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ABOUT THE AUTHOR

Simon Sinek teaches leaders and organizations how to inspire people. He has been invited to talk to top teams at Microsoft, American Express, the United Nations and the Pentagon. His famous TED talk has been viewed more than 500,000 times. He lives in New York.

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START WITH WHY

'One of the most useful and powerful books I have read in years. Simple and elegant, it shows us how leaders should lead'
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'This book can lead you to levels of excellence you never considered attainable'
General Chuck Horner, air boss, Operation Desert Storm

For Victoria,
who finds good ideas
and makes them great

airplane. Highly regarded, he was a senior officer at the Smithsonian Institution, a mathematics professor who had also worked at Harvard. His friends included some of the most powerful men in government and business, including Andrew Carnegie and Alexander Graham Bell. Langley was given a $50,000 grant from the War Department to fund his project, a tremendous amount of money for the time. He pulled together the best minds of the day, a veritable dream team of talent and know-how. Langley and his team used the finest materials, and the press followed him everywhere. People all over the country were riveted to the story, waiting to read that he had achieved his goal. With the team he had gathered and ample resources, his success was guaranteed.

Or was it?

A few hundred miles away, Wilbur and Orville Wright were working on their own flying machine. Their passion to fly was so intense that it inspired the enthusiasm and commitment of a dedicated group in their hometown of Dayton, Ohio. There was no funding for their venture. No government grants. No high-level connections. Not a single person on the team had an advanced degree or even a college education, not even Wilbur or Orville. But the team banded together in a humble bicycle shop and made their vision real. On December 17, 1903, a small group witnessed a man take flight for the first time in history.

How did the Wright brothers succeed where a better-equipped, better-funded and better-educated team could not?

It wasn't luck. Both the Wright brothers and Langley were highly motivated. Both had a strong work ethic. Both had keen scientific minds. They were pursuing exactly the same goal, but only the Wright brothers were able to inspire those around them and truly lead their team to develop a technology that would change the world. Only the Wright brothers started with Why.

2.

In 1965, students on the campus of the University of California, Berkeley, were the first to publicly burn their draft cards to protest America's involvement in the Vietnam War. Northern California was a hotbed of antigovernment and antiestablishment sentiment; footage of clashes and riots in Berkeley and Oakland was beamed around the globe, fueling sympathetic movements across the United States and Europe. But it wasn't until 1976, nearly three years after the end of America's military involvement in the Vietnam conflict, that a different revolution ignited.

They aimed to make an impact, a very big impact, even challenge the way people perceived how the world worked. But these young revolutionaries did not throw stones or take up arms against an authoritarian regime. Instead, they decided to beat the system at its own game. For Steve Wozniak and Steve Jobs, the cofounders of Apple Computer, the battlefield was business and the weapon of choice was the personal computer.

The personal computer revolution was beginning to brew when Wozniak built the Apple I. Just starting to gain attention, the technology was primarily seen as a tool for business. Computers were too complicated and out of the price range of the average individual. But Wozniak, a man not motivated by money, envisioned a nobler purpose for the technology. He saw the personal computer as a way for the little man to take on a corporation. If he could figure out a way to get it in the hands of the individual, he thought, the computer would give nearly anyone the ability to perform many of the same functions as a vastly better resourced company. The personal computer could level the playing field and change the way the world operated. Woz designed the Apple I, and improved the technology with the Apple II, to be affordable and simple to use.

No matter how visionary or how brilliant, a great idea or a great product isn't worth much if no one buys it. Wozniak's best friend at the time, the twenty-one-year-old Steve Jobs, knew exactly what to do. Though he had experience selling surplus electronics parts, Jobs would prove to be much more than a good salesman. He wanted to do something significant in the world, and building a company was how he was going to do it. Apple was the tool he used to ignite his revolution.

In their first year in business, with only one product, Apple made a million dollars in revenues. By year two, they did $10 million in sales. In their fourth year they sold $100 million worth of computers. And in just six years, Apple Computer was a billion-dollar company with over 3,000 employees.

Jobs and Woz were not the only people taking part in the personal computer revolution. They weren't the only smart guys in the business; in fact, they didn't know much about business at all. What made Apple special was not their ability to build such a fast-growth company. It wasn't their ability to think differently about personal computers. What has made Apple special is that they've been able to repeat the pattern over and over and over. Unlike any of their competitors, Apple has successfully challenged conventional thinking within the computer industry, the small electronics industry, the music industry, the mobile phone industry and the broader entertainment industry. And the reason is simple. Apple inspires. Apple starts with Why.

