



Race Track Industry Program

**37th ANNUAL
SYMPOSIUM ON RACING & GAMING**

WEDNESDAY, DECEMBER 8, 2010

Leadership & Innovation

Dale Dauten

Ms. Wendy Davis: Let's try to go ahead and get started. So if you're just outside the door, come on in.

Okay, we've got them coming in. Just to get this panel started, first of all, I'd like to thank again, InCompass, for sponsoring breakfast, Plusmic Corporation and WatchandWager for our refreshment breaks. We really appreciate all of our sponsors. We couldn't do it without you.

This is going to be a terrific panel session. And I'm very excited because Dale Dauten has been here and addressed this group once before, and it was fantastic. So when I tell you this story, you'll know that — well, let me just tell you the story.

Most of you out there, I think, you guys out there, you have come up with really good ideas in the past, and you've kind of run them by your wife, and they go, "Yeah, hm-hmm," and you either get blown off, or they say, "Yeah, that's it, and they continue on their way." Right? I mean, it happens. I know it happens, and ladies out there, you know that, yeah, sometimes that's just the way life is.

So, gosh, it was November 30th, just this November 30th, and my husband was reading the paper and he said, "Hey look at this," and this is actually the page of the paper, and he says, "This is really interesting. Look at this. Here's somebody talking about a firm that refocused who their customer was, and that's really an interesting — you know what, sometime you should have that guy come and speak to the symposium."

So I looked at it, and I smiled, and I said, "You know what, Honey, you're right. I think we will."

Little did he know that we already had Dale signed on, but he got to win that one, so I even invited him today but he had to work. But anyway, with that, when the author of *Swim with the Sharks*, Harvey Mackay, devoted one of his newspaper columns to Dale Dauten's work, he wrote, "Dauten will change every preconceived notion you have about making your career take off. As for Dale's career, he's worked in corporate America and in market research, and then he opened his own consulting company whose clients included 3M, AT&T, P&G and dozens of others. More recently, he founded the Innovators' Lab whose members have included NASA, Caterpillar and General Dynamics. He writes two columns,

syndicated by King Features, and I'll tell you, well-read in the Tucson market, and you can find him in over 100 newspapers. He's also written six books, translated into a dozen languages. In summation, there is no one better at the art of getting better.

Please help me welcome back the man that Jack Canfield of the *Chicken Soup* books describes as "the next Tom Peters," the man Steve Chandler calls the "Obi-wan-Kenobi of consultants," and the man who describes himself as "not nearly as dull as he looks."

Please help me welcome back to the Race Track Industry Program, Dale Dauten.

[Applause]

Mr. Dale Dauten: Oh, thank you for that, Wendy.

Well, say you were to get a job at Apple Computer, and you are there at the headquarters in Cupertino, California, and you get in the elevator and you look over and next to you on the elevator is this guy, Steve Jobs.

You know what he would say to you? He says, "What are you working on?" That would be the question, and if you did not tell him something that he thought was exciting and interesting, and if you didn't show excitement and passion in the telling, you would be fired on the spot.

It even has a name. It's called "being Steve'd."

Now, you know when your name becomes a verb that you have accomplished something in the way of leadership.

My topic today is "Innovation and Leadership," and this is a guy that I've been studying because I've been at work on a new book since I was here with you a year ago.

The book is called *The Loveable Hard Ass*, and it's about people who are great at driving real achievement.

Now, Steve Jobs, I've been studying as a great example of a hard ass, not so loveable, apparently. In fact, just in today's paper, the *US Today*, that they had here at the hotel, if you look at the "Money" section there's a thing about Steve Wozniak and they refer to him, and they say at Apple he was known as "the nice Steve."

Anyway, perhaps a better example of someone who can drive innovation is one that I think may surprise you, Sam Walton. I'm not sure what *Time Magazine* said, and this was years ago now about how he got rich, but I'll tell you from having studied him and talked to people who worked directly for him, how he got rich is with innovation.

If you ran into Sam Walton, and you were likely to run into him, because all he did was go in and out of stores all day long almost every day, if you worked for Wal-Mart, you'd run into him, and you know what he would say to you, "What have you tried?"

Four words, his favorite sentence, they tell me, "What have you tried?"

"What have you tried" meaning "what have you experimented with? What's new? What's different?"

And so he managed to do it with charm, and that's how he got to be lovable while driving innovation.

Now, you walk into a Wal-Mart and you don't think innovation, but yet they are an amazingly innovative organization, particularly with supply chain and that kind of thing, behind the scenes innovation, then, that he drove.

So two examples of people who managed to drive this kind of change and create a culture with those questions.

Imagine, you know that story about Steve Jobs and being "Steve'd," I'm not even sure it's true. There's an argument there at Apple whether or not that has even happened, but the question is, "Does it matter?"

No!

It doesn't matter because if everybody in Apple walks around prepared to answer the questions, should they run into Steve Jobs, "What are you working on that's cool, what's exciting, what's different," that's what matters. That creates the culture.

I want to talk about that word a little bit later, but you know what I mean by it. It creates a culture where people are excited to try something new and different, and it's the same culture created in a different way with Sam Walton.

