

## Keep Moving Episode 2: Take Advantage of Your Lazy Assets

---

Paul: Hello and welcome to the Keep Moving podcast with MIT Professor John Donovan.

Over a 40 plus year career Professor Donovan has impacted thousands of organizations and founded 27 companies, six of which went public. He is a sought-after entrepreneur and business adviser throughout the world. We will dig into what makes businesses tick and how to make them more successful. Welcome.

Paul: Today we're going to talk about this concept of lazy assets. Notice I articulated very carefully there. You've used that term quite a lot over the years that I've known you. What is a lazy asset?

John: There are seven things that I look for, if you're an internal entrepreneur. This is one of seven. So, there's more coming up.

Now, the concept of a lazy asset is within an organization, are there assets that is has? Data, processes, people—

[Boston accent.](#)

---

Paul: Now, now. Hang on a second. What's "dater"? How do you spell that?

John: D-a-t-a.

Paul: Oh. I thought it was d-a-t-e-r.

John: We have a little bit of problem with the rest of the country. God had said that the pilgrims should land in Boston. He said this is the way we should talk. We're mathematically correct. Every time we take a word like "dater," which I need an 'r' on the end of it, I take it out of another word like "hoss."

Paul: "Hoss"?

John: "Hoss." Giddy-up, giddy-up.

Paul: Oh. Horse. Alright. I got it.

John: I'll tell you where you're going to get into trouble, Paul. I came into Boston a little while ago with an executive. We got into a taxi. The taxicab asked us where we wanted to go. And the executive said we want to go to Kendall Square. But he said Kendall Square with all the "r's" in it. The taxi driver drives out of Logan airport, turns right heading towards Revere.

I knock on the glass and said, "Excuse me. We want to go to Kendall Square." He jams on the breaks, does a U-turn, says, "I'm sorry. I didn't know you were from here." He was going to take us on a long ride.

---

### What is a lazy asset?

John: Now, the concept of a lazy asset, and you mentioned about carefully pronouncing it- as an entrepreneur- find jewels. Find these assets that aren't being used and then you turn them into a business opportunity. That's the fundamental idea.

Paul: Ok. Sounds like a good idea.

So, you look around. You do an inventory, or how do you know that these assets are there?

John: It's interesting. A key thing, a vehicle I have usually with an organization or an individual. If I formalize it in a... We have these strategic discovery sessions that we run. But if I'm talking to a person on a one to one basis, I'll ask the senior executive, "What is your goal?" I always start with that question. And it's amazing. Senior executives can immediately tell you what your goal is. It's a great way to start your conversation.

Take an e-commerce company. He'll say, "My goal is to increase my revenues, to get more customers, to get more stickiness."

I then say, the next question is, "What is critical to achieving your goal?"

He'll come back and say, "An easy to use website." He'll say, "Acquiring other companies that already have users." He'll be able to articulate what his critical success factors are.

Then, I look for assets that he has in the company that might help him achieve his goal. And then I listen to him telling me all the assets in the company. I do this in a group. The key thing is to listen, and if there's any talent I have, it's this: They'll tell me 10 ideas. Out of those 10, three will be great. Three will be really dumb. And four will be mezza-mezza. That's an Irish technical term from East Boston.

The trick is to find the three assets that they're not using that can lead to a tremendous business advantage. And there are many examples of this. I've never found a company or an organization that doesn't have lazy assets that they're not using that can greatly accelerate their achievements of their goals.

Paul: Can you tell me the details about the lazy assets with the trains? Locomotives.

John: Yes. That's a good example. The president of General Motors Locomotive Division came to me and said, we have a problem. Many times, I get people that are comatose when they come to me.

Paul: So, about when was this?

John: This was about six years ago. I'll give you some examples of it yesterday too. He came to me and said, "The problem that I have is we're not making any money for the last 10 years. We

have 50% market share at General Motors. GE has 50% market share. We're not going to get more market share. We're locked.