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He was not perfect. He had his complexities. He was not the only one who suffered in a pre–civil rights America, and there were plenty of other charismatic speakers. But Martin Luther King Jr. had a gift. He knew how to inspire people.

Dr. King knew that if the civil rights movement was to succeed, if there was to be a real, lasting change, it would take more than him and his closest allies. It would take more than rousing words and eloquent speeches. It would take people, tens of thousands of average citizens, united by a single vision, to change the country. At 11:00 a.m. on August 28, 1963, they would send a message to Washington that it was time for America to steer a new course.

The organizers of the civil rights movement did not send out thousands of invitations, nor was there a Web site to check the date. But the people came. And they kept coming and coming. All told, a quarter of a million people descended on the nation's capital in time to hear the words immortalized by history, delivered by the man who would lead a movement that would change America forever: "I have a dream."

The ability to attract so many people from across the country, of all colors and races, to join together on the right day, at the right time, took something special. Though others knew what had to change in America to bring about civil rights for all, it was Martin Luther King who was able to inspire a country to change not just for the good of a minority, but for the good of everyone. Martin Luther King started with Why.

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There are leaders and there are those who lead. With only 6 percent market share in the United States and about 3 percent worldwide, Apple is not a leading manufacturer of home computers. Yet the company leads the computer industry and is now a leader in other industries as well. Martin Luther King's experiences were not unique, yet he inspired a nation to change. The Wright brothers were not the strongest contenders in the race to take the first manned, powered flight, but they led us into a new era of aviation and, in doing so, completely changed the world we live in.

Their goals were not different than anyone else's, and their systems and processes were easily replicated. Yet the Wright brothers, Apple and Martin Luther King stand out among their peers. They stand apart from the norm and their impact is not easily copied. They are members of a very select group of leaders who do something very, very special. They inspire us.

Just about every person or organization needs to motivate others to act for some reason or another. Some want to motivate a purchase decision. Others are looking for support or a vote. Still others are keen to motivate the people around them to work harder or smarter or just follow the rules. The ability to motivate people is not, in itself, difficult. It is usually tied to some external factor. Tempting incentives or the threat of punishment will often elicit the behavior we desire. General Motors, for example, so successfully motivated people to buy their products that they sold more cars than any other automaker in the world for over seventy-seven years. Though they were leaders in their industry, they did not lead.

Great leaders, in contrast, are able to inspire people to act. Those who are able to inspire give people a sense of purpose or belonging that has little to do with any external incentive or benefit to be gained. Those who truly lead are able to create a following of people who act not because they were swayed, but because they were inspired. For those who are inspired, the motivation to act is deeply personal. They are less likely to be swayed by incentives. Those who are inspired are willing to pay a premium or endure inconvenience, even personal suffering. Those who are able to inspire will create a following of people—supporters, voters, customers, workers—who act for the good of the whole not because they have to, but because they want to.

Though relatively few in number, the organizations and leaders with the natural ability to inspire us come in all shapes and sizes. They can be found in both the public and private sectors. They are in all sorts of industries—selling to consumers or to other businesses. Regardless of where they exist, they all have a disproportionate amount of influence in their industries. They have the most loyal customers and the most loyal employees. They

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Assume You Know

> On a cold January day, a forty-three-year-old man was sworn in as the chief executive of his country. By his side stood his predecessor, a famous general who, fifteen years earlier, had commanded his nation's armed forces in a war that resulted in the defeat of Germany. The young leader was raised in the Roman Catholic faith. He spent the next five hours watching parades in his honor and stayed up celebrating until three o'clock in the morning.

You know who I'm describing, right?

It's January 30, 1933, and I'm describing Adolf Hitler and not, as most people would assume, John F. Kennedy.

The point is, we make assumptions. We make assumptions about the world around us based on sometimes incomplete or false information. In this case, the information I offered was incomplete. Many of you were convinced that I was describing John F. Kennedy until I added one minor little detail: the date.

