
TELECOMMUNICATIONS & ELECTRONIC MEDIA

LOOK TO NINJA INNOVATORS, NOT GOVERNMENT, TO CHANGE THE WORLD

By Gary Shapiro*

During a typical week, I split my time between Washington, where I work, and Detroit, where my wife works and my children live. You'd be hard pressed to find a more alarming contrast than these two cities. To know intellectually that Detroit has fallen on hard times is one thing; to see it every week on my drive home from the airport is something else entirely. That this once renowned city is now a shell of its former self—bankrupt, corrupt and crumbling—is a tragedy. Yet it still has beauty and wonderful hard working people.

The road I travel between Detroit and Washington is a well-trodden one. For decades, Detroit's automakers made the journey back and forth to pay homage to the power brokers in Washington, the ones who could grease the skids and tilt the playing field ever so slightly in Detroit's favor. This worked well for quite a while—until it didn't. Excuse the pun, but when the wheels came off in the guise of better, cheaper foreign cars, Detroit didn't quite know how to handle it. So it went to Washington. When that didn't work so well, Detroit went back to Washington again.

And so it went, for years, with the once great American automobile industry turning itself slowly into a creature of Washington. Was it any surprise that when the recession hit in 2009 those very same automakers returned to Washington, hat in hand, asking for help? Except for Ford Motor Company.

When Alan Mulally became CEO of Ford in 2006, he was brimming with confidence. "No matter how bad Ford Motor Company's problems are today, they aren't as bad as Boeing's were on September 11," the former Boeing executive said. He was wrong; Ford's problems were worse. The year Mulally arrived, Ford was headed to a \$12.7 billion loss. Four years later, Ford reported a \$6.6 billion profit. That in itself is miraculous enough. But what makes Mulally's turnaround of Ford the stuff of American legend is that he did it without joining his fellow automakers on their groveling journey to Washington asking for a taxpayer handout.

In my recent book, *Ninja Innovation: The Ten Killer Strategies of the World's Most Successful Businesses*, I coined a phrase for people like Mulally. I call them *ninja innovators*. Let me explain. The ancient Japanese warrior goes into battle with few resources and few weapons. The enemy has him beat in manpower and firepower. Unlike on the battlefield, if things go poorly for the ninja, there's no chance for surrender. No culture in history has looked favorably on enemy spies, which means that each

operation had only two outcomes: either the ninja completed the mission or he died in the effort.

But the ninja was not without great advantages. Only in rare circumstances would the ninja find himself in a hopeless situation. Years of training and discipline had provided the ninja with the cunning, creativity and tools to use everything and anything to his advantage. He was a master of his surroundings. When pressed into a corner, cut off and alone, the ninja's code was simple: He would *innovate or die*.

You can see where I'm going with this. Alan Mulally found Ford in a seemingly hopeless situation. The obvious escape route was to beat a path to Washington. Mulally didn't. Instead, he decided to transform Ford. He threw out the old model that had guided American automakers for decades. As anyone who has worked in a corporation long enough can tell you, transforming corporate culture is probably the hardest thing a CEO can try. Nevertheless, Mulally took a big, ossified, behemoth and turned it into a lean, mean, *innovative* machine.

Throughout my 30 years in the consumer electronics (CE) industry, I have watched dozens of companies dwindle and die. Changes in format, technology and media can render any company obsolete. Particularly today, the pace of change is so fast that CE companies are under constant pressure to stay ahead of the curve. Consider that the VHS platform had a run of about 30 years before the mass adoption of the DVD. Vinyl records reigned for 70 years before the advent of the CD. Now, Apple's original iPod, released just 10 years ago, is a museum relic.

Which is why even before the 2008 financial meltdown, "innovate or die" was the simple message I had for Consumer Electronics Association (CEA)[®] members. We could either be dragged down with the rest of the economy, or we could innovate. In 2012, worldwide sales of CE products topped \$1 trillion for the first time ever. Admittedly, to observe that an industry like consumer electronics must innovate is a bit like saying Ford must produce cars. It's what we do.

So the phrase "innovate or die" should not be exclusive to any industry. It must be a national rallying cry to restore our economic prosperity. Unfortunately, I fear in today's political environment, "innovate or die" has been modified to "innovate or beg"—as in, beg Washington for help.

I wrote the book because I wanted to celebrate America's great businesses, entrepreneurs and visionaries—the ninjas that are the real drivers of our national success. The fact is that we've let it become too easy for companies and industries to cut a deal with government when their backs are up against the wall. The ninja company, on the other hand, fights back through innovation.

Engage readers should know better than anyone that Washington is saturated with lawyers (I'm one of them). What are they all doing here? For one, they're trying to entice

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lawmakers to tilt the playing field as much as possible through legislation, regulations and lawsuits in favor of their employer. At a certain point in its growth, a company realizes that a major part of its business is done in Washington. The company that ignores this reality is the one that will be picked apart by its competitors.

Unfortunately, there's little we can do about that. What we can do is fight for the right economic policies and defend the companies that find themselves in Washington's crosshairs. A great recent example is the story of Aereo, which has incurred the wrath of the broadcasting industry.

