

NINJA INNOVATION

The Secrets of
Today's Top Innovators

Gary Shapiro



Sometimes our national attention is too focused on Washington issues. Every problem, question, concern and feeling gets funneled through a political lens that distorts what's really happening across our great nation.

Take the economy for instance. Everyone talks about the economy in terms of macro-economic metrics: employment rate, GDP growth and financial markets. Once these metrics flow into the Washington crucible, they come out as policy prescriptions: lower taxes, higher taxes, reduced spending, increased spending, debt, deficits and unemployment insurance. And so the fight ensues.

The aspiring CEO, busy building a business from the ground up, has an interest in these as well. But whether corporate taxes are low or high; whether government cuts billions here or adds billions there; whether the unemployment rate is a point below the national average or several points above—these things don't determine individual business success.

They might determine overall economic success—no small matter—yet an ideal economic environment doesn't mean all businesses will succeed and vice versa. In other words, they won't determine whether our young CEO, toiling away at an idea, achieves his or her dreams. Some of our most successful businesses arose during tough economic times, while many others foundered during otherwise wonderful economic times.

This is not to suggest that macro-economic conditions and Washington policies don't matter. They do, and I wrote a book about these very issues a couple years ago titled *The Comeback: How Innovation Will Restore the American Dream*. But we can't go snooping around the halls of Congress or the West Wing of the White House to determine what allowed Apple to succeed or Atari to fail. We don't read the Federal Register to understand how IBM has withstood competition, disruptive technologies and terrible economic times to remain, decade after decade, one of the world's most innovative companies.

So what is it? What separates business success from failure? What leads two companies, each with brilliant ideas or products, to take wildly diverging paths?

It was in analyzing these questions that the thought struck me to look in the mirror: How have I achieved success? More to the point, how has my organization, the Consumer Electronics Association (CEA)[®], achieved its goals and built its flagship enterprise, the International CES[®]? When I began to look at the question this way, my old tae kwon do training came back to me. Several years ago I earned my black belt, which required much more than physical exertion. It required discipline, passion, adaptability and determination. Not a bad set of characteristics for a successful person or enterprise, right?

Of course, there's one element to success that stands above the others: innovation. To be successful, one has to move beyond what has come before. One must take the lessons learned through study, experience and failure, and apply them in ways that change the game, so to speak. After all, your competitor opponent won't do what you expect them to do. The only way to defeat them is if you in turn do something they do not expect. You must innovate.

It was while trying to isolate this set of characteristics into a single idea that CEA and I coined the term ninja innovation. After thirty years in the consumer electronics industry, I have seen my fair share of successes and failures. Applying our idea to the successes, we decided they

exhibited characteristics of the feudal Japanese stealth warrior known as the ninja. They are all ninja innovators because they achieve their mission through a set of similar tactics; they all adhere to a code of business ethics; and they are all single-mindedly focused on winning as the only option. They are true business warriors, and here are some of their secrets:

“Successful enterprises are driven to win because their ultimate goal—their strategy—is always the same: victory.”

I } YOUR GOAL IS VICTORY

The goal of the feudal Japanese ninja was to defeat the enemy and complete the job. Likewise, the goal of an enterprise is to be better than the competition. Successful enterprises are driven to win because their ultimate goal—their strategy—is always the same: victory.

Take one of the most recognizable companies in business history: IBM. Despite a Titanic-like size that might make it difficult to alter course nimbly, IBM has successfully transformed itself from a mainframe company into a PC company into a consulting company into a company that beats chess and Jeopardy! champions. It takes a ninja-like discipline, long-term vision, and technical and marketing skills to be a consistent winner. But more than that, it takes a desire to win.

IBM has rarely been defeated by its competition, but when it does lose—as with its PC division—it has the discipline to cut its losses and move to a new battlefield. It isn't constricted by a safe and comfortable definition—i.e., At IBM we do only X. This is a major lesson from IBM's experience: Ninja strategies and tactics are appropriate for capturing markets but not necessarily for permanently occupying them.

