

There was only one catch and that was Catch-22, which specified that a concern for one's own safety in the face of dangers that were real and immediate was the process of a rational mind.... Orr would be crazy to fly more missions and sane if he didn't, but if he was sane he had to fly them. If he flew them he was crazy and didn't have to; but if he didn't he was sane and had to.

—Joseph Heller, *Catch-22*

Chapter One

Good Stuff/Big Trouble

From time to time, we smash, face first, into a wall we didn't see, leaving us stunned and muttering, "What the hell was that?" Here are some of the ones I hit that led to the question "How come my best stuff gets me into the most trouble?" They may feel strangely familiar. I have a network of friends who have all had the same experiences, just in different places at different times. This is the stuff of which *Dilbert* is made.

The Dog Food That Dogs Wouldn't Eat (See what I mean?)

In 1966 I'd just become an associate brand manager in General Foods' Post Division, responsible for two dog food products—Gaines™ Meal and Gaines™ Biscuits and Bits. Gaines™ Meal's sales were falling at about the same rate Purina Dog Chow™'s were rising. "Stop the bleeding, stop the bleeding," the company said. The division hired Doyle, Dane, Bernbach, the hottest ad agency in New York at the time, to help. Several runs at a new campaign got so desperate they became bizarre. Finally, the copy chief threw up her hands and screamed, "Of course they're crap! There's nothing to say about this product." She was right.

I'd started at General Foods in research and development for Gaines Dog Foods. I wasn't trained in marketing. My degree was in biochemistry—a major in animal nutrition, a minor in genetics. I think I was the only person in marketing who wasn't an Ivy League M.B.A. I'd gotten into marketing because I'd been successful in Gaines Professional Services—selling Gaines dog foods to veterinarians, breeders, boarding kennels, and humane societies. I'd gotten that job for reasons that made sense. Technically, I knew what to feed dogs. But I also had a kennel of field-trial English setters. I personally experienced all the conditions my customers experienced—growth, maintenance, gestation, lactation. I knew the products and their use—both sides of the business. I could work effectively with customers because I understood them. My move into brand management put a stranger into a strange land.

To turn old dying Gaines™ Meal around, I first asked, “What’s causing loss of sales?” The answer: “Dogs won’t eat it.” A dog would eat Gaines™ Meal if that was all it knew. But once it tasted Purina Dog Chow™, it wouldn’t eat Gaines™ Meal again. We had a product that guaranteed brand loyalty to our most direct competitor.

The solution to this problem seemed pretty obvious. I saw it as self-evident truth.

Question: “How do we turn Gaines™ Meal around?”

Answer: “Give the dogs food they like to eat.”

This looks pretty basic, doesn't it? What are the odds somebody would *not* agree with it?

Confidently, I called my old boss's boss in R&D.

“How long will it take to get a formula that makes Gaines™ Meal taste as good or better than Purina Dog Chow?™” I asked.

“About ten minutes,” he replied.

“Why so long?”

“Well, that's how long it'll take me to dig it out of the file.”

“How long has it been in the file?”

“Oh, a couple of years or so.”

“How come it's in the file and not the product? This isn't a new problem.”

“Yeah, I know,” he responded, “but nobody ever asked for it before.”

“What the hell?” I thought to myself. “Oh well, maybe my predecessor was an idiot.”

He was, but for a good reason. As I was to find out, it was a critical requirement for career advancement.

I put together a \$5 million re-introductory plan. In 1966 that was real money. I took it seriously—new product formulation, new product look, new package, new ad campaign, and a trial-inducing promotion program. All of it was for the purpose of saying, “Hey, we finally pulled our head out of our ass. Now your dog will actually eat this stuff.”

The division marketing director reviewed the plan. First he said, “This is great. I love it.” Then he said, “I have one little issue, but otherwise, let’s go.”

“What’s the little issue?”

“Well, you show a \$500,000 increase in the cost of finished goods for the twelve months following re-introduction. Don’t do that, but go ahead with the rest of it.”

