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(a business manual for generation why)

by **mike edmonds**
with ronnie duncan

WILEY

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introduction

Do you believe that telling the truth and having respect for others is more important than manipulating people for financial gain?

Good news. Your time has come.

The age-old tension that has existed for eons between the Seller and the Buyer is finally coming to a head. That fundamental distrust about what a Seller claims is their motive and what their subsequent behaviour reveals their motive actually is.

From snake oil salesmen in the 1800s declaring their interest was entirely in the health and wellbeing of their customers, to modern-day banks promising that people's happiness is their primary concern, the Seller's pitch to the Buyer has always been the same: we want what you want, we feel how you feel, we empathise with your needs.

Generations of consumers soon learned that this was ... well ... bull manure. Because of what happened after the money was handed over.

Gosh, darn it, that snake oil I purchased was worthless. I believe that salesman knew precisely what to enquire of me in order that I should furnish him with my money.

Ergh, my bank charges me a higher monthly fee than they offer new customers and kept me on hold for 23 minutes when I called to ask about it. I think they just research what a working stiff like me wants from a bank and then pretend that's who they are in their ads.

Have you ever felt like that? It's like we've all been playing a giant board game called *Caveat Emptor*, an ancient Latin phrase meaning *buyer beware*. In this game, Buyers kind of know they can't trust Sellers but they tolerate them, and Sellers kind of know that Buyers don't believe them but still pretend to be driven by what Buyers want.

In recent times the game has become increasingly sophisticated as imaginative brand communications driven by advanced research and big data follow us into every new medium on every new device. But the result is the same: consumer cynicism about companies' motives and a growing distrust about capitalism in general.

What a huge shame! The concept of capitalism is actually a terrific idea. Seriously. Throughout history it has been shown that an open market drives innovation and creates jobs, which helps people house and feed themselves and live longer, healthier lives. It leads to lower infant mortality rates, higher levels of literacy and fairer welfare systems.

Capitalism may have mutated during the 20th century into the shadowy spectre of greed many people see it as today, but at its core the theory of an economy being free is a good one. It brings out the creativity and industriousness in us humans and gives us choices about how we want to apply our talents and make a living.

Thankfully, the game of *Caveat Emptor* is changing. With a mere swipe of their index finger the Buyer can now share the truth about how the Seller is behaving. Instantly and globally. As a result, the Seller is suddenly finding that the TV spot they shot with that hot new French director has been made worthless two days into a six-month media schedule by a one-star product rating from a little old lady in Arkansas.

This new world of transparency is rewarding companies that are honest with consumers. Companies whose motive is to offer real value and genuine usefulness. Because they want to. Not just because that's how you attract customers.

At the same time, the savvier, connected consumer is punishing companies that under-deliver on their promises and hide behind brand image and PR spin.

In effect, capitalism has begun a new era. One in which the best way to guarantee a sustainable business is to tell the truth. Honesty is no longer just a fluffy credo your mum urged you to follow so you could get into heaven; it is rapidly becoming the only way to run a profitable business.

This book has been written to help the people who are fuelling this new era. A new generation of business owner. The car mechanic who believes the big auto-servicing firms aren't being entirely honest about what goes on in their workshops. The two friends from university who believe there's a more fulfilling way to help corporations recruit new employees. The housewife who believes her online store will be more helpful for new mums than the big brands at the mall.

This is the 'Generation Why' I refer to on the cover. Any person of any age with a yearning to start a business designed not just to make money, but to make a stand. For truth. And value. People with honourable motives who want to put their Why at the core of everything they do in business.

If you'd include yourself in that group the question becomes: What is your truth? What is authentically motivating you — and the staff you have or will have — to deliver something of real significance and worth to your customer? Without exaggeration, without spin, without preying on people's self-doubt and vulnerability. What is your True Purpose: that higher ideal that will align your consumer promise with your actual behaviour?

This book explains what True Purpose is and why you need to know yours in order to survive in this always on, super-connected world we now live in. It gives you proven tools to surface this truth; and it provides you with a system to implement it, to measure its success and to keep growing, improving and succeeding.

I have worked in the marketing industry for close to 40 years. In 2004 I co-founded a new kind of branding company, Meerkats. One that doesn't just give companies a cool image, but helps business owners unleash the commercial viability of what truly motivates them. For over a decade we have been applying the methods shared in this book to such great effect that we felt compelled to share it with business owners everywhere. Especially the ones who might not be able to afford a professional consultancy like ours.

My aim is to give you a jargon-free instruction manual on how to do what you love, make it commercially viable and maybe, just maybe, help change the misconceptions about capitalism as an idea to advance humankind.

8 the wrong way around the circle

Maybe I should start calling this The Other Way. It's a big call to accuse 90 per cent of the world's businesses of doing the wrong thing. A lot of them are very successful.

But hey, I'm passionate about this stuff and I think people are pretty much nuts for going the other way around our precious Circle. There's nothing criminal about it; there's often nothing even unethical or selfish. A lot of business owners go this way and are still good, honourable citizens.

The reason I call it wrong is because of what it leads to in the medium to long term. And that's the seductive nature of going the wrong way: at no point will you ever feel like you're making a big mistake. Everything will feel reasoned and logical. Responsible even. But, bit by bit, the cumulative knock-on effects build up to a big mistake.

