

FOREWORD BY TOM PETERS

AFTERWORD BY CLAYTON M. CHRISTENSEN

THE **SOFT** **EDGE**

**WHERE GREAT COMPANIES
FIND LASTING SUCCESS**



RICH KARLGAARD

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Praise for *The Soft Edge*

"As we shift from the rigid 'ladder world' of scale efficiencies to the nimble 'lattice world' of scale agility, mastering the soft edge becomes a hard reality. Karlgaard sharpens our grasp of this elusive though vital topic and offers pragmatic, accessible solutions."

—**Cathy Benko**, vice chairman and managing principal,
Deloitte LLP, and bestselling author of *Mass Career Customization*

"As a teacher and student of leadership, I've long believed the relevance and power of 'soft side' economics. (Trust, for example, is a measurable economic driver that makes organizations more profitable and people more promotable.) With *The Soft Edge*, Karlgaard joins the conversation and makes the bold statement that *the soft side is now the only remaining competitive edge* in our new economy. Leaders, I recommend that you take full advantage of Karlgaard's advice—so you can start to reap the dividends."

—**Stephen M. R. Covey**, *New York Times* bestselling author of
The Speed of Trust and *Smart Trust*

"At a time when the stakes couldn't be higher, many leaders are searching for new ways of competing—with resilience as a top priority. Forbes publisher Rich Karlgaard, a longtime voice for 'hard edge' business practices, argues that 'soft edge' advantages have enduring power in our knowledge economy. Anyone with a stake in tomorrow's bottom-line outcomes should take a close look at Karlgaard's cutting-edge book."

—**Amy Edmondson**, Novartis Professor of Leadership and
Management, Harvard Business School, and author of *Teaming:
How Organizations Learn, Innovate, and Compete in the Knowledge Economy*

"*The Soft Edge* is an eye-opener: Rich Karlgaard makes the utterly convincing argument that the soft side of business makes all the difference to a company's ability to thrive in the long run. Leaders, it's time to stop polishing your strategy and fine-tuning your execution. Instead, read this critical book—then start investing in the very soul of your company."

—**John Gerzema**, bestselling author, including
The Brand Bubble and *The Athena Doctrine*

"Leaders have never had so many opportunities—and pressures. Get to the heart of it with Rich Karlgaard, who has distilled his significant experience into a single argument that works for every organization in today's times: if you want innovation and lasting success, you must develop your 'soft edge.' Exactly. The soft edge is truly as vital now as strategy and execution. So whether you're a tireless chief, a rising star, or a 'hard-edged' business veteran, you owe it to yourself to get a copy of Karlgaard's compelling new book. Why? Because *The Soft Edge* will help you find the future—and the future is now."

—**Marshall Goldsmith**, Thinkers 50 Top
Ten Global Business Thinker and top-ranked executive coach

"Management and leadership thinking has reached a crisis point. The great irony of our age is this: the faster technology progresses, the more crucial it is to organize around timeless human truths. Rich Karlgaard shows the way in his compelling new book, *The Soft Edge*."

—**Gary Hamel**, director of the Management Lab
and author of *What Matters Now*

"At a time when strategy and execution can be bought, your company's core values are the very accelerators you need for differentiation and innovation. Forbes publisher Rich Karlgaard knows which organizations are now winning the endurance race, and why. He shines a light on an often-overlooked driver: values. *The Soft Edge* is for forward-thinking leaders dedicated to rising above the competition."

—**Sally Hogshead**, author of *How the World Sees You: Discovering Your Highest Value Through the Science of Fascination* and creator of HowToFascinate.com

"The best companies enchant us with purpose, affection, empathy, coolness, and grit. Rich Karlgaard's book shows you how to achieve this lofty goal."

—**Guy Kawasaki**, author of *APE: Author, Publisher, Entrepreneur* and former chief evangelist of Apple

"Rich Karlgaard puts the entire subject of culture and corporate character into a totally new context—a powerful framework proven with example after example. A great read for any business leader."

—**John Kennedy**, senior vice president of marketing,
IBM Global Business Services

"For decades I have witnessed the power of teams, trust, and smarts in the most disruptive startups in Silicon Valley. *The Soft Edge* makes a powerful argument for why great businesses and products repeatedly derive from the creative friction, small teams, and minimally invasive management which the best leaders employ to achieve breakout success. I want to thank Rich Karlgaard for a wonderfully readable and actionable exploration of these too often overlooked skills."

—**Randy Komisar**, partner, Kleiner Perkins Caufield,
and Byers lecturer, Stanford Business School

"*The Soft Edge* is crystal clear, deeply substantial, and alarmingly concrete. It illumines what an organization might be—what it must be if it is to impact the world and elevate the human spirit (and run a profit). To read it is an exercise in conviction."

—**John Ortberg**, senior pastor of Menlo Park Presbyterian
Church and author of *Who Is This Man?*

"I love this book. From the first page to the last it's a real pleasure to read, and without a doubt the most enjoyable business book in a very, very long time. It's smart, intelligent, and fun. That's because Rich Karlgaard understands the craft of writing and the art of business. He treats us to great stories and in-depth case studies that often read like edge-of-your-seat thrillers. And don't let the title fool you. Sure, it's about things like trust and teams and taste and stories, but it's rich in tangible, hard evidence that proves the power of these qualities. *The Soft Edge* is on my short list of best business books of the year. I think it'll end up on yours, too."