“That’s not a little issue,” I explained. “That’s due to the formula change that makes Gaines™ Meal taste better than Purina Dog Chow™. It’s the foundation of the re-introduction. If we don’t do that, we have no reason to do the rest.”

“Don’t you think you’re taking this a bit too seriously?” he asked. All I could think of was, *What the...???* All I said was, “No, I don’t.” I was still assuming that the primary goal was to save a dying business and that the marketing director and I shared it. Maybe not.

I collected myself enough to say, “I’m confused. If you’re willing to spend \$4,500,000 on the rest of the program, why wouldn’t you spend \$500,000 on its most critical issue?”

“Well, you know Charlie, the manager of our dog food plant? The plant just installed least cost formulation. His number one MBO is to substitute the lowest-cost raw ingredients, within the nutritional parameters of the formula, to produce finished goods at the lowest possible cost. If you change the formula, you’ll hang a \$500,000 albatross around his neck.” (“MBO” stands for “Management by Objectives,” the major management craze of the mid-1960s)

“No, I won’t. That MBO applies to existing formulas. If I change a formula, that puts it outside his MBO.”

“Technically, you’re right,” the marketing director replied, “but management won’t look at the P&L that closely. They’ll just look at total Cost of Goods Sold. He’ll be \$500,000 less favorable than he could have been.”

The longer this conversation lasted, the faster the room spun. I was beginning to understand how Alice felt in Wonderland. Maybe saving the business *wasn’t* the primary goal. I had to find out.

“O.K., let me ask you another question. What’s my job? Is it to turn this dying business around or to help Charlie make his MBO?”

He paused reflectively for a minute and said, “I dunno. Let me get back to you.”

Two weeks later, he called. “Let’s help Charlie make his MBO. Don’t change the formula, but go ahead with the rest of the program, O.K.?”

O.K. it wasn’t. What it was, was nuts! I’d fallen down the White Rabbit’s hole. My only question now was, “Which one is he—the Mad Hatter or the March Hare?”

A few months later, we did it again.

“The Way We Do Things Around Here”

Jack Shipman, a young researcher in the Post Division, had applied some newfangled thing called “Psychographic Segmentation” to dog owners to produce what became a landmark study. It differentiated dog owners according to the reason they owned a dog in the first place—its purpose in the family. This explained the breed they chose and the way they cared for it. For example, one predominantly male group was “Hunters”. Their dogs didn’t actually have to hunt. They supported the owner’s self-image as a hunter just because they were hunting breeds. Most stayed outside in a kennel because of the macho myth that “makin’ ’em a housepet spoils ’em”. (Actually, making a hunting dog a housepet strengthens the bond between dog and human. It makes whatever they do together, including hunting, work a lot better. But that’s another subject.)

Hunter’s dogs ate dry dog food almost exclusively. Occasionally, they got a few table scraps. They rarely got canned dog food. These dogs

never saw a “treat” or anything a toy poodle might get. They wore plain brown leather collars. Their leashes were ropes or plain leather straps.

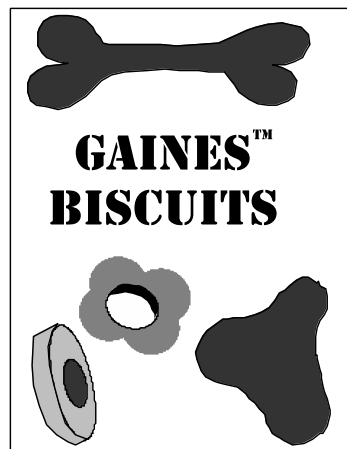
The group Jack identified that got my attention were the “Anthropomorphists”. These were predominantly widows who lived alone or with another widow. They owned their dogs specifically to simulate human companionship. That’s why Jack named them “Anthropomorphists.” Their dogs were mostly lap dogs. They saw little dog food. They saw a lot of people food. They often had jeweled collars and leads and wore dog blankets and even booties. They not only slept indoors, they slept wherever they liked.