The American broadcasting industry, composed of radio and television stations, is the quintessential government-dependent industry that long ago gave up innovating. It has survived through begging. For years, TV and radio broadcasters had a monopoly on how Americans received their news and entertainment. Then, starting about 35 years ago, the society they helped to forge began to change. First with the dawning of the cable age and then advanced by the satellite and Internet age, radio and TV broadcasting stations saw their exclusive conduit dwindle. Like a child throwing a tantrum, their response hasn't been a pretty sight.

When cable was first introduced in the 1960s, the broadcasters ignored it as an opportunity or competitor because the cable market, like every new market, started small. They did the same thing when satellite TV was introduced in the 1980s. Like the "Big Three" automakers during the '70s and '80s, the broadcasters preferred to adapt only by looking to Washington and seeking to regulate its competitors. One notable exception was the Hubbard family, which owned some small Midwest stations and saw the writing on the wall. The family started a satellite company that eventually merged with DirecTV. But the Hubbard case is the exception to the rule when it comes to broadcasters.

I first encountered the strength of the broadcast network/content lobby when I was a green lawyer. Back then, in the late 1970s, the broadcasters were using government to beat back a new device known as Betamax. As is well known, the case went all the way to the Supreme Court, which ruled in favor of Sony and its Betamax machine in *Sony Corp. of America v. Universal Studios Inc.* (1984). It was the first in a series of fights that I continue to have with the content world.

Today the networks' resistance to innovation is symbolized in its fight against Aereo, a streaming service that allows subscribers to receive and record programs over-the-air. As they railed against the VHS and the DVR, the broadcast networks now claim Aereo's service is a copyright infringement. Twice now, most recently in April, the courts have disagreed.

The charge of copyright infringement is a red herring anyway. What truly upsets the broadcast networks is that Aereo is just the latest technology that threatens their once-dominant market share of American eyeballs. They'd rather sue and have the technology declared "illegal" than innovate on their own. Fortunately for Aereo and consumers, so far the courts have generally sided with technology and innovation.

Lawmakers are a different story. So much bad legislation has become law because various industries bullied, cajoled or bought pressured lawmakers. Since it's usually the wealthy

industries that have the resources to do the bullying or buying, entrepreneurial startups are usually the victims. We saw something like this almost happen in Congress a couple years ago.

In 2011, the copyright lobby was pushing hard for legislation that would have allowed any copyright holder to shut down nearly any innovative website by alleging a violation of intellectual property. Stopping this legislation, called the Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act (PIPA) in the Senate and the Stop Online Piracy Act (SOPA) in the House, was a major CEA priority, for the simple reason that it would have stifled online innovation—which is the future of all innovation.

The copyright lobby would not even talk to us about addressing our concerns, because they were convinced they could pass the legislation exactly as they wrote it. And they almost did. The Senate Judiciary Committee unanimously passed its bill and there was no effective opposition in the House. Aside from a few niche sites, no one in the media was covering the story either.

But the copyright owners, much like their network broadcasting counterparts, failed to appreciate that the very technology they wanted to stifle was going to stop their effort in its tracks.

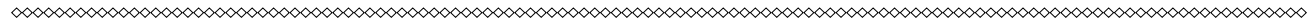
Slowly, word about the noxious legislation leaked out to entrepreneurs, innovators and website owners, who joined with innovation friendly politicians like Rep. Darrell Issa and Sen. Ron Wyden. Fueled by social media, the opposition spread quickly across the country, uniting liberals and conservatives in a common cause to defeat the legislation. On Jan. 18, 2012, many of the world's most popular websites shut down or ran statements announcing their opposition for the day as a sign of protest. Across the country a whole army of *ninja innovators*, big and small, shone the light on the shady backroom dealings between lawmakers and the copyright lobby.

Within 24 hours, Congress received some five million contacts from furious Americans, leading more than 30 politicians to withdraw their support of the legislation. It was a remarkable moment for the cause of innovation. Indeed, it put Congress and the beggars on notice that it could no longer enact self-serving legislation in the dead of night. But that doesn't mean they won't try again.

A central pillar of innovation is that entrepreneurs, CEOs and consumers must be free to pursue ideas and opportunities. Similarly, the law, in the legislature and the courtroom, must always err on the side of innovation and progress. When that happens, the economy usually benefits.

That's because the only thing that can really defeat a true *ninja innovator* is government. Even when a business or industry seems to thrive by relying on government, something greater is lost. The broadcasters, which aren't exactly about to declare bankruptcy, depend on government constantly restricting their new competitors. Alan Mulally could have chosen that path for Ford, as his U.S. competitors did. Instead, he chose to innovate or die—and the American automobile industry is better because of it.

The fall of Detroit is a lesson in what happens when one-time innovators take the easy road. The same could be said of hundreds of other industries, companies and CEOs



who decided it was too hard to compete in a world of ninjas.
But the true ninja innovator, the one who grows a business by
an innovate or die attitude, is the one who changes the world.