It's like pollution. Tipping the occasional barrel of industrial waste into the ocean doesn't seem that bad — 'cos hey, the ocean is huge. And nature is resilient. And we've been doing it for centuries and so far not much has happened. Until one day, someone points to a floating mass of dead fish and proves that it wasn't an act of God: they were starved of oxygen because of pollution. And then more studies are done and more people join the

conversation. And before you know it the whole world is starting to realise it has to change its conventions because bit by unnoticeable bit it's led to something being very wrong.

I believe conventional business practices have been pouring waste into the idea of capitalism for a few generations now. It's been hard to notice because ... well ... it's the convention. And throughout the history of humankind, conventions have a habit of evolving from a shared technique to an impenetrable object. Especially when those conventions deliver financial returns to those practising them.

Only now are people starting to point to the money-first mantra of capitalism as being perhaps a tad short-sighted. The conventional motivation of business has been for almost 100 years now an undying responsibility to the shareholder. In the United States it's treated almost as a religion. So much so that if you dare challenge the basic premise of capitalism — to create financial returns for the greater good of free enterprise (and democracy) — you risk being labelled a communist or socialist.

Thankfully, the ever-improving educational levels of the global citizen, aided by the rise of the internet, have led to a kind of global emotional literacy on this subject. People are aware that capitalism has mutated from a sage-like entity that once guided humankind to a brighter future into a selfish beast that needs to be fed at almost any expense — and usually via a subtle deceit.

They're seeing that companies aren't being authentic with them about what their true motives are. They see the yawning crevasse that exists between what a company tells people it's driven by — in advertising, websites, Facebook, Twitter, instore displays, PR releases, and so on — and the actions of that company behind the scenes — in the CEO's office, in their boardroom, in their bank's boardroom, in the factories, on Wall Street.

And often not even behind the scenes, but to our very faces, in the form of poor customer service instore, long on-hold wait times on the phone,

poor product quality, the difficulty we have in being able to speak to a human from the company once we've signed up, the way they bribe new customers with all kinds of discounts and deals they don't offer to their existing customers ... the examples are endless. I'd laugh if this barefaced hypocrisy wasn't so downright tragic.

Just today (at the time of writing) I saw a story on the morning news about an airline that had overbooked a flight. That's a good enough example right there. But this airline went even further: after failing to get anyone to volunteer to leave the flight, they had air marshals physically remove a passenger. This wasn't some terrorist suspect or even a drunk; this was a well-behaved paying customer! And initially the CEO didn't even apologise. He explained — with an air of logic that was ludicrously inappropriate for the context — about how the airline business model works.

Here's the point: all that reactive, self-serving behaviour wouldn't be viewed by the general public as so heinous if, all along, that airline had been telling us the truth about why they're in business. If they'd said quite honestly that 'this is the best we can do folks. The margins in the airline business are so tight we simply have to overbook flights and occasionally kick you off. And the benefit to you is lower fares and a smaller world'.

But they don't, do they? No. They run ad campaigns costing hundreds of millions of dollars telling us that they're the happy airline, the cool crew, the travel lovers. They ignore the truth and instead show smiling flight attendants and suave pilots and soaring jets and loved ones hugging. Because, guess what? They've done research that told them that's what we all want to see. It has very little to do with what that group of people called an airline company is actually motivated by.

I'm sure all those things are what the founders of that airline were motivated by. And I'm sure there would be many good people in that company who are still motivated by that. And I'm willing to even bet that some of the leaders of that airline genuinely want to believe that's still their

main motivation. But I'm sorry guys, when it comes down to brass tacks, you have to agree that the only true judgement of someone's authentic motivation is how they behave towards you. Over and over. And the truth is, this airline put money before all of that feel-good stuff.

The sad thing is, companies like these also try to fool their own staff by asking them to buy into this untruth as well. They train them in how to behave to meet the researched and prioritised needs of their key target audiences, but just as we customers eventually see through this ridiculous pretence, so do staff. Only they do it more quickly because they're in the belly of the beast. So the truth comes out faster: 'Hey, check-in staff. We want you to be happy and chat to our customers. But you also have to process an average of 8.2 passengers per minute, otherwise we don't reach our cost-per-acquisition targets'.

The bitter-tasting but deliciously ironic icing on the cake in this particular story is that the airline in question has the slogan 'Fly the friendly skies'.

All this crazy fakery happens because companies go the wrong way around The Circle. They start at Reward and work backwards. Let's look at the knock-on effects of this misguided, but still conventional, approach.

rewards first

A good sports coach knows that you don't win simply by telling the players to get a big score. The big score comes after you motivate the team to be their best. So it is in business. Going the wrong way around The Circle begins with a company's owners focusing on the scoreboard: profit.

Instead of asking, 'How are we going to make this thing (your product, your category, your world) better?', you begin the whole process by asking, 'How are we going to make money?'

It's understandable. Putting your house on the line and becoming your own boss creates enormous instant boogie monsters about the possibility of financial ruin. I get it. I've been there too.

But when you start at Reward you immediately begin to put to one side what you love. You place the fear of not making enough money to survive ahead of all the benefits of pursuing your true motivator, which ironically include making good money.

When what you want is placed a distant second to what the customer wants, all the good stuff we explored in the previous chapter is compromised. The enormous potential of authentically motivated humans starts to be dramatically capped.