This is important because our behavior is affected by our assumptions or our perceived truths. We make decisions based on what we *think* we know. It wasn't too long ago that the majority of people believed the world was flat. This perceived truth impacted behavior. During this period, there was very little exploration. People feared that if they traveled too far they might fall off the edge of the earth. So for the most part they stayed put. It wasn't until that minor detail was revealed—the world is round—that behaviors changed on a massive scale. Upon this discovery, societies began to traverse the planet. Trade routes were established; spices were traded. New ideas, like mathematics, were shared between societies which unleashed all kinds of innovations and advancements. The correction of a simple false assumption moved the human race forward.

Now consider how organizations are formed and how decisions are made. Do we really know why some organizations succeed and why others don't, or do we just assume? No matter your definition of success—hitting a target stock price, making a certain amount of money, meeting a revenue or profit goal, getting a big promotion, starting your own company, feeding the poor, winning public office—how we go about achieving our goals is very similar. Some of us just wing it, but most of us try to at least gather some data so we can make educated decisions. Sometimes this gathering process is formal—like conducting polls or market research. And sometimes it's informal, like asking our friends and colleagues for advice or looking back on our own personal experience to provide some perspective. Regardless of the process or the goals, we all want to make educated decisions. More importantly, we all want to make the *right* decisions.

As we all know, however, not all decisions work out to be the right ones, regardless of the amount of data we collect. Sometimes the impact of those wrong decisions is minor, and sometimes it can be catastrophic. Whatever the result, we make decisions based on a perception of the world that may not, in fact, be completely accurate. Just as so many were certain that I was describing John F. Kennedy at the beginning of this section. You were certain you were right. You might even have bet money on it—a behavior based on an assumption. Certain, that is, until I offered that little detail of the date.

Not only bad decisions are made on false assumptions. Sometimes when things go right, we think we know why, but do we really? That the result went the way you wanted does not mean you can repeat it over and over. I have a friend who invests some of his own money. Whenever he does well, it's because of his brains and ability to pick the right stocks, at least according to him. But when he loses money, he always blames the market. I have no issue with either line of logic, but either his success and failure hinge upon his own prescience and blindness or they hinge upon good and bad luck. But it can't be both.

So how can we ensure that all our decisions will yield the best results for reasons that are fully within our control? Logic dictates that more information and data are key. And that's exactly what we do. We read books, attend conferences, listen to podcasts and ask friends and colleagues—all with the purpose of finding out more so we can figure out what to do or how to act. The problem is, we've all been in situations in which we have all the data and get lots of good advice but things still don't go quite right. Or maybe the impact lasted for only a short time, or something happened that we could not foresee. A quick note to all of you who correctly guessed Adolf Hitler at the beginning of the section: the details I gave are the same for both Hitler and John F. Kennedy, it could have been either. You have to be careful what you think you know. Assumptions, you see, even when based on sound research, can lead us astray.

Intuitively we understand this. We understand that even with mountains of data and good advice, if things don't go as expected, it's probably because we missed one, sometimes small but vital detail. In these cases, we go back to all our sources, maybe seek out some new ones, and try to figure out what to do, and the whole process begins again. More data, however, doesn't always help, especially if a flawed assumption set the whole process in motion in the first place. There are other factors that must be considered, factors that exist outside of our rational, analytical, information-hungry brains.

There are times in which we had no data or we chose to ignore the advice or information at hand and just went with our gut and things worked out just fine, sometimes even better than expected.

This dance between gut and rational decision-making pretty much covers how we conduct business and even live our lives. We can continue to slice and dice all the options in every direction, but at the end of all the good advice and all the compelling evidence, we're left where we started: how to explain or decide a course of action that yields a desired effect that is repeatable. How can we have 20/20 foresight?

There is a wonderful story of a group of American car executives who went to Japan to see a Japanese assembly line. At the end of the line, the doors were put on the hinges, the same as in America. But something was missing. In the United States, a line worker would take a rubber mallet and tap the edges of the door to ensure that it fit perfectly. In Japan, that job didn't seem to exist. Confused, the American auto executives asked at what point they made sure the door fit perfectly. Their Japanese guide looked at them and smiled sheepishly. "We make sure it fits when we design it." In the Japanese auto plant, they didn't examine the problem and accumulate data to figure out the best solution—they engineered the outcome they wanted from the beginning. If they didn't achieve their desired outcome, they understood it was because of a decision they made at the start of the process.

At the end of the day, the doors on the American-made and Japanese-made cars appeared to fit when each rolled off the assembly line. Except the Japanese didn't need to employ someone to hammer doors, nor did they need to buy any mallets. More importantly, the Japanese doors are likely to last longer and maybe even be more structurally sound in an accident. All this for no other reason than they ensured the pieces fit from the start.