My other brand was Gaines™ Biscuits and Bits. These were multicolored, multiflavored dog treats that had a small share of market and a flat sales line. They were called dog biscuits because they were baked in an oven. Dogs liked their taste. The company believed these products competed in a mass market with all other dog biscuits.

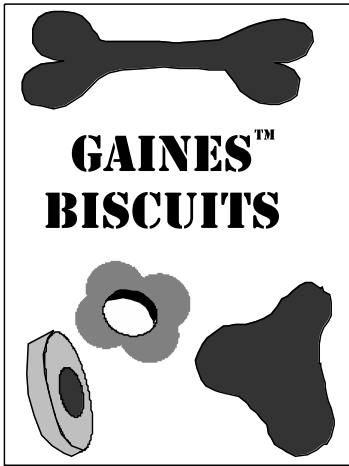
Jack’s study showed that plain MilkBone™ Dog Biscuits, by far the dominant product in the category, fit the “Family Dog” role exceptionally well. It had a dominant share of the market not because it broadly appealed to all dog owners but because it appealed strongly to a very large group of dog owners.

The Anthropomorphists never bought plain MilkBone™ biscuits, precisely because they were the archetypal dog biscuit. They bought cute treats like Liv-a-Snaps™, MilkBone™-flavored dog biscuits, cookies, crackers, and snacks. They were the primary buyers of Gaines™ Biscuits and Bits. These products helped this customer treat her dog more like a human. My product competed with cookies, crackers, snacks, and the most winsome of dog treats, not with plain MilkBone™ dog biscuits.

Think of the product’s customers. Now, consider its package. A sterile white background with Gaines™ Biscuits stenciled across the front. Designed by the U.S. Army Corps of Engineers, perhaps? To warm it up, the designer added larger-than-life-size color illustrations of the biscuits. Oooh! Those biscuits are so warm and cuddly!



I asked the art department to find photos of the breeds Anthropomorphists owned. “I want them to stare invitingly off the box, with pink tongue showing, just like the ‘doggy in the window’. Get the brand name out of the way of the visual connection between the shopper and the dog,” I told the artists. They did a great job. These packages oozed, “Let me sit on your lap.”



Now tell me: If you’re a little old lady with a lap dog, which of these packages speaks to you?

The total cost to change the package was \$10,000 for new artwork and plates. When I recommended it, the marketing director said, “We can’t. That package is changed every five years. This one is only three years old.” I described what we’d learned about the customer. “People aren’t really like that,” he insisted. “That’s sick—to replace a human with a dog. I don’t believe it.”

Aw, geez, not again—and so soon.

About three years later, in a new job with a new company (surprise, surprise) I saw that “my” package had received the Pet Food Institute’s Package of the Year award. I called the current brand manager. “Never mind the award. What effect did the package have on sales?” I asked. “I’m not exactly sure,” he told me. “Since our package hit the market, Flavor Snacks has had some out-of-stocks. Some of the increase could be temporary. The closest I can estimate it is that sales have tripled. But they may have quadrupled.”

Management by Frontal Lobotomy

When I left General Foods, I went to Puppy Palace. A start-up business, Puppy Palace was a chain of retail stores that sold purebred puppies and every dog-care product imaginable. M&M/Mars bought Puppy Palace as a side dish when it acquired Kal-Kan dog food.

The business started out to be a franchiseable concept. Unfortunately, it had none of the highly refined processes that make a franchise work. The founder had a span of control of about three stores. Once he had more than three, the business began unraveling like a cheap sweater. M&M/Mars replaced him. Their top troubleshooter became president. He brought some people with him. Norb Lauer, the vice-president of finance, was one. He developed not only the financial and MIS systems but also the extremely complex purchasing program necessary to keep at least twenty-two different breeds of puppies available in any one store at any time. He also developed a shared-compensation plan that motivated store personnel to put failing locations into the black. He was “Mr. Inside”. I was “Mr. Outside”. My title was vice-president of operations, which meant marketing, sales, and store operations.

Part of my job was to get people into the store. That was easy. It was full of puppies. Dealing with them once they got there was a lot harder.