The fakery begins here. It's subtle, but the knock-on effects are enormous.

this is grey, folks

Like almost every system that genuinely works in this fickle world of contrary human behaviour, the principles of The Circle are coloured grey. A hazy, blurry, hard-to-define grey. Not black. Not white.

We humans love black and/or white. If someone says they're not funny, they must be serious. If someone says they don't like war, they must be pacifists. If a company says it has a culture of freethinking and sharing, they must be hippies.

The more fearful the society, the more black and white it is. In the United States, if you say you want to help poor people get access to free healthcare you must want to bring down the whole democratic state. If you say you want to make it a little harder for bad people to get guns, you must want to end all gun ownership, anywhere, forever.

We emotionally led humans find it hard to exist in that grey space where the black and the white meet. Instead, we behave like pendulums, swinging past that sweet spot to the extremes on either side. It's why people get divorced and wars start. It's like we all have a little terrified alarmist sitting on our shoulders who extrapolates the very worst (or best) of every new idea we hear and then shouts in our ear.

But the awkward truth is that most equitable solutions to the world's problems lie in that grey sweet spot between the two extremist viewpoints.

So when I recommend you don't *start* with money as your primary motivator, don't get sucked in by that little guy on your shoulder and think that I don't want you to make money.

Having people make money is the whole reason I'm writing this book. I see conventional business practices as being less and less the way to ensure long-term healthy profits.

I see capturing the power of authentically motivated humans to create business opportunities as the future of the whole idea of capitalism.

So let's do a deal: throughout this chapter I promise to do my best to clearly explain how The Circle helps you grow a great business and make money and pay off your mortgage and become financially independent, if you promise to keep an open mind when those words meet your eyes.

Deal? Great. Let's continue.

growth as pressure, not pleasure

When you start at Reward and move clockwise to Growth instead of being pulled towards a fulfilling, commercially viable higher purpose, you're pushing towards a clinical goal. It's triggered by a fear of failure and the addiction to logic that's so prevalent in conventional business. But it's wrong.

It's like you're saying, 'In order to make money, we must grow a customer base. In order to grow a customer base, we must provide them with products and services that they want. So what do customers want? Let's research it. Let's find out what people want and then we'll use our skill to give them that'.

It seems like the right thing to do. And yes, you're still accessing your passion and talent, but you're already pointing those powerful assets away from yourself. And the more you point your actions away from their true source of motivation, the more likely it is you'll be drawn into the conventional cycles of business — the cycles that lead to companies all looking and sounding the same in their desperate united quest to be the customer's best friend.

Have you ever met someone at a party and for some reason they latch onto you and want to be your buddy? They ask all about what you like and lean in too close or use your name a lot or compliment everything about you or laugh just a bit too loudly at your jokes?

This is how companies are perceived by the public when the people who run them put their own authentic thoughts and values second to what they've found out about the customer. It leads to that company being surrounded by a halo of desperation.

And that's a real turn-off. We humans much prefer making friends with people we respect; people who are likeminded but different; people we can learn from; people who complement us, not just compliment us.

When companies go the wrong way around The Circle, this is the vibe they're putting out into the world. They subjugate the things that would actually make us respect them (strong opinions, making a stand, ethics, values, transparency, vision).

My theory is that inside almost every human are those qualities, lying in wait, ready to come out and change the world. They just don't have enough faith in their value to overcome the fear of bringing them out. They don't see that conventional business wants it. So everyone keeps playing the same game of Money First = Customer First. And on they go the wrong way around The Circle, leaving their own beliefs and integrity lagging way behind. Today it's called 'customer-centricity'. But it's the same old backward behaviour.

There are two other key observations I want to make about attempting to attract customers when you start at Reward.

the temptation to manipulate

I want to briefly revisit a topic I shared with you earlier under the heading 'On the defeat of deficiency advertising' because it's acutely relevant here.

Going the wrong way around The Circle makes it much more likely that companies will be tempted to take advantage of consumers' insecurities. Research techniques and data algorithms are becoming so sophisticated that we can now find out the exact moment in time when people are not just predisposed to buying a certain product, but when they're experiencing low self-esteem, fear, hopelessness or vulnerability.

As a company owner wanting to advertise to such humans in order to meet their lofty sales targets, this inside knowledge often leads to a difficult choice.

Do you make use of a new understanding of people's emotional states to sell a product, even if it exacerbates them feeling bad about themselves? For example, a life insurance brand discovering that many middle-aged men feel guilty that they haven't created enough personal wealth for their family.

Or do you take the higher moral ground even if it means giving up potential sales?

Companies that decide, 'Yes those emotions are fair game' (all's fair in business and war after all), often defend their actions by saying that their product is helping to alleviate such feelings; that in fact, far from being a capitalist monster, they're the corporate white knights.

I don't buy it. And neither do a growing majority of educated, connected consumers.

We know when our emotions are being played with. We're hard-wired to detect phoney empathy. Like the car dealer who expresses concern about the base model of the car the young man and his pregnant wife are about to buy and instead recommends the fully optioned top model because 'it's safer for the kiddies'.

I'm not suggesting that everyone in business is exuding counterfeit sympathy. But I'm definitely suggesting that unless you're shaping your business model around a win-win for yourself and the consumer, you'll be tempted to use whatever consumer intelligence you uncover. Including the subtle manipulation that comes with preying on people's fears and insecurities. Because hey, everyone else is.