Now, in writing this book that I'm calling *The Loveable Hard Ass*, one of the principles of it is that criticism is a compliment. And I don't mean insults. Nobody ever wants insult, but the fact is criticism is a lot more work than the typical "Atta boy" kind of response.

Because I do a lot of writing, people often give me things and say, "Hey, would you read this, and tell me what you think?"

Well, you know what, the easiest thing to say is, "Geez, this is great, brilliant, and you're a genius, don't change a word," and I'm done, I'm through. They're not going to argue with that, but if I care about them enough to really read it, if I believe in them to say, "I want to see you at your best and then some, I want to help you rise up," well then I'm going to say, "This was great, this was great, this could have been better, and I wish you would have done something different here."

Now, if you say that, you're in for an argument. You're prepared to have a debate, right?

So you know that criticism is a compliment in that I care about you, I believe in you. I'm taking the time to help you get better.

So with that principle in mind last year and this year, I got to talk to a lot of people in industry, and I'm pleased to be able to bring you some compliments today, by which I mean criticism, so some of the ways that innovation has been approached.

Last year, before this meeting, Doug and Wendy and their folks were kind enough to send out a little survey to everybody attending. In it were two questions: What do you like best about your work? What do you like least about your work?

I like to send out these questions, and I've done it a number of times. I got some amazing answers, different than any I'd ever seen before, from this group.

Like best, I got some that were typical. Things like, "I like the people I work with," "I'm surrounded by bright people," "There's a lot of problems to solve," "I get to solve problems," "Every day is a new challenge."

Those are kind of typical things that people say. In this industry, there was that extra dimension, the horses and the competition, and a lot of people were very engaged with that, and that's a beautiful thing, but even in the best — what do you like best about your work, I started to see some problems in a way that I hadn't in any other industry that I've talked to.

This is the chief quote here. This is from "What do you like best about your work?"

"We really come together in these declining and depressed times. Our people are willing to work harder for less, longer rather than shorter."

That's the best. That's what they like best.

Then we get to the worst, "Sitting in on management meetings where no consideration is given to the customer or product."

Another one, "Industry lacks creativity and is basically the same product as 20 years ago."

"There seems to be little or no future," and finally, this one summed up a lot of the worst, "I hate to be part of a sinking ship and feel helpless."

Now, my job is talking about leadership and innovation. Napoleon said, "A leader is a dealer in hope."

This is a hopeless set of responses, and these are from people attending this conference. These — you know, the people who are most failing aren't here. Your organization doesn't pay to send you here unless you're one of the elite, unless your organization is doing reasonably well, right?

So even among people attending this conference we have that kind of attitude going on among a large number of people.

Well, like I said, that was a year ago. Of course, the economy was even worse a year ago, and this year I talked to a number of people again, and just last week I had a guy who was responsible for several tracks say to me, quite adamantly, "Dale, you've got to accept the premise that horse racing is an industry in decline."

And I said, "Well, I would, except for one thing, and it's this, you know, is car racing an industry in decline? Would you accept that premise," and he said to me, "Well, there are things that we ought to learn from car racing."

Well, and then he explains to me that they haven't done most of the things that they could learn from car racing, like car racing just happened last week, and they haven't had time to adopt some of the things!

But I ask you, and I invite you to look at these things. Look at how ugly those are. I mean, those are hideous. And look, you can't — is there really a driver in here?

You wouldn't know, right? This could be driven by robotic controls somewhere. The driver could be taking a nap in the back.

You don't know! This is a dehumanized sport until they found ways to bring the viewer into the car, and make it real, but these are — I mean, that is an ugly, loud, noisy, smoky sport and it's not in decline, but this magnificent sport is.

So I tried to figure it out. I mean, it's not hard to get people to tell you why this industry is in decline. I mean everybody is, "Oh, my god, we have all this new competition."

Well, who doesn't? What industry does not have new competition?

They say, "Well, this is different. We have new options for gaming."

Well, yeah, yeah, you have competition. Good. Competition is a way to make you better, stronger and faster.

Now, in trying to understand what it is that has led this beautiful, magnificent sport to be in decline, while the auto racing is still in the ascendancy, I went online and I did a thing I like to do. This is a cool way to do research. If you're trying to understand the subject, go to GoogleImages.com, and you put in any topic, and up come hundreds of pictures, and you get a visual representation of what's going on.

So if you were to do that, as I did, and you start putting in things, one of the things I put in was "car racing fans," and this is one of the pictures I got. And then you put in "horse racing fans" and you get this picture.

And you start to think that maybe, maybe there's a little updating that these people have done that these people have not.

So the question is, do we have an industry, truly, in an inevitable decline? Do we have a defeated beaten industry, or do we have a failure of leadership to respond to changing times?

Well, I'd like to talk a little bit about leadership and exactly what it is and is not, and this is what most people think leadership consists of these days. And I'd like to suggest to you that this is part of the problem.

If you believe that your goals should be to try to be world class, that you should hire good people and get out of the way, and that you should have a culture of consensus, and that you should try to be a servant leader, this is the road to high-level mediocrity.

