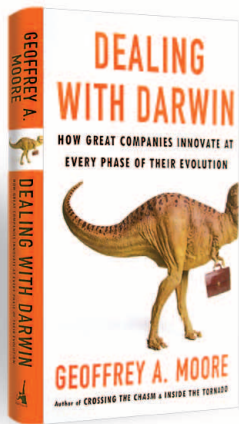


SOUNDVIEW Executive Book Summaries®



By Geoffrey A. Moore

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How Great Companies Innovate at Every Phase of Their Evolution

DEALING WITH DARWIN

THE SUMMARY IN BRIEF

Business is becoming increasingly competitive — globalization, deregulation and commoditization have taken their toll everywhere you look. Companies are forced to innovate or fold; it's a constant pressure that goes beyond mere competition — it's about survival. Who will the survivors be? They will be the ones that win the scarce resources of customer purchases; the ones that gain customer preference because of their innovation; the ones creating next-generation offers and raising the bar for the future. It's evolution in every sense of the word. Survival of the fittest. Dealing with Darwin.

In this summary, bestselling author and consultant Geoffrey A. Moore puts into clear relief the fact that innovation is not an optional “nice-to-have” in business — to innovate forever is a design specification. It's no longer a strategy; it's a requirement. Those companies that survive over the long haul must not only innovate, but they must also deal with the cyclical inertia that affects all organizations. How can you extract and repurpose resources to feed and foster new product offers? How do you differentiate your company's products and services from those of your competition, creating sufficient separation to win revenue? According to Darwin, evolution took millions of years — you don't have nearly that long to build a strong competitive position. You must evolve and innovate now or suffer the consequences down the road.

In addition, this summary will describe the following:

- ✓ **The Economics of Innovation.** Innovation can help you neutralize a competitor's advantages in the marketplace, improve your overall productivity and avoid waste in your business.
- ✓ **The Maturation of Offer Categories.** Understanding the category-maturity life cycle will help you determine where your offers are in their development before you set your innovation strategy.
- ✓ **Recognizing and Managing Innovation.** Knowing the types of innovation is the first step toward managing innovation successfully.
- ✓ **Extracting Resources From Context.** You must build resources for core differentiating activities by repurposing those resources from other areas of various mission-criticality.

DEALING WITH DARWIN

by Geoffrey A. Moore

— THE COMPLETE SUMMARY

Foundational Models

The economic argument in favor of innovation focuses on pricing power — avoiding commoditization and the resulting vendor price wars brought about by consumers simply searching for the best deal. Over time in these situations, the market stabilizes at prices at or below cost, creating returns for investors below the cost of capital. Investors do not stay in marketplaces like these very long. When innovation is applied, however, offers become more and more differentiated from one another, leading to different ones becoming the preferred choice for different market segments. Vendors in those segments then have pricing power, and the markets stabilize at prices well above cost, creating returns above the cost of capital, attracting more investment.

The Economics of Innovation

When innovation creates differentiation, it creates attractive economic returns. This is not, however, the only possible outcome from innovation. In addition to differentiation, there are three other possible outcomes:

● **Neutralization.** The goal of neutralization is to eliminate differentiation by catching up either to a competitor's superior performance or to a market standard one has fallen short of. Netscape, for example, achieved differentiation with the Internet browser; then Microsoft achieved neutralization with its own browser: Explorer. Neutralizing is an important adaptation to changing competitive dynamics, and it does call for innovation. It does not, however, create as great a positive return as differentiation, in part because its function is to eliminate a negative return.

● **Productivity Improvement.** Here the intent is not to affect market outcomes but rather to achieve them at a lower cost. While productivity improvements can create differentiation if they are radical enough, the majority of them are simply designed to cost-reduce a set of existing processes in order to either invest the savings elsewhere or increase profits. Productivity improvement is essential to evolutionary adaptation because it frees resources that other forms of innovation can use. It requires significant innovation focused largely on reengineering existing processes based on either a better understanding of their dynamics or a better set of tools.

