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THE MADONNA EFFECT AND THE WILLIE NELSON PRINCIPLE: THE POWER OF CALCULATED REINVENTION

Learning from Madonna

Whether or not you're a Madonna fan, there's no denying the fact that, as an artistic enterprise, she's been spectacularly successful. Not only has she sold 140 million albums over the past 25 years, but she's also garnered mammoth sales from concerts, movies, books, and videos. In November 2005, when (according to the Drudge Report) she "stole the show" at the MTV Europe Music Awards, Robbie Williams—who won Best Male—said: "She's an absolute legend and makes us all look like amateurs."

All this in spite of the fact that she's not a particularly great singer, dancer, actor, or writer. Yet as one critic wrote recently, Madonna "still stands as the most durable pop symbol of her generation—and potentially the next." If you find her annoying, consider her annoying

ability to elicit such a reaction after all these years. Consider her extraordinary staying power in a notoriously fickle, faddish, and imitative industry.

What is Madonna's secret? Despite what her critics say, it's not media manipulation, smoke-and-mirrors marketing, or shock. Sure, some of that exists to get the word out, but snazzy promotion isn't the reason for her success. The answer can be found in the title of her sold-out tour in 2004: "Reinvention." Alvin Hall of the 2003 BBC production *World's Most Powerful: Madonna or Oprah*?⁹ threw his final vote for Madonna based on her "extraordinary ability to reinvent herself *in anticipation* (my emphasis) of many fashions."

Madonna's brand relies on crossing over from mainstream to the margin and showing everyone else how to do it, too. She reinvents herself by keeping her antennae attuned to the culture, norms, and behaviors that interesting fringe groups are currently experimenting with, groups that represent the still-raw material for tomorrow's mass movements. She then discards her still-successful "products" and persona, puts her personal stamp on her new material, packages it with imagination and organizational finesse, and then leads the masses to it.

Throughout this process, she stays grounded and disciplined. She's market driven even as she drives the market. As she puts it: "You have to find a way to be creative and have the freedom to do what you want to do, while also being aware of what the market demands and what people like. It's a fine line to walk."

She's walked the line, and we all know the results: The world has watched Madonna evolve through the stages of "virgin," good girl gone bad, "material girl," "boy toy," Marilyn Monroe blond bombshell with body-armor lingerie, female power and sexuality figure (including everything from aerobics and weight training to erotic dominatrix imagery), media maven, androgyny, hard-charging career woman, AIDS and gay-rights activist, doting working mother and children's book writer, and spiritual seeker, among others. With each incarnation, Madonna takes her audience to the edge of conventional wisdom, far enough to be considered a rebel and iconoclast, but not so far ahead as to seem bizarre and irrelevant. She ushers us into an area that will become "conventional" one day but that for many isn't quite there yet. She leaves her audience thrilled, provoked, aroused, uncomfortable, outraged, overjoyed, incensed, or titillated—but *never indifferent*.

Jeffrey Katzenberg, the former head of Disney Studios and DreamWorks Animation, described Madonna this way: “She is always evolving; she never stands still. Every two years she comes up with a new look, a new way of presenting herself, a new attitude, a new act, and a new design. And every time it is successful. There is this constant genesis.” That, my friends, is the protean mantra that applies to any business that wants to break from the pack over the next decade.

That is also why Madonna-type reinvention is much harder than it looks. It takes particular foresight and courage for any organization to let go of what’s working today *before* it becomes imitated and commoditized, and forge a new identity consistent with emerging trends and opportunities. IBM CEO Sam Palmisano would probably be surprised to be compared favorably with a pop diva, but the leadership that he is attempting to provide at IBM with the massive e-business on-demand strategy is an example of what I call the “Madonna Effect.”

When Lou Gerstner handed the reins of IBM to Palmisano in February 2002, the company was rejuvenated and prosperous. IBM’s business model, designed around software, servers, and e-business technology services, was viable. Palmisano could have incrementally built on this business model for years, perhaps by employing some of the compulsions outlined in Chapter 2. The pack, including Dell, Wipro, HP, EDS, SAP, Oracle, Microsoft, BearingPoint, and Accenture, not to mention a thousand smaller niche outfits, would have eventually caught up with all or selected segments of IBM’s business, but by then Palmisano would have been ready to retire with honors, leaving his successor to inherit the mess.

Instead, Palmisano has been working feverishly to transform a healthy IBM for future domination in a multitrillion-dollar information technology market. He refuses to sit idly and wait for the pack to catch up with IBM. “We have an opportunity to set the agenda in our industry,” he says. As a 2005 *Business Week* online memo notes, “He’s betting that by harnessing technology to improve clients’ performance rather than simply hawking machines or providing routine tech services such as managing PCs, IBM won’t be hobbled by the ongoing commoditization of tech and tech services.” E-business on demand is just the sort of big-paradigm hook on which to hang a transformation of a \$90 billion colossus like IBM. It integrates IBM with its partners, suppliers, and customers through a shared infrastructure that allows these stakeholders to access virtually any computational resource in IBM’s arsenal. E-business on demand can potentially help IBM’s corporate customers save huge amounts of

money by standardizing all their computing needs and by allowing IBM to seamlessly deposit constant, cost-saving technological improvements into its customers' systems, while billing them only for actual time spent on IBM servers and other equipment—just the way a utility would. Corporate customers receive access to huge batches of IBM's industrial knowledge. Manufacturing companies can get help designing customized consumer products. Pharmaceutical companies can use IBM's resources to speed up their FDA approval cycle. Airlines can receive mathematically based marketing tools to boost repeat business among frequent flyers. IBM's current mainframe, software, server, and e-business consulting services will gradually become part of an enormous "grid" network that is transforming the way IBM operates and invests. Earnings reports show those plans are on track. In 2005, business-transformation services revenues rose 25 percent to \$900 million, and bookings rose 192 percent.

Is it a problem that IBM is "ahead of the trend," as one analyst complained, and that "they've focused mostly on the part customers aren't so interested in yet"? I doubt it. As Cisco System CEO John Chambers puts it, "Sam is aiming to go where the market's going—not to where it's been."

This is the Madonna Effect. Not having to change, doing it anyway. Looking in the distance and aiming for where the market is going. Being willing to take some risk for huge potential payoffs tomorrow, knowing that not taking a risk means that inevitably the pack will catch up. Letting go of what won't work tomorrow even if it brings in sales today. Staying passionately persistent and honestly walking the talk in leading the enormous organizational changes in systems and processes. Being willing to tolerate the criticisms and potshots from those who think you're nuts.

Whatever your business is, you can employ the Madonna Effect. The winners who stay ahead of the pack over the long haul are following the path Madonna exemplifies, whether they know it or not. Here's a little self-test for you. Ask yourself how you would rate as a Madonna. If you were to emulate her business tactics, here is what you'd be doing:

- You'd be constantly changing, way before being "forced" to change by the marketplace. In fact, you'd be restless with sameness; you'd never allow yourself to get locked into any predictable persona or position. Customers and investors would agree that they don't know what you will come up with next, but they can hardly wait for the next iteration.