These are things people — I mean, these are beautiful things. Those are lovely sentiments, but these are maintenance issues. These are management issues. The leader, the one on top of the hill with the binoculars, the manager, the one making sure the toilets flush. This is a high-level way to be a great manager, and the road to high-level mediocrity.

This is my own view of a leader who truly drives change, these loveable hard asses that I've been studying, and look at those. Look at the verbs in this. As a writer, I love verbs, and look at those, "Refuses ... refuses ... drives and drives."

This is how you change an industry. This is what is called for in these declining and depressed times.

And the first thing is this notion of refusing to accept the status quo, and I think it's a characteristic of the great leaders, and here are just four pictures I threw together to suggest some leaders, people who flat-out refuse to accept the status quo.

And I was thinking about presidents, and somebody asked me who I thought was my favorite of the presidents from the last century, and I realized it was a tie between FDR and Ronald Reagan, and their politics couldn't be any more apart, but they both had the same wonderful characteristic, and I picked these two photos because I think they captured that.

There's FDR, look at the cigarette holder, that angle, it was always up. Ronald Reagan's thumb was always up.

It was Ronald Reagan and a few of you — and I'm probably the oldest guy in the room, but a few of you may remember the Reagan era from personal experience.

I do, and there was a belief before Ronald Reagan came into office and it was accepted. It was the status quo that the US had passed its best years. The US was in decline, that an economy as large as the US, as dominant as the US, and the best that it would hope for was two percent growth. That was a belief in the country, and thanks to an unsung hero, a guy named Jack Kemp who started talking about five percent growth, and then Ronald Reagan came along and declared that it was "Morning in America."

I wish he were here. I wish he would take over the horse racing industry here today and declare that it's "Morning in America" for horse racing, and see if that didn't change the conversation.

Jack Kemp, when he said, "No, we can grow at five percent," everyone was all, "Oh, it's impossible."

"No, we can do it. Here's how we do it," and suddenly it was a debate on all the TV shows and so on, and it's a debate I wish you all would be having about how big could the horse industry grow, how fast could it grow, how do we reverse the decline and get robust increases? Is it morning or evening for the industry?

So, going back to this refusing to accept the status quo, I need to back up and explain a little about what I've learned about changing the status quo.

An interesting thing, the status quo, most people think that the status quo is just what's going on; you change anything, and you have changed the status quo.

Well, what happens is that most people try to change a company or an industry, and most people are just working on a company, or a department, or a track.

Say, you had the chance to be part of a new track, or the redoing of an old track. How would you go about it?

Well, I bet you'd do this. You'd say, "We are going to create a world class track here," and what does that mean? Well that means you're going to search the world, you're going to get a great idea from Great Britain and maybe one from the Middle East or Japan. You're going to search for the best tracks in the US. You're going to pull together all those best ideas. You might even bring in one or two from outside the industry.

You might say, "Oh, let's look at what used to be Southwest Airlines, and now its Zappos." Let's take some ideas from them. We'll take all these best practices, we'll fold them together and we'll create a new synthesis and we'll have something that is new and different.

No, you'll have something that is new and the same because that's what everybody is doing. Everybody is studying best practices. Everybody is being world class in the same way.

The status quo is the evolution of the definition "world class," so it turns out that world class is merely the status quo as it evolves.

Now, we have this metaphor for changing things, this "out of the box" talk. Well, I'd like to suggest a different metaphor. I think "out of the box" is mistaken in that most people go from one box to the next box. It's the newest fads in management, the newest fad in racetrack management.

So you get out of one box and you go to the next box that says "out of the" on the front.

So, again, going Google Images, I came across one for "out of the box" that I tried to take out of this presentation. It does not belong in a classy group like this. It is an embarrassing slide that I apologize for in advance, but I couldn't help myself.

[Laughter]

There's a sentence I use in every speech, every time, and it goes, "Different isn't always better, but better is always different."

Here's a cat that's different, but not better. Different isn't always better, but better is always different.

So I apologize for that slide, and let me get rid of that one.

Here's the metaphor that I think is more effective to think of the status quo and as world class as path. It isn't "get out of the box," it's "get off the path," and the path is taking the industry in a certain direction and it's flowing along there, and if you're not thrilled with the direction of the industry, then you have even more incentive than usual to get off the path.

But it's the people who get off the path in a serious way that redefine something. You know, Sam Walton got off the path. Steve Jobs gets off the path in every industry.

And then they create a new path, a new thing, and they become world class. The goal is to have people pursuing you, trying to catch up.

Now, I want to explain how you transform an industry, and I used an example last year that I just love, so I want to repeat this and talk about how you can transform an industry.

This chair transformed an industry. This is an Aeron Chair. Do any of you have one of these things? A few of you.

God, I wish you'd all go out and buy one, I mean, I have no interest in Herman Miller, but I thought this was the ugliest chair I had ever seen when it came out, what at least a decade ago now, and it was ugly, and it cost over \$1,000?

I thought, that's just stupid! You could get the most magnificent leather chair for less than this thing cost, and then I sat in one, and my butt convinced my brain that this was a beautiful thing, and I had to have one.

