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INSIDER: Loonshots
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Loonshots are ideas that, at face value, appear to be entirely outlandish, but that have the potential for great success. Without loonshots, it is probable to assume Nazi Germany would have defeated the Allies. Yes, you heard that right; due to the anticipatory and innovative nature of a loonshot, the Allies won the world's worst war. If it were not for Vannevar Bush, his bizarre idea to utilize a magnetic device to detect submerged submarines, and his ability to marry genius and serendipity, the Allies' ability to defeat Hitler's U-boats may have floundered.

In Safi Bahcall's Loonshots: Nurture the Crazy Ideas That Win Wars, Cure Diseases, and Transform Industries, we learn that the vitality of loonshots extends beyond the battlefield and into the board room. Bahcall explains that long-term, sustainable success is built by entrepreneurs who develop a unique structure to nurture the development of many loonshots. These entrepreneurs are careful gardeners who cultivate systems defined by a standard set of principles. Crediting the historically revolutionary success of Vannevar Bush and Theodore Vail as the result of careful gardeners, Bahcall names these principles the Bush-Vail rules. All organizational leaders must understand four Bush-Vail rules: separate the phases, create dynamic equilibrium, spread a system mindset, and raise the magic number.

**THINK POINT #1: Separate the Phases**

Bahcall defines two distinct organizational phases—artists and soldiers. Artists are responsible for inventing loonshots, and soldiers execute the day-to-day operations associated with largescale production and adoption of loonshots. Bahcall encourages organizational leaders to:

1. **Tailor the tools to the phase:** Leaders must understand that artists and soldiers serve drastically different function, and thus require different types of managerial support. Artists require loose controls and creative metrics, whereas soldiers require tight controls and quantitative metrics.

Also, it is vital to emphasize the inherently fragile and vulnerability of loonshots. Bahcall explains that loonshots must survive three “deaths” before succeeding, but leaders frequently declare a loonshot's failure prematurely, deemed “false failures.” Thus, leaders must develop
secure and isolated environments, what Bahcall calls loonshot nurseries, to prevent false failures. This phase is critical, as loonshots must be nurtured through failure and rejection. The process is neither quick nor easy; however, failing to protect your loonshots can be a detrimental mistake.

2. Separate your artists and soldiers: Organizational leaders must understand the vitality of creating two distinct groups that are separate from each other. Leaders cannot expect the same group to serve as both an artist and a soldier.

Further, Bahcall differentiates two distinct types of loonshots—P-type and S-type loonshots. P-type loonshots are product breakthroughs, representing the success of a previously dismissed product. P-type loonshots commonly result in glittering success and immediate gratification. In contrast, S-type loonshots are strategy breakthroughs, representing the discovery of a novel business tactic. For example, throughout 1978 and 2008, the airline industry's government deregulation drove 170 airline companies out of business, including industry leader Pan Am. Pan Am grew blinded by the success of P-type loonshots, such as jet engines and jumbo planes. In contrast, American Airlines unleashed several far less glamorous but significantly more sustainable S-type loonshots, including their revolutionary frequent flyer program. The demise of Pan Am illuminates Bahcall's recommendation regarding the first Bush-Vail rule to separate the phases:

3. Watch your blind side: The contrast between Pan Am and American Airlines illustrates the significance of S-type loonshots—strategy is sustainable. To persist as a long-term, industry competitor, organizations must produce both P-type and S-type loonshots. The cycle associated with P-type loonshots is perilous but hard to resist. P-type loonshots feed a growing franchise, which propels the development of additional P-type loonshots. However, due to the unsustainable and vulnerable nature of P-type loonshots alone, Bahcall cautions leaders to watch their blind side and avoid neglecting S-type loonshots.

THINK POINT #2: Create Dynamic Equilibrium

Leaders assume the responsibility of fostering seamless exchanges between the artists and soldiers. To maintain this delicate balance, Bahcall explains that leaders must:

1. Love artists and soldiers equally: Companies need both entities to produce sustainable success, so leaders must provide equal-opportunity respect, allowing both groups to feel valued and appreciated, regardless of their organizational role.

2. Appoint and train project champions to bridge the divide: Artists unrealistically expect soldiers to see the beauty of their loonshots, whereas the change-resistant soldiers are laser-focused on the loonshots’ shortfalls. Thus, leaders must identify and appoint
metaphorically bilingual specialists—those fluent in both artist-speak and soldier-speak—to bridge the divide.

