

FRAMEWORK FIGHT CLUB



Sean Campbell – sean@cascadeinsights.com
Scott Swigart – scott@cascadeinsights.com


CASCADE INSIGHTS

Contact / Copyright

- **Contact**

- Cascade Insights
- 503 898 0004
- www.cascadeinsights.com
- sean@cascadeinsights.com
- www.cascadeinsights.com/request

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Foresight is essential...

“Winning is based on being able to see and understand patterns quickly” -
Adrian Slywotsky





Distractions...



The Goal...





Watch the Seams

What can we learn from a 9 year old ballplayer?

- We need to remove the **extraneous** from our view
 - Teammates on the bases, the umpire, the other coaches, etc.
 - Even a screaming parent or two...
- We need to analyze what data we collect
 - Where is the ball **right now** and where is it **going**?
- We need to have coaches who
 - Can give us tools to **ignore** what doesn't matter and **focus** on what does.

A dramatic seascape at sunset or sunrise. The sky is filled with dark, heavy clouds, with bright sunlight breaking through in several places, creating a series of horizontal light streaks across the water's surface. The water is dark blue-grey, and the overall mood is somber yet awe-inspiring. In the foreground, there are dark, silhouetted rocks or landmasses. The text "A million points of data..." is overlaid in the center in a bright yellow font.

A million points of data...



All the data in the world
won't spontaneously
combust into an insight.



**The “Why” impacts your
research more than the “How”**

“I want to understand if this is a disruptive innovation or not...”

“The iPhone 5 sold 5m units because it is selling to the Late Majority at this point, and even some Laggards”

“Here are four key success factors that we can follow regardless of which of these four futures drive our industry intersects with in three years”

“The reason that Nokia is unlikely to be successful is that they are clearly in value outflow right now compared to...here's why...”

Pattern Recognition Provides

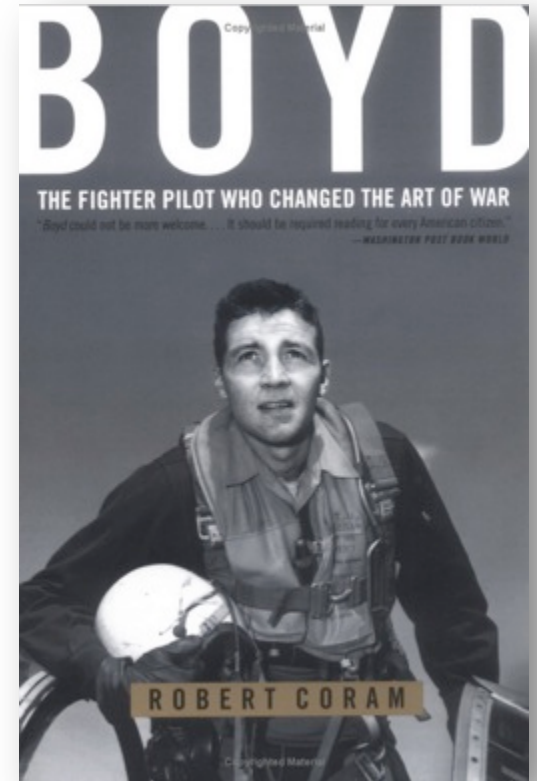
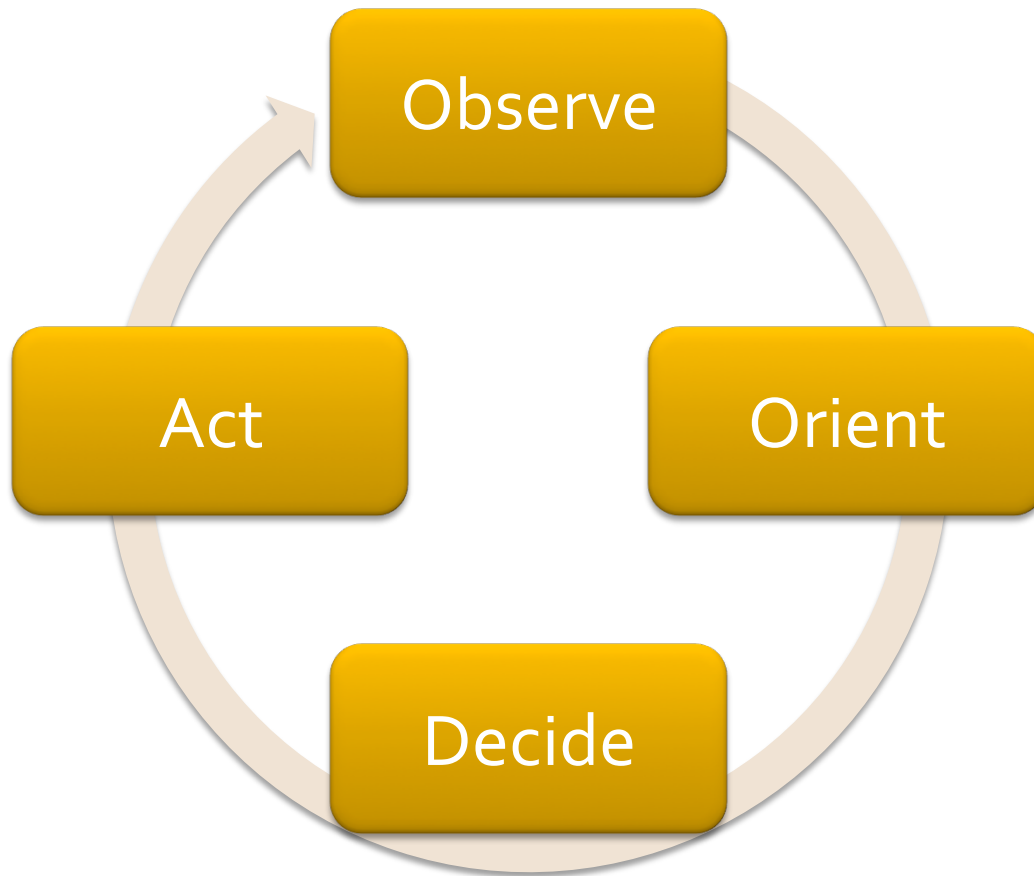
FORESIGHT



