

The Business of Innovation.

Episode 1 Innovators & Iconoclasts

Transcript

MUSIC OPEN

MARIA BARTIROMO:

Good evening, everyone. I'm Maria Bartiromo. And welcome to the business of innovation.

THESIS PIECE:

NATSOT: Various CNBC programs.

Roger Schank: What is innovation? It's a breakthrough... it's a new idea... it's something you've never seen before... (dip to black)

Announce VO: Yeah... but how does any company become innovative?

Roger Schank: Can you ask the right question?

Announce VO: Okay... what kind of person becomes an innovator?

Schank: Innovators aren't just innovative about products. They're innovative about every aspect of their lives. They don't live their lives the way everyone else does.// And so, they don't honestly fit in very well.

Announce VO: That sounds like an iconoclast... someone who breaks the rules...

Schank: I think nearly everyone starts out as an iconoclast. I mean, little kids don't know the rules. They do what they want to do. And somebody tells them the rules...

Announce VO: But in business, rules are a part of the game... otherwise you're left on the sideline, right?

Schank: Are you built for failure?

Schank: Failure is the key. You have to be failing and failing again. If we think the brilliant inventions of the world are by people who had one invention once, they had a hundred inventions, but 99 of them sucked.// Sch (cu): 7:01;09 You want to be original... embrace failure...

Announce VO: That sounds like something most companies spend their time avoiding...

Schank: I think big companies hate innovators. I mean for one thing//2;02;25 Innovation is all about risk, and Wall Street hates risk.

Announce VO: So how does a company overcome all that and create a culture where innovation is possible?

Schank Big companies are always trying to hire the top 10 percent at Harvard... //

Announce VO: So how does a company overcome all that and create a culture where innovation is possible?

Schank: Big companies are always trying to hire the top 10 percent at Harvard... //

Schank: Companies make the assumption that Harvard graduates are actually good... what Harvard graduates are good at is Harvard.

Schank: Companies want people to behave. I don't care what they say. They want people to behave and be good little boys and girls and do what they're told. Show up on time, wear the right clothing and say "please" and "thank you."

Schank: You want someone original from Harvard try the bottom 10 percent.

Announce VO: The bottom 10 percent huh? I'm not sure I get it.

Schank: Why is the bottom cool? Cause those kids are smart enough to get in, and then they decided they weren't playing the game. And I would want to know why.

MARIA & ROGER SCHANK:

MARIA BARTIROMO:

Over the next five weeks on the Business of Innovation, we're gonna get at the heart of an often complicated subject, one that is on the minds of leaders across the globe. The concept of innovation often seems to produce more questions than answers.

But as the ancient Greeks sought consultation from the oracles, our resident guide, or oracle if you will, Dr. Rodger Schank, is here to offer us some predictions and guidance. Rodger, I'm trying to create a culture of innovation at my company and you want me (LAUGHS) to hire the bottom ten percent?

RODGER SCHANK:

Well, not necessarily the bottom ten percent. But remember that our school system produces people who are good at multiple-choice tests. Is that how you create innovation, by-- is it on a test? It's not there. Innovation is original thought. Original thought isn't necessarily valued in the schools. So, when you hire the top performers in the schools, they may not be what you're getting.

MARIA BARTIROMO:

So, innovators may not necessarily do well on these tests?

MALE VOICE:

I think they almost certainly don't--

MARIA BARTIROMO:

Right--

MALE VOICE:

--actually. Because when they're sitting there looking at a test, they're thinking, "Well, here's a possible answer. That could be right. That could be right." They're

confused and they-- only thinking about it. And it turns out that they're going slowly and they're not winning the game.

MARIA BARTIROMO:

I think the really interesting point that you make in that piece is that you have to fail. Fail and fail again, and you have to be willing to fail yet again. Failure is so important in terms of winning.

RODGER SCHANK:

It's almost willingness to fail-- that's the key issue. Because if you're afraid of failure, well, how are you gonna have a-- a crazy idea? And crazy ideas, if I produce 100 crazy ideas and you yell at me, I might back off. (LAUGHTER) But one of them may be very good.

MARIA BARTIROMO:

Yeah, I mean, how-- how long is a company gonna stand for failure? I mean, companies don't buy that. Come on.

RODGER SCHANK:

It's not necessarily that the company has to go invest millions of dollars in the idea and try and-- and potentially lose it. It's that you have to put up with people asking really annoying questions and-- give them a little leeway.

Let them play with-- with ideas for awhile, for some years maybe. Not necessarily with a massive investment, but with the idea that good ideas are always valued around here.

MARIA BARTIROMO:

That's the key, knowing that you have the leeway, actually?

RODGER SCHANK:

Right.

MARIA BARTIROMO:

Absolutely.

RODGER SCHANK:

Right.

MARIA BARTIROMO:

Most of our childhood iconoclasts get lost in the system and follow the piper. But tonight, we brought together a few groundbreakers who broke free and are now some of the most prestigious names in business.

CEO PROFILE PIECE:

(MUSIC) In the rough and tumble world of air travel, Howard Putnam is a champion. Begun at a tiny regional carrier back in the early '70s in Texas, it spread its wings by getting passengers where they want to go, on time and with low fares, and making sure they have fun doing it. Howard Putnam was the CEO as the airline expanded out of Texas and began growing to a company that today carries 80 million passengers a year. For the last two decades, the Vinod Khosla has been one of the preeminent venture capitalists in Silicon Valley, backing some major winners such as Excite (PH), Nexgen (PH), and Judiper Networks (PH).

He began his business career as one of the founders of Sun Microsystems. Today, Khosla runs his own firm, Khosla Ventures. And he set his sights on issues beyond the business world, the key one being ending the United States dependence on foreign oil.

Cathleen Black has been called the first lady of American magazines. As president of Hearst Magazines, she oversees 19 magazines from Cosmopolitan to Popular Mechanics, with nearly 200 editions in 100 countries. She's a board members at Coca-Cola and IBM. And Fortune Magazine named her one of the 50 most powerful women in American business in 2006.

Arkadi Kuhlmann Is Not Your Grandfathers Banker And I-N-G Direct Is Anything But A Traditional Bank. With Branches That Sell Coffee And Mountain Bikes The Company Is Shaking Up The Banking Business And Attracting New Customers In Drove With More Than One Million Depositors And \$12 Billion In Assets Since Its Launch In September, 2000. He Describes Himself As An Anti-Banker's Banker. "When The Rest Of The Banking Industry Decides To Zig, I Zag," He Says.

INTERVIEW WITH CEO'S

MARIA BARTIROMO:

Howard Putnam, Vinod Khosla, Catheline Black and Arkadi Kuhlmann, welcome. Nice to have you with us.

MARIA BARTIROMO:

True innovation is unpredictable and often surprising as we've heard, replete with failure as well. It's also not often that we see people of your stature on a program and talk about failure. But that's really where I wanna begin, because experts on the subject of innovation say that failure is good, and that fear of failure often stifles creativity.

MARIA BARTIROMO:

Howard, your business is just rife with failures: bankruptcies, out of business in the airline. How did you set Southwest apart?

HOWARD PUTNAM:

one key thing we did was, we said we hire attitudes, and we'll teach 'em the skills.

We hired attitudes and we teach 'em the skill. Then you get people that fit the culture that you're trying to build. And the opportunity for innovation-- increases. And the opportunity for failure decreases.