This is a massive problem for me personally. I think it's another cancer cell for capitalism, eating away at consumers' trust of the whole system of corporations and free enterprise. I think when companies prod you where it hurts, even while smiling and empathising, we consumers feel slighted. Maybe at a very subconscious level, but that's where societal trends begin: not as overt, conscious reality, but as subtle, primitive human feelings.

My theory is that over time, those thousands of hurtful little rebuffs build to a distrust of companies that resembles hatred. And hatred for the system that constantly delivers those feelings: capitalism.

The truth is, it's not capitalism's fault. It's the companies who know no better way to turn a consumer's attention to their product than to prey on their anxieties.

The single most startling — and desperately disappointing — recent example is Facebook. The one-time darling of free speech and humanity has, at the time of writing, been found to have created a computer algorithm so sophisticated it could report back to advertisers when its young users were feeling vulnerable. It could then target them with products that addressed youthful confidence. I'm presuming that would be acne creams, deodorants, tampons, energy drinks, fashion labels, and so on.

In a staggering betrayal of trust, Facebook was profiting from the anxiety of its own customers. When found out, they apologised and launched an investigation.

This is what happens when you go the wrong way around The Circle. Good, intelligent, sane humans subtly turn on each other. The tragic irony is that the people responsible for approving and creating that software would go home at the end of the day and somewhere between the front door of Facebook and the front door of their houses, they would turn back into humans again. They would sit down and watch TV and openly criticise any brand with the audacity to advertise to them in a clumsy way. It's like they leave the real world each day and enter an invisible bubble where the

pressure of delivering results and elevating career status make common sense and compassion redundant. I refer to this as the Bubble of Bulls**t.

Going the wrong way around The Circle makes that bubble bigger, thicker and even more invisible.

bad customer service is a clue to a lack of purpose

Have you ever walked into a shop and instead of entering a world of warmth and authentic human contact, you have the feeling that the people who run that business don't actually ... um, *like* customers?

Sometimes it's just a vibe in the air. An invisible sense of coldness from the decor or the owner's body language. Sometimes it's blatant. The one I remember most is a fish 'n' chip shop I went into while staying in a coastal resort town.

Not only were there no smiles or hellos when I entered, I was immediately assailed by a sea of laminated signs:

No, we don't give tomato sauce for free!

Don't touch the vintage jukebox!

No eating of takeaway food on the premises!

And of course the globally used:

Don't ask for credit as refusal often offends!

Seriously, these pre-emptive strikes on me, the customer, took up more wall space than the menu board. Before I'd even made it to the counter, I got the clear and distinct impression that whoever owns this business hates it. Or at least, hates me. Which in a service industry is pretty much the same thing. Loving fish 'n' chips but hating the people who buy it is not a profitable business, it's a costly hobby.

I also once entered a bookshop that had signs on every shelf saying (I'm not kidding) *Don't read the books* and *This is a shop not a library* and my personal favourite *Soiled books will have to be paid for*. Yikes. Can you imagine a worse environment in which to browse for a book?

Whenever this happens to me, and it happens depressingly often, I don't think, 'You dicks'. Seriously. I think, 'Wow. You guys aren't being true to yourselves and you're going to fail'. Here are people who have started a business that doesn't suit them, that they don't love, that actually maybe even annoys them. All for the tiny reward of being their own boss.

It must be exhausting being those people with that mindset. Sales would be such a struggle. In order to bring in new customers to replace the ones they frightened off they'd have to start discounting and adding new product lines and trying those stupid gimmicky impulse buys that clutter up their counters ... you know, the ones that some visiting salesperson guaranteed would add \$500 to their daily take. They'd start closing at 12 on Saturdays and not opening for late night trading. You see it all the time in failing cafés and newsagencies and delicatessens and gift stores. The whole store acquires a dismal air of defeat.

Now, I understand how a lot of small-business owners open a shop or buy a franchise because they're in their 50s and have few lucrative job prospects. I empathise with that. But why do it in a category of commerce that's going to make you unhappy?

Good customer service is hard. People can be annoying. They can leave a mark on that book they were just browsing through, meaning you probably can't sell it now. They can forget to put the sauce back in that perfectly good sauce rack you specially bought and put there for them.

My belief is that if you're not motivated by a higher purpose, these little annoyances can become huge, self-fulfilling barriers to success.

At their worst, non-purpose-driven companies can end up hating their customers. Which is a double whammy of unhappiness because you don't enjoy serving your customers and you find it insanely hard training anyone else to.

If the reason you started a business was to make money and earn a living because you'd heard that newsagencies or lunch bars or mowing franchises make good money, devoid of any measurement of your own fondness for that activity, you'll find it incredibly hard to provide long-term sustainable customer service. And if you can't enunciate to a young employee a genuine reason why you yourself enjoy being in the company of those annoying, fickle, contrary humans we call customers and clients, what makes you think they will?

The best you can hope for is to find ways to bribe them to serve well through sales incentives and staff awards. And they don't last. Because they create the illusion of good service, not the real deal.

I've met countless business owners who complain that it's so hard these days to train young people to properly serve their customers. In many of those cases I believe the cause was the owner's total lack of authentic motivation. They had very little genuine passion to pass on to their young staff. Let alone any bona fide end benefits that were true win-wins for their staff and their customers.