What the American automakers did with their rubber mallets is a metaphor for how so many people and organizations lead. When faced with a result that doesn't go according to plan, a series of perfectly effective short-term tactics are used until the desired outcome is achieved. But how structurally sound are those solutions? So many organizations function in a world of tangible goals and the mallets to achieve them. The ones that achieve more, the ones that get more out of fewer people and fewer resources, the ones with an outsized amount of influence, however, build products and companies and even recruit people that all fit based on the original intention. Even though the outcome may look the same, great leaders understand the value in the things we cannot see.

Every instruction we give, every course of action we set, every result we desire, starts with the same thing: a decision. There are those who decide to manipulate the door to fit to achieve the desired result and there are those who start from somewhere very different. Though both courses of action may yield similar short-term results, it is what we can't see that makes long-term success more predictable for only one. The one that understood why the doors need to fit by design and not by default.

And the sellers, facing overwhelming pressure to push prices lower and lower in order to compete, find their margins cut slimmer and slimmer. This only drives a need to sell more to compensate. And the quickest way to do that is price again. And so the downward spiral of price addiction sets in. In the drug world, these addicts are called junkies. In the business world, we call them commodities. Insurance. Home computers. Mobile phone service. Any number of packaged goods. The list of commodities created by the price game goes on and on. In nearly every circumstance, the companies that are forced to treat their products as commodities brought it upon themselves. I cannot debate that dropping the price is not a perfectly legitimate way of driving business; the challenge is staying profitable.

Wal-Mart seems to be an exception to the rule. They have built a phenomenally successful business playing the price game. But it also came at a high cost. Scale helped Wal-Mart avoid the inherent weaknesses of a price strategy, but the company's obsession with price above all else has left it scandal-ridden and hurt its reputation. And every one of the company's scandals was born from its attempts to keep costs down so it could afford to offer such low prices.

Price always costs something. The question is, how much are you willing to pay for the money you make?

Promotions

General Motors had a bold goal. To lead the American automotive industry in market share. In the 1950s there were four choices of car manufacturer in the United States: GM, Ford, Chrysler and AMC. Before foreign automakers entered the field, GM dominated. New competition, as one would expect, made that goal harder to maintain. I don't need to provide any data to explain how much has changed in the auto industry in fifty years. But General Motors held fast through most of the last century and maintained its prized dominance.

Since 1990, however, Toyota's share of the U.S. market has more than doubled. By 2007, Toyota's share had climbed to 16.3 percent, from only 7.8 percent. During the same period, GM saw its U.S. market share drop dramatically from 35 percent in 1990 to 23.8 percent in 2007. And in early 2008, the unthinkable happened: U.S. consumers bought more foreign-made automobiles than ones made in America.

Since the 1990s, faced with this onslaught of competition from Japan, GM and the other U.S. automakers have scrambled to offer incentives aimed at helping them hold on to their dwindling share. Heavily promoted with advertising, GM, for one, has offered cash-back incentives of between $500 and $7,000 to customers who bought their cars and trucks. For a long time the promotions worked brilliantly. GM's sales were on the rise again.

But in the long term the incentives only helped to dramatically erode GM's profit margins and put them in a deep hole. In 2007, GM lost $729 per vehicle, in large part due to incentives. Realizing that the model was unsustainable, GM announced it would reduce the amount of the cash-back incentives it offered, and with that reduction, sales plummeted. No cash, no customers. The auto industry had effectively created cash-back junkies out of customers, building an expectation that there's no such thing as full price.

Whether it is "two for one" or "free toy inside," promotions are such common manipulations that we often forget that we're being manipulated in the first place. Next time you're in the market for a digital camera, for example, pay attention to how you make your decision. You'll easily find two or three cameras with the specifications you need—size, number of megapixels, comparable price, good brand name. But perhaps one has a promotion—a free carrying case or free memory card. Given the relative parity of the features and benefits, that little something extra is sometimes all it takes to tip the scale. In the business-to-business world, promotions are called "value added." But the principles are the same—give something away for free to reduce the risk so that someone will do business with you. And like price, promotions work.