We had to work from the true purpose of the business. From the Gaines study of dog owners, I knew that our real job was to provide the breed of dog that best suited the owner’s reason for having a dog in the first place. Further, we had to provide puppy buyers with the same quality of purebred puppies they could get at a kennel, have a much wider selection of breeds to choose from, and have locations far more convenient than most kennels. The stores were in shopping malls. This provided easy access, but it disparaged the quality of the puppies. A store in a mall, filled with puppies, is a “pet shop”. People perceive pet shop puppies to be of lower quality than those from kennels. We had to combat that perception, so we did everything we could to differentiate ourselves from pet shops. We gave health guarantees and full pedigrees. We carried only purebred puppies and dog supplies—no mutts, no cats, no fish, no birds, no anything that said “Pet Shop”.

The trickiest job was converting store traffic into sales. Traffic was often heavy, but only 5 percent of U.S. households buy a puppy each year. We

were competing for a share of that 5 percent. Only one of every twenty people that came through the door was a potential buyer. Finding them was the first trick. Completing the transaction was even harder. Purchasing a puppy is more like adopting a child than buying a product. Our job was to match the breed with the family's circumstances. We had to understand the role the dog was to play in the family and then pick the most appropriate breeds. Then, we had to let the chemistry happen between the people and the puppies. This took time and required well-developed counselor selling skills.

We developed the sales training and figured out how to find store people who had the talent to use it. In the next two years, we put all the internal and external systems into place. They worked. Store operations turned 180 degrees, from losing \$3 million per year to making \$3 million per year.

Two months after we realized we could make the business work, my boss called me in to discuss our store people. "Down deep, these guys are crooks," he said. "You have to install systems to catch them." Yes, a couple were dipping into the till. But most were not only honest; they also were dedicated to making their store successful. They'd demonstrated it. We treated them as the essential elements of success they were and almost all responded in kind. To treat them as felons yet to be caught was to destroy what worked—and the company with it.

A couple of weeks later, we had another meeting. "Now that we've got this thing going, Mars wants to speed up its return on investment. We've got to increase sales. We're going to put fish in the stores."

"Over my dead body" was out of my mouth before I had time to think about it.

We'd just spent two years differentiating ourselves from pet shops, and he'd figured out how to screw it up in one move. He'd made two suicidal decisions in two weeks. Where had this guy been for the past two years? At the time, I didn't understand what was going on. I just thought he'd stepped out for a quick frontal lobotomy.

As you might imagine, he took me up on my "over my dead body" remark. After I was gone, fish went into the stores and things "tightened up". "Strangled" would be more accurate. Seen any Puppy Palaces lately?

The People Food That People Couldn't Eat (Raising the craziness quotient)

I joined Pillsbury as one of its two senior corporate new business development people. The first project I inherited was “solid instant breakfast”. It was a good-for-you toaster product. It had a name and a package. The ad agency and my predecessor had already begun squabbling about the campaign, so it looked fairly close to launch. Well, maybe not.

On my desk one morning appeared eight, three-inch-wide, three-ring binders—filled.

“What’s this?” I asked.

“This is your first project.”

“How long has it been around? It takes a while to generate this much crap.”

“Over three years.”

“What’s taking so long?”

“Well, we can’t seem to get the product quite right.”

“Wadda ya mean ‘quite right’?”

“That’s hard to describe.”

“O.K., let’s go over to the lab and take a look at it.”

“Before you read the background?”

“Yes, before I read the background. You want to screw around for another three years?”

When we got to the lab, I met my R&D guy. He showed me the product. It looked like a small meadow muffin with orange ooze drizzled over it.

“I hope it tastes better than it looks,” I remarked. “Pop it in the toaster, and let’s find out.”

“Why do you care what it tastes like?” the R&D guy asked.

My brain froze. *What the...???* Oh, God, not again. But I trudged forward. This had to be good.