I spent, geez back then, well over \$1,000. They've come down a bit. I think they're more like \$800-900 now.

Anyway, I loved it so much that I searched out the guy who was in charge of developing it. That's one of the joys of writing newspaper columns.

So I found this guy. His name is Don Chadwick, and I said, "Would you tell me the story of how this radical development came about?"

He told me that the first thing he did was assemble his team. He's an outsider. He's hired by Herman Miller Furniture. He assembled a team and he had them assemble every kind of task chair, the generic term for office chairs, and every kind of task chair in the world.

They assembled over 110 different chairs. They brought them all into a warehouse in Denver, and the first meeting of his team he said, "Okay, here's everything that exists now. When we bring in our chair it's going to be different than everything here. It's going to stand alone."

So that's how you start change, by insisting on it.

Part of this book I'm writing is that I've discovered exactly how much change you'll have in your organization; exactly as much as you demand.

The easiest thing is to delay change. It slides down the "to do" list. It will not happen unless you insist it happens.

So a professional innovator, like this Don Chadwick, starts with this presumption, "It's going to be radical."

That's all there is to it.

Well, how do you get to radical?

Well, you know your customers better than anybody else, and so what they did was start studying the history of furniture, the history of sitting and everything they could find, and guess what they found? A study of truck drivers, and why truck drivers fidget and get uncomfortable, and not at all what anybody would have guessed.

Everybody assumed it was pressure. No, it was heat build-up.

So they started looking at patio furniture. Well, now you can see where you would have gone wrong if you had done what most everybody would do.

If you were trying to be world class and best practices, what would you have done? You might have assembled all those chairs, and you would have said, "We're going to take the best ideas from every one of these and put it together," and do you know what you would have built, the most beautiful, leather executive chair with Memory Foam and maybe some cool colors and some bias stitching.

Oh, it would have been gorgeous, and it would have been a worst chair because of all that padding and all that creamy soft leather, it would have made the heat build up worse, and not better. So you would have, by trying to be world class and best practices, gone in the wrong direction.

These guys were smart enough to start over.

So, start with the assumption that we're going to be different, pursuit of the radical, and then you do a whole lot of research, know your customer better than anybody else, and then you start experimenting.

In this case, it wasn't just this patio furniture and heat build-up issue. Most chairs tilt back. This one kneels back. That top, they call that the guitar back, and that's for shoulder support, on and on, all these innovations, and so they're starting to build models.

I mean, it isn't just these. These are the ones that have survived. But they're building all these little models. Part of the team is a guy, a model builder, and he's building chairs like this big, because one of the things that innovators understand is that you have to be able to fail fast, fail cheaply, and so they didn't want to go out and actually build 20 different prototypes. They had a model builder who would build them in a day or two, and they could touch them, feel them and play with them.

Well, now they give him an assignment that stumps him. This model builder is told that patio furniture is the inspiration, and they want something like wrought iron but soft.

Soft wrought iron!

Well, this fellow is stumped, and he goes out to dinner with his wife that night, and they are there at dinner, and he reaches over and he pats her on the knee, and she's wearing some hose, black patterned hose, pantyhose, and he has his "Ah-ha!" moment. He says, "I need those pantyhose."

So they get home, she takes off the hose, and he goes and cuts up the material and makes his model, and look! You can still see the origin there. You can see the origin of it.

Now, you go to your suppliers at Herman Miller, and you say, "I need material like this that will last for 50 years," and if you're Herman Miller, you get it.

It would — they believe it will last for 100 years, and so that's the story of how you build a — you revolutionize an industry. You start radical, you experiment a lot and fast after researching the customer, and you fail fast and cheaply, and you get lucky!

If you're determined to do those things, you stumble across something cool.

Now, one of the other leadership principles that I was saying will mislead you is that one about "hire good people and get out of the way."

I suspect just about everybody in the room has said that at some time as one of their management principles.

I used to say it too, and then I realized the nature of our ancient brains, which I don't have time to go into all the social-psych research, but trust me, organizations left to their own,

devolve. We are built to be, by nature, hard-wired to be good bureaucrats. We are by nature hierarchical and we are by nature learners by imitation.

Put those together and you get bureaucracy and you get hierarchy.

And so if you say, "I'm going to hire good people and get out of the way," things tend to devolve, unless you have somebody who is a natural leader who takes over the leadership for you.

I mean, you can default your leadership role and hope that there is somebody who rises up and becomes the de facto leader, but I don't think that's what most people mean when they say, "I'm going to hire good people and get out of the way," that I'm going to hope that somebody else fills my role as leader.

And to illustrate this, I want to tell you about this guy, Tony Little, the most successful infomercial guy in history. That's him on his Gazelle, the most successful product of the most successful guy.

Tony Little, I got to interview. I interviewed him twice because he was so interesting.

You know, if you've seen him on TV, he's this hyperactive guy. He's literally bouncing around. He's kind of borderline insane, and you talk to him, and that's not all his personality. He is by nature a thoughtful, quiet introspective guy, and a genius because of this.

Tony Little, early in his career, owned a company that cleaned health club locker rooms. Yuck. There's a pretty dreary business to be in.