2 } BUILD YOUR STRIKE FORCE

The romantic myth of corporate success, especially in consumer electronics, is that all successful companies were once one- or two-man operations, usually beginning in a garage. In my experience at CEA, nothing could be further from the truth. No company, from the start-up to the multi-national, can succeed unless the founder, president, or CEO understands the need to acquire the right people for the job. Looking at the ancient ninja today, we think of them as lone warriors, but the historical record indicates that ninjas often operated in teams—like a modern-day Navy SEAL team—to achieve their mission objectives. So it must be for the ninja innovator.

Often the best companies are those where the founding visionary steps away from the process and finds just the right man or woman for the job. A great example of this is eBay. In the mid-1990s, eBay, under the guidance of founder Pierre Omidyar, was a marginally successful Internet auction site. But the company's operations reflected Omidyar's personality—laid back and very

uncorporate. This didn't mesh with his long-term vision for the company. So he began searching for the right person to take eBay from a niche site to a mainstream business. He found Meg Whitman, who was everything eBay wasn't: Harvard MBA and seasoned corporate executive. But Whitman turned out to be everything eBay needed. Less than a year after she arrived, eBay went public, and the stock surged to \$47 per share from a market price of \$18. Not only did Whitman make Omidyar a billionaire, she also helped spawn the e-commerce age.

3 } TO WIN, YOU MUST TAKE RISKS

During their mission, ninjas had to take enormous risks to succeed. To play it safe meant certain failure or death. In business, as in war, risk is unavoidable if you want to succeed. But taking risks does not mean being reckless or random. It means exploring options, assessing likelihoods, and making rational decisions. Indeed, you should avoid needless risk at all cost. But properly understood, risk is part and parcel of innovation and success.

When I think of taking risk, my mind immediately turns to Intel, whose executives I first met at CES in the early 1990s. As a computer chip maker, Intel wasn't exactly the most exciting kid on the block. That domain was held by the Apples and Microsofts of the world. So Intel took an incredible risk with an ingenious marketing strategy: At that CES show the Intel booth was an

immersive consumer experience, which reflected the company's larger goal of building itself into a household brand. The result? "Intel Inside," which swiftly became a label all consumers looked for when purchasing a PC.

To believe that consumers would care about what processor was in their computer was a tremendous risk that, if not handled well, could have wasted millions of marketing dollars. As it is, every PC user today knows Intel and knows whether their PC has "Intel Inside."

4 } ALWAYS PREPARE FOR BATTLE

A ninja innovator must be patient, deliberate, disciplined and—perhaps most of all—fully prepared to meet the enemies that will surely array against him in the field of battle. He must not only know the mettle of his men; but he must also fully understand the lay of the land (marketplace) and the size and quality of the army opposing him (competitors). And he must devise a plan for winning the day (strategy). In other words, preparing for battle is about gathering intelligence—which just happened to be one of the ancient ninja's primary skills. The ninja innovator who's fully prepared for battle knows to delay gratification, exercise patience, listen to others and ask questions. Only then does he or she engage.

This is exactly the lesson Microsoft did not learn when it forced its own tablet PCs to the market in the mid-2000s. When Microsoft began development, the hottest gadget on the market was the Palm PDA, and so it took that technology as a cue for what consumers wanted in a tablet PC—a businessperson’s organizer. Each of the various tablets Microsoft tried were essentially glorified PDAs with recognition software and day-organizing programs. None caught on, and in 2010 Microsoft scrapped its last tablet model. Meanwhile, Apple introduced the iPad and sold three million units on the first day. Why? Because while Microsoft was busy building larger PDAs, Apple was building larger iPhones, which is what consumers really wanted. The rest is history.

The ninja lesson is simple: Forcing a product on the market is never a good idea. A ninja must understand the lay of the land completely if he hopes to achieve success.

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5 } STUDY THE ART OF WAR

Ninjas embrace the military adage that no strategy survives the very first contact with the enemy. Even the best business strategies cannot fully anticipate what the competition will do, how rapidly they will do it, and how effective they will be. For your team to win after its first contact with the competition, it must be talented and nimble: talented enough to recognize quickly what parts of your strategy are working well, working poorly, or not working at all; and nimble enough to adjust effectively. The more thoroughly you can think through strategic contingencies, the more quickly you can adjust with a response that the competition doesn't expect or can't defeat.