Paul: So, this is for locomotives?

John: This is just locomotives. I'm talking their locomotive division, but that's important to General Motors. If you look at General Motors' stock, they have a picture of a locomotive on the stock certificate. So, that was a historically important part of General Motors.

Paul: So, you've got a CEO who comes to you and says, "I need more revenue?" Or, "What do I need?"

John: "I need help. I'm not profitable, number one. Number two is the company is thinking about spinning me off. So, my goal is to somehow increase my profitability and somehow make myself look more valuable on a sale.

Paul: So, how do you make a locomotive company in an entrenched industry, with a formidable competitor, GE and GM going head to head in that area, it doesn't sound like you're going to beat them.

John: Well, I do two things. One is I look for what I call operational ideas. None of those are going to be shocking to you. They're the ones that are standard. Cut your costs a little bit. Well, how could we do that? Trains, for example, might be late. They might get delayed out there. So, we introduce mobile devices so that the repairperson could be on site, sees there's an electrical problem, be able to order the part right there and get it right away.

Paul: So, optimizing their process.

John: Optimizing their process. Now, nobody here is going to say, "Wow. You deserve tenure for that one." But it's good to do those things. Now, then I go to what I call the upper right hand corner of a model that will be discussed.

The internal entrepreneur. And I'll ask you a question, and everybody that's listening. If we could turn around and get, let's say, \$250 million to General Motors in a short period of time, of essentially profit, for a year, would that be significant?

Paul: Yeah. Absolutely.

John: Let me tell you how we do it. We look for lazy assets. One trick on lazy assets to where to look, is you look at the food chain of the industry that you're in. So, you look at General Motors and you say, "Who do they sell their goods to?" They sell them to TXS or Amtrak; their trains too. And then what does Amtrak do? They rent them or carry grain, tomatoes, fruit, and such to major fruit companies.

Then you ask each member of the food chain what their goals are and what their critical success factors are. So, let's take the one at the end there, the fruit company. What is your goal? He's going to say, "My goal is to have profitability. And to do that critical is I need the fruit to arrive fresh. It has to be here on time. I have to have the grain arrive when it's supposed to arrive for my customers."

"Sir, what would happen if they're late?"

"I'd lose a great deal of money."

"How about if we could give you," I'm talking to the president of the grain company, "How about if we could give you an insurance policy that was the least expensive that could possibly be, that would mitigate any late trains and loss of produce and loss of your money because they were late? If I could give you that, would you be interested that?"

Paul: Absolutely.

John: That's a new insurance business. If you're going to have an insurance business, you need two things. One is you need good actuarial tables, so to speak. How often are trains late? And then second, you need a back end that's going to turn around and invest your money that is the premiums and such wisely.

Now let's go back to General Motors. Who has the data that knows when the trains are going to be late? General Motors. They've got historical data on all the train and repair work and when they're late and when they're on time. So, I could take that data, come up with actuarial tables, then team them up with another insurance company like Aegon, put that together, and now I have an insurance company that has very accurate data, they can predict very well what those premiums should be, and a new business.

So, we formed an insurance company. Well, after a year, General Motors sold that insurance company for \$250 million using a lazy asset that they already had. Now that's historical, in some sense. Six years in my life is not too historical. In young people's lives it's more historical than that.

But I see that even today, where I can give examples of lazy assets today.

---

Paul: Is this a secret talent that you have? Is that your super-hero power, or is it one of them?

John: No.

Paul: Can you teach that?

John: We can teach it. You have to be entrepreneurs. You have to have the courage of an entrepreneur. You've got to be opportunistic. You've got to be optimistic. You've got to be prepared to do the following, is to eat your own lunch.

You can end up competing with yourself. And that's good. You have to have the chutzpah to turn around and try something and not worry about failure. Let's take Air Liquide. Air Liquide is a French company. They sell gases. They sell nitrogen and oxygen and all of those types of gases.