His dream, his big dream was to be on an exercise TV show, and he figured out how he could get a cable access show. So he started studying hosts of exercise programs, and he said every guy was the same. Every guy wore polo shirts, had short-cropped hair, and had this very authoritative bearing, kind of military bearing.

Now, if you were the typical person, like most every employee you have, you would say, "There it is, best practices. That's what it takes. That's what I have to be to succeed in this industry."

This guy was crazy enough to say, "No, I'm a cable access guy. If I look like them, why should they stop? I have to do something weird enough that when people are flipping through the channels they stop and say, 'What the hell?'"

And so he grows out this long ponytail. He starts wearing these muscle shirts. He develops this hyperactive personality, persona, not personality. In fact, he told me a little secret of his, when he does infomercials, he gets that foam core board, that white board, and writes on it for days at a time, things he could say and do, and they're all over the studio, out of camera range, because he's not hyperactive. He's not that fast-talking, bouncing guy. He needs help!

So he's out here seeing these signs with all the things, all the weird stuff he could say and do. He needs help. He sets up that persona.

Now, and here's the question, that's how you succeed, that's how you innovate, that's how you do something radical, but it's totally unnatural. Who does that?

No, we imitate, we see the best practices.

Think of how our school system work, and not only are we hard-wired to learn by imitation, that's in our coding, but we send our little imitators, our little kids off to school and what do they hear, "Sit down, shut up, stay in line and follow the leader, and the right answers are not in the back of the book; look it up."

We teach them to be conformists, and that's true of employees, so if you simply say to them, "I'm going to get out of the way," that's who you tend to get, more conformity.

It isn't the way to drive innovation.

So how do you drive innovation?

Well, we saw that example of Steve Jobs, "What are you working on?" If it isn't cool, you're fired.

That's one way, but a better way, Sam Walton, "What have you tried," and just fascinated. "No, I've got to see something new. Show me something new, please, I'm dying to see something new."

If you go around asking your employees, some of them will come through, and you can — and one thing you can do is what this guy did. This guy — and I know a lot of you have faced a lot of regulation in what you do.

This guy is a state employee. This guy was the head of the Department of Transportation for New Mexico, and he now does the same thing in Missouri.

He wanted to turn a Department of Transportation into an innovation. Impossible, right? Well, and Pete Ron is this guy's name, our age, yeah.

What Pete Ron did was say, "Okay, well, every month when all of the managers get together, I'm going to ask everybody to tell me everything that they've done new in the last month."

He said, "I started it, and they couldn't do it, they hated it, they complained about it, but by the sixth month it was the favorite time of the meeting, and I couldn't get them to shut up. I had to put time limits on it."

In order to get there he had to be a loveable hard ass. So many people, when he said, "Okay, what have you done in the last month," his department managers would say, "Well, we're thinking about doing this ..." or, "We're planning to try this ..." and he would say, "No, no, not thinking and not planning! What have you done?"

He went out and he actually bought a boat horn, you know, these cans of compressed air that make this big obnoxious *baaaaaaaaaah* sound? He'd bring it to the meeting, and if you said, "I'm thinking about ... I'm planning to ..." he'd pull out the boat horn *baaaaaaaaaah!*

And now that sounds obnoxious and rude, and maybe it was, but this guy is so playful, so beloved, so energetic that it became something funny and lively and, in fact, very soon if he missed it or forgot to blow the horn, people would all yell, "The horn! The horn!"

It became a part of their culture.

And you can see, this is the only sign on his office wall there. If you can't read that, it says, "Dreams — Action = Squat."

Now that's what I call a touchstone, things people say over and over again. He says that all the time, "Dreams — Action = Squat."

You might try that. You might try asking everyone to tell you what they're working on new every month, and you'll start to get a lot of experimentation, mostly small stuff. In fact, it's really disheartening when most people undertake an employee suggestion program.

Please don't. It will break your heart. The suggestions will all be to either replace upper management, to get a new coffeemaker in the break room. It will just be depressing.

It will be, "What have you tried, what are you working on," and those kinds of questions.

Sam Walton, and by the way, here's another one from the master, Sam Walton. He would meet every week with his team of regional managers, and then they'd fly off to the regions. Every week, he'd say the same thing at the end of the meeting, "Now, you all come back with one idea good enough to pay for your trip."

All the regional managers looking for ideas, and all of the district managers, because of that, looking for ideas, etc.

What else, we're going to hear from Scott Wells over there in a little bit, but he told me one thing that I liked, that instruction that he gives to the ad agency and other teams, "Impress me."

Now, that's a higher level of standard. I hope that's a touchstone for him. I'll ask him. I'm going to ask him to tell you about one of his projects here in a minute.

"Impress me ... what have you tried ... dreams — action = squat."

These are things that people can say over and over again.

In my work, in my organization, we have a motto, "Experiments never fail." We say it over and over again, and you know why? Because most experiments don't work, but did we fail? No, we tried something new, good for us, bravo! We tried something new. We investigated the different. We broke out of the status quo. It didn't work out the way we planned, well, that's okay.