● **Waste.** Waste innovation falls into a number of

Sliding Down the Commoditization Curve

Sliding down the commoditization curve has been the fate of the Chevrolet division of General Motors and the personal computing division of HP, not to mention a whole host of airlines and telecommunications service providers. It is not that these companies do not innovate. It is that their offers do not achieve separation — and here is the kicker — *they were never designed to!*

It's probably hard to picture in your mind a Chevrolet sedan from the past 10 years, but it's easy to recall a Chrysler PT Cruiser, a Hummer or a Mini Cooper. Innovation for differentiation must be bold enough that, if it wins, it achieves separation. That's why Chrysler's failures are more memorable than Chevrolet's successes — the Viper and the Prowler, for two.

classes. The first simply comprises those attempts at any of the other three goals that don't succeed. This is just part of business.

The other forms of waste are more pernicious. Neutralization efforts that go beyond the good-enough goal have lower returns because you overspent the market requirement. Productivity efforts that go beyond cost-reduction or cycle-time improvement and branch into nice-to-have enhancements also represent waste. The worst kind of waste, however, occurs when an innovation project actually succeeds in meeting its specified targets but fails to achieve competitive separation in the

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Foundational Models

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marketplace because it *did not go far enough*.

Underperformance

There are two deep-seated causes for innovation underperformance. These are:

1. Risk-Reduction Mentality. This encourages people to shun bold actions that jeopardize existing assets and relationships. It is based on staying close to norms, thereby leveraging the experience of the herd. As such, it is actually a positive evolutionary response to situations that do not reward differentiation. These situations are called *context*. Risk reduction is the sensible strategy for managing context, but it is a horrible tool to deal with core.

Core describes innovation that creates differentiation. To succeed with core, you must take your value proposition to such an extreme that competitors either cannot or will not follow. That's what creates the separation you seek. So risk-averse behavior here is a losing strategy.

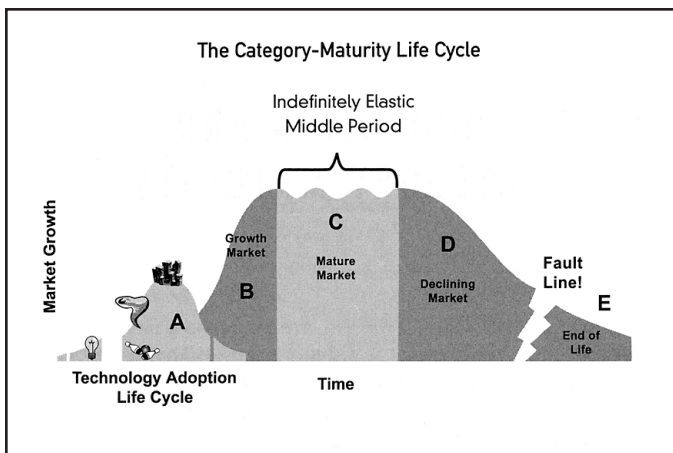
2. Lack of Corporate Alignment. To achieve breakaway differentiation requires a highly coordinated effort across the entire enterprise. At the end of the day, every function in the corporation has to realign its priorities in order to amplify the innovation to breakaway status. Anything less is simply too easy to neutralize.

In order to break away from the herd, we must overcome risk-reduction mentality and lack of corporate alignment. Neither is a natural act.

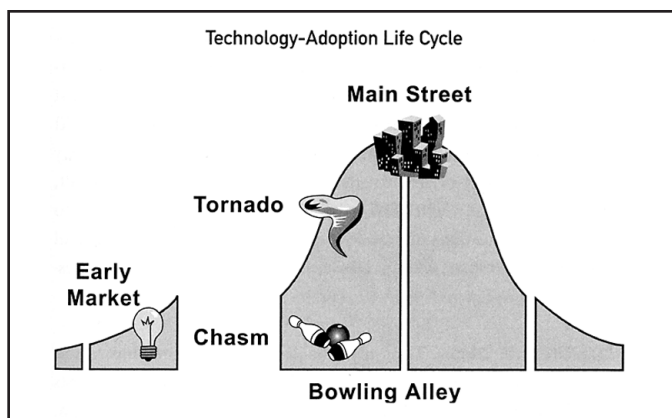
Innovation and Category Maturity

To be successful with innovation, you have to understand that different categories reward different types of innovation at different points in time. It is important to locate where your category is in its life cycle before you set your innovation strategy. The framework for this process is the category-maturity life cycle.

The model comprises five phases: (A) New Category Initiation, (B) Growth Market, (C) Mature Market, (D) Declining Market, and (E) End of Life.



The first phase covers the coming into being of a new category. In the development of any specific market, individual choices are masked in the statistics of the group, resulting in five strategies interacting to create a pattern described by the technology-adoption life cycle.