First of all, the gases are free. They're in the air. So, that they-competition was coming in. What is the lazy asset? They have lots of customers; they have all the hospitals as customers. They understand that market. They have a manufacturing capability for manufacturing these gases. How about doing the following? Eat your own lunch.

Instead of selling the gases to the hospital, how about selling equipment for them to make the gases themselves in the hospital? And you get your revenues for service parts and maintenance off of that equipment.

Now, you're going to wipe out your own business, but that's okay.

Paul: Well, that's scary.

John: That's scary. But what I'm going to say, if you don't eat your own lunch, your competitors will.

Paul: So, did that work?

John: That worked. And they've moved into that area, and they've been extremely successful.

---

Now, those are big companies. You can take very tiny companies and do the same sort of thing. Like JEA. Jacksonville Electrical Authority. They sell electric to the Jacksonville, Florida community. They give, every year, about \$200 million. They're a not for profit company. They give \$200 million back to the community. It's a nice thing. The community had a shortfall of about \$20 million. They had to make up \$20 million. They also have a water company, so they combined.

Well, they came to me, and they looked for lazy assets. Now, when I tell you how you can get \$20 million without raising the rates, because they're regulated and everything else. Raising the rates of electricity, getting the ire of all of their clients, you don't want to do that.

Paul: Right. It's like another tax.

John: So, we need to find another \$20 million. You got a fixed number of customers. You're in the electric business. We look for lazy assets. What's a lazy asset? Their data again. What's an example? I'm going to ask you, Paul. If you had a mother up here in Boston where it's nice and cool, you had a mother who had a home in Jacksonville, FL for the winter, would you like to know if there was ever a power outage?

Paul: Absolutely.

John: Would you be willing to pay a small subscription fee for getting that information so you could call her and give her some comfort? How about we form a subsidiary that offers, for subscription fee, we'll notify you by email if there's a power outage. And we'll notify you when it's been fixed, so you can follow what's going on. And we'd like to charge \$20/month, or some number.

Who has that data? Who knows when the power outage is? JEA knows. They've got all the data. They just have to add a little tiny, if you wish, program on top of that data to notify you if your power outage goes. That gave them \$10 million a year.

Then on the water side, you're sitting in front of you. You've got a bottle of water. If you notice this bottle of water, that probably cost you a dollar and a half.

Paul: Yeah. Water.

John: If you look at it, I defy you to look at it. Where does it say what's in that water? Where is it certified? You have no idea whether this is good water or bad water.

Paul: That's a good point.

John: Jacksonville Water sells water, municipal water, for a penny a gallon or something like that. But yet they regulate it. It has to be pure. It has to be made sure there's no biological problems with it. It's better, and it's cheaper. How about Jacksonville Water offering a Jacksonville bottled water, an alternative, much less expensive and guaranteed to be safe.

Paul: And it helps the local community.

John: Exactly. It helps the community. So, we could take that, and they got \$10 million. They got \$10 million out of that. They took a lazy asset, namely their water, and just bottled it and charged more per gallon than they're charging to water people's lawns. Those are examples of lazy assets that we see all the time.

---

Paul: So, how do you get to the people to talk to them about these lazy assets? You said they come to you. How did this actually occur? Why did they come to you?

John: I'll tell you historical and then I'll tell you what we want to do in the future. The way this all happened is... AT&T wanted to get into the computer industry. They looked around to try and find somebody that could help them train their people in computers. My book Systems Programming in the 1980s was used in AT&T. So the training people called me up and said, would you conduct a series of programs to train our technical people in what you're teaching in your books. But make it more compressed because we can't send them to MIT. I'd like to have a series of four 2-week courses that could be equivalent to a computer science degree. I said, "Okay. Let's do that." So, we did that.

What happened then is I was very successful with that. Financially it was profitable. The people worked very hard. They learned how to program. They learned all of that.

Then AT&T decided to get out of the computer business.