The only rationale they usually came up with to prompt better customer service from their staff was 'Because it's good business' and 'Because that's what I'm paying you for'. A sense of responsibility to the company only lasts so long in the minds and hearts of employees. Eventually, the contrary foibles of customers wear you down.

Bottom line: if you own a lawn mowing franchise and don't love being outdoors and making people's yards look awesome and seeing the smiles on their faces, choose something else.

innovation. now! hurry!

Do you know the old fable *The Emperor's New Clothes*?

It goes like this: one day in a far-off kingdom a pair of con artists hatched a plan to profit from the Emperor's famed vanity. They told him they were magical tailors and that they had made a royal robe that only the wisest people in the world can see. To everyone else it was invisible. They mimed holding up this incredible robe for the Emperor, turning it round for him to see the quality of the fabric and the stitching.

Of course the arrogant Emperor, fearful of not being seen as the wisest man in the kingdom, said the robe was wonderful. He put it on and asked his courtesans what they thought. Not wanting to be the ones to doubt the wisdom of their Emperor, each in turn said the robe was fabulous.

The tricksters duly sold the robe to the Emperor for a handsome sum and left the kingdom (in a hurry). The Emperor was so pleased with everyone's increasingly enthusiastic — if a little nervous — response to the robe that he decided he would wear it in the grand parade the following day. Word got out of the Emperor's unusual robe and all the citizens lined up along the main street and played along, applauding the Emperor, more out of fear for their lives than simply massaging their glorious leader's ego.

Then, a young boy stepped forward. As children do, he saw things as they are, not what they should be, and shouted, 'Look, Mummy, the Emperor is wearing no clothes!' Sure enough, underneath his magical robe the Emperor was wearing only his underpants and once the child had exposed the mass delusion, the bubble burst and everyone began to laugh. The whole silly façade crumbled and the Emperor scurried away in shame, exposed as being foolish and gullible, a victim of his own ego.

This is the effect that occurs in business with that magical driver of economic growth, innovation. Travelling the wrong way around The Circle

creates a subtle air of desperation as every business seeks to please the consumer better than the other. This frantic search for newness leads to weak simulations of innovation. Products and promotions and service design that are neither original nor revolutionary. Because they weren't stimulated by genuine caring, authentic passion and bravery. And so while most companies think they're being innovative, it's really just the illusion of creativity. And like the Emperor's robe, the illusion is exposed when it leaves the boardroom and enters into society.

The group delusion usually begins while looking at an impressive PowerPoint slide:

- A research firm may be showing some white space they've found on a two-way matrix jam-packed with competitor brands. 'If we shift the positioning of our product towards this part of that quadrant, it would be a very innovative move for this category.'
- A marketing strategist may be explaining how they can *own* a part of the consumer's emotional mindset that's currently unoccupied by the competition. 'This innovative strategy will give us new relevance and potency with our core market.'
- An R&D guy may be presenting a new product he's working on to combat a new entrant into his category. 'We have to innovate to fight the inroads they're making into our base product suite.'

Often what eventuates is merely an imaginative tweak to an existing norm. Which to me is not genuine innovation.

the three types of innovation

Let's take a quick pause here to put my last comment in context by exploring the three basic forms of innovation in business. I found this overview in an article titled 'The power of market creation: How innovation can spur

development' by Bryan C Mezue, Clayton M. Christensen and Derek van Bever (January/February 2015 issue of *Foreign Affairs* magazine). I think you'll find it interesting too.

The authors define innovation as new thinking that generates economic growth, with 'economic growth' meaning primarily prosperity that creates new jobs.

I endorse the view that jobs should be the ultimate assessment of economic growth because job creation means the innovation is benefitting humans all the way down the commercial hierarchy. It is advancing humankind, not just the bank balances of a few CEOs and investors.

So let's look at the three types of innovation and the degree to which each of them is likely to drive job creation.

sustained innovation

The lowest form of innovation is where the thinking is merely improving an existing idea — for example, all the touchscreen smartphones that followed the iPhone. The various brands may call their products innovative because they have larger screens or better cameras, but really they're simply an advancement of an existing idea. To me, the first iPhone was hugely innovative. It created an entirely new market segment. All the versions following it do not.

Sustained innovation provides short-term prosperity, but in terms of job creation it triggers little overall growth because the result is more about customers moving from one brand to another.

Like the next rugged, sexy SUV. Or the next small, lightweight laser printer.

Yes, there is growth from new customers entering the market, but it's not because of an updated product. They were always going to enter the market anyway.

efficiency innovation

This is where someone has a new idea about a commercial process, usually manufacturing, that leads to a company making more money with less infrastructure.

For example, when a certain Mr Walton looked at the way department stores like Macy's and JC Penney structured their business, he found them to be hugely uneconomical and created Walmart instead. Efficiency innovation certainly elicits large economic returns, but it often leads to fewer jobs in society because one Walmart knocks out dozens of other retailers in that geographic area. What's more, in Walmart's case the entire business model is based on outsourcing the production of goods as that's the only way to undercut the competition.