Here are the six stages to consider:

- **Early Market.** When a disruptive innovation is first introduced, it initially attracts the attention of technology enthusiasts (who see it as cool) and visionaries (who see it as potentially disruptive). The category is given a name, but it is not yet clear if it will be just a flash in the pan.

- **The Chasm.** Having now been in the marketplace for some time, the offer has lost its novelty; visionaries no longer see it as a source of dramatic competitive advantage and pursue disruptive opportunities elsewhere. As a result, the market stalls.

- **Crossing the Chasm.** The only reliable way to exit the chasm is to target on the other side a niche market made up of pragmatists united by a common problem for which there is no known solution. These pragmatists are motivated to help the new technology cross the chasm if it is packaged as a complete solution to their problem.

- **Bowling Alley.** In this phase, the technology has gained acceptance among pragmatists in multiple-niche markets where it enables genuine solutions to uncommon problems. Within adopting niches, the new paradigm builds a loyal following among those who see a market in the making. Outside the niches, it is becoming more widely accepted by the general public.

- **Tornado.** The technology has proved its usefulness in niche markets and, in the process, a killer app has emerged — something that makes it both broadly applicable and highly attractive to a mass audience. Overnight it becomes perceived as necessary and standard.

- **Main Street.** The initial surge of hypergrowth subsides, leaving behind a market-share pecking order that is likely to persist for a long time to come. Customers have selected their vendor of choice and are now focused on deploying the technology more broadly.

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Foundational Models

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After Assimilation

The technology-adoption life cycle comes to an end once the marketplace has completely assimilated the disruption that triggered it. In the case of automobiles, this happened sometime between World War I and World War II. Once assimilation has occurred, a new set of dynamics emerges. These are reflected in the remaining phases of the category-maturity life cycle. They are:

Phase B, Growth Markets. Even though the technology has been thoroughly assimilated, the offerings it has spawned remain in high demand for a while longer. This is an exceedingly pleasant time to be a manager because you are presiding over what is essentially category growth generating superior economic returns while entailing little company-specific risk.

Phase C, Mature Markets. Category growth has flattened, and commoditization is under way. In Darwinian terms, the boundaries of the niche have been reached and the category is experiencing the condition of scarcity for the first time. Growth must come from increasing the yield from the current customer base, or growing it at the expense of another competitor. Natural selection ensues with a wave of consolidation thinning out the bottom of the pecking order.

Phase D, Declining Markets. The category has become completely boxed in, innovation opportunities harder to find, and even those that dominate the market are experiencing difficulty in creating attractive returns. The market is ripe for some form of disruption, either through an obsoleting technology or radically innovative business model.

Phase E, End of Life. A disruptive technology has emerged and made significant inroads. As a consequence, the incumbent technology has been rendered obsolete. The only customers left are conservatives and laggards. This is a classic time to take a company private to harvest the remaining economic value in the category, brand, distribution channel and customer relationships. ■

Managing Innovation

It is important for you and your colleagues to come to a unanimous consensus around the single most compelling question driving innovation strategy: What type of innovation will we so excel at that we will leave all our competition behind?

Consider each innovation type as an independent vector, an arrow pointed in its own unique direction. Any vector sufficiently amplified will achieve breakaway separation from your competitive set. What would cause you to choose one over the other? Here are three factors to consider:

1. Core Competence. Different companies have dif-

ferent assets to exploit — some latent, some realized, in part a function of their business architecture, in part a function of their particular histories.

2. Competitive Analysis. Different sets of competitors leave different openings to exploit, either by neglecting them altogether or by strategically targeting them.

3. Category Maturity. Different stages of the category-maturity life cycle reward different forms of innovation. As categories mature, certain forms of innovation become outmoded and new ones are called for.

You should commit to an innovation type appropriate to the maturity of your category and forgo types that are not. Consider each innovation type and debate their relative attractions on your way toward choosing one for a strategic focus.

Types of Innovation

To better understand the various types of innovation, it helps to organize those types into clusters. The innovation types fall into these four clusters or innovation zones:

- 1. Product Leadership Zone.**
- 2. Customer Intimacy Zone.**
- 3. Operational Excellence Zone.**
- 4. Category Renewal Zone.**

Product Leadership Zone

A focus on product leadership is intended to contrast with strategies that do not differentiate the offer but rather the customer's experience of it, or *customer intimacy*, or the value chain's effectiveness at delivering it, that is, it's *operational excellence*.