FRAMING



Pattern Recognition Provides



What about companies...

OUR HOPE



OUR FEAR



“We’ll have to wait till next fiscal year to provide a competing solution”

- Longer OODA loop

“Now that we’ve launched the product we’re going to focus on demand generation not CI”

- Longer OODA loop

“I know what they would do, I *used* to work there”

- You have no idea what their OODA loop is like today just yesterday

“we’ll be able to execute on that as soon as the re-org settles”

- Longer OODA loop

So the question is are you riding the rocket **or the** manatee?

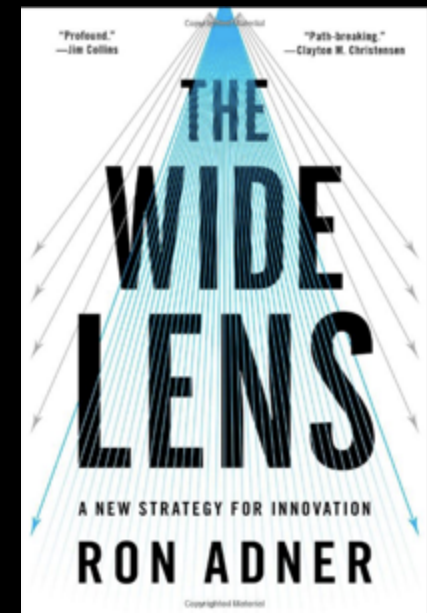
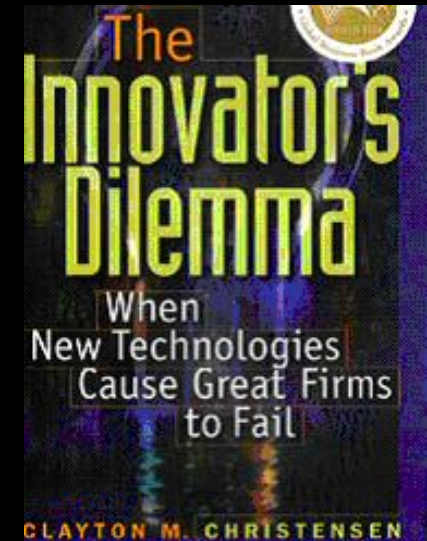
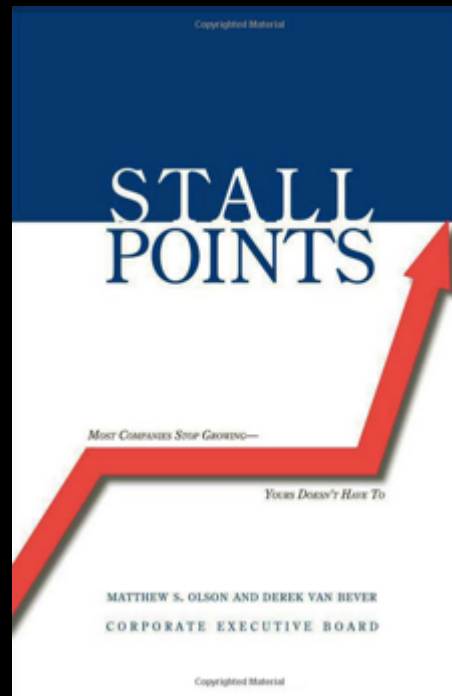
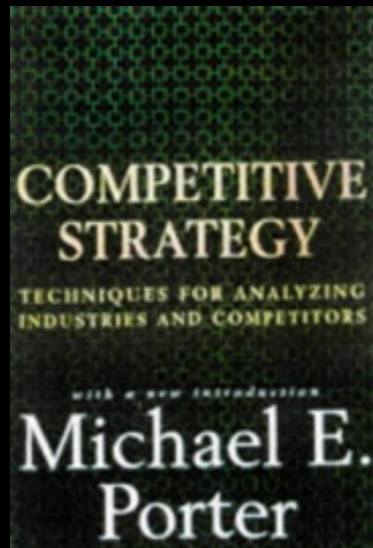
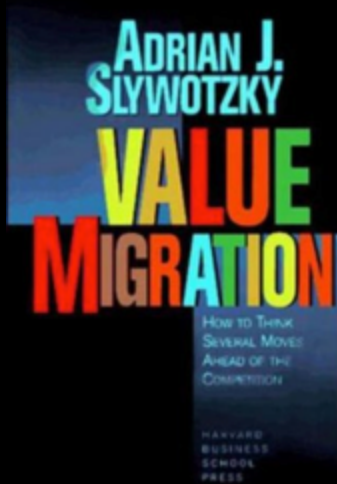
OUR HOPE



OUR FEAR



Pattern Recognition



What's that dot on the window?



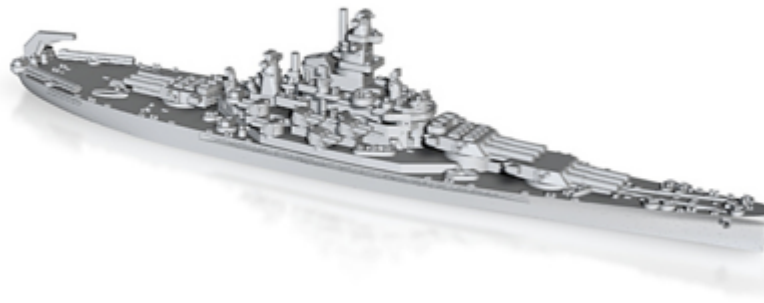
Make & Share Your Products With 3D Printing

shapeways*



Rocket Espresso Cup

by Craig Kaplan's Mathematical Art



Nicole_wedding_ring

by colleencorinne

(0) ★★★★★

From: **\$2.23**

Christenson – Innovator's Dilemma

- Innovator's Dilemma
 - A **disruptive** product that enters your customer segment from below – **lower price**, different criterion
 - A **disruptive** product that enters your customer segment after growing strong by feasting on a group that was previously focused on **non-consumption**

2 Threats

NON-CONSUMPTION



CHEAPER AND DOES THE JOB



Define: Sustaining / Disruptive

- **Sustaining**

- Foster improved product performance
- Can be radical change but still support the current offering
- Are sold to a known customer base – does not create new markets (new value networks)

- **Disruptive**

- Typically result in worse performance at the start
- Different value proposition (or compete with non consumption)
- Generally cheaper smaller – or non consumption – the microwave
- Commercialized in niche markets
- Established firms usually don't want – nor do established customers

The Story Arc...

| | |
|----|---|
| #1 | Disruptive Technologies are first developed in established firms |
| #2 | Marketing personnel sought reaction from established customers |
| #3 | Established firms go back to sustaining – put weight here |
| #4 | New markets formed – disruptions born – via trial and error |
| #5 | Entrants move up market |
| #6 | Established firms try to defend |
| #7 | Entrants either build a strong base with non-consumption, new market, or existing value network |



Tombstones...