MARIA BARTIROMO:

Isn't that interesting Rodger? You hire attitude. In other words, people who are not afraid to break the rules, to push it, push it, push it.

RODGER SCHANK:

Oh, he's absolutely right. And in fact what Southwest had in the beginning was all these cheerful stewardesses who are making you feel good, (LAUGHS) the exact opposite. Stewardesses are usually yelling at you on the airplane, right?

I don't understand how the airlines put up with having customers feel miserable in their experience. And Southwest was very clever about that.

MARIA BARTIROMO:

Well, let me ask you about what-- what Rodger is saying. And that is part of the success of innovating is-- is this willingness to fail. Do you all agree with that? Do you-- do you-- encour-- are you encouraged to hire people that will fail?

MALE VOICE:

You encourage people to--

MALE VOICE:

No.

MALE VOICE:

--take chances, take risk, and try to innovate. And then you gotta say, "If you do fail, I'm not gonna slap your hands and throw you out the door." If you do that, then innovation will go away real quick.

MARIA BARTIROMO:

Wait a-- wait a second. Arkadi said no, actually. You are (UNINTEL PHRASE) tell me what you said.

ARKADI KUHLMANN:

Well, I-- look, I-- I-- I understand the principle. But-- you know, failure is a-- is an interesting concept. There is a-- a discipline. If you learn from-- trying something, taking a risk-- that's one thing. But to move it-- ahead, you've gotta basically-- do it in steps.

CATHLEEN BLACK:

I guess I-- I would add to that also by saying I'm-- I'm, you know, I'm not sure that-- if you were thinking about, you know, do you hire somebody who's had any number of different failures, I mean, I think it depends to some extent on the scale of those failures, the kind of person that it is.

But I think what we're all saying is that we want a culture to encourage-- sorry. We want a-- a-- a-- a culture that encourages risk and innovation. I think that's the most important thing.

MARIA BARTIROMO:

Vinod, talk to us a little bit about-- about failure. I mean, the world of technology certainly is fueled by failed ideas

VINOD KHOSLA:

Well, there's two kinds of failure. There's failure because you failed to change, and then failure because you tried something new.

VINOD KHOSLA:

I look on the upside, not on the downside. And that's the essence of succeeding in the new world. In fact in our business, the biggest risk is not taking any risks.

REPORTER PIECES ON GOOGLE:

MARIA BARTIROMO:

--so, the next question is, how do you stay innovative? Today, pretty much everyone says Google is an amazingly innovative company. But the key question is, can it keep that innovation mojo?

MARIA TRACK

GOOGLE IS TAKING ON EBAY AND PAYPAL, IT'S KILLING MAPQUEST AND ITS CHANGING THE ADVERTISING GAME BY SELLING DIRECTLY TO NEWSPAPERS AND SMALL BUSINESSES.

BUT GOOGLE -- WHOSE GLOBAL SEARCH MARKETSHARE REACHED NEARLY 73% IN OCTOBER -- STILL TRAILS YAHOO IN TOTAL TRAFFIC..

AND EVEN IF THIS YAHOO SHAKE UP MAKES IT A STRINGER COMPETITOR, GOOGLE'S BIGGEST THREAT ISN'T ANOTHER COMPANY

SCOTT KESSLER
S&P EQUITY ANALYST

09:09:22--

"OVER THE NEAR TERM-definitely GOOGLE'S BIGGEST CHALLENGES MAY IN FACT BE GOOG ITSELF, THE COMPANY TAKES A LOT OF BIG RISKS AND THAT WILL RESULT IN SOME FANTASTIC SUCCESSES AND SOME ABYSMAL FAILURES

09:09:38

THE SOURCE OF GOOGLE'S STRENGTHS-- HIRING THE BEST AND THE BRIGHTEST, THE BIGGEST BRAINS IN AMERICA AND THE WORLD -- COULD BE A HEADACHE

JEFFREY O'BRIEN
FORTUNE MAGAZINE

12 08 03

the secret to a successful company isn't always having the smartest people, the secret is having teams- people who can give orders, people who can take orders, people who can execute ideas.

I think that's where maybe google runs into a problem

12 08 24

AND AS GOOGLE CONTINUES TO EXPAND ITS AD MODEL TO NEW FORMATS -- NEXT IS TELEVISION -- ITS WORKING IN AN ENTRENCHED MARKET, WITH A DIFFERENT CULTURE, GIVING ITS BIG BRAINS LESS ROOM TO MAKE THEIR EXPERIMENTS AND IDEAS A REALITY.

JEFFREY O'BRIEN
FORTUNE MAGAZINE

12:00:48

I'm seeing frustration, people are starting to trickle out of Google, I don't think it's a huge threat to the company right right now, but I'm looking for the ramifications and there are plenty of places for these very smart people to go.

12:01:10

MICROSOFT FACED SIMILAR GROWING PAINS WHEN IT WAS NO LONGER CONSIDERED A RISK-TAKING START-UP.

GOOGLE KNOWS THE VALUE OF INNOVATION- NOW ITS CHALLENGE IS RETAINING THE RIGHT EMPLOYEES AND USING THEIR CREATIVITY..

EFFECT TO: JIM GOLDMAN GOOGLE PIECE

JIM GOLDMAN:

The little search engine started in a Stanford University dorm room just eight years ago is now a global giant worth more than \$150 billion. And the secret to that staggering success? Well, many say it's the company's culture.

STACEY SULLIVAN:

Our culture is one that-- promotes and encourages creative ideas.

JIM GOLDMAN:

Stacey Sullivan is the company's chief officer of culture. Wait a second. Officer of culture?

STACEY SULLIVAN:

This role has the most important ingredient to our success. If we continue to foster a culture that encourages collaboration and teamwork, that's gonna produce more ideas and-- more creativity.

JIM GOLDMAN:

To keep that culture going, it's all about the perks, legendary in this business.

STACEY SULLIVAN:

And there's so many benefits, I don't even know where to begin.

JIM GOLDMAN:

How about starting with cash bonuses, stock options, car washes, games, exercise facilities, free breakfast, lunch and dinner from corporate America's ultimate commissary, maybe the industry's ultimate brain food?

MALE VOICE:

Google has had a chef since I think it had 24 employees. And the theory was that again, it's very-- they were gonna have a culture of not just smart people but brilliant people.

JIM GOLDMAN:

Indeed smart people, and people with a comfortable cultural fit. Employees, no matter how important, share offices so they can share ideas, work as a team. A meal, well, often turns into a brainstorming session.

JIM GOLDMAN:

Hey, what's he doing sitting in a massage chair? Working, of course. A bar in the office? No problem.

MALE VOICE:

Yeah, we should try that.

JIM GOLDMAN:

Google's sheer size in its exponential growth rate, well, that could make maintaining that successful culture a challenge. How quickly will Google be able to respond to changes in the marketplace?

Can it be flexible enough to adopt to new technologies, keep up or melt down, the high-tech world littered with the tombstones of rising stars, unable to adapt.

MALE VOICE:

The horror.

MALE VOICE:

Our huge challenge is for any tech company to stay relevant and, you know, that's true for Google as-- as well as any other company. Would we be able to rise to the challenge? We've got the talent. We've got the insight. We've got the-- willingness to-- to try out new things.