There are four primary types of innovation that leverage product leadership as an underlying value creation engine. These are:

● **Disruptive Innovation.** This type of innovation creates new market categories based on a discontinuous technology change or a disruptive business model. Examples include the technological discontinuity of digital photo processing introduced by Shutterfly and Ofoto and the business-model disruption of digital media distribution heralded by Napster and made far more palat-

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Boston Scientific: Disruptive Innovation in a Growth Market

Stents are plastic tubes that are inserted into blocked arteries to open them and keep them open. The problem is that blockages often reform around the stent, requiring additional intervention. Boston Scientific pioneered the introduction of drug-eluting stents that release plaque-reducing chemicals at the point of use. These stents have revolutionized the treatment of arterial sclerosis, and the company dominates the market.

Xerox and Medtronic: Product Innovation in a Growth Market

Xerox introduced the photocopier in 1960, building the franchise in both a complex-systems direction, with copy-center systems like DocuTech, as well as in the volume-operations direction with desktop copiers. Despite failing to commercialize on many of its other product innovations, including Ethernet, Smalltalk and graphical user interface computing, this one major success has led to a \$15 billion global corporation.

Another similar story belongs to Medtronic, which introduced the pacemaker the same year Xerox introduced the copier. The company remains the worldwide market leader today, earning about half its \$9 billion in revenue from cardiac rhythm management products.

Managing Innovation

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able by Apple iTunes. Disruptive innovations are incompatible with existing standards and the existing value chain, and they develop fresh markets.

- **Application Innovation.** Also known as solution innovation, this type develops new markets for existing products by finding unexploited uses for them, often by combining them in novel ways. One example is the adaptation of the Macintosh to desktop publishing in advertising and media. Application innovations introduce new standards but leverage existing value chains, albeit by giving them a new focus.

- **Product Innovation.** This innovation type focuses on existing markets for existing products, differentiating through features and functions that current offers do not have. This form of innovation depends on fast time to market, although patents sometimes keep competitors at bay.

- **Platform Innovation.** This type of innovation interposes a simplifying layer to mask an underlying legacy of complexity and complication, thereby freeing a next generation of offers to focus on new value propositions. The most successful platform innovations reposition an already ubiquitous product to take on this new role. For example, Oracle repositioned its relational database from a component ingredient of the minicomputer to a universal enterprise application software enabler.

Customer Intimacy Zone

Innovation types in mature markets all have an optimizing flavor. They are either leveraging customer intimacy to make the offer a little bit more attractive to the customer or leveraging operational excellence to make it a little bit more profitable to the vendor. There are four innovation types in this zone, arranged in a sequence migrating from closest to the product to closest to the customer:

- **Line-Extension Innovation.** This type of innova-

tion makes structural modifications to an established offer to create a distinctive subcategory. The goal is to expand a maturing market by engaging with a new customer base or re-engaging more compellingly with an old one. For example, when the minivan and SUV were introduced in the automotive sector, the underlying infrastructure of the sector remained unchanged, thereby allowing the vendor to leverage amortized investments and keep development risks low.

- **Enhancement Innovation.** This type of innovation continues the trajectory begun by line extensions, driving innovation into finer and finer elements of detail, getting closer and closer to the surface of the offer with less and less impact on the underlying infrastructure. The goal is to improve existing offers in existing markets by modifying a single dimension, thereby reawakening customer interest in what was becoming an increasingly commoditized category. One example is cherry flavoring in Coke.

- **Marketing Innovation.** This type of innovation focuses on differentiating the interaction with a prospective customer during the purchase process. The goal here is to outsell your competitors rather than “outproduct” them. One example is the use of viral marketing on the Web to create buzz about a new movie.

- **Experiential Innovation.** The ultimate refinement in this trajectory of customer intimacy is experiential innovation, where the value is based not on differentiating the functionality but rather the experience of the offering. This is particularly suited to consumer markets where the product has become a commodity, and the purchase decision has become risk free. Examples include business hotels that remember your newspaper preference, and restaurants that supply patrons with pagers so they can roam while waiting for a table.