And speaking of iPads, one competitor that is doing better than most is Amazon's Kindle Fire. I'm not surprised. Amazon CEO Jeff Bezos is one of those rare, wildly successful entrepreneurs who actually did start his company in a garage. Moreover, Bezos has a knack for understanding that the art of war is about getting the basics right. Amazon is one of the companies that focus on knowing the customers they have and the new ones they want to gain. It's what has allowed Amazon to grow from a bookseller into a mega-retailer. Amazon's various business divisions might seem like the end-result of a highly sophisticated strategy. But really, what Amazon does—consistently and extremely well—is serve the customer. It's startling how few companies remem-

ber this very basic strategy. When your complex strategy meets the enemy, it'll come down to whether you got the fundamentals right.

6 } FOLLOW THE NINJA CODE

The ninja occupied a unique moral territory: He was expected to break all rules of conventional warfare to achieve his objective but also he was expected to follow a professional code of conduct. Naturally, today's ninja innovator should occupy the same ground—with some minor exceptions. Breaking the rules does not mean breaking the law, nor does it mean today's ninja should act like a mercenary, indifferent to matters of right and wrong.

To be an effective ninja innovator one must first establish a culture of honesty within one's team. A leader cannot tell his team that the mission before them will be easy if in reality it won't. Even if bad news has to be delivered, a leader's honesty is almost always rewarded with increased loyalty and improved performance. If a leader is honest with his team, the team is more likely to be honest with its leader. I can recall countless examples of companies or products that failed because no one was willing to speak up against a bad idea. If your enterprise is hostile to differing opinions, it's likely because the one at the top just doesn't want to hear them.

7 } NINJAS BREAK THE RULES

A start-up has to break the rules if it wants to succeed. But what about a large corporation? The fact of the matter is that big companies frequently exhibit slavish adherence to tradition, preventing modernization. A company built around a single concept throws up all kinds of hurdles to and prejudices against strategies that are not “how we do things.” Big companies are also often siloed. Engineers and marketing people in one area of the business will integrate with resources above and below their own, but they may never talk to their counterparts in other divisions.

A quick look at technology history demonstrates how rare it is for a large, successful company to start something entirely new. No big broadcaster started a cable company. No cable company started a satellite dish company. None of these companies created a freestanding Internet service. Even recently successful, innovative companies have failed to grab opportunities. Microsoft did not create Google. Google did not create Facebook. Facebook did not create Twitter. You get the point.

Creating a culture that embraces change is perhaps the most difficult thing a large company can achieve. It’s the reason why half the world’s corporate-retreat centers would go out of business if business leaders stopped trying to figure out how to break into new areas.

Perhaps the greatest contrast to this is a company called Nottingham Spirk in Cleveland. Owner of more than 900 patents, Nottingham Spirk's entire business model is based on constant innovation. Indeed, its motto is "The Business Innovation Firm." Its products line the shelves of your house, but I'd bet you never heard of the company until just now. From Dirt Devils to Swiffers; from toothbrushes to paint cans, Nottingham Spirk exemplifies how ninja innovators constantly break the rules.

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8 } INNOVATE OR DIE

The ninja goes into battle with few weapons and few resources. He cannot rely on greater numbers or superior firepower because the enemy will have him beat in spades on both counts. But the ninja was not without advantages, like superior training in one-on-one fighting; the ability to escape hopeless situations; and, as a master of his surroundings, a superior level of resource-

fulness that allowed him to do the unexpected. The ninja might make mistakes, but he would not be defeated by them. The ninja had no choice but to live by the words innovate or die.

There is nothing magical about the companies that succeed not just once, but continuously. They stay on top because they know that if they don't innovate, then they will die. Particularly in consumer electronics, the need to innovate is more necessary than ever. Manufacturers simply cannot be certain that a given platform or device will dominate the industry for longer than a few years. You know the drill. Just when you've finally converted all your VHS tapes to DVD, you'll need to start the process all over again. It can be frustrating for consumers, yet we gobble up the new devices, media, and platforms each and every year.