JIM GOLDMAN:

Like Google's You Tube acquisition, or it's partnership with Chinese video download company, Zoomley (PH). And Silverstein should know. As Google's employee number one, Craig Silverstein was hired 10,000 workers ago, singing the praises of the more things change when it comes to culture, the more they stay the same. Jim Goldman, CNBC, Palo Alto, California.

END OF GOOGLE PIECE

MARIA BARTIROMO:

Rodger, how important is that free-wheeling environment that we just saw in-- in-- in Google headquarters?

RODGER SCHANK:

Well, I like good food. (LAUGHTER) It doesn't particularly make me innovative.

MARIA BARTIROMO:

Right.

RODGER SCHANK:

I-- I don't really get that at all. I mean, I-- I also don't see Google as being a particularly innovative company. Search engines have been around for a really long time. And they have a little bit better one than other people. Google-- had one innovation that I've seen that I really like, phenomenal, Google Earth. I don't know that came from the chef or from being able to play.

And I'm willing to believe that the Google employees are happy employees. (LAUGHS) But they have a lotta money. So, they should be innovating a lot more, like a search engine that's really good.

MARIA BARTIROMO:

Southwest was a beacon of innovation.

CATHLEEN BLACK:

But don't-- but don't you also think that they-- that Silicon Valley is in a tremendous demand for talent and creativity and everyone's poaching from one company to another so that a company like Google has got to create an environment where people wanna be there, so they come up with one perk after another, in order to keep their people?

RODGER SCHANK:

I think you wanna keep your people, you better make sure their really good ideas are going-- are being-- percolated all the time. That's what will keep your people.

CATHLEEN BLACK:

Well, but they would seem to be, coming out of Google, I'd say.

RODGER SCHANK:

I don't see that. Where do you see it? What's happened at Google since the first search engine is Google Earth, wonderful, brilliant. But they have a lotta money and a lotta people for just Google Earth.

MARIA BARTIROMO:

Well, there's gotta be a reason the company is valued as highly as it is.

(OVERTALK)

MARIA BARTIROMO:

I mean, are you saying that Google is not innovative and that it's--

RODGER SCHANK:

It is in its advertising model. But that (LAUGHS) didn't come from those guys sitting there having great-- playing pool and having lunch.

MARIA BARTIROMO:

Arkadi, what are you saying? (LAUGHTER)

ARKADI KUHLMANN:

But you need to have a lotta things-- you need to have a lotta things that are trial and error. I mean, if you get the energy going and if they get basically the morale and they're inquisitive and they're curious and they're trying things, they've got the ability and the size to be able to do that.

I think-- we would have a much better society if we would actually do a lot more of that. We need more companies that basically get into the fray. I mean, it's not about one kinda cookie-cutter type of company. It could be different types. And this happens to be one shape. But we like the energy that it creates. And that's what's important here.

VINOD KHOSLA:

, I wanna ask Rodger the question, why do you think Microsoft (UNINTEL) declined in the last year and Google drew dramatically with the same technology roughly, search in advertising?

RODGER SCHANK:

I think Google--

VINOD KHOSLA:
Microsoft now had many—

ARKADI KUHLMANN:
--Microsoft is a lot-- lot older than-- Google, right. So, let's see where Google is in 15, 20 years. I mean, the same story was with Apple-- or Sun, right? I mean-- you-- you have-- basically a-- a time period where companies build up. And then they can leverage it for so long. And then there's a cycle of building and deconstruction and building again. I mean-- that's part of the whole equation.

VINOD KHOSLA:
Let me disagree. Let-- let me disagree. Apple's a great example. They had a lot of innovation. Then they introduced a lot of process and killed all the innovation. When Steve Jobs came back, he reintroduced a passion and a vision and innovation. And guess what? The company found a new niche.

MARIA BARTIROMO:
But don't you need some process--

VINOD KHOSLA:
A new niche that became a huge niche.

ROGER SCHANK:
But isn't a venture capitalist that did that again (PH)? (LAUGHS) You had Apple initially being-- smart (UNINTEL) really smart guys in a garage on their uncle's money or whatever it was.

And suddenly, venture capitalists introduced product-- process, fired the CEO-- made it a really boring place. All the really smart guys left. And now, you had to go back to the original. Our model for how to foster innovation is not really great.

JANE WELLS REPORTER PKG ON STEVE JOBS.

VO#1
HE'S DONE IT AGAIN. BUT THEN, HE COULD DO ANYTHING...GOOD OR BAD... AND WOULD SHAREHOLDERS CARE...AS LONG AS HE'S THERE.

nats: him

nats: her running

VO#2
JOBS WAS ON THE JOB AT APPLE FROM DAY ONE... MARKETING...(she yells)
INNOVATING.

mos : when i think of apple i think of steve jobs

mos: he's really made an impact at least in our generation right now.

sot: steve jobs is apple

VO#3

WHICH BEGS THE QUESTION... WHAT IS APPLE WITHOUT STEVE JOBS? AS HE FACES A STOCK OPTIONS INVESTIGATION...WHAT IF SOMETHING HAPPENED TO HIM. WHO COULD DO JOBS JOB IF HE LEFT?

SOT10:03:55 (COLVIN) I BELIEVE THE IMPACT ON APPLE WOULD BE VERY SEVERE AND QUITE NEGATIVE.

vo#4

APPLE HAS SURVIVED WITHOUT JOBS BEFORE--FORCED OUT IN 1985 ...HE WAS BROUGHT BACK 12 YEARS LATER IN PART THANKS TO ARCH RIVAL BILL GATES... IN A MOMENT COMMEMORATED ON FILM.

NATS': movie

VO#5

DURING THE 12 YEARS JOBS WAS GONE, APPLE STOCK ROSE 120 PERCENT... IN THE TEN YEARS SINCE HE'S BEEN BACK... IT'S RISEN MORE THAN TWO THOUSAND TWO HUNDRED PERCENT...BARELY BLINKING EVEN WHEN HE LEFT FOR A SHORT TIME IN 2004 TO BATTLE PANCREATIC CANCER...

SOT: martha nats...

VO#6

MARTHA STEWART OMNIMEDIA STOCK SUFFERED FOR A TIME AS SHE DID TIME. BUT APPLE HAS 80 TIMES THE MARKET CAP. THE ONLY COMPANY WITH PERHAPS MORE AT STAKE IN A CEO IS BERKSHIRE HATHAWAY AND WARREN BUFFETT. WHAT WOULD THE STREET DO IF JOBS WAS OUT OF A JOB?

sot: we would certainly sit back at that point and have to re-evaluate our long term growth rates for teh company.

vo#7

AS FOR CONSUMERS?

sot: it's like gucci without tom ford. it's about the brand.

mos: well as long as the product's good i think the consumer will buy it.

VO#8

PIPER JAFFRAY'S GENE MUNSTER ANALYST SAYS APPLE WITHOUT JOBS WOULD IMMEDIATELY LOSE 20% OF ITS MARKET VALUE: 16 BILLION DOLLARS. APPLE SAYS THERE IS A SUCCESSION PLAN, THOUGH ITS CONFIDENTIAL. BUT IN A COMPANY FILLED WITH TALENTED PEOPLE...IT'S HARD TO NAME A SINGLE OTHER EXECUTIVE...AND ONE HAS TO WONDER WHAT'S NEXT. AFTER ALL, NOTHING, AND NO ONE, LASTS FOREVER. JANE WELLS, CNBC BUSINESS NEWS, LOG ANGELES.