Now, the problem with experimentation, in general, and particularly in a declining industry is that it's really hard to get people enthused about spending money for experimentation, except for cost-cutting experiments, which is one reason this thing called "lean" has taken off, and it ran through manufacturing like a bad burrito through an old Chihuahua, and now it's running through service organizations.

I imagine some of you are experimenting with it. It's straight out of Toyota. It's the old Toyota management system, reinvented as "lean," and as a writer, I love language, so that very word interests me, "lean."

And lean is mostly about eliminating fat. That's where they came up with that name. To get rid of fat they had at Toyota, the Seven Wastes, including how do you waste time?

It's the old efficiency expert stuff.

Well, I went back to Google Images and was looking at lean and body fat, and came up with this guy, which is what you do not want to be. You do not want your experiments to simply be about cost-cutting, and that's about all people have done for the last few years.

It's great, you want more of it, you want the zero body fat or low body fat, but you want to go in this direction.

This is Andy Murray, a tennis player who famously got in shape, but he got bigger, he got stronger, his body fat is some incredibly low number, and he rose in the ranking from like 20 to number four, and this is the kind of experimentation I'd like to suggest you undertake, the bigger stronger while eliminating fat. You can do them both at once.

I now have the other picture from Google that I tried to take out, but I have a compulsion to pass along interesting photos I come across as I do research, and so again I apologize in advance. This is going to offend somebody, but I apologize in advance for it.

You do not want to be either of these people, high body fat or low, and I'll get that off the screen before it's left indelibly in your mind, sorry, my apologies.

Anyway, experimentation, experiments never fail is really the key to how you start transforming a business, and so I want to tell you quickly about what you should know about experimentation.

I want to do that with talking about these people real quickly.

Lincoln Memorial University, and it's in Tennessee, with 5,000 to 6,000 students, a thriving college. It turns out that one of their alums is a guy who runs a company called Qualpro that sets up experiments for big companies. Home Depot is a big customer of theirs.

They figure out how to test 20 things at once, and so he did it for this university, his alma mater, and I want to ask you to join me in a little experiment of our own here.

What they did, they tested all these things. I got to interview a couple of their vice-presidents about these experiments. Normally, companies don't tell you what experiments worked and what failed, but I picked three here that I want to describe very briefly, and then I'm going to ask you to vote, wisdom of crowds, which of these would work to just — and then there's some lessons about experimentation in there.

Three things they tried.

When prospective students, people thinking about going to LMU would come to visit the campus, they would come with their parents, and they used to have students give the tours, but they tried an experiment. They said, "Well, let's train professionals who would give these tours to relate better to the parents who are going to pay for this and see if that doesn't help our rate of people actually wanting to come to LMU."

A little vote, please. How many of you think that's a good idea? How many would think that would help the admission rate? How many think it's a bad idea?

Okay, mostly bad.

They do a lot of direct mail fundraising, mostly from alumni, and they had an expert tell them that the envelope was the most important part of the package, because if they don't open the envelope, you're sunk right at the beginning.

So they experimented with putting messages on the outside of the envelope, different colors. How many think that's a good idea? And how many think that's a bad idea? A few.

And finally they came up with one about financial aid. As soon as someone expressed interest, online, asked for a packet, instead of waiting until the end, right away they would have their financial aid people contact that student or the parents and say, "Here are the scholarships available. Here is the package we have."

How many of you think that would help enrollment? Yes, a lot. And not helpful? Almost nobody.

Okay, well, did anybody think all three of those would work? Did anybody think none of them would work?

I picked these because I thought all three would work, and it turned out none of them did work.

In fact, all of these actually reduced what they were trying to improve. They all had a negative effect.

What Qualpro, this company that does these tests all of the time, and these are with big companies now, smart people with big companies, debating, arguing what we should test. People have to champion to get their idea to be tested, and they've discovered over time, half of the ideas do nothing. One-quarter make things worse. And one-quarter make things better.

So that's the message. That's why I wanted to do this to show you it's almost impossible to guess what will and won't work.

I was in market research for 20 years. You learn a lot of humility in market research.

And then, even when you have bright people trying experiments in big successful companies, still, three out of four things don't work. The message there is that you have to try a lot of experiments. You have to have a lot of things going on, not just — if you do one thing a year, one experiment, man, odds are it's going to take once every four years that you'll do something new.

If you have four going on, one thing a year, so it would be great to have 8, 12, 16 experiments going at once.

Okay, well, gosh, I'm running out of time here so, and I don't have time to really get into this, but you could make a case that Gary Loveman is the smartest guy in the gaming industry. He's the CEO of Harrah's now.

He was hired away from Harvard Law School. He was a professor at the Harvard Business School, I mean, and this is his touchstone, one of the things that he says over and over

again, "A brand is an emotion."

I'd like to suggest to you that when you start experimenting, as I hope you will, that this is what you experiment with, "How do we make a better emotional connection with our customers?"

And last year I profiled briefly this guy, Mike Newell, who I think is from Nebraska. He couldn't be here last year because his wife was having a baby.