The companies I've mentioned so far are never idle. IBM doesn't make punchcards anymore (its original product). Amazon doesn't just sell books. Apple is only distantly remembered as a "computer" company.

In some cases, the companies themselves drove the innovation. In others, they followed where the technology led them. Sometimes there are dead ends. Other times, there's the Internet.

9 } BUILDING AN ARMY OF NINJAS

With some noticeable exceptions, the most innovative companies today aren't purveyors of the next static machine. They're the facilitators of instant communication and socialization. Whether it's your tablet PC, your smartphone, or a social network, today's products connect you to the wider world. While the ninja innovator's work is intensely focused and personal, his products have ramifications far beyond the boardroom or the balance sheet. Ninja innovators have created technological revolution by empowering consumers with the most basic activity: interaction.

It's a trend that will only continue to expand and take on new life and form. How and where it will go is anyone's guess. All I know is that 20 years from now, our children will look upon our communication tools as we now look on the rotary phone—or even the fax machine! At the center of all this incredibly exciting change is the realization among innovators that the products of the future are those that expand our freedom and increase the intimacy of our socialization. Whether it's interaction with a friend or interaction with a retailer, space is no longer a barrier to our goals.

In the hands of consumers, today's products have helped build an “army of ninjas”—users who have discovered new and inventive ways of capitalizing on technology. After all, who would have thought that Twitter could be used to start democratic revolutions in repressive countries? It's this social element of today's world that will serve as the new horizon for tomorrow's ninja innovators.

10 } TO BE A SHADOW WARRIOR

Perhaps the one characteristic of the feudal Japanese ninja that continues to stir the modern imagination is the idea of stealth: his enemies would not know he was there until it was too late. This sounds like a great skill for a ninja innovator to possess as well, although achieving it is not only exceedingly difficult, it is also not always wise. For example, technology development itself, the basic application of science to solve problems, tends to thrive in environments that are open to contrary opinions, which are difficult to generate solely within a single firm. A personal example is my involvement with the development of high-definition television in the United States. Companies all over the country worked with each other and the U.S. government to help devise the best possible HDTV format that has since become the world's standard. It didn't happen with one company; indeed, it couldn't have happened with one company.

Rather, to be a true shadow warrior, to have the ability to surprise your enemies with something entirely unexpected, is best understood in the context of strategy, not products. Apple didn't necessarily "surprise" Microsoft with the iPad; it simply created a better product. Amazon didn't appear suddenly as the behemoth it has become to scare the wits out of Barnes & Noble and Borders; it simply took advantage of an untried medium, the Internet. The ability to recognize opportunities and then develop an effective, long-term strategy that takes advantage of all the

ninja innovator's skills is the true mark of the shadow warrior. Your competitor might see you coming a mile away; but he won't know how dangerous you are until you've already passed him by. That's what it means to be a ninja innovator.

CONCLUSION

Although I labeled the aforementioned lessons “secrets,” they really aren't all that secretive. Ninja innovation—the combining of the ninja warrior with today's business leader—is simply one way to look at how to build a successful enterprise. To be sure, it is a fun, effective way to look at it. After all, who doesn't want to be a ninja? But the skills, strategies and tactics that define ninja innovation aren't the exclusive domain of successful businesses. As I mentioned previously, the original idea came to me when I looked back on my own success—and I've never started a company, much less engineered a revolutionary product. The truth is, anyone can be a ninja. To be a ninja is a way of looking at and approaching the world. It is a philosophy of doing your best. A way of solving problems. And a commitment to making yourself and your enterprise better. 🏯

Info



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ABOUT THE AUTHOR | Gary Shapiro is the president and CEO of the Consumer Electronics Association (CEA®), the U.S. trade association that represents more than two thousand consumer electronics companies, and owns and produces the annual International CES, the most important innovation-oriented trade show in the world. As head of the CEA® for more than three decades, he has effectively ushered the consumer electronics industry through major periods of technological upheaval and transformation.

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