Additionally, leaders must remain conscious of their role as a communication facilitator instead of a loonshot anointer. Another common cause of corporate demise stems from a leader's obsession with personal innovation success. For example, Polavision (Polaroid) inventor and organizational leader, Edwin Land, was deeply engrossed by the success of his anointed P-type loonshot, film. When digital technology emerged, Land neglected to search for hidden S-type loonshots (the many ways digital technology could enable new income streams) and dismissed its value, quickly leading to an organizational breakdown. Land's failure demonstrates Bahcall’s final recommendation regarding the Bush-Vail rule of creating dynamic equilibrium:

3. **Manage the transfer, not the technology:** Unlike Bush and Vail, who viewed their roles as facilitators of dynamic equilibrium, Land anointed himself as the loonshot judge and jury. Unlike Land, leaders must understand their part is developing natural processes to enable seamless loonshot transition from the nursery to the field and acquire feedback and market intelligence to cycle the loonshot back to the nursery for modifications, when necessary. Further, timing is essential; if transitioned too early, the fragile loonshots risk permanent destruction, and if transitioned too late, feedback and adjustments will be impossible.

**THINK POINT #3: Spread a System Mindset**

Leaders assume the responsibility of acquiring feedback and market intelligence. Bahcall identifies the critical distinction between teams with an outcome mindset and a system mindset when it comes to feedback. Teams with outcome mindsets evaluate failure with a laser-focus on one specific project or strategy. On the contrary, teams with system mindsets consider failure beyond one specific loonshot; they probe the failure's decision-making process. Teams with system mindsets ask, "How did we arrive at this decision? Should different people be involved in different capacities? Do our incentives affect the decision-making process? Should we alter how we evaluate project opportunities in the future?" Bahcall emphasizes the importance of system mindsets and calls leaders to:

1. **Keep asking why:** Teams with system mindsets ask why decisions were made, regardless of positive or negative outcomes. Desirable results do not necessarily imply virtuous
decisions or the inverse for bad outcomes. Thus, throughout the loonshot production process, leaders must encourage teams to evaluate the quality of decisions made instead of merely evaluating a project’s outcome.

2. *Keep asking how the decision-making process can be improved:* First, leaders of teams with successful system mindsets identify vital influences. These influences include the people (both artists and soldiers), data, analyses, the framing of choices, market conditions, and incentives. Then, leaders ask how they can leverage these key influences to produce an enhanced decision-making process.

3. *Identify teams with outcome mindsets and help them adopt system mindsets:* System mindsets are challenging to maintain, as they require pronounced self-awareness and the self-confidence to acknowledge failure by all team members. Thus, leaders must cultivate candor, trust, and genuine support for their followers to promote an environment of open and honest feedback. Initially, neutral experts can mediate and expedite this adoption process.

**THINK POINT #4: Raise the Magic Number**

According to Bahcall, there is one final condition required to produce sustainable organizational loonshot development. Organizations must obtain employee buy-in from both artists and soldiers, known as “obtaining critical mass.” Ultimately, regardless of other factors, without obtaining critical mass, the loonshot is doomed. Thus, leaders must employ incentives and tactics to “raise the magic number,” or, increase the size of this supportive mass. Ultimately, this large-scale mass of support creates a positive cycle that encourages the development of loonshots.

**Real Estate Implications**

You may be wondering, where do I begin? As a real estate agent, the first step toward sustainable industry dominance is promoting and supporting innovation in your organization. Next, when your innovation produces a loonshot, understand its fragility and promote its nurturing. Understand that this process is a marathon, not a sprint; remain patient through the loonshot’s three deaths and avoid false failures. Then, employ the principles of the Bush-Vail rules into your practice. Following the loonshot development process, regardless of success or failure, remember to spread a system mindset by asking why and seeking consistent improvement to the decision-making process. Finally, understand that loonshot development is risky and expensive, both financially and timewise. However, history proves that the financial, social, and historical gain is worth your patient investment.

**Recommended Reading**

About the Author

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Kayla Wilson is a graduate student from Copperas Cove, Texas. She earned her Bachelor of Business Administration in Baylor Business Fellows from Baylor University. Her work experience includes conducting administrative research at Genesis Physicians Group, an Independent Physicians Association in Dallas, Texas. Kayla is currently pursuing a Healthcare MBA at Baylor University on the pre-clinical track. She plans to further her career in the healthcare industry by attending medical school to become an emergency physician and healthcare administrator.