"Do something different is what that says across there," and it's hard to read, but that's his motto, his touchstone, and he decided that every race should be like a party in his back yard, and every race should be different, every race was an experiment. So instead of just happy hour they had ice-cream happy hour for families. They'd experiment with different kinds of music and so on.

By the way, Mike Newell, his racetrack got bought out and he got laid off. He's available if you need somebody to transform one of your tracks.

Also last year, and this was a really cool idea that I wanted to repeat this year in case you missed it last year. It's from Jean Hallahan. Anyway, out of Dubuque. They had a program. They understood the emotions. Let's face it, most of the time you lose, and they understood that. Gary Loveman understands that at Harrah's by the way and has what he calls "Luck Ambassadors." And they're people out on the floor, they're their most charming employees, and they know, because you put your card in and he has on his belt, this ambassador (he or she) and they know who out there has lost the most money that day.

They actually go up to those people and say, "Hey, it's your lucky day; you've been picked to get." And they give them a prize.

He understands trying to change the emotions of the experience. They leave saying, "Hey, I had some luck, I got this cool thing."

Anyway, back to Jean Hallahan, if you lose you can put your losing ticket in a barrel, and it becomes like a lottery ticket, and then they pull tickets out of there. Cool, huh? Now that's a neat experiment and it does something with the emotions of losing.

There is no losing ticket. It just becomes a raffle ticket for the drawing, and they were only giving away \$100 to a handful of people, but during the test, handle went up 18 percent. That's not a bad experiment.

Speaking of understanding this notion and, well, all of these notions, really; as I got to talk to some executives this year, there was one guy who impressed me as understanding all of this, and that's Scott Wells, who is also here, and I asked Scott if he wouldn't mind — he told me one story so great about one of their tie-ins, one of their promotions this year that started with the instruction, "Impress me," and I asked Scott if he wouldn't mind telling us.

Would you do that? We have a microphone right there for you.

Mr. Scott Wells: Thanks Dale. Sorry, no impressive slides to match Dale's. That's a pretty tough act to follow, but really the thing that Dale asked me to talk to you about was just reflective of our basic philosophy of not passing up on the good opportunities that are presented to you.

I happen to play golf with my wife quite a bit, and if I find her ball in the rough, if I can give it a little help and tee it up for her a little bit, and then she finds it and she's all the happier, and in the long run, so am I.

So that's all this was, and I wonder how many of us in the industry capitalize on this, but in 2009 when I heard that Disney was making a movie about Secretariat, I went nuts. I thought, "This has got to be the best thing that's happened to racing in a long, long time." It's the year of Zenyatta and all these great things happening, and there's going to be a lot of enthusiasm.

So I challenged my marketing department at that time. I said, "We just capitalize."

Now, we're a 365-day-year casino and racetrack operation. I said, "I don't care if it's not in our live racing season, we must capitalize and link Remington Park with the magic of Secretariat because that's going to be a real positive move."

So a few months later I found out it was going to be in the fall of 2010, and I just celebrated, and that's when I said, "Okay, it's during our thoroughbred season, impress me! Pull out all the stops. Act like money was no object. Show me the possibilities and then we'll see what we can do."

Boy, I didn't know what I was getting into. Before long, Joy Rose-Murphy, the wife of a jockey, one of our best jockeys, and she does our paddock show, Joy started calling me every other day with, "Well, for so-and-so, we can get so-and-so," and you know, "we can work with Disney. I'm talking to all the people at Disney and we can do a sneak preview," and so before long, I get the news that the movie is actually going to be released two days before the Oklahoma Derby which is our biggest signature thoroughbred race.

So then I'm really getting into it, and so we end up having a "sneak preview" of "Secretariat" three days before the official opening, on the evening after our Oklahoma Derby Golf Tournament.

We didn't just invite our regular customers. We did a contest on Facebook to try to get new people out there. Then, two nights before, my good friend, Chris McCarron, a legendary jockey, agreed to come out to do a fundraiser for us for our neighboring National Cowboy and Western Heritage Museum, and so in the meantime, Joy calls me and says, "Well, it would only take x-thousand of dollars to get Ron Turcotte, the actual jockey of Secretariat, here."

The number sort of scared me, but I said, "What the heck, pull out the stops," and here's the great thing. Chris made his appearance for a tax-deductible donation to the North American Racing Academy. Ron Turcotte, whom I consider to be a greater champion after his career as a jockey, and all of you probably know that Ron has been in a wheelchair since 1978, and he had dedicated his life to helping disabled riders.

And so his rather sizeable appearance fee also ends up being a tax-deductible donation to the Permanently Disabled Jockeys Fund.

So then at the last minute Joy calls me and says, "Well, you know, it would only take this much more to get the actor who played Ron in the movie to come and be a part of the deal," and I said, "Okay, I asked you to impress me, not engulf me," but we did it.

We did it, and then a few days before the event she says, "You know it would only cost a little bit more to get the horse that played Secretariat here, the one that did the close-ups," and so we did all those things.

And I will tell you that was the most magical week in the history of Remington Park's thoroughbred meet, and on that Remington Park Derby Day — first off, Ron was there the night before, signing autographs for six hours, and then he got there early that day, around 11:00 and eight hours later he was still signing autographs.