“Well, it’s like this. This is a food product. What it tastes like affects whether or not people will eat it. Whether or not they’ll eat it affects whether or not they’ll buy it. For us to sell it, they have to buy it. If they won’t eat it, they won’t buy it. Then, we can’t sell it, O.K.?”

“What it tastes like has nothing to do with whether or not they will buy it and eat it,” he confidently assured me.

This was getting better and better. Somehow, the brain of my marketing director at General Foods had been implanted into this R&D guy at Pillsbury.

“Really?” I asked. “Where did you get that idea?”

“We have a \$200,000 research study that shows people will buy it and eat it because of its nutritional value. Taste is immaterial.”

“O.K., we have \$200,000 of bullshit research. Now pop it in the toaster.”

It actually tasted worse than it looked. And that was the *lesser* problem. It had the texture of strapping tape, complete with strands of reinforcing filament. The filaments were made from milk protein. They provided most of the product’s nutritional value. They performed just like the filament in strapping tape. A person could not bite off a piece of solid instant breakfast, nor chew it. The only way to eat this product would be to chop it up with an ax and swallow each piece whole. The R&D boys had surpassed *wouldn’t* eat. They’d achieved *couldn’t* eat. That’s got to be a milestone in food-product development.

I also found out that Pillsbury’s new business development group had gotten into an argument about the results of the first market study with the ad agency, BBD&O. Pillsbury conducted the first study. After much bickering, BBD&O re-ran the study—using the same questionnaire. It simply omitted the issues of taste and texture. Yet the results were being used to show they weren’t important. We actually had \$400,000 of bullshit market research.

I told my boss that we could either try to make the product both edible and nutritious, which would require finding new technology, or I could just kill the thing and go look for something with higher odds of success. At this point, that would have been almost anything.

He opted for the former. What the hell. The company had already invested \$1.6 million in nutritious strapping tape. I assembled a new R&D

team. Six months and \$600,000 later, we had a product that was both edible and nutritious.

I demonstrated the product to the group that would actually commercialize it, the general manager, directors, and the marketing people in the Grocery Products Division. They liked its taste. They believed its nutritional claims. The general manager said, "Great, turn it over. We'll take it to market."

"Not yet," I told him. "The product tastes O.K., but that doesn't mean it's a viable business."

"Why not?" he wanted to know.

"Well, in the process of making it both edible and nutritious, we've doubled its cost. For us to have enough profit margin to seriously consider commercializing this thing, its retail price will have to be more than twice that of Pop-Tarts™. I don't know if enough people will buy a good-for-you Pop-Tart™, at over twice the price, to make this a viable business."

"Of course they will," chipped in the marketing director. "We'll get it on grocery store shelves, tell consumers to buy it, and they will."

*Sure they will—you #@**&# moron.*

I refused to turn the product over. In retaliation, one, two, sometimes three members of the marketing group would visit my office every couple of days to ask me for it. One of the brand managers showed up one day when I was wearing down. "O.K.," I said. "I'll turn it over if you can give me one good reason why you'd invest \$10 million to commercialize a product before we know if it's a viable business."

"Well, you know our liquid instant breakfast business is slipping. We're losing shelf space. We need something to hold space at retail."

"Let me get this straight," I countered. "You'd invest \$10 million to put a product *on* grocery shelves without knowing whether or not it will come *off*, just to maintain shelf space for maybe no more than three to six months?"

"Sure!" he said cheerfully.

"Get out of my office."

But I did have the last laugh. I turned it over without any further testing because that's what this bunch deserved. It didn't live past the first home test. When they tried to ship it, they found it had a shelf life of about three days.

[Catch-22]³

My new business development department's charter was to find new business opportunities in grocery product categories where Pillsbury *did not*—*NOT*—already compete. The company's new products had been dropping like concrete balloons. Why? It launched products into the marketplace with no clue about what consumers wanted. We were introducing irrelevant products.