| Company | Summary | Disrupted |
|---------------------|--|--|
| Barnes and Noble | Local retailer of overstocked books, evolved to become a powerful brick and mortar era retailer | Small Book Stores |
| Bell Telephone | Western Union looked aside because the signal could only go three miles (initially), but this is just what local customers needed. | Western Union |
| Best Buy | Disrupted the electronics departments of large department stores (Amazon now disrupting BestBuy) | Macy's, Sears, etc. |
| Online Courses | Disrupting traditional college curriculum | Traditional Colleges |
| Dell Computer | Low cost – just in time ordering | Compaq, other computer sellers |
| Department Stores | Disrupted small shop keepers – think Macy's, Marshall Fields, etc. | The small shop keeper |
| Flat Panel Monitors | LCD's originally showed up in watches and then came in at the high end to disrupt CRT | CRT monitors, etc. |
| Steamboats | Originally only competed in inland waterways | Sailing Ships |
| Southwest Airlines | No longer hub and spoke but lots of smaller routes, etc. | Big Hub and Spoke Carriers (Delta, AA, United) |
| Drones | All kinds of market disruptions | Media, Military, etc. etc. - 2015 |

Not one future but several...

Match the Quote to the lack of Vision

| Quote | Who made it |
|---|-------------|
| "just a fad, a passing fancy [on night baseball]" | |
| "there is no reason for anyone to have a computer in their home" | |
| "Can't Act, Can't Sing, Balding, Can Dance a little" | |
| "we don't like their sound, guitars are on the way out" | |
| "with over fifty foreign cars already on sale here the Japanese auto industry isn't likely to carve out a big share of the market for itself" | |
| "no one will need more than 637kb of memory, 640kb ought to be enough for anybody" | |
| "Inventions have long since reached their limit, I see no hope for future development" | |
| "heavier than air flying machines are not possible" | |
| "I think there is a world market for perhaps 5 computers" | |

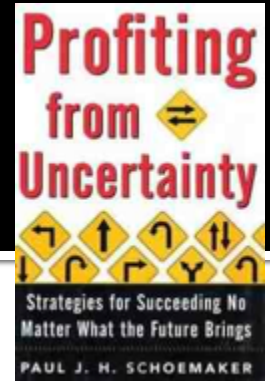
Match the Quote to the lack of Vision

| Quote | Who made it |
|---|--|
| "just a fad, a passing fancy [on night baseball]" | Phil Wrigley (Cubs Owner) – 1935 |
| "there is no reason for anyone to have a computer in their home" | President of Digital Equipment Corporation – 1977 |
| "Can't Act, Can't Sing, Balding, Can Dance a little" | Studio Executive – Reacting to Fred Astaire's Screen Test – 1928 |
| "we don't like their sound, guitars are on the way out" | Decca records, turning down the Beatles – 1962 |
| "with over fifty foreign cars already on sale here the Japanese auto industry isn't likely to carve out a big share of the market for itself" | Business Week – 1968 |
| "no one will need more than 637kb of memory, 640kb ought to be enough for anybody" | Bill Gates |
| "Inventions have long since reached their limit, I see no hope for future development" | Roman Engineer – Sextus Julius Frontinus |
| "heavier than air flying machines are not possible" | Lord Kelvin – President of the Royal Society – 1895 |
| "I think there is a world market for perhaps 5 computers" | IBM Chairman – 1943 |

Why people don't scenario plan

- Managers tend to look backwards
- Metrics are historical by nature
- “3% of their time are spent building a collective vision of the future”
- We're paid for what we've done and how we've cataloged it not – more often than not...

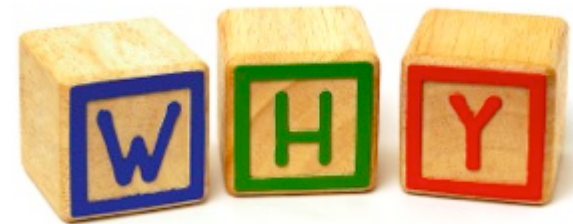
Scenario Planning



- Long Standing Technique
- Dates to Cold War and the RAND Corporation
 - Called “Future Now Thinking”
 - Combine detailed analysis with imagination and produce reports “as people might write them in the future”
- Put into best practice by Shell in the 1970’s
 - Shell began to feel that planning six years ahead was not long enough in their industry
 - Began planning for 2000 in 1967