Another good example of efficiency innovation creating the illusion of prosperity are the nations rich in oil and precious metals. Finding a rich vein of silver or a large subterranean oil reservoir activates big, headline-making economic growth. But to what end? The act of removing fossil fuels and minerals from the earth and turning them into money is incredibly cost-efficient. The numbers of staff required in relation to the money earned is among the lowest ratios in commerce. Add in advancements in robotics and self-drive vehicles and you get a kind of innovation that doesn't actually benefit broader society in the way those global mining brands would have you believe.

market-creating innovation

This is the kind of innovation that truly brings something new into the world. The personal computer. The scooter. The smartphone.

It creates a new market. Requiring new jobs. And these jobs are often permanent jobs that create enduring economic growth and prosperity in the region. Because this innovation is targeting non-consumption.

That is, market-creating innovation makes available to everyone what was previously only available to the elite. Whether that's using the power of computing, having your own personal transport or being able to make a phone call from anywhere. It usually requires someone to spot an unmet consumer need, or a wrong that needs to be righted.

A lot of the best market-creating innovations have turned the liabilities of an emerging nation into assets. A great example of this is Tata Motors in India.

Driven by an authentic desire to help their country grow and prosper, Tata's founders looked at the transport needs in their society that the current motoring brands weren't servicing. They didn't just look at what people were buying and improve on it. They saw what was not there: a need for a new kind of commercial vehicle. One that served those who were currently not in the commercial vehicle market at all: small manufacturers, tradesmen, farmers, and so on. They created a cheap, rugged delivery truck called the Telco (which stands for Tata Engineering and Locomotive Company). Its success was a double win for India as Tata then built manufacturing plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad and Pune to produce them, employing thousands of locals.

Vespa did the same thing in Italy. Samsung did the same thing in South Korea. And right now, new purpose-driven entrepreneurs are market-creating in every emerging Third World country in Africa, South America and Asia.

Yes, the directors of Tata became rich in the process, but compare the knock-on effect of this kind of innovation to the ultimate benefactors of the Walmart approach to innovation: that one Walton family is worth more than \$150 billion while employing fewer and fewer people per store to achieve the same profits. I wish them no ill. It's just not my choice of business philosophy. And if you've read this far into my book, I'm willing to bet it's not yours either.

innervation beats innovation

All three types of commercial advancement described above could be called innovation. And in any advancing society you'll have all three in play. So I'm not proposing we kill off the first two kinds. But I'm a firm believer that the only innovation that's going to fix capitalism as a concept is market-creating innovation. In my company we call it 'market-making' — it means the same thing but it rolls off the tongue better.

We also have another name for it: *innervation*. It's a more powerful and enduring kind of innovation because it comes from within. And not just from within a company, but from deep within the minds of the humans working for that company who are authentically inspired.

By the way, you may be thinking that the word 'innervation' is just a clever play on 'inner' and 'innovation' but it's actually a real word. It means 'to stimulate a body part or organ through the nervous system'. I think that's a pretty darned cool analogy for a type of commercial innovation that comes from within inspired humans.

My key point here is that the occurrence of innervation is highly unlikely when you're going the wrong way around The Circle. Because you're more motivated by what the customer wants than by your own opinion about what the world needs.

wanted: some people

What kinds of employees does a company attract when it's going the wrong way around The Circle?

After spending several decades observing this process from the privileged vantage of marketing (where commercial intent meets reality), I think it attracts the same kind of people as those who are leading it: people who have learned that to succeed in business you have to find out what the

customer wants and find a way to give it to them that's better than your competition. People who have learned that you must often subjugate your own beliefs — and sometimes values — to close the deal.

And no, I'm not implying that conventional businesses are always filled with hard-nosed salespeople who lie and cheat and do anything to get the sale. I simply mean they invariably become proficient in the customer-first, money-first mandate.

Hiring these likeminded people will therefore perpetuate that cycle. It creates a culture of hero worship for those who are best at it. Those who are at the top of the sales performance charts, conversion rates, cost-per-sale ratios. People who find a way — any way — to deliver better numbers for the company. And so that approach becomes the one that staff see as fully endorsed by management and is therefore the way to get ahead. So they pursue it. And eventually, nobody even considers there may be a better way.

and finally ... oh yeah, we need a purpose, i guess

Companies going the wrong way around The Circle skip over Purpose like it's Item 47b on the board agenda. They see it as important, but important like a catchy slogan is important. Or having an ad campaign that their friends compliment them on.

At best it's classified as a hygiene factor. 'We've got our business plan with the three horizons: our marketing strategy, our digital transaction policy and our cool Purpose statement.'

At worst, it's a bone they throw to their employees. 'Apparently we have to have a higher ideal these days, otherwise our millennial staff won't perform at their best for us. Get us one of those, will you Jenkins? Right, Item 47c ...'

Remember Hello, I'm Rachel? She was the victim of yet another company going the wrong way around The Circle, convincing themselves they had heart and worthiness because they had A Purpose.