MORE CONVERSATION WITH CEO'S

MARIA BARTIROMO:

So-- so, give me the most important thing when all of you, in terms of running your businesses, what you look at as most important in terms of fostering innovation. Howard?

HOWARD PUTNAM:

I think it starts with the CEO. And I think it starts with a corporate conscience of integrity and honesty and openness. And if you can get the people to trust you and that they really believe that they can try things, something new, that they will do it. But if it's a closed door, if it's a command and control, it's very difficult for that to happen.

MARIA BARTIROMO:

Vinod?

VINOD KHOSLA:

Absolutely agree-- you know. You cannot have innovation in a command-and-control environment. If you encourage risk-taking, encourage experimentation and allow and reward failure, you'll see innovation in the corporation.

MARIA BARTIROMO:

Catheline, the most important in terms of fostering innovation at the company?

CATHLEEN BLACK:

To ban the phrase, "We tried that and it didn't work." (LAUGHTER)

MALE VOICE:

Very good, very good.

MALE VOICE:

Agree.

MARIA BARTIROMO:

Arkadi?

ARKADI KUHLMANN:

I-- I-- I agree with-- with Howard's-- comment. But I would add one thing. The critical thing that I've noticed is-- is-- is keep the organization flat. For example-- nobody can work for me that actually doesn't interact with a customer.

MARIA BARTIROMO:

It's a-- it's a great discussion and fascinating. Thank you all so much. We've enjoyed-- talking about this tremendously. Catheline, Howard, Vinod and Arkadi, and of course, Rodger.

TEASE:

¶====ANNOUNCE====

TO BE AN INNOVATOR DO YOU HAVE TO BE A SHOWOFF TOO.... MAYBE SO.....

====SOT branson PIECE====

n-dan schulman

CEO VIRGIN MOBILE

when we did our virgin mobile launch, we met in timesq... we closed off times sq, he got lowered on a boom with only a cell phone covering his strategic parts there

====ANNOUNCE====

THAT'S THE BUSINESS OF INNOVATION...

END OF SEGMENT 1

BEGINNING OF SEGMENT 2:

¶=====ANNOUNCE VO=====

THIS IS THE BUSINESS OF INNOVATION AND HERE'S MARIA BARTIROMO.

MARIA BARTIROMO:

When you talk about innovative companies and leadership, you need look no farther than Virgin and its boss Richard Branson. A guy whose first job was selling records now makes records, selling. Here's CNBC's Melissa Lee.

MELISSA LEE:

(MUSIC) for Richard Branson, taking risks is in his blood. From his attempt to circle the earth by balloon to launching a business that aims to bring tourists to the moon, it's Branson's brand of extreme living and extreme entrepreneurship that has shaped Virgin.

FEMALE VOICE:

you know, he's been an entrepreneur from the cradle. He's not high-bound (PH) by-- by some of the difficulties that we all see when we're looking at businesses. He's just very much, you know, this is the way it should be.

Let's just make it happen that way (PH). Because he's got that very qual-- that and that determined look I think that's-- that's-- that fundamentally is how he-- how he works.

MELISSA LEE:

And Branson's willing to bet big. Dan Schulman (PH) has known Branson for more than five years, watching Virgin Mobile right after September 11th, at a time when the only investor willing to take a chance on the business was Branson himself.

DAN SCHULMAN:

He said, "You know what I'm gonna do? I'm gonna sell my favorite hotel in the world to give you funding." And I told him, I said, "Richard, don't do it.

It's an unproven concept. We have a good idea and a good team but it's very unproven." And he said, "You know what? That's good enough for me. I trust you." And he inspired a tremendous amount of work that day.

MARIA BARTIROMO:

That's how Virgin grew into more than 200 businesses today. From its humble beginnings as a small mail-order record company in the 1970s, and early on, Branson learned the value of publicity when the newly-signed Sex Pistols played "God Save the Queen" across from Parliament and got arrested. That week, Virgin sold more copies of the single than the official number one by Rod Stewart. And the stunt became an integral part of the brand.

RICHARD BRANSON:

When we did our Virgin Mobile launch, we met-- it was in Times Square. We closed down Times Square, and all he had was a cell phone covering his-- strategic parts there.

MELISSA LEE:

Bill Schulman (PH) says Branson always kept an eye on the customer, the common thread of Virgin's far-flung businesses.

BILL SCHULMAN:

We met to brief him on this-- in the Virgin Megastore beforehand. And before we could do that, he wanted the manager of the megastore to come because the bathroom wasn't clean enough-- in his view. So, he has big ideas. But he knows that it's the little details that can kill you if you don't execute them the right way.

MELISSA LEE:

For his work, Branson even gained the recognition of his country, awarded knighthood by the Queen for services to entrepreneurship, building an empire with a single brand and living an unbelievable adventure. Melissa Lee, CNBC Business News. (END OF MUSIC)

MARIA BARTIROMO:

Rodger, I'd imagine you to be a Branson fan. He's-- done unique things, asks unique questions, definitely took risks, goes against the grain. What are your thoughts on him?

RODGER SCHANK:

Oh absolutely, I'm a Branson fan. I-- I once-- was asked to make up a word. And I made up the word "creactive," (LAUGHTER) for creative with active. That's what he's got. He has an idea and he puts it into action. It's all well and good to have ideas. And it's all well and good to be active. But a good combination of that is phenomenal. Virgin Galactic? Brilliant. He may lose money on it. I-- I'll bet he loses money on it. But isn't it wonderful that he's given it a try?

MARIA BARTIROMO:

Well, isn't that interesting he may lose money on it. So, in other words, not all innovative ideas are gonna be money makers. So-- do you have to be an innovator to be a businessman or a businessman to be an innovator?

RODGER SCHANK:

I think if you wanna be an innovator, you have to not think about whether it's gonna make money next week. It might make money in 20 years. You have to be willing to lose money. You can't be thinking, "Well, if I don't make money I'm gonna be fired, I'm gonna be in trouble." I'm sure he's not thinking about that. Of course, he's rich so that helps. (LAUGHS)

MARIA BARTIROMO:

I know what he's thinking. He's also thinking about, he wants to have fun.

RODGER SCHANK:

Well, and you know what? If that's your-- guiding motivation, you're probably going to make money. People who-- who's-- their eye on making money all the time, I don't know how much money they actually make that way.

MARIA BARTIROMO

AND RICHARD BRANSON ISN'T THE ONLY CEO WITH A TASTE FOR FUN. HERE'S CNBC'S TYLER MATHISEN.

DOCTOR GEORGE LOPEZ - AKA "DOC" - HAS A LOT TO CELEBRATE - A CHAMPIONSHIP FREEDIVER AND SPEARFISHER - DOC GOES AFTER THE BIG FISH WHILE MOST CEOS TRY AND STAY OUTA HOT WATER-

FIRST ON LAND - HE'S THE FOUNDER AND CEO OF ICU MEDICAL - A SMALL MEDICAL DEVICES COMPANY THAT'S CARVED A SIGNICANT NICHE IN AN INDUSTRY FULL OF GIANTS -

IT'S LIFELINE?

"THE CLAVE" - A NEEDLE-FREE IV CONNECTOR INTENDED TO BE SAFER THAN THE TYPICAL NEEDLE - DESIGNED TO SECURELY LOCK IN PLACE AND ALSO PREVENT TRANSMISSION OF DISEASES TO HEALTHCARE WORKERS FROM ACCIDENTAL NEEDLE PRICKS.