The manipulative nature of promotions is so well established in retail that the industry even named one of the principles. They call it breakage. Breakage measures the percentage of customers who fail to take advantage of a promotion and end up paying full price for a product instead. This typically happens when buyers don't bother performing the necessary steps to claim their rebates, a process purposely kept complicated or inconvenient to increase the likelihood of mistakes or inaction to keep that breakage number up.

Rebates typically require the customer to send in a copy of a receipt, cut out a bar code from the packaging and painstakingly fill out a rebate form with details about the product and how it was purchased. Sending in the wrong part of the box or leaving out a detail on the application can delay the rebate for weeks, months, or void it altogether. The rebate industry also has a name for the number of customers who just don't bother to apply for the rebate, or who never cash the rebate check they receive. That's called slippage.

For businesses, the short-term benefits of rebates and other manipulations are clear: a rebate lures customers to pay full price for a product that they may have considered buying only because of the prospect of a partial refund. But nearly 40 percent of those customers never get the lower price they thought they were paying. Call it a tax on the disorganized, but retailers rely on it.

Regulators have stepped up their scrutiny of the rebate industry, but with only limited success. The rebate process remains cumbersome and that means free money for the seller. Manipulation at its best. But at what cost?

Fear

If someone were to hold up a bank with a banana in his pocket, he would be charged with armed robbery. Clearly, no victim was in any danger of being shot, but it is the belief that the robber has a real gun that is considered by the law. And for good reason. Knowing full well that fear will motivate them to comply with his demands, the robber took steps to make his victims afraid. Fear, real or perceived, is arguably the most powerful manipulation of the lot.

"No one ever got fired for hiring IBM," goes the old adage, describing a behavior completely borne out of fear. An employee in a procurement department, tasked with finding the best suppliers for a company, turns down a better product at a better price simply because it is from a smaller company or lesser-known brand. Fear, real or perceived, that his job would be on the line if something went wrong was enough to make him ignore the express purpose of his job, even do something that was not in the company's best interest.

When fear is employed, facts are incidental. Deeply seated in our biological drive to survive, that emotion cannot be quickly wiped away with facts and figures. This is how terrorism works. It's not the statistical probability that one could get hurt by a terrorist, but it's the fear that it might happen that cripples a population.

A powerful manipulator, fear is often used with far less nefarious motivations. We use fear to raise our kids. We use fear to motivate people to obey a code of ethics. Fear is regularly used in public service ads, say to promote child safety or AIDS awareness, or the need to wear seat belts. Anyone who was watching television in the 1980s got a heavy dose of antidrug advertising, including one often-mimicked public service ad from a federal program to combat drug abuse among teenagers: “This is your brain,” the man’s voice said as he held up a pristine white egg. Then he cracked the egg into a frying pan of spattering hot oil. “This is your brain on drugs .... Any questions?”

And another ad intended to scare the hell out of any brash teenager: “Cocaine doesn’t make you sexy ... it makes you dead.”

Likewise, when politicians say that their opponent will raise taxes or cut spending on law enforcement, or the evening news alerts you that your health or security are at risk unless you tune in at eleven, both are attempting to seed fear among voters and viewers, respectively. Businesses also use fear to agitate the insecurity we all have in order to sell products. The idea is that if you don’t buy the product or service, something bad could happen to you.

“Every thirty-six seconds, someone dies of a heart attack,” states an ad for a local cardiac specialist. “Do you have radon? Your neighbor does!” reads the ad on the side of a truck for some company selling a home-pollution-inspection service. And, of course, the insurance industry would like to sell you term life insurance “before it’s too late.”

If anyone has ever sold you anything with a warning to fear the consequences if you don’t buy it, they are using a proverbial gun to your head to help you see the “value” of choosing them over their competitor. Or perhaps it’s just a banana. But it works.

Aspirations

“Quitting smoking is the easiest thing I’ve ever done,” said Mark Twain. “I’ve done it hundreds of times.”

If fear motivates us to move away from something horrible, aspirational messages tempt us toward something desirable. Marketers often talk about the importance of being aspirational, offering someone something they desire to achieve and the ability to get there more easily with a particular product or service. “Six the golf world.) But Tiger has also endorsed General Motors cars, management consulting services, credit cards, food and a Tag Heuer watch designed "especially for the golfer." The watch, incidentally, can withstand a 5,000-g shock, a level of shock more likely experienced by the golf ball than the golfer. But Tiger endorsed it, so it must be good. Celebrity endorsements are also used to appeal to our aspirations and our desires to be like them. The most explicit example was Gatorade's "I wanna be like Mike" campaign, which tempted youngsters to grow up and be just like Michael Jordan if they drink Gatorade. With many other examples of celebrity endorsements, however, it is harder to see the connection. Sam Waterston of *Law & Order* fame, for example, sells online trading from TD Ameritrade. But for his celebrity, it's uncertain what an actor famed for convicting homicidal maniacs does for the brand. I guess he's "trustworthy."