We had a line that ran the length of our grandstand, the depth of our apron, down along the rail and around the winner's circle, and I don't know how much merchandise they sold, but I hope it was a great deal. I know it was a great deal.

But the fact is that we had people. The next week or two, I had politicians telling me that they and their families had the greatest day of entertainment and they were so thrilled that they and their children had gotten to see these racing legends.

So this was just a ball that was teed up for all of us, and we take no great credit in it but, surprisingly, and I approve all of our ads, and after talking about all these great things in marketing meetings, over and over and over again for months.

Our ad agency showed me their proposed television ad for that week, and it made no mention of Secretariat or the movie. Meanwhile, Disney is spending millions. They're even putting up billboards around our property, just by coincidence, that have "Secretariat" around there, and they concentrated on the kiddy rides and the dollar beers and the free activities and so on, and they just missed the point entirely.

So anyway, when it's teed up for you, try to hit it out of the park, and that's what we did.

Mr. Dale Dauten: Thank you. And Scott, one question for you, is Remington Park an industry in decline?

Mr. Scott Wells: *[off mic/cannot hear response].*

Mr. Dale Dauten: Yes, I know part of the hard work of running a track is getting the owners to shell out, what was it \$10-12 million, but that's if you can convince them that the status quo is unacceptable, and there's a wonderful blog that Scott wrote if you go to Scott Wells' Remington Park blog, you'll find Scott with some comments there, including about what they did to transform the park.

So my time is about up here.

The question is, what can you do in the way of experiments that would be cool and interesting, and I have a tool I'd be happy to send you, email you, to generate ideas. It's free, if you leave me a business card, either hand it to me, or leave it on one of those tables where the water is back there, and I'll get them, or email me.

I'll be happy to send you that. I also have a monthly thing that I send out that's also free, just on the latest research that I've been doing.

With that, let me go back to where I began to these ugly, smoky, stinking automobiles who are ascendancy, and let me ask you this question, if you did not know dollar figures, sales figures, revenue numbers over the last few years, and someone outside the industry, say

FDR or Ronald Reagan, were to come back and say, "Which would you rather help promote, that or that?"

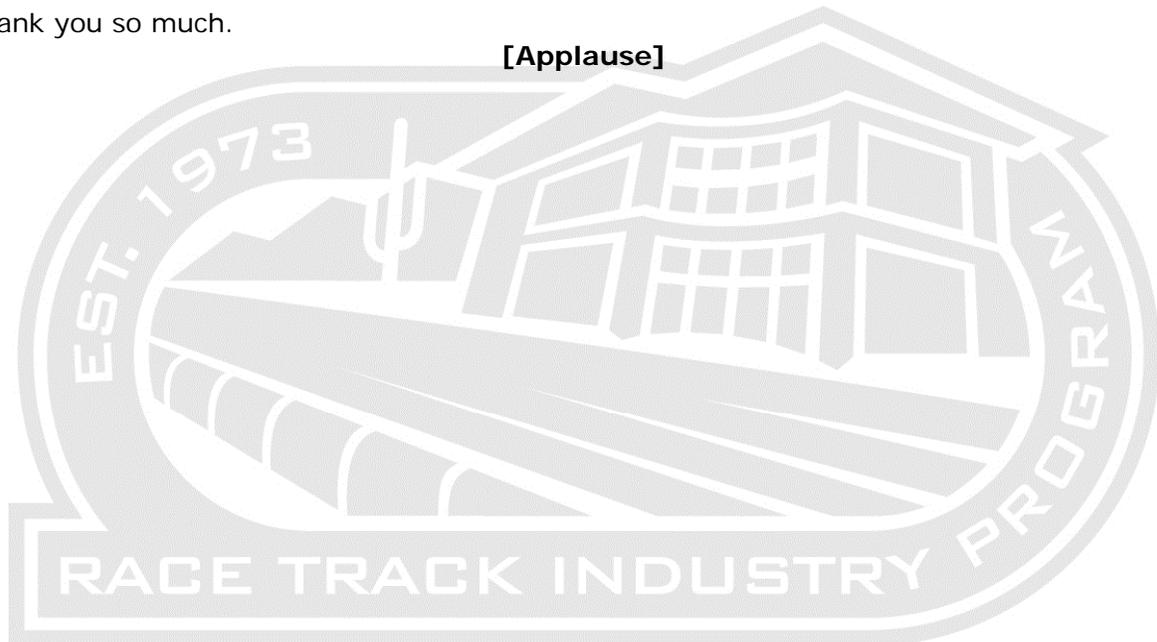
I think it would be an easy choice, wouldn't it? And I think the first thing they would do is what people like Scott Wells is doing, it's assume that the status quo is just the current path, that you can form a new path.

And I would urge you, those of you who say like someone said to me last week, "You have to accept the basic premise that this is an industry in decline," and I would urge you to rephrase that.

This is an industry that has been declining, poised for renaissance, and I hope you all will lead that renaissance.

Thank you so much.

[Applause]



**COURTESY OF UNIVERSITY OF ARIZONA
RACE TRACK INDUSTRY PROGRAM**