—**Jim Kouzes**, coauthor of *The Leadership Challenge*
and Dean's Executive Fellow of Leadership, Leavey
School of Business, Santa Clara University

"The workplace is facing unprecedented global challenges. Tomorrow's leaders must inspire their teams across a host of new boundaries—geographic, generational, economic, cultural, and technological—to name a few. The greatest will be those who can leverage their soft skills to motivate. In the world of big data, human skills will be the big differentiator! Learn more about twenty-first-century leadership in *The Soft Edge*—a wonderful, easy-to-read, and insightful corpus by longtime business innovator Rich Karlgaard. It's hard to find a more experienced, intelligent guide to help you and your company make the necessary leaps."

—**Ross Smith**, director of test, Skype Division, Microsoft

"Entertaining, magnificent, enlightening, and so relevant to the future."

—**Vivek Wadhwa**, vice president of research and innovation at
Singularity University; fellow at Stanford University's
Center for Corporate Governance; research director
at Duke University's Center for Entrepreneurship
and Research Commercialization

"There has never been a more challenging (but potentially rewarding) time to lead. As is often the case, Rich Karlgaard once again successfully 'zigs' with his clever premise of *The Soft Edge*. Flush with innovative ideas collected from his unique vantage point, he offers countless refreshing tips for tomorrow's leaders. Net—a terrific blueprint for a wide range of executives who are serious about leading teams to victory in the new frontier. A must-read!"

—**Greg Welch**, senior partner, Spencer Stuart,
marketing and board recruiting practice

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Rich Karlgaard

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Foreword

Tom Peters

Bob Waterman and I were hard-nosed guys. Both McKinsey consultants. Both engineers (Bob, mining; me, civil). Both Stanford MBAs. Life for us began and ended with beady-eyed analysis. We also had a McKinsey-ite's view of corporate America. Among other things, we worked in McKinsey's San Francisco office, on the forty-eighth floor of what was then the Bank of America headquarters. A couple of floors above us were the palatial offices of the bank's CEO. Oaken doors, as I recall, that reached into the city's fabled fog. The chief was protected from humanity by a phalanx of underlings in Savile Row attire.

Nonetheless, we found ourselves one afternoon in 1977 driving thirty miles down U.S. 101, turning onto Page Mill Road, and turning in to another corporate headquarters. That of Hewlett-Packard. HP had just crossed the \$1 billion revenue threshold at the time. We had an appointment, gained without the least bit of bureaucratic folderol, with HP president John Young. Upon our

arrival, John trotted out to greet us and ushered us to his office. Or is that the wrong word? It was in fact a half-walled cubicle, about ten feet by ten feet, that he shared with a secretary.

Hmmmm.

A half hour later, lightning struck. Mr. Young introduced us to what became a life-altering idea. Within the scope of the fabled HP Way, it was a notion fondly called "MBWA." Or Managing By Wandering Around. Get the hell out of the office, hang out with the engineers (or purchasing guys or whomever), exchange ideas, and take the pulse of the enterprise where the work was actually done.

Now jump ahead five years. Bob and I have written a book titled *In Search of Excellence*, and though it was the early days after publication, a lot of folks seemed to be buying it. We were in New York, heading for an early morning Bryant Gumbel interview on the *Today Show*. In the so-called green room, Bob looked at me with a wry smile and said, "Okay, who gets to say 'MBWA' on national TV?" He was my senior and I demurred.

We called MBWA part of the "soft stuff." It stood for being in touch with your customers, in touch with your employees in even a big firm. It stood for high-speed innovation fueled by a willingness to cobble together a quick prototype and get everybody playing with it at a fast clip. It was a long way from those mighty BofA oaken doors and assistants to assistants who still resided two floors above us in our San Francisco digs.

We were still engineers. We still analyzed the hell out of any data we could unearth. But now—thanks to HP and 3M and Johnson & Johnson and about forty others of their ilk—we had a fuller picture of sustaining excellent performance. Yes, the "hard stuff" damn well mattered. But it turned out, to horridly mix a metaphor, that the "bedrock of excellence" was that "soft stuff."

The values around engaging 100 percent of our staff's effort and imagination, of intimately hooking up with and co-inventing with our customers, trying out cool stuff in a flash without a thousand pre-clearances and shrugging off the inevitable screw-ups and getting on with the next try posthaste.

Bob and I had discovered things we hadn't expected and that messed with our preconceptions. The ideas and stories from *In Search of Excellence* were hardly "the answer," but we did help nudge a new model of enterprise management toward the forefront.

Times have changed—or have they? To be sure, the HP Way took a wrong turn with a succession of CEOs that managed by the numbers and strangled the essence of HP. As illustrated in the 1990s by Enron and WorldCom, and then in the early 2000s by sub-prime fiascos, and now by too many reality-free, numbers obsessed, models-r-us gangs, companies can ascend high up the economic pyramid before it all collapses.

Time for a reset?

I think it is high time for a reset, and that brings me to the delightful task of cheering on the birth of a new and necessary revolution heralded by Rich Karlgaard's magisterial *The Soft Edge*. As publisher of *Forbes*, Rich, not unlike Bob Waterman and me, brings impeccable logic and hard economics credentials to his task. And also like Bob and me, or even more so, in *The Soft Edge* he hardly runs away from the analytical side of things.

Rich offers and defends a balanced triangle of forces: "hard edge" (the systems and processes that guide complex execution tasks); "strategic base" (you stumble and tumble fast if you don't have a clear strategic direction); and, his focus in this book, "soft edge" (oft ignored or underplayed, it provides human values and resilience in a mind-bogglingly nutty world).