Why – Scenario Planning

- Why Scenario Planning over other approaches?
 - Scenarios communicate a vast amount of information in a story
 - Memorable information tends to be acted on
 - Helps address bounded rationality – inability to rationally process all possible outcomes in an environment
 - Reduces the cost of information transfer amongst leaders
 - Makes information more sticky while at the same time increasing the friction amongst decision makers

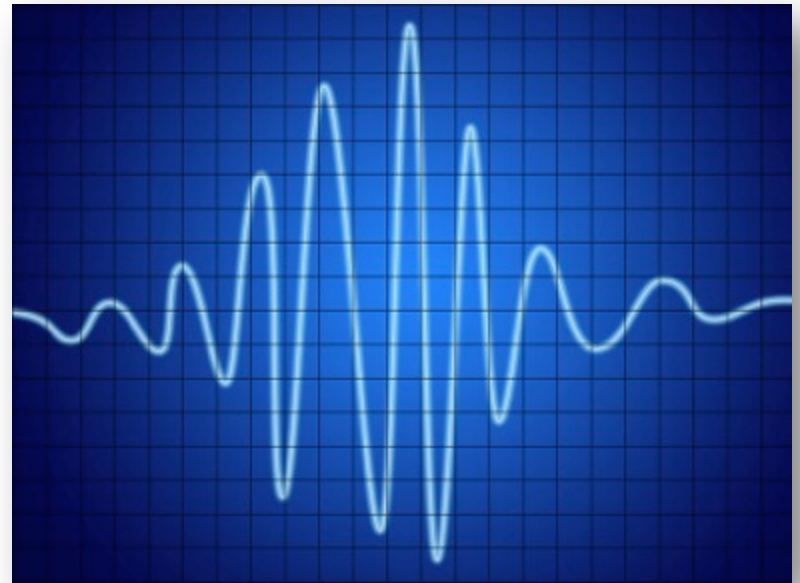


Big Questions

- Should be forward looking
- Should have a reasonable time frame
- Examples:
 - Should we retain our current value proposition?
 - How will our rivals react to x or y?
 - Should we introduce a new product / service?
 - Can we integrate our businesses more effectively?
 - Will / When an particular investment pay off?
 - How will larger forces (tech, govt.) impact our business?
 - What possible futures do we need to probe?
 - What variables do we need to look at to aid in decision making?

Trends

- Trend in this context is:
 - Highly impactful to the **SCOPE** and Highly Likely to occur or continue along it's present path
- Areas to Review
 - Customers
 - Suppliers
 - Rivals
 - Partners
 - Market Trends
- Useful Framework:
Porter's Five Forces



Uncertainties

- Uncertainties in this context are:
 - Highly impactful to the **SCOPE** but are somewhat unlikely to occur
 - Consider ranking uncertainties via two criteria
 - Degree of importance to success (on the Big Question)
 - Degree of uncertainty
- Areas to review
 - Broad forces that are impacting the industry
 - Government, Legal, Technology trends, Customer Trends – Long Term, Buying Behavior Trends, Global Trends / Impact
- Useful Framework: PEST, PESTEL, STEEP, LongPESTEL, etc.

PEST

- Political
- Economic
- Social
- Technological

- Also:
 - PESTEL
 - E = Economic, E – Ecological, L = Legal
 - STEER
 - E = Economic, E = Ecological, R = Regulatory
 - STEEP
 - P=Political
 - LoNGPESTEL
 - Lo = Local, N = National, G = Global



Scenario Building

- Build out your scenarios
 - Leverage the top 2 uncertainties – making a two by two grid with an X axis (Uncertainty #1) and a Y axis (Uncertainty #2)
- Give each a descriptive name and a one to two paragraph narrative
 - How will customers, partners, and suppliers be affected in this scenarios
 - What forces may be strong or weak in this scenario
 - Is this a winning or losing scenario for us?
 - Is this a winning or losing scenario for our competitors?
 - May we see new entrants or substitutes arise in this scenario?
- Examples
 - Shell Energy Scenarios to 2050
 - “Scramble”, “Blueprints”
 - Army Corp of Engineers
 - “Plenty of Plenty”, “Cracking Up”, “New Order”, “Hard Times”