A PRODUCT THE MAJOR MEDICAL MANUFACTURERS TURNED DOWN WHEN DOC ORIGINALLY SHOPPED HIS PATENT AROUND.

Dr. George Lopez / Founder & Pres., ICU Medical

They only see existing markets, they don't see what could exist - they only see what does exist. And I think that's never changed. Big companies tend to not see the opportunities.

WHERE MANY ON THE STREET - SEE RISK -- DOC SEES OPPORTUNITY - AND DIVES RIGHT IN - LITERALLY --

LAST SPRING - DOC - BREAKING THE U.S. FREEDIVING RECORD - GOING MORE THAN 174 FEET DEEP ON A SINGLE BREATH OF AIR --

AND THERE'S MORE --

DOC ALSO HOLDS THE WORLD RECORD FOR CATCHING THE LARGEST BLACK MARLIN - WHILE SPEARFISHING NEAR FIJI A YEAR AGO.

Dr. George Lopez

If I make a decision down there at 200 feet and its wrong - I don't come back. In business at least I have a possibility of coming back. This is good training - great training for running a company.

Dr. George Lopez

182330 If you calculate the things that can go wrong and cover those - there's really no risk.

SOMETHING THIS MAVERICK KNOWS A LOT ABOUT - TYLER MATHISEN CNBC FOR THE BUSINESS OF INNOVATION.

MARIA BARTIROMO:

Coming up, tips on how to make the next big thing happen in your company; a look at a software company's unique stock market of innovation.

===SOT RITE SOLUTIONS=====

MALE VOICE:

_ We wanted to start an experiment to see if-- innovation every day was possible, and if a pyramid organization could be replaced with community and allow all of the employees to be a part of that innovation.

AND THE SECRET TO HOW IT HELPED THEIR BOTTOM LINE...

END SEGMENT 2

BEGINNING SEGMENT 3.

¶=====ANNOUNCE VO=====

MORE BUSINESS OF INNOVATION. HERE'S MARIA BARTIROMO.

MARIA BARTIROMO:

_ Change is coming. It's always coming. But now more than ever, a flood of market change will be impacting businesses across the globe. It really is innovate or die. With that expectation in mind, we've brought in some experts in the field of innovation and change to help us stem the tide and get you into the innovation fast lane. I'm joined now by Tom Kelley, general manager of IDO, a company that helps its clients generate innovation products;

MARIA BARTIROMO:

_ Polly Labarre, formerly a senior editor at Fast Company Magazine, and now co-author of the new book, Mavericks at Work.

_ And Jim Carroll, named by Business Week as one of the leading sources for insight on innovation and creativity. The innovation mandate is here. How do you get the right people in place to make sure your company is innovating?

TOM KELLEY:

_ You gotta first have the humility if you're on the senior management team, to acknowledge that the right people aren't all in the boardroom with you. Right, gotta find a way to tap into the whole brain of the organization, including people six or seven levels down from the CEO.

MARIA BARTIROMO:

_ And-- and Rodger, you said it earlier. Leadership oftentimes does come from the CEO. But there's innovation at all levels.

RODGER SCHANK:

_ Well, but not everybody's equally innovative. So, the real question is, if you say that everyone's innovative, you're probably listening to too many people. The issue is, how does he find just the right innovative people? And I agree they're probably not in the boardroom. (CHUCKLES)

MARIA BARTIROMO:

_ Polly-- what about the obstacles to innovation? I mean, aren't there obstacles in terms of having an unsupportive culture within an organization, large companies, as Rodger said earlier, those venture capitals who wanna stifle the innovation? How do you avoid that?

POLLY LABARRE:

_ Well, I think this really is about what Tom just said, intellectual humility. There's such a bias in business when it comes to innovation that big ideas come from big brains-- that-- that when it comes to innovation, the boss really is the smartest guy in the room.

SCHANK:

_ if you got the boss is the smartest person in the room, you got the wrong boss.

POLLY LABARRE:

_ Exactly. (LAUGHTER)

MALE VOICE:

_ I mean, the reality is the boss oughta be the best businessman in the room, not the smartest person in the room.

POLLY LABARRE:

_ one of my favorite innovative leaders says he tries to walk in stupid every day. This is a guy who runs a billion-dollar company-- who's the master of the universe in-- in every way. But his job is to understand that no matter what business you're in, the world has changed overnight.

MARIA BARTIROMO:

_ That really takes humility actually, to be walking in every day and knowing that you wanna be-- educated.

POLLY LABARRE:

_ Yes, and that you're always inviting inexperience in, whether it's young folks or mixing it up with people who are not like you-- or changing the game in radical ways.

TOM KELLEY:

_ And in fact, we have-- an expression to describe that-- that "using fresh eyes." We call it vujade (PH), right. Everyone knows deja vu right, "been there before?" Vujade is the opposite of that. It's being in a place you've been a million times, maybe in the lobby of your own building, but seeing it with fresh eyes, seeing it as if, you know, you were there for the first time and saying, "Hey. There's something we can make better here."

JIM CARROLL:

what I try to explain to folks is, you know, look-- innovation is about everything we do in a business. It's about looking at your business. How can we run the business better-- what things can we do to better-- you know, grow the business? What can we do to transform the business? And you can get somebody who's in the lowest ranking clerks-- you know, organization-- part of the organization, you can get them to subscribe to the idea that, "Hey, "I can be part of innovation." I think we've made inno-- innovation this big, mysterious thing that people don't think they can be a part of. And-- and-- and that's the complete opposite of what it is.

RODGER SCHANK:

_ A really big company almost inhibits innovation by the fact that it's a big company. And the people who are attracted to it are people who wanna be in safe environments.

INTRO TO RITE SOLUTIONS PIECE

MARIA BARTIROMO:

_ And I'm glad you brought that up, because small companies often, really see so much innovation and-- and foster it upwards throughout the organization. So, you've come up with the next big thing, but how do you get others to notice? We found a software company that takes a twist on the stock market to let the cream rise to the top.

RITE SOLUTIONS PIECE

AT RITE-SOLUTIONS--A NEWPORT, RHODE ISLAND SOFTWARE DESIGN FIRM-- INNOVATION IS BUILT INTO THE FABRIC OF THE COMPANY.

Joe Marino, President, Rite-Solutions://The mission of Rite-Solutions is to innovate everyday.

Jim Lavoie, CEO, Rite-Solutions//We wanted to start an experiment to see if innovation every day was possible and if a pyramid organization could be replaced with a community organization and allow all of the employees to be a part of that innovation.

WHAT LAVOIE (luh-VOY) CAME UP WITH IS AN IN-HOUSE STOCK MARKET OF SORTS CALLED "MUTUAL FUN"

We have a game called Mutual Fun which uses the Stock market as a landscape. It provokes you to think./it's just a framework for capturing that thought, those thoughts, that glimmer, that spark.

THE SYSTEM ALLOWS EVERY EMPLOYEE IN THE COMPANY THE CHANCE TO PUT FORTH IDEAS FOR NEW PRODUCTS AND SERVICES. THESE IDEAS ARE LAUNCHED AS STOCKS ON "MUTUAL FUN." EMPLOYEES HAVE 10,000 DOLLARS WORTH OF "OPINION MONEY" TO ALLOCATE TO THE ONES THEY LIKE BEST...AND THOSE CAN TURN OUT TO MAKE REAL MONEY FOR THE COMPANY... LOTS OF IT.