Operational Excellence Zone

Complementing the customer intimacy zone’s focus on differentiating the offering on the demand side of the market, the operational excellence zone focuses on differentiating on the supply side. Here the primary reward is a lowered cost structure that enables either price reductions, capital reinvestment or higher profits. Innovation types in the operational excellence zone include the following, organized in a sequence migrating from closest to the product to closest to the processes that enable it:

- **Value-Engineering Innovation.** This type of innovation extracts cost from the materials and manufacturing of an established offer without changing its external properties. It usually calls for substituting low-cost standard parts and preintegrated subsystems for an earlier design’s high-cost manually integrated custom components. Examples include the television, PC and cell phone, all of which have seen reduced costs from value engineering.

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Managing Innovation

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- **Integration Innovation.** This type of innovation reduces the customer's cost of maintaining a complex operation by integrating its many disparate elements into a single, centrally managed system. Typically it permits backward compatibility with existing systems.
- **Process Innovation.** This type of innovation focuses on improving profit margins by extracting waste not from the offer itself but from the enabling processes that produce it. The goal is to remove nonvalue-adding steps from the work flow. Examples include Dell's direct-retail model and Wal-Mart's vendor-managed inventory process.
- **Value Migration Innovation.** This type of innovation consists of redirecting the business model away from a commoditizing element in the market's value chain toward one richer in margins. A good example of this is the switch in focus from products to consumables, as with razors to razor blades or printers to ink-jet cartridges.

Category Renewal Zone

Sooner or later all market categories enter into a decline. It is important to remember that when you are faced with a declining market, any market that is still an ongoing concern is in itself a valuable asset. From the vendor's point of view, there are two basic options to explore, usually in tandem: Renew your franchise by refocusing the majority of your resources on a new category while simultaneously optimizing returns for the remainder of the present category's useful life following a harvest-and-exit strategy. The pertinent types of innovation are:

- **Organic Innovation.** On this path the company uses its internal resources to reposition itself into a growth category. In industrial markets, this repositioning typically involves reconnecting with its most valued customers and finding new problems to solve for them, following the approach laid out in application innovation. IBM did this when it repositioned itself as an e-commerce-enabling

Nokia: Organic Renewal in a Declining Market

For most of the 20th century, Nokia was known as a diversified corporation in paper and pulp products, rubber manufacturing, and cable. It was through the cable side of the house, first with coaxial cable for computer networks, that it entered the electronics sector. In the 1990s, it entered the mobile-phone business. The company invested heavily in building handset manufacturing capability, drawing on the cash cows of paper, pulp and rubber products. Once it completed the transition, Nokia divested itself of those other businesses, and today it is the leading mobile-phone supplier in the world.

company. This represents a return to product innovation. The vendor stays within the same sector but repositions its product line.

- **Acquisition Innovation.** This type of innovation solves the problem of category renewal externally through merger and acquisition. One can play this game either as an acquirer or an acquiree. When BEA bought WebLogic, it repositioned itself from the Unix market to the Internet and dramatically improved its performance. On the other hand, when Lotus could not renew itself organically via its Notes platform, it sold itself to IBM, thereby acquiring the sophisticated distribution and services capabilities that Notes required to be successful. ■

For additional information on Dell's process innovation in a mature market, go to: <http://mg.summary.com>

Managing Inertia

You have just crafted a superb innovation strategy, one that gives every promise of creating the separation you need from your direct competitors, earning the customer preference your profit margins require. Now you must overcome the inertia of your own organization that fosters resistance to making the changes necessary to implement it.

Inertia is not the enemy of innovation, but it does resist it at the point of change. Therefore, at that very point, management must learn to deconstruct inertia in order to reconstitute it elsewhere. You must extract resources from context in order to repurpose them for core. Context includes most of the things you do to meet commitments to key stakeholders and to comply with industry laws and standards. Core is that which differentiates your company to create sustainable competitive advantage.

Extracting resources from context to repurpose for core accomplishes three key objectives:

1. **It solves your balance sheet problem, enabling you to fund your future from your current asset base.**
2. **It solves your income statement problem, enabling you to increase the revenues and margins earned by your current asset base.**
3. **It solves your inertia problem.** By taking mass out of context, you reduce its inertial resistance to core. The more mass you move from context to core, the more powerful this change dynamic will be.

Extracting Resources From Context

We know that we want to prioritize resource allocation for core, but our decision is complicated by the presence of mission-critical risk. As managers we must allocate resources to guard against this downside. Mission-critical context — product shipments, financial transactions, computer security, inventory supply, etc.

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The Five Levers

The five levers represent a sequence of management actions that systematically reengineers mission-critical workloads to first extract risk so that one can then extract resources.