Impressionable youth are not the only ones subject to peer pressure. Most of us have probably had an experience of being pressured by a salesman. Have you ever had a sales rep try to sell you some "office solution" by telling you that 70 percent of your competitors are using their service, so why aren't you? But what if 70 percent of your competitors are idiots? Or what if that 70 percent were given so much value added or offered such a low price that they couldn't resist the opportunity? The practice is designed to do one thing and one thing only—to pressure you to buy. To make you feel you might be missing out on something or that everyone else knows but you. Better to go with the majority, right?

To quote my mother, "If your friends put their head in the oven, would you do that too?" Sadly, if Michael Jordan or Tiger Woods was paid to do just that, it might actually start a trend.

Novelty (a.k.a. Innovation)

"In a major innovation in design and engineering, [Motorola] has created a phone of firsts," read a 2004 press release that announced the launch of the mobile phone manufacturer's newest entry to the ultracompetitive mobile phone market. "The combination of metals, such as aircraft-grade aluminum, with new advances, such as an internal antenna and a chemically-etched keypad, led to the formation of a device that measures just 13.9mm thin."

And it worked. Millions of people rushed to get one. Celebrities flashed their RAZRs on the red carpet. Even a prime minister or two was seen talking on one. Having sold over 50 million units, few could argue that the RAZR wasn't a huge success. "By surpassing current mobile expectations, the RAZR represents Motorola's history of delivering revolutionary innovations," said former Motorola CEO Ed Zander of his new wunder-product, "while setting a new bar for future products coming out of the wireless industry." This one product was a huge financial success for Motorola. This was truly an innovation of monumental proportions.

Or was it?

Less than four years later, Zander was forced out. The stock traded at 50 percent of its average value since the launch of the RAZR, and Motorola's competitors had easily surpassed the RAZR's features and functionalities with equally innovative new phones. Motorola was once again rendered just another mobile phone manufacturer fighting for its piece of the pie. Like so many before it, the company confused innovation with novelty.

Real innovation changes the course of industries or even society. The light bulb, the microwave oven, the fax machine, iTunes. These are true innovations that changed how we conduct business, altered how we live our lives, and, in the case of iTunes, challenged an industry to completely reevaluate its business model. Adding a camera to a mobile phone, for example, is not an innovation—a great feature, for sure, but not industry-altering. With this revised definition in mind, even Motorola's own description of its new product becomes just a list of a few great features: a metal case, hidden antenna, flat keypad and a thin phone. Hardly "revolutionary innovation." Motorola had successfully designed the latest shiny object for people to get excited about ... at least until a new shiny object came out. And that's the reason these features are more a novelty than an innovation. They are added in an attempt to differentiate, but not reinvent. It's not a bad thing, but it can't be counted on to add any long-term value. Novelty can drive sales—the RAZR proved it—but the impact does not last. If a company adds too many novel ideas too often, it can have a similar impact on the product or category as the price game. In an attempt to differentiate with more features, the products start to look and feel more like commodities. And, like price, the need to add yet another product to the line to compensate for the commoditization ends in a downward spiral.

In the 1970s, there were only two types of Colgate toothpaste. But as competition increased, Colgate's sales started to slip. So the company introduced a new product that included a new feature, the addition of fluoride, perhaps. Then another. Then another. Whitening. Tartar control. Sparkles. Stripes. Each innovation certainly helped boost sales, for a while at least. And so the cycle continued. Guess how many different types of toothpaste Colgate has for you to choose from today? Thirty-two. Today there are thirty-two different types of Colgate toothpaste (excluding the four they make for kids). And given how each company responds to the "innovations" of the other, that means that Colgate's competitors also sell a similar number of variants that offer about the same quality, about the same benefits, at about the same price. There are literally dozens and dozens of toothpastes to choose from, yet there is no data to show that Americans are brushing their teeth more now than they were in the 1970s. Thanks to all this “innovation,” it has become almost impossible to know which toothpaste is right for you. So much so that even Colgate offers a link on their Web site called “Need Help Deciding?” If Colgate needs to help us pick one of their products because there are too many variations, how are we supposed to decide when we go to the supermarket without their Web site to help us?