Initially we billed ourselves as a services company. With the stock market we now have the ability to create products of our own.

ONE OF THE MOST SUCCESSFUL PRODUCTS IS "RITE-VIEW", A 3-D VISUALIZATION SOFTWARE CURRENTLY LICENSED TO THE U.S. NAVY. LAUNCHED BY A TEAM OF FOUR TECHNOLOGISTS, IT ACCOUNTS FOR UP TO 30% OF THE COMPANY'S ANNUAL GROWTH.

The whole idea is to figure out a way where that communication can be harnessed and produce forward momentum for the company. And that's what we're trying to do here, is to take advantage of those quiet geniuses.

ONE OF THESE "QUIET GENIUSES" IS REBECCA HOSCH (HAWSH). A MEMBER OF THE ADMINISTRATIVE STAFF, HOSCH LAUNCHED A STOCK CALLED "WIN/PLAY/LEARN" -- AN EDUCATIONAL BINGO GAME BASED ON MATHEMATICAL FORMULAS COMMONLY USED IN MILITARY APPLICATIONS. THE STOCK WAS IMMEDIATELY MET WITH A RUSH OF SUPPORT FROM HER CO-WORKERS.

Rebecca: to collaborate with them and create a prototype of the game is something that I'm really proud of.

THE ARCHITECTURE FOR THE GAME WAS LICENSED OUT TO TOYMAKER GIANT HASBRO, GENERATING APPROMIXATELY ONE MILLION DOLLARS IN REVENUE FOR RITE-SOLUTIONS.

Joe: It's one thing to say you have a community. And it's a culture. And everybody really enjoys working together. But at the end of the day, it's gotta be a sound business practice.

Jim: We were able to experiment with the notion of community as opposed to corporation, and the notion of participation instead of hierarchy. It's been a lotta fun.

END OF RITE SOLUTIONS PIECE

MARIA BARTIROMO:

_ Polly, you've researched and written about many companies similar to-- to Rite Solutions. What are these companies doing differently?

POLLY LABARRE:

_ I know this story well. This is fantastic. This-- what a great example of intellectual humility. And what the founders are saying is, "We may be the founders, we-- we may be the CEO, but we are definitely not the smartest people in the room, or in the company. So, how do we figure out how to get everybody these 'quiet geniuses' to surface their ideas." This is such an important idea that the-- the second-- most valuable stock on Mutual Fun, their internal stock exchange, is the stock exchange itself.

_ They've turned it into a business idea that they're going to license. The thing that is so important here is that, innovation is fundamentally about freedom and trust.

JIM CARROLL:

_ I somewhat disagree with-- with the approach here. When I've-- spoken-- the clients about is the fact that you can't make innovation special. And I think reducing innovation to a game where you win prizes-- you know-- bingo-style thing-- that-- that puts innovation into this special little place where people think, "Well, that's something we do every once and while, we'll spend five minutes on innovation, and innovation is something we've got to live and breathe 24 hours, seven days a week. What can we do differently, every single moment to make our company better.

MARIA BARTIROMO:

_ I see the point-- yeah, I see the points you're making. Where do you stand on that Roger?

RODGER SCHANK:

_ Well-- you know, I-- I'm a little frightened by the political correctness of all this. Let's all be a community and everyone's ideas are equal. If we all sat down and had fun together, then we'd be more innovate. Who proved that? How do we know that's true?

TOM KELLEY

No-- you know-- I think there-- I think there is good, hard evidence it's-- you know, it's the wisdom of crowds. It's-- James Surowiecki saying-- sort of-- you know, if you look at the-- you know, the TV shows where the groups are always smarter than the individual.

_ And so, if you can tap into the collective knowledge of a large organization of-- you can-- you can come up with better ideas.

MARIA BARTIROMO:

_ But I--

RODGER SCHANK:

_ Brilliant, innovative ideas-- you know, the personal computer, the cell phone, the Internet, those weren't groups hanging around discussing it.

POLLY LABARRE:

_ I think you need to do-- distinguish-- everybody unleashing their ideas, and contributing their ideas, and whether they're a good idea or not. I think you've gotta try a lot of things, you've got to get a lot of failure out there. You've got to get a lot of bad idea out there, in order to get to the good idea. So, I think this is much more about participation.

_ It's about saying to everyone in the organization that-- you know, "You're not just a job title, you're not just a cog in a wheel. You are actually a valuable, thinking, talented human being, and guess what, you may have talents and ideas, we have-- know nothing about. You may make unexpected connections for us, which, in the end, is what innovation is all about."

MARIA BARTIROMO:

_ What do you think, Roger?

RODGER SCHANK:

I think you learn not to innovate. I mean, look at a two year-old. They're innovate. They're innovative putting their fingers in the plugs, they're innovative eating things they shouldn't be eating. They're innovative, doing everything wrong, and they're yelled at, and they're yelled at, and they're yelled at, and they stop innovating.

And I think that-- as-- as you grow through life, you have learned to not innovate. So, the trick is, how do you get these people who have been beaten up to actually get back to being two year olds again?

MARIA BARTIROMO:

That's my question!

POLLY LEBARRE

Well, a really good example is-- is a company that we all know really well, Pixar Animation Studios. And, they really understand that innovation isn't about hiring wildly-talented people, although they do that. It's really about how you get wildly talented people to work together productively, to collaborate. And their answer to this question, the question-- the ruling question at Pixar is "How do you do art as a team sport?" Basically, how do you teach people how to innovate.

And their answer is really simple. It's make everyone a filmmaker. And they mean everyone. They mean the security guard, they mean the administrator people, they mean the techies, they mean-- they mean the filmmakers, themselves.

ROGER SCHANK:

You really think the security is gonna help you innovate? I mean, come on.

(OVERTALK)

MARIA BARTIROMO:

--having everybody in the organization knowing what everybody else is doing, and understanding how to do their jobs. You don't think that--might trigger some innovative ideas?

ROGER SCHANK:

Well, anything might trigger innovation, but the fact of the matter is, not everybody's equally innovative. So, I'm not trying to teach everyone in the world to be innovative, but to let the people who are innovative be innovative.

TOM KELLEY:

I want to go back to the security guard. Because I think you have-- you have to at least remain open to the possibility that, that security guard's got some ideas there. You know, some of you may have seen the recent interview with-- Frank Gehry, whose-- perhaps the greatest living architect. He was washing airplanes early in his career.

FRANK GEHRY PIECE:

MARIA BARTIROMO VO:

His buildings have been called powerful, an essay in geometric form and material..... among the most brilliant of our time.

Frank Gehry is a man of immense gifts who dances on the line separating architecture and art... but manages to never let himself fall..

SOT: FRANK GEHRY:

They may conjure up these wonderful adjectives to describe it but I don't think about it that way, and if I started to I'd be in deep trouble. I'm very insecure each time I start a project. I think it's probably healthy. I'm not sure where I'm going. If I knew where I was going, I wouldn't go there.

MARIA BARTIROMO VO:

Not knowing where to go has taken Gehry far...born in Toronto in 1929, educated at USC and Harvard, he's been honored with every architectural award there is, including the most prestigious.... the Pritzker in 1989. Gehry has drawn influence from many facets of life, including his stint early in life washing airplanes....Gehry's built a career spanning 4 decades designing more than 150 private and public buildings in the US, Europe and Asia.