I want to repeat some points I shared with you at the start of the book. Now that you've been around The Circle both ways, I hope they will make even more sense to you:

- Purpose is the latest cure-all in business branding. It used to be Brand Meaning. And before that Positioning. And before that it was your USP. And before that Enzyme X.
- Don't listen to any branding guru who offers to deliver you A Purpose. You don't need it. You need *Your* Purpose. Your organisation's true reason for existing.
- Adopting any old Purpose because having one is apparently today's smart business play won't work. Because Purpose is about aligning your behaviour out there in the real world with your genuine motive for being in business. Like, for real. What you sincerely, honestly, truly-ruly want to achieve from your business. You. The person reading this book.
- If your Purpose is not absolutely, unequivocally true, it will not survive the cynical eye of today's super-educated, super-connected consumers. Because today's consumers (remember, that's you and me and everyone around us) can see through corporate pretence better than any generation before. They will catch you out and expose your disingenuous motive instantly and globally.
- And remember, that super-savvy consumer is also your employee. So if you think a collection of pithy words cut out of plastic and stuck to a boardroom wall are going to fool the people you most need in order to grow a successful business, think again.

- Adorning your reception with the phrase ‘Excellence in customer service’ or any of the cliché words of inauthentic Purpose, such as trust and integrity and quality (at my company, we call them ‘fat words’) is becoming less of a reassuring promise and more of a red light to every cynical human who walks in your door, including investors, potential senior staff and industry media.

the more laps you do, the harder it gets

The truth is you can absolutely maintain a business going the wrong way around The Circle. Like I wrote earlier, it’s not a black and white choice between success and failure. It’s a conscious decision about how you want to live your life as you run your business.

Just know that going the wrong way means it gets harder and harder, not easier. More money to advertise your way out of having parity products. More research to find white space in the market. More temptation to pray on consumers’ fears to make a sale. More ignoring the huge forces for innovation that authentic human motivation is. More R&D. More PR. More bulldust.

the story of the little radio station that went the wrong way ... then the right way—uh, then the wrong way again

(Stay with me; this is a great little story.)

I want to share with you a commercial tale to clarify the ramifications of each direction you can take around The Circle. It’s about a radio station that was once a client of ours.

Radio stations are right up there as one of the worst business categories for going the wrong way around The Circle. Or should that be *the best*? Because they’re exceptionally good at going the wrong way.

In the first decades of the 20th century, radio stations were the voice of the people, each with their own specific geographic catchment area, providing companionship, entertainment, news and community connection. Along with handy information about local businesses. In those days every new radio station had an impact on its broadcast area, like the internet has on us all today: sudden 24/7 connection with each other and the world.

It was a much-loved medium that enjoyed a very personal, trustworthy connection with its audience. And so radio stations were quite parental in nature, providing help and guidance and comfort and friendship. They took their role in society very seriously and were definitely of the opinion that they decided what people needed most.

Today, radio stations are owned by media conglomerates, the bosses of which most likely never visit the communities they serve. They are dots on a map driven by that money-first attitude. Audience numbers mean revenue and so audience numbers drive their every thought.

As such, they're addicted to consumer research. In decades of working with every conceivable type of business, I've never come across a category that researches company purpose like radio stations do. They take the Steve Jobs remark I mentioned previously and change it to 'The customer has the only vote!'

They ask people which songs they want to listen to, what kind of person they want to hear in the mornings and afternoons, when they'd like their news and weather and for how long, what kinds of traffic reports they like, and so on and so on. And I don't mean once or twice a year. Radio stations research these things every single week.

So is it any wonder that they all sound the same? With the same 40 minutes of ad-free music at the top of the hour, the same breakfast crews and zoos and teams with the same combo of two guys and one girl, who all laugh just a little too loudly at each other's jokes.

They're the ultimate cheesy guy at the party trying to be your buddy I wrote about earlier. Except that at the radio party there are dozens of them, all trying to suck up to you at the same time.

Our client stepped out of this muddle of desperate neediness and into our lobby looking for help. In a radio market of only nine stations they were number 7. The only stations with fewer listeners were community stations housed in universities. And even those were nipping at their heels.

'We've tried everything!' they said. 'The easy listening station, the rock station, the sports station, the talk station, the blokey station, the new age androgynous cool station. It's driving us crazy! We ask people what they want. We give it to them and they still don't listen to us!'

At my company, we love meeting a company in pain. Because pain forces change. Pain makes you braver. Rather than give them the advertising campaign they came to us for, we advised them to stop looking outside for solutions and to look inside: to rediscover their True Purpose. It meant giving up the short-term ratings blip that may occur with a really good ad campaign or promotion for the longer-term benefits of finding out their authentic place in the world.

It just so happens that this struggling radio station was the very first FM station in my city. They launched in 1980 and because they were the first radio station to play music in stereo they communicated a genuine appreciation for music. Real music. Heard the way it should be heard. In glorious stereo.

While every AM station at the time was a wall of cool cats and rocky jocks playing the platters that matter from the hit parade, this new FM station said to the world, 'We love music. We honour its role in our lives. And we're going to prove it'. By employing radio announcers who are knowledgeable about music (not cheesy DJs). By not talking over the beginning and end of songs (like the AM jocks do). By playing songs at 45rpm (not the 48rpm that the AM stations played them at because that gave them an extra three

minutes for ads every hour). By speaking to their audience with intelligence and respect (as opposed to the tacky tones of many AM stations). Even by making the prizes in their on-air competitions about music (for example, a guitar signed by John Lennon versus the endless Asian holidays that research told the AM stations their listeners wanted).