Here's how the five levers play out:

- 1. Centralize.** Bring operations under a single authority to reduce overhead costs and create a single decision-making authority to manage risk.
- 2. Standardize.** Reduce the variety and variability of processes delivering similar outputs to further reduce costs and minimize risks.
- 3. Modularize.** Deconstruct the system into its component subsystems and standardize interfaces for future cost reduction. This requires specialized support, such as consultants or an in-house six-sigma team.
- 4. Optimize.** Eliminate redundant steps, automate standard sequences, streamline remaining operations, substitute lower-cost resources, and instrument the process for monitoring and control.
- 5. Outsource.** Drive processes out of the enterprise entirely to further reduce overhead, variabilize costs and minimize future investment.

Managing Inertia

(continued from page 6)

— is laying claim to the very resources we need to deploy to the next generation of core, but we dare not release them from their current assignments.

To ensure that mission-critical context components do not fail, we assign experienced employees to these tasks and experienced managers to supervise their work. We build systems that track this work and escalate problems should they arise. We tie up many valuable resources to guard against the downside of a mission-critical failure.

What the Future Should Look Like

A desired future state is one in which valuable resources are being extracted and repurposed. Innovation begins where the focus is on core, but the project is contained to minimize risk. This is the domain of nonmission-critical core, an experimental side of the business where risk is encouraged in the quest for differentiation, and the rest of the enterprise is protected by restricting the scope of consequence.

When the innovation is judged ready for wider rollout, it moves into the domain of the mission-critical core. This is the time to release the next generation product line, launch the next new marketing campaign, etc. It is where enterprises expect to make their highest returns because they have distinctive competitive advantage, and they are exploiting it at maximum scale. Innovations stay here for as long as competitive differentiation is sustained, the longer the better.

Eventually, however, Darwinism has its day, and com-

petitors find a way to neutralize the advantages being exploited at their expense. When this happens, the work migrates to the domain of mission-critical context.

Once management realizes that a class of work no longer contributes to competitive advantage, its attitude toward it must change. The work must still be done, but the focus now shifts from differentiation to productivity. Management attention shifts to systems, automation and any other tool that will free up talented people for other tasks.

To maximize resource extraction, companies must convert mission-critical context into non-mission-critical context, wringing out the risks that lay claim to high-value resources. Organizations will still retain a thin veneer of management to oversee pertinent relationships, but the bulk of once-committed, scarce resources can now be released and used to fund the next cycle of innovation.

Repurposing Resources for Core

In the move toward a global economy, work forces in developed economies have been threatened by offshore outsourcers leveraging low-cost labor. This trend shows no signs of subsiding, and companies who do not avail themselves of this opportunity are severely challenged to price their goods and services competitively.

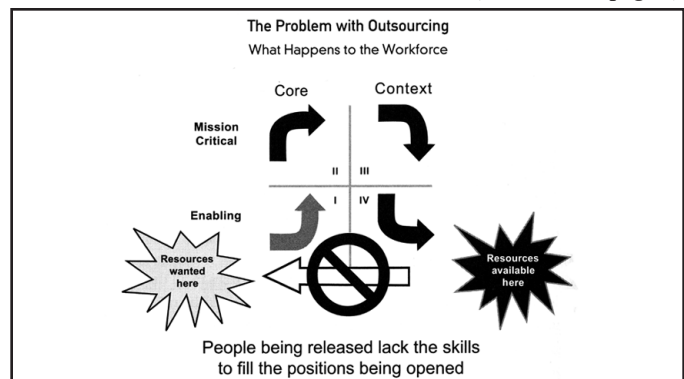
The problem of creating alignment must be solved by the corporations themselves: management and labor collaborating with each other for the collective good of customers, employees and investors. Together they must build a solution that actively embraces both outsourcing and offshoring while simultaneously building a stronger in-house domestic work force compensated commensurately with its local standard of living.

Outsourcing

The essence of the problem with outsourcing is highlighted in the diagram below.

The human resources that are freed up in the context-enabling quadrant IV do not generally have the skill sets required to be repurposed in the core-enabling projects in quadrant I. When layoffs occur, it is Darwinism at its meanest and most parochial, eroding culture and values, devaluing experience and dismissing loyalty. It sends shock waves

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Managing Inertia

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through the entire work force, diminishing productivity everywhere. This is a very bad model indeed.