Once again, this is an example of the newest set of shiny objects designed to encourage a trial or a purchase. What companies cleverly disguise as “innovation” is in fact novelty. And it’s not only packaged goods that rely on novelty to lure customers; it’s a common practice in other industries, too. It works, but rarely if ever does the strategy cement any loyal relationships.

Apple’s iPhone has since replaced the Motorola RAZR as the popular must-have new mobile phone. Removing all the buttons and putting a touch screen is not what makes the iPhone innovative, however. Those are brilliant new features. But others can copy those things and it wouldn’t redefine the category. There is something else that Apple did that is vastly more significant.

Apple is not only leading how mobile phones are designed, but, in typical Apple fashion, also how the industry functions. In the mobile phone industry, it is the service provider, not the phone manufacturer, that determines all the features and benefits the phone can offer. T-Mobile, Verizon Wireless, Sprint, AT&T all dictate to Motorola, Nokia, Ericsson, LG and others what the phones will do. Then Apple showed up. They announced that they would tell the service provider what the phone would do, not the other way around. AT&T was the only one that agreed, thus earning the company the exclusive deal to offer the new technology. That’s the kind of shift that will impact the industry for many years and will extend far beyond a few years of stock boost for the shiny new product.

Novel, huh?

The Price You Pay for the Money You Make

I cannot dispute that manipulations work. Every one of them can indeed help influence behavior and every one of them can help a company become quite successful. But there are trade-offs. Not a single one of them breeds loyalty. Over the course of time, they cost more and more. The gains are only short-term. And they increase the level of stress for both the buyer and the seller. If you have exceptionally deep pockets or are looking to achieve only a short-term gain with no consideration for the long term, then these strategies and tactics are perfect.

Beyond the business world, manipulations are the norm in politics today as well. Just as manipulations can drive a sale but not create loyalty, so too can they help a candidate get elected, but they don't create a foundation for leadership. Leadership requires people to stick with you through thick and thin. Leadership is the ability to rally people not for a single event, but for years. In business, leadership means that customers will continue to support your company even when you slip up. If manipulation is the only strategy, what happens the next time a purchase decision is required? What happens after the election is won?

There is a big difference between repeat business and loyalty. Repeat business is when people do business with you multiple times. Loyalty is when people are willing to turn down a better product or a better price to continue doing business with you. Loyal customers often don't even bother to research the competition or entertain other options. Loyalty is not easily won. Repeat business, however, is. All it takes is more manipulations.

Manipulative techniques have become such a mainstay in American business today that it has become virtually impossible for some to kick the habit. Like any addiction, the drive is not to get sober, but to find the next fix faster and more frequently. And as good as the short-term highs may feel, they have a deleterious impact on the long-term health of an organization. Addicted to the they didn't need to invest in the things that build loyalty if all they wanted to do was drive transactions, their business became vastly more efficient and more profitable.

For transactions that occur an average of once, carrots and sticks are the best way to elicit the desired behavior. When the police offer a reward they are not looking to nurture a relationship with the witness or tipster; it is just a single transaction. When you lose your kitten and offer a reward to get it back, you don't need to have a lasting relationship with the person returning it; you just want your cat back.

Manipulations are a perfectly valid strategy for driving a transaction, or for any behavior that is only required once or on rare occasions. The rewards the police use are designed to incentivize witnesses to come forward to provide tips or evidence that may lead to an arrest. And, like any promotion, the manipulation will work if the incentive feels high enough to mitigate the risk.

In any circumstance in which a person or organization wants more than a single transaction, however, if there is a hope for a loyal, lasting relationship, manipulations do not help. Does a politician want your vote, for example, or does he or she want a lifetime of support and loyalty from you? (Judging by how elections are run these days, it seems all they want is to win elections. Ads discrediting opponents, a focus on single issues, and an uncomfortable reliance on fear or aspirational desires are all indicators. Those tactics win elections, but they do not seed loyalties among the voters.)

The American car industry learned the hard way the high cost of relying on manipulations to build a business when loyalty was what they really needed to nurture. While manipulations may be a viable strategy when times are good and money is flush, a change in market conditions made them too expensive. When the oil crisis of 2008 hit, the auto industry's promotions and incentives became

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