Developing KSF's

- Key Success Factors
 - Develop a list of your own company's success factors independent of the scenarios outlined
 - Develop a list of key success factors for each scenario **independent** of what your company's own key success factors are today
 - Perform a gap analysis of the distance between the former list and the later
- Identify:
 - KSF's that impact 2 or more scenarios at the same time
 - KSF's that are the closest to your organization's capabilities today
 - KSF's that are the farthest from what capabilities your currently posses today

Scenario Planning

| | | |
|--------------------|--|--|
| Fast | Paper Wins <narrative> <KSF's> | A Doctor in every home <narrative> <KSF's> |
| Health Care Reform | | |
| Slow | Party like it's 1999 <narrative> <KSF's> | Doctors go virtual <narrative> <KSF's> |

Slow Growth of Telemedicine / Mobile Fast

Wind-Tunneling

- The conclusion of the exercise is to take the Big Question (BQ) outlined earlier and “wind-tunnel” it through each scenario
- Questions
 - What will we do if this is the reality?
 - Does the decision look good across only one or two scenarios?
 - What vulnerabilities have been revealed?
 - Does a specific scenario require a high risk strategy?



But I like numbers.....

Welcome to the Value Migration Ratio...

Three Phases

- **Inflow**

- Gathering value from the rest of the industry

- **Stability**

- Meeting customer priorities and equilib.

- **Outflow**

- Moving Away

- **Measuring**

- $(\text{Market Cap [shares} \times \text{stock price]} + \text{Long Term Debt}) / \text{Revenue}$

Inflow / Stability / Outflow

| Inflow | Stability | Outflow |
|--------------------------------|------------------------------|-----------------------------------|
| Smartphone | Cellular Phone | Land Line |
| Work from Home | Automobile | Amtrak (Long Haul Passenger Rail) |
| Context Aware Computing | GPS Devices (Phones, Garmin) | Paper Map Makers |
| Citizen Journalism | Online News | Newspapers |
| Streaming Music | Online Music Stores | Brick and Mortar - Music Stores |
| Online Photo Sharing | iPhoto, Aperture, Lightroom | Photofinishing Services |
| Home / Digital Health Services | Outpatient Services | Hospital Inpatient Services |
| Twitter | E-Mail | Postal Mail |
| True Voice Input | Touch Screens | Keyboards |

“value doesn’t disappear it just moves” – Adrian Slywotzky

Real World Examples - VMR

| Company | VMR | I/S/O |
|-----------|--------|----------|
| Microsoft | No VMR | No I/S/O |
| Intel | | |
| Apple | | |
| Merck | | |
| Pfizer | | |
| BestBuy | | |
| Amazon | | |
| Boeing | | |
| Embrarer | | |
| Walgreens | | |
| Walmart | | |

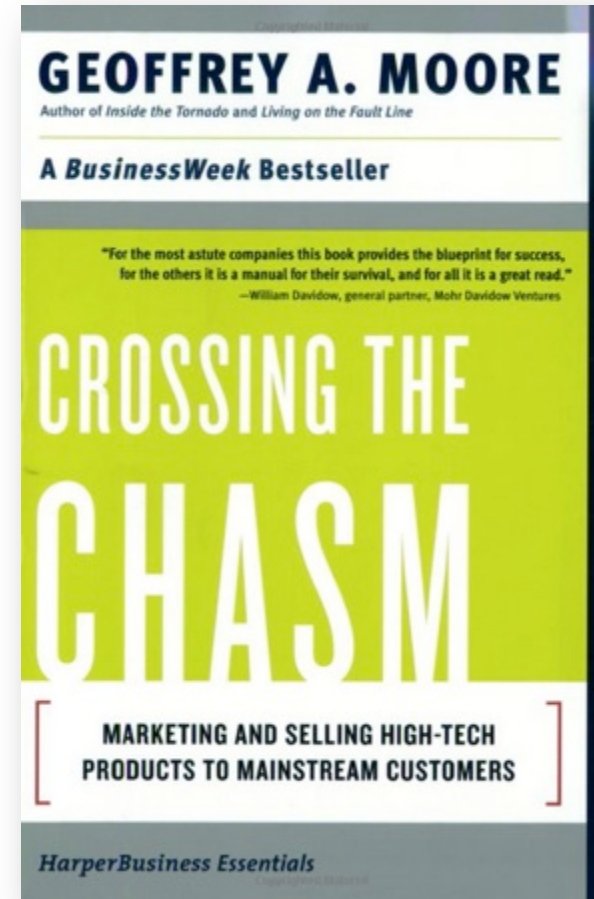
Real World Examples - VMR

| Company | VMR | I/S/O |
|-----------|------|-----------|
| Microsoft | 2.66 | Inflow |
| Intel | 1.89 | Stability |
| Apple | 3.83 | Inflow |
| Merck | 2.94 | Inflow |
| BestBuy | 0.39 | Outflow |
| Amazon | 2.06 | Inflow |
| Boeing | 0.71 | Outflow |
| Embracer | 0.90 | Stability |
| Walgreens | 0.50 | Outflow |
| RIM | 0.13 | Outflow |