I had a \$10 million plus year contract, and I was only doing that training. They canceled the contract. What do you do? My only customer said good-bye. This is a big disruption.

Paul: I've heard the entrepreneur or person who is in business for themselves, every Monday morning, they wake up, and they're unemployed. Because if they don't get up and do anything, nothing happens. And I've seen that a lot in our interactions that we've come up against something that's impossible. That's where I think you test the mettle of an entrepreneur.

John: There's a Chinese character that's the same character for "Crisis or opportunity." Was it a crisis that we just had? We turned it into an opportunity.

Paul: I guess that would point to how you react.

John: How you react.

So, I gathered up all my people, and I said, "We have to change. Let's take what we've got" -- our lazy assets are great training, our location right on the MIT campus -- "And let's move into executive training."

So, I want back to AT&T and I said, "Gee, you'd like to introduce your customers to your communication side." Now, I had a little bit of a rapport with them by then so that I got to know the chairman, Charlie Brown, of AT&T.

So, he wrote a contract for me to do executive training. We ended up, because I was doing it for AT&T, NCR was a competitor. They wanted to do executive training. And then HP wanted to do executive training. So, these other CEOs gathered around and asked me to do executive training.

This is a dramatic moment the first day I did this.

So, I just sheepishly put my head down.

I put my head down and I said, "Alright. You out there, give me a problem that you've been looking at for at least five years, and you've spent over \$5 million on it. And we will solve it overnight, develop a pilot and a business case and present it tomorrow morning. Are there any volunteers?" Woosh! Half of the class raises their hands. Dramatic.

These customers give us their toughest problem, customers of HP, their most difficult problem. I then go and look for lazy assets.

I ended up teaching 35,000 executives in these classes. Those people are out there that say, "If you're in trouble, call Donovan."

So, for example, one organization was the United States Navy. Admiral Shuford was in there, one-star admiral, raises his hand and he says, "I have a problem. Over 50% of the people in the Navy do not re-enlist. We're not managing their expectations and their careers well."

I said okay. So what do we do? We went to the Boston Navy Yard, this group of young people. We asked, "Sam, why didn't you reenlist?"

He said, "Well, last week they came to me and said, 'Do you want to volunteer for Afghanistan? Do you want to volunteer for going there?' And then he asked one other person, 'Do you want to volunteer?' Finally, nobody volunteered. They said, 'You've just volunteered. You're going to Afghanistan.' I said, 'I'm outta here. That's the last time they're going to do this to me'"

We said, "Alright. Let's take advantage of your lazy asset. You have all this data. You have all these processes and everything in place in training mechanisms and such. How about posting on a website the possibility of people bidding on the opportunity to go to Afghanistan?" They could be \$200 extra a month, \$300 extra a month. Then we take that data, take the necessary training and such, and we say, "You just won the opportunity to go into Afghanistan." Dramatically changed their retention rates.

That branched out to a system that is now being used by the 400 salespeople, 400 sailors in the United States Navy, of a total holistic HR capability, by which they call it a five-vector model. One vector has on it your training, another one your leadership capability, another one is your position. It then says where you are, and then you click where you want to be, and then it tells you all the training you need for that, how to get there.

Now, one of the reasons why we're doing this broadcast is that I would like to have other people see how we find lazy assets, how we turn around and create an entrepreneur within a company, what's the process for doing that. It is a process that can be learned.

---

Paul: Thanks for listening to Keep Moving. To get in-depth show notes or to contact Professor Donovan please visit [professordonovan.com](http://professordonovan.com)

You can find us on Twitter: [@ProfDonovanMIT](https://twitter.com/ProfDonovanMIT)

And on Facebook: [facebook.com/ProfDonovanMIT](https://facebook.com/ProfDonovanMIT)

Downloadable copy of the Donovan Model: [professordonovan.com/model](http://professordonovan.com/model)

Be sure to join us again for our next episode.