Most know Gehry for his masterpiece, The Guggenheim Museum in Bilbao Spain. Situated in a port town, it evokes a ship's sails and the sea, and through his use of materials, harkens to his airplane days....

SOT FRANK GEHRY:

I don't think that miracle's gonna happen, maybe not in my lifetime.

MARIA BARTIROMO VO:

One of his recent works is the Weatherhead Management School at Case Western Reserve University in Cleveland, Ohio.

The school wanted to break the rules of academia and take risks, and they knew Gehry would give them that. And he did. When Gehry talks about transformational ideas, he almost requires you to think out of the box.

SOT FRANK GEHRY:

Metaphorically this is outside the box.

MARIA BARTIROMO VO:

Weatherhead is yet another masterpiece for Gehry, designed with exploding stainless steel metallic forms.....curved glass..... 35 foot ceilings that are never the same at any point.... and unprecedented, state of the art technology.

Most feel Gehry's buildings are spectacularly executed...but for Gehry, who considers his relationships with his buildings a love affair.....

SOT FRANK GEHRY:

At this stage of the game when they are just finished it's not perfect love for me. Unfortunately I see everything I should have done differently. I'm seeing things that other people aren't seeing I hope. But like Bilbao -- it's now been 5 years -- I went back a few months ago and for the first time I could see it as a building as though somebody else did it and I could say "It's not so bad".

MARIA BARTIROMO VO:

And for Gehry's next big assignment?...

SOT FRANK GEHRY:

I'm not somebody who goes around looking for work. I've never done that, I'm just not comfortable doing that. So whatever comes to me if I like the people or I feel that I can do something with it, I'll accept the projects. And so if an airport came along, I'd love to do it but they haven't. Airport come to me.

END FRANK GEHRY PIECE

TOM KELLEY:

Somebody out there has got Frank Geary working for him, washing planes today. Right, so if you set up a structure-- you know, like the one we just saw, or like Proctor and Gamble with Connect and Develop, where you can-- where you can draw in those ideas on a systematic basis, you might discover that security guard's got an idea.

MALE VOICE:

- But Steve Jobs wasn't-- wasn't doing airplanes. The-- the-- the-- the people who really come up with the-- with the really important ideas in the world are usually very smart people, but they--

(OVERTALK)

JIM CARROLL:

- --I think that's precisely what's wrong with innovation, you just said it there. The folks who come up with really important ideas. And what you've just done, you're just discounted every-- anybody who's ever had a good idea, whatsoever.

(OVERTALK)

MARIA BARTIROMO:

- You've pigeonholed them.

JIM CARROLL:

- Innovation is about ideas, and no idea is too small, no idea is too dumb.

MARIA BARITROMO:

- Let-- let me get back to this idea that-- that big companies can not innovate. How does a big company innovate? Let's talk about that. It-- it's not impossible, correct, Jim?

JIM CARROLL:

- I-- I-- I think it's not impossible, as long as everybody has a firm focus on where we're going in the future. Whether you're dealing with a telecom companies, insurance companies-- health care organizations, people cling to routine.

POLLY LABARRE:

- You're so right, it's really hard, and I think it goes back to that question of-- of freedom and-- and control, that I talked about before. I mean, big organizations are so much-- about power and what you can control, while innovation is about freedom and what you can unleash.

- So, there's this leadership piece of it, which is, how do you let go of control. And then, I think for big companies, the really innovative ones are really good at managing tension between executing on realities-- you know, getting stuff done, and then exploring possibilities. Tom just mentioned Procter and Gamble's connect and develop program. Here's a process-oriented get stuff done kind of company that's really thinking about how do we work on this outside-in approach to innovation? How do we think about innovation in terms of network? How do we explore possibilities in a way we never have before.

RODGER SCHANK:

- Oh, come on, they're innovating toothpaste. You know, I mean, really, the issue is not how you're gonna make better toothpaste.

(OVERTALK)

POLLY LABARRE:

- Whoa, whoa, whoa--
TOM KELLEY:
- They're innovating toothpaste?
MARIA BARTIROMO:
- That is, and they're innovating new services, because now, because I bought a specific toothbrush from Proctor and Gamble, I've got to buy the same kind of toothpaste that goes in my toothbrush, actually that toothbrush is very innovative, I've got to tell you.
POLLY LABARRE:
- And their outside-in approach to innovation-- it's-- the Swiffer came out of that. Mister Clean Magic Eraser, Pringles Prints-- it's not just-- it's not just that. And then, all kinds of science that they're working on.
MARIA BARTIROMO:
- All sorts of different services. Tom.
TOM KELLEY:
- I think we're looking at a company that has turned around from-- you know, ten years ago, not very innovative. It is this giant company and made it significantly more innovative and, oh by the way, doubled the stock price somewhere along the way.
MARIA BARTIROMO:
- Yeah, they certainly are trying. Thanks so much, this is really terrific. We appreciate you coming. Jim, Polly, and Tom. We'll see you soon. We'll be right back.

END SEGMENT 3

BEGIN SEGMENT 4

IF INNOVATION BEGINS WITH LEADERSHIP... DO YOU SOMETIMES GET THE BAD WITH THE GOOD? AND IS THAT ALL BAD? WHAT ABOUT IT SCOTT COHN?

SCOTT COHN PKG

¶WHEN THEY LOOK IN THE MIRROR... THEY'RE GOOD ENOUGH... SMART ENOUGH AND... PEOPLE LIKE THEM.

¶NARCISSISTIC CEOs... THEIR WORLD REVOLVES AROUND THEM... LIKE THEIR COMPANIES. AND CORPORATE CHIEFS WHO LOVE THEMSELVES CAN USUALLY BE COUNTED ON TO LOVE MAKING MONEY FOR THE COMPANY.

+N-Michael Maccoby

¶Michael Maccoby / Author, "The Productive Narcissist" 134231

These are the people who are not satisfied just to make things better, or just to win at the game. They want to create a new game. They want to make the world different.

MICHAEL MACCOBY AUTHOR OF THE PRODUCTIVE NARCISSIST... REJECTING THE NEGATIVE STEREOTYPE OF THE I-LOVE-ME CEO... SAYS A NARCISSISTIC PERSONALITY CAN OFTEN BE GOOD FOR BUSINESS... LIKE...MR. SOFTWARE BILL GATES... STEVE JOBS... ROCKIN AN I-POD NATION...LARRY PAIGE AND SERGEY BRIN...

REVOLUTIONIZING THE INTERNET... EVEN... DAYTIME T-V QUEEN OPRAH... HOOKING MILLIONS OF FAITHFUL VIEWERS.

AND OF COURSE... TECH GURU LARRY ELLISON... SPAWNING THE INDUSTRY JOKE... WHAT'S THE DIFFERENCE BETWEEN GOD AND LARRY ELLISON?... GOD DOESN'T THINK HE'S LARRY ELLISON.

BUT THE SELF-WORSHIPPING BOSS... NOT ALWAYS WORTHY OF WORSHIP.

Dale Winston / CEO, Battalia Winston 150600

If you look at Dennis Kozlowski... I mean he's the biggest narcissist we had. He was a terrific leader... he's in jail! And I don't think that's what goes into the future.