To correct this, my new business development team originated an approach I call *use systems research*. It allowed us to understand what consumers were doing, their goal, their processes for achieving it, their satisfactions and dissatisfactions with these processes, the products they were using, and the results they were getting. It enabled us to define what they needed to do *their job* more effectively. That showed us how to create new products that would help them. These would have much higher odds of being successful as businesses. Self-evident truth, right?

My department wasn't the only group developing new product concepts; so were two outside new business consultancies and the internal marketing department for established products. Those three used the old "brainstorming" approach. All ideas were tested by Pillsbury's "supertest" of business potential. It separated those that were potentially viable businesses from those that weren't. The other three groups produced these results:

Source	Total Concepts Developed	Viable Businesses	Percent of Viable Businesses
Consulting Agency No. 1	26	0	0
Consulting Agency No. 2	6	1	17%
<u>Marketing Department</u>	<u>40</u>	<u>3</u>	<u>7.5%</u>
Totals	72	4	5.5%

Five and one-half percent is very close to the national average of truly new products that become successful businesses. In other words, 95 percent *don't* make it.

My team, applying “use systems research”, created twenty-two new product concepts. Twelve were viable businesses. That’s 54 percent, a potential success rate *ten times higher* than the traditional approach.

I presented the results to management, told them why the results were so different, and recommended we adopt the new approach.

“But that’s not the way it’s done,” they responded.

“Yes, I know,” I said. “The way it’s done gets you 5 percent success. That’s my whole point.”

“But that’s just not the way it’s done,” they repeated.

The warden of their minds had sounded the alarm for a general lock down.

Whenever I’d follow my charter and present a new business opportunity in a product category where Pillsbury did not—*NOT*—already participate, management would reject it because, “We’re not in that business.” This is a perfect Catch-22. The reason to do something and to *not* do it is the same reason.

While these fiascoes were playing out, Pillsbury got a new *CEO*. I met him at a clubby little meeting, “The Marketing Roundtable”. “How’s it going?” he asked.

I told him. “Creating a new business around here is like running a marathon that’s really an obstacle course. At the starting line, everybody is cheering. There’s plenty of water—which you don’t need. The gun goes off. As you go along, you notice that the crowd is thinning out and the water stations are getting fewer and farther between. Suddenly, you see guys erecting blockades up ahead. It finally dawns on you that if you’re going to finish this race, you’ll have to do it in spite of the company, not with its help.”

“That’s the best description of new business development around here I’ve ever heard,” he rejoined.

Whoa! Had I found an ally? I pushed forward. “Well, what are you going to do about it?”

“Nothing,” he said. “It’s my opinion that if you’d work for us, you couldn’t pull it off, anyway.”

The CEO had just told one of the company’s two senior business development people that he had his job because top management believed he couldn’t do it. Combine that with, “We can’t do it a better way because that’s not the way it’s done” and “We can’t go into that business because we’re not already in that business”, and we have [Catch-22]³.

This isn’t just garden-variety nonsense. This is the anti-sense that leads to the view that meaning does not and cannot exist. This was when the question, “How come my best stuff gets me into the most trouble?” showed up on my big screen, with full orchestral support. And what happened to these businesses and companies?

Gaines™ Meal died. So did Gaines™ Biscuits and Bits. General Foods was acquired by Philip Morris, which sold off Gaines and Birds-Eye and merged what was left with Kraft Foods. Puppy Palace died. Pillsbury was wholly acquired by Grand Metropolitan in a hostile takeover. About 50 percent of its employees were fired. Then the company was taken private. Score: One company dismembered. One company dead and buried. One company bedridden.

Did anybody win? I lost. So did many other employees. So did the customers. Top management won, temporarily, then lost. Let’s see, that’s lose—lose—lose—win—oops, no, lose. This is the disease of aging systems. Clinical symptoms: long periods of walking death, sometimes coma, and, eventually, the material death of the organization or institution. This disease infects people. People contract nonsense when they are immersed in it. They aren’t born nonsensical.

In the next several chapters, we’ll find the root cause of the insanity I’ve just described. In the process, we’ll discover how to find meaning and why that’s been so difficult. The ability to make these discoveries lies in understanding complex systems.