But what else can be done? Resources need to be properly recycled. What people in quadrant IV bring to jobs in quadrant III is experience and expertise in managing context. By freeing up someone in quadrant IV, a company can reasonably expect that person to have the aptitude for work in quadrant III.

What people in quadrant III bring to tasks in quadrant II is experience and expertise in managing mission criticality. Whether the work is core or context, if it is mission critical, it must be done on time, on spec and on budget. The class of people who thrive under this kind of pressure are the ones who were getting stuck in quadrant III managing mission-critical context and thus were unavailable in quadrant II to help deploy the next generation of mission-critical core. By recycling people from quadrant IV back into quadrant III to pick up their current workload, these people are freed up to bring about the next generation of innovation in quadrant II.

Finally, what people in quadrant II can bring to tasks in quadrant I is experience and expertise in managing core. Core work is always in some sense unprecedented, or else it would not be differentiating. That typically requires outside-the-box thinking and ongoing iterative experimentation. Quadrant II people don't have to be trained for quadrant I because what they do precedes what trainers would know.

Managing Inertia in Your Enterprise

An aggressive agenda can redirect the inertial momentum of your enterprise from context to core. The seven essential steps of that agenda are as follows:

1. Conduct a core/context analysis of your current business. Begin with categorizing your various market segments in terms of the four quadrants. In complex systems enterprises, these will typically consist of multiple grids to represent how core and context play out by product category, customer industry and geography. In volume-operations businesses, one is likely to develop views by product category, consumer demographics and sales channel. These placements help guide resource-allocation decisions downstream.

2. Conduct a resource-allocation analysis to complement your core/context analysis. Do not get distracted by budgets here. Focus on head count, specifically on identifying and locating your top performers in invention, deployment and optimization, whose leadership or functional expertise can change the outcome of a project. You want to leverage these people's skills to the maximum.

3. Set a more ambitious agenda. Once you have mapped out how things are, turn to determining how

you want them to be. How would you improve your enterprise's current performance?

4. Plan out your moves as a team. Extracting resources from context to repurpose for core is a collaborative effort. Don't withhold even a single key resource. Get the timing right — it does no good to free up resources if the work they are meant to do is not yet ready to be done.

5. Focus on time to market. Create a necessary and proper sense of urgency. Make a direct assault on the scheduling assumptions of your plan of record.

6. Get the gears moving. Focus initial efforts on freeing up top-performing deployers from their current mission-critical context assignments. Assign optimizers to attack their workloads with a five-levers approach. Set a date for their last day in their current roles.

7. Keep the gears moving. Once resource recycling has begun, do not let it stop. Each new learning curve is paid for by the margins created by the last curve and in turn is expected to generate high-margin returns to fund the next one.

Evolution in Action

Natural selection is a game with no time-outs. It does, however, allow for unlimited substitutions. Resource recycling not only delivers efficiency; it also provides refreshment. There is respite for the weary as long as it is followed by an energized willingness to re-engage. Communities need abiding sources of employment. Customers need stable sources of supply. Governments need a vital tax base. Investors need opportunities to create attractive returns. We are all more or less strategically aligned. We are just being asked to execute at a new level of competitiveness.

That's what evolution is all about — a continual raising of the bar. It's how countries raise their standard of living. It's why new companies get formed every year. It's why each of us must learn new skills throughout our careers. We may get tired, but we are not likely to get bored. Mostly we just have to perform. ■



If you liked *Dealing With Darwin*, you'll also like:

1. ***Innovation by Design* by Gerard H. Gaynor.** Gaynor provides advice to help you determine whether your organization is doing what it takes to develop innovation as a core competence.
2. ***The Innovation Premium* by Ronald S. Jonash and Tom Sommerlatte.** The authors present a framework for capturing innovation's value based on strategy, process, resources, structures and cultures.
3. ***Product Innovation Strategy* by Michel Robert.** Robert covers finding ideas and opportunities, picking out those with potential, analyzing risks and creating a master launch plan.
4. ***Innovation and Entrepreneurship* by Peter F. Drucker.** The guru of management explains ways to identify opportunities and test their worth.
5. ***The Change Masters* by Rosabeth Moss Kanter.** Kanter tells how to create a business environment that encourages innovation, ensuring a company's survival in the midst of rapid change.

For additional information on setting a more ambitious agenda, go to: <http://my.summary.com>