AND THERE'S ALWAYS FORMER WORLD-COM HEAD HONCHO BERNIE EBBERS NOT TO MENTION... ENRON SMART GUY JEFF SKILLING... BARRING A SUCCESSFUL APPEAL... HEADING TO JAIL...

¶Michael Maccoby 134537

There are a number of narcissistic ceos who have failed because of a lack of understanding how to create organization and how to create partnerships with other people.

¶LET'S NOT FORGET SELF-OBSSESSED HOLLYWOOD... HOME TO THE WALK OF FAME...

¶A NEW STUDY ... FINDING CELEBS... SURPRISE, SURPRISE... LOVE THEMSELVES... ESPECIALLY REALITY T-V STARS.
AND WHEN YOU PAIR REALITY TV WITH A NARCISSISTIC CEO... YOU'VE GOT: THE DONALD.

You're fired.

¶BUT AN EGO DOESN'T GUARANTEE THE KEYS TO THE C-SUITE.

Dale Winston 150611

The future is more about not only having to commit to your goals and your vision but also being able to communicate your goals and your vision, not only to the troops within your company, not only to your direct reports, but most importantly to get the board rallying around you without being an autocrat.

SO NEXT TIME YOU ASK THAT MIRROR, MIRROR ON THE WALL... MAKE SURE YOU'VE GOT THE GOODS... AND IT'S NOT JUST SMOKE AND MIRRORS.

SCOTT COHN, CNBC. FOR THE BUSINESS OF INNOVATION.

MARIA BARTIROMO:

[10:00:27:00](#) Roger, I'm talking to CEOs all day long, and I'm not sure that they're all leading the way down the path of innovation, I mean, they say they want to innovate, right, but they're not necessarily executing. Is it fear that's stopping them?

RODGER SCHANK:

[10:00:40:00](#) No, it's Wall Street. (LAUGHTER) I have-- I had a friend who was a CEO of a big publishing company. I went to see him about an idea I had. He loved it. He

thought, "Well, let's talk about how we're gonna do it." In the middle, he gets a phone call from the-- conglomerate that owned him, and he said, "Oh, we can't do it." I said, "What happened?" He said, "Well, I have to reduce my research budget by \$100 million, because quarterly profits are down, and we don't want the stock price to go down." That's the game that's being played.

MARIA BARTIROMO:

[10:01:02:00](#) So it's a-- so, it's a fear of not making the numbers, a fear of not making money-- a fear of-- of taking a risk. And--

RODGER SCHANK:

[10:01:09:00](#) Well, it wasn't a risk, in this case, he knew perfectly well that they didn't want the stock price to go down, so they're no gonna spend money on things that are about next year or-- or ten years from now. The issue is, does Wall Street let people think about ten years from now? Because the world's gonna change. I once had an (UNINTEL) consultant do a-- a-- Encyclopedia Britannica, the CEO of Encyclopedia Britannica. And he asked me, every time, is Encyclopedia Britannica still be around in five years? Will books still be around in five years? And I said, "Well, maybe five years, but not 20." But he was 85 years old, so he didn't care. (LAUGHTER)

MARIA BARTIROMO:

[10:01:40:00](#) That's funny. Well, some of the themes, though, that came out tonight, also could apply to-- being afraid of not making the numbers, not making a profit. Like what-- what-- Kathleen Black said. She said, "Get rid of this idea, we tried it before and I didn't work. We're not gonna try it again," markets change.

RODGER SCHANK:

[10:01:58:00](#) Well, and the world changes, and the sense of what-- what I did last week inhibits everybody. You know, (UNINTEL PHRASE) something I call the wheel-- reinventing the wheel syndrome. Everyone's afraid they're gonna reinvent the wheel. But, you know what, when you reinvent the wheel and you don't know about the old wheel, you might get a new wheel. So, people inhibited-- they're only thinking, "Well, maybe somebody's already done this." That'll kill you, right there.

MARIA BARTIROMO:

[10:02:17:00](#) How about this idea of having a flat organization. I felt that you were mixed on this topic-- depending on where-- who we were talking to, whether it was our experts or-- or the innovators that we talked to earlier. DO you want to have a flat organization, where you wanna have everybody try every job, knowing that not everybody's gonna be an innovator?

RODGER SCHANK:

[10:02:35:00](#) No, I have-- I have project managers who work for me. They're very good at project managing. I have people who take-- translate my ideas into workable ideas. They're very good at that. (UNINTEL) things they're good at. You can't make them do something they're not good at, they just-- get-- very uncomfortable and very unhappy and they quit and go be a project manager somewhere else.

[10:02:51:00](#) You have to let people do what they know how to do. What I object to about companies, is they don't tend to hire innovative in the first place. They're not sitting there thinking, "How can I get some brilliant guys who are kind of-- gonna be really annoying and dress funny and wear dress," as Vinod said, and actually, maybe come up

with something really great, but it won't be for 10 years. Will they ask that? Will they let that happen?

MARIA BARTIROMO:

[10:03:08:00](#) Yeah, Vinod-- is a tremendous innovator.

RODGER SCHANK:

[10:03:11:00](#) Oh yeah!

MARIA BARTIROMO:

[10:03:12:00](#) He-- he had so many great ideas.

RODGER SCHANK:

[10:03:14:00](#) And he's always had great ideas. And I love that he's a venture capitalist, 'cause a venture capitalists are the big killers of ideas, and maybe he's actually not doing that. That's nice to think about.

MARIA BARTIROMO:

[10:03:22:00](#) Yeah, and-- and he was-- he was saying that, "Look, you want to be fostering this-- this-- this idea of innovation throughout the company." Does the innovation start at the top with the CEO?

RODGER SCHANK:

[10:03:31:00](#) No, it-- it-- you know-- the only thing the CEO does is let you feel like you have the right to voice your idea.

MARIA BARTIROMO:

[10:03:35:00](#) Howard said it did start-- start at the top. Howard Putnam.

RODGER SCHANK:

[10:03:39:00](#) Probably, in his company, it did. Because what happened in Southwest was-- it was started by-- I mean, Southwest was-- is a brilliant idea, started by a brilliant guy. That's wonderful when that happens. But, if I'm running a company, and I want to start innovating, I don't want to say to the CEO, "Hey, look CEO, your job is to have the ideas." That's never happening.

[10:03:55:00](#) The only thing a CIO-- is supposed to do is to let people have ideas. Let people come up with a tough question and not get angry about it and say, "Well, yeah, I'm (UNINTEL), I'm confused. I-- I-- I gotta-- that's great, I love being confused."

MARIA BARTIROMO:

[10:04:07:00](#) Right. So many great ideas. This is a great discussion. I'll see you next week, I'm really looking forward to our second episode.

RODGER SCHANK:

[10:04:11:00](#) Me too.

MARIA BARTIROMO:

[10:04:11:00](#) Roger, see you later. That's the business of innovation for this week. I'm Maria Bartiromo. Now, here's a look at what's ahead on next week's program.

ANNOUNCE:

NEXT WEEK ON THE BUSINESS OF INNOVATION... EVOLUTION AND REVOLUTION... THE CHALLENGE TO LOOK INSIDE YOUR BUSINESS FOR OPPORTUNITIES TO INNOVATE VERSUS THE CHANCE TO HIT THE JACKPOT WITH SOMETHING TOTALLY NEW.

THAT'S NEXT WEEK ON THE BUSINESS OF INNOVATION.

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