So from the day it launched, every decision this new station made, from the boardroom to the studio, was driven by an authentic purpose to not only share good music with people, but to educate them about why it's good. This motive also affected the way their company earned its money. At AM stations the sales departments ruled the roost. They brought in the big money so they got anything they wanted: eight-minute ad breaks, outrageous promotions, news and weather and even songs sponsored by advertisers.

This new FM station, however, decided that commercials were an important part of their on-air sound, and therefore a part of their intelligent, authentic values. So they had a policy about the quality of ads they played. And they would reject ads that they deemed to be insulting or crass towards their audience.

Can you see that these guys were going the right way around The Circle, decades before anyone even named it that? They started from day 1 with a True Purpose: to foster a better understanding and appreciation for good music in our lives, for the betterment of not just their bottom line, but for the quality of life in society.

They gathered on-air staff and music programmers and promotions people and yes, even sales staff around this ideal. Motivated by their True Purpose, this group was inspired to create bold new ideas for their industry, ideas that served their higher ideal, not convention or ego.

Those innovations attracted an audience hungry for authenticity and passion and respect. Which grew their market and dominated the radio ratings for years and years. Which delivered great returns to the owners. Not just in income and profit, but in the personal fulfilment that comes from

putting your soul on the line and finding out you were right: that people want what you love.

That station was the number-1 radio station throughout the 1980s and 1990s. And no, not just because they were the first in FM. They stayed at number 1 well beyond the introduction of many other FM stations.

Fast forward to today. After two decades in a media landscape upended by iPods and iTunes and Pandora and Spotify and thousands of digital stations, that same proud, authentically driven station was a research-addicted mess of self-doubt. They had been sold to networks a couple of times, had changed staff many times over and were now going the wrong way around The Circle in a desperate attempt to find their place in the world again.

And yet, just below the surface was the same DNA that started the station in the first place. It was still there in many of the people who ran the station: the music programmer, some of the announcers and the CEO. They still had a tangible love for good music and when we did workshops to tap into their authentic passions, out it all came again.

It was clear to us that this group of people had the same potential for innovation around good music as the founders did all those years ago. Better yet, we suspected that this was just what the current radio landscape was itching for, with all its similar-sounding stations.

We tested whether the original beliefs this station had about music could still be relevant to radio listeners today. Whether the same authentic principles about good music and respect for their audience that saw their station's founders create so much innovative on-air content in the 1980s would resonate with the media-savvy, always-on population of today.

To cut a long story short, yes it could. Humans are humans, no matter how much technology changes. They want guidance and leadership. They gravitate to entities with a unique opinion, even if it's counter culture. Like new TV shows, films, bands, and yes even brands.

We told this station to back themselves: to look inside their hearts and present their station to the world with a full-strength, authentic love for good music.

So instead of sitting back and running an ad campaign, these guys got to work inside their own product:

- They immediately changed the eclectic old decor of their offices and studios from 'any old radio station' with dog-eared posters of any old music artists that the record labels gave them, to a decor that clearly honoured good music, with framed portraits of rock greats and inspiring quotes from Lennon and Cohen and Bowie.
- They changed the wording and style of their promos from loud 'n' cheesy to calm 'n' smart.
- They let some of their cheesy DJs go and hired more knowledgeable announcers.
- They did a massive audit of their music playlists and started playing more album tracks and local artists.

It wasn't just a return to the old ways. It was a realisation that there was still a need for a radio station that authentically believed their role in the world was to keep real music alive. The purpose may have been old, but the application of it was entirely new, for a new audience.

And it worked. After just two ratings periods they went from number 7 to number 1, dislodging the top station for the first time in 100 surveys. It was such big news, the story appeared on the front page of our daily newspaper.

Seriously. Email me and I'll send you the clipping.

They were going the right way again.

In doing so, they remained either the number-1 or number-2 station for more than a year. And the really good thing is that not only was the company successful, and making money, the people inside that company were feeling awesome. They had backed their innermost passions and truths. They had resisted the urge to ask their customers what they wanted and instead held hands and jumped off a cliff called Real Music. And they were right. People came. And that's the best feeling in the world. Because it's authentically *you*. Not some fake simulation of you that you've found out you have to be in order to please others. The real you. This is the power of The Circle. To unleash the commercial value of what's genuinely driving *you*.

Unfortunately, this little fable has a sad ending.

Because of their newfound success, they attracted the eye of a national network that bought them and promptly absorbed them into their national, research-driven programming template. Out with real music and in with 'The Best of the '90s, Noughties & Now!' Out with the calm, knowledgeable announcers and in with The Afternoon Crew streamed from network HQ.

Yup, you guessed it. This poor little abused radio station started going the wrong way around The Circle again. And once again they dropped from number 1 to number 7.

I'm not kidding. They slipped back down the ratings ladder all the way to the bottom with those tiny community stations. They spent a fortune on advertising trying to bribe their way out of it, but they're still number 7 as I write this.

To be honest with you, I get a certain amount of *Schadenfreude* from this story (that's a German word that means the guilty pleasure we get from someone else's failure). My guilty pleasure from this tale is knowing that it proves the power of The Circle. When we met them they were going the wrong way around The Circle and were number 7.

When we showed them how to go the right way, they went to number 1. When they stopped and went the wrong way again, they dropped back to number 7. It's almost too perfect a case study to believe, but I swear to you, dear reader, this story is 100 per cent the truth. I hope they find their truth again soon.