to 1970. The Bakery is no longer a luxury of the rich. Bakeries are available to all. So now ... we fork over ten dollars ... and buy the cake at the Bakery. Welcome to the *Service Economy*! But, says Mr. Sanders, welcome to 1990. His kids were young. No cake from the bakery for them. It was ***Chuck E. Cheese*** ... with their buddies ... or else. And Chuck E. Cheese: ***Exemplar of the New Experience Economy***, right? Problem: It costs a hundred bucks.

That’s life.

The example is fun and also ... PROFOUND. **The “final step” in the progression ... to The Experience Economy ... adds the “last 90%” to the Value Added Mix.** (Think about it.) The Giant & Final Leap in the humble example of the birthday cake: from ten bucks to one hundred bucks. And the giant leap Hewlett-Packard had hoped for with the prospective acquisition of PricewaterhouseCoopers, from Low Margin Box (server) Seller to High Margin Integrated Systems Provider.

Indeed, the HP idea is a brilliant example. Simply put: ***Terrific Servers = “Goods Economy.” Fabulous Customer Service = “Service Economy.” PWC Consultants Leading HP Customers’ Business Re-invention Process = “Experience Economy.”***

Right?

Remember: ***Last 90%!***

NO BULL. (And profound.)

## 8. Address the paradox!

You used to run a “department.” Now we turned you into the full-fledged ... pioneering ... independent ... PSF. You’re a Big Deal Entrepreneur now, baby! (*Live up to it.*)

But ... there is a ... Big ... BUT. And it goes like this. Recall the discussion of the “turnkey” provision of Integrated Services to the likes of Wal\*Mart from the textile maker, Springs Industries. To pull that off, the PSF ... responsible for finance, say ... must work ... INTIMATELY AND SEAMLESSLY ... with the Internal PSF responsible for promotion ... and design ... and logistics ... and damn-near-everything-else-you-can-think-of. That is, we have given “you” (former “department head”) an Astonishing Degree of No-Bull Independence & Profit-Generating Opportunity ... and then harnessed you to your PSF Partners ... to do “Integrated Services Work” ... which could add ... Hundreds of Billions to the Market Capitalization of the ... Firm.

Am I clear?

CRYSTAL CLEAR?

## 9. Go for it.

We wrote an entire book about the New Word of Project-centric Work. We called it *The Project50*. Basic element of ... Wild & Insane Success ... for the wild & insane '00s is the **WOW Project**.

*Thank you, Phil Daniels.* He’s an Aussie exec. Damned successful. Attended a seminar of mine in Sydney a few years ago. Said his essential business philosophy was quite simple: **“Reward excellent failures. Punish mediocre successes.”** I introduced the idea to the United States a few weeks later. To one of our largest financial services firms. The **Big Boss** came up to me afterwards. Said, *“I’ll pay your bill. But you ruined my day.”* He went on to say that most of the IS/IT projects the firm introduced (essential to its Fiscal Well-Being) began as ... Extraordinary Journeys. But, he well knew, given politics and real life and the real world, most of them would end up as ... Mediocre Successes. At best. *“And that won’t do, won’t do at all,”* he said to me, with something approaching anguish in his voice. *“Every project we take on,”* says Stuart Hornery, CEO of the Australian-based project and building development company, Lend Lease, *“starts with a question: **How can we do what has never been done before?**”*

Bless you, Phil Daniels. Bless you, Stuart Hornery. Bless you, Australia. For the power of these ideas.



What I've talked about in these past few pages is an idea that is no less than TRANSFORMING. I was about to give a speech a few weeks ago. Trying to figure out what my "reason for being" was. Why I was still "doing this crap" at age fifty-eight. And then it came to me. And so I drafted a slide. It went this way: ***My goal ... radicalize audiences.***

Amen.

Amen, to myself, at least. That is my point.

So, let's consider this ***"PSF Idea."*** Perhaps you buy it at some level. Make your "department" a little bit more "profit-oriented" in spirit. (And good for you.) But what if you bought the WHOLE ACT? (Which is ... PRECISELY ... what I wish you would do.)

So?

So ...

How is your current "project?"

To score a one on a scale of ten, where ten is great, the answer to that is: "Another day's work/Pays the rent." To score a four requires: "Of value." To score a pretty-damn-demanding seven (on that scale of ten) requires: "Pretty damn cool/Definitely subversive."

And to be allowed to eat the whole banana ... to merit the Perfect Ten: ***WE AIM TO CHANGE THE WORLD. THIS PROJECT IS ... INSANELY GREAT.*** (That last term ... *Insanely Great* ... is stolen shamelessly ... from my favorite person in Silicon Valley ... Steve Jobs.)

**WE AIM TO CHANGE THE WORLD!**

How wild. (In Wild Times.)

And: Why not? What else?

I love the following quote. Courtesy photographer Diane Arbus, speaking to her students. She said:

***"Learn not to be careful."***

One more time: Amen.

Upon reflection, I think that quote, "Learn not to be careful," is the ... VERY HEART ... OF THE/THIS MATTER. It's thinking about All This New Org Stuff ... in the context of All This Amazing Change.

So ... will you?

(Please.)