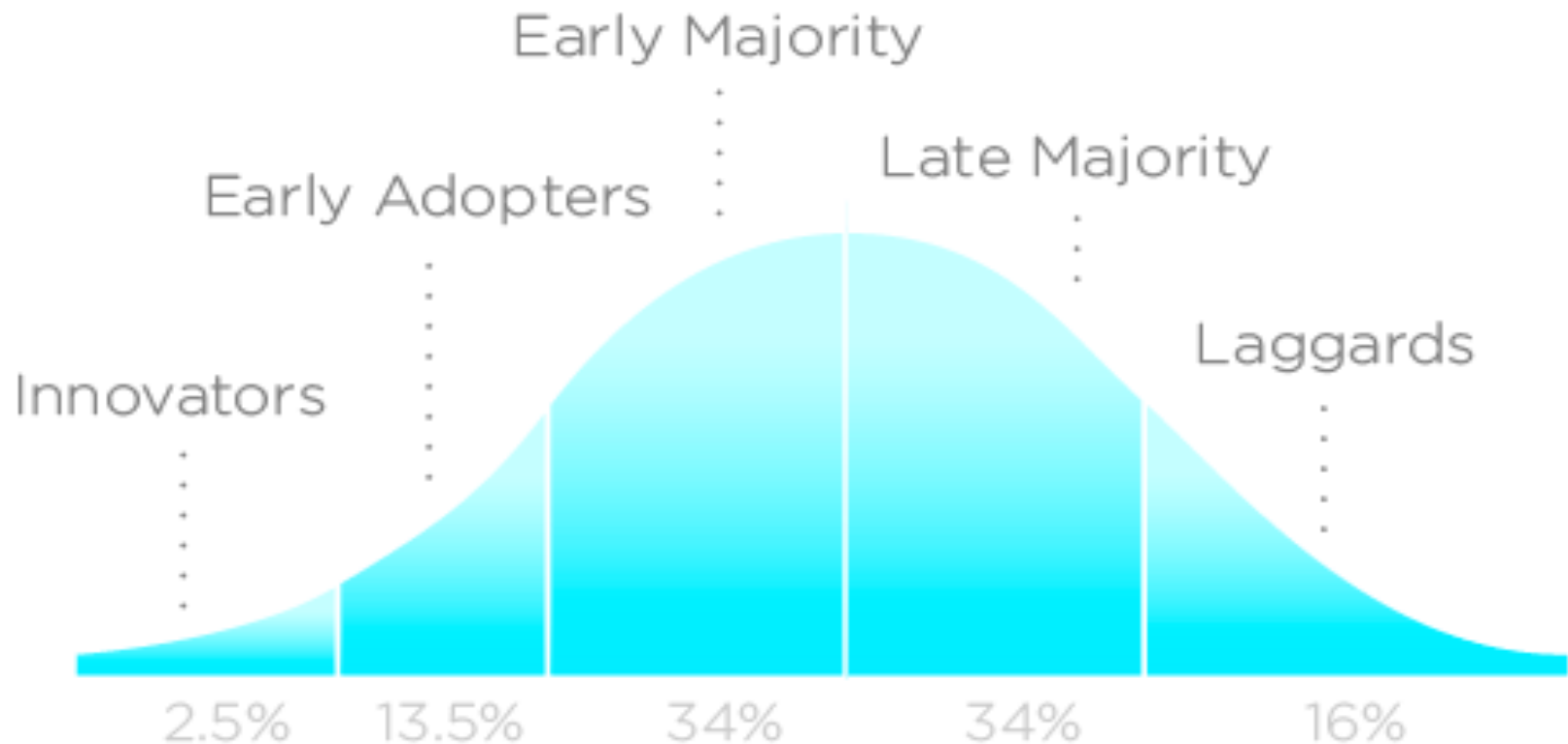
Chasm ahead...

But they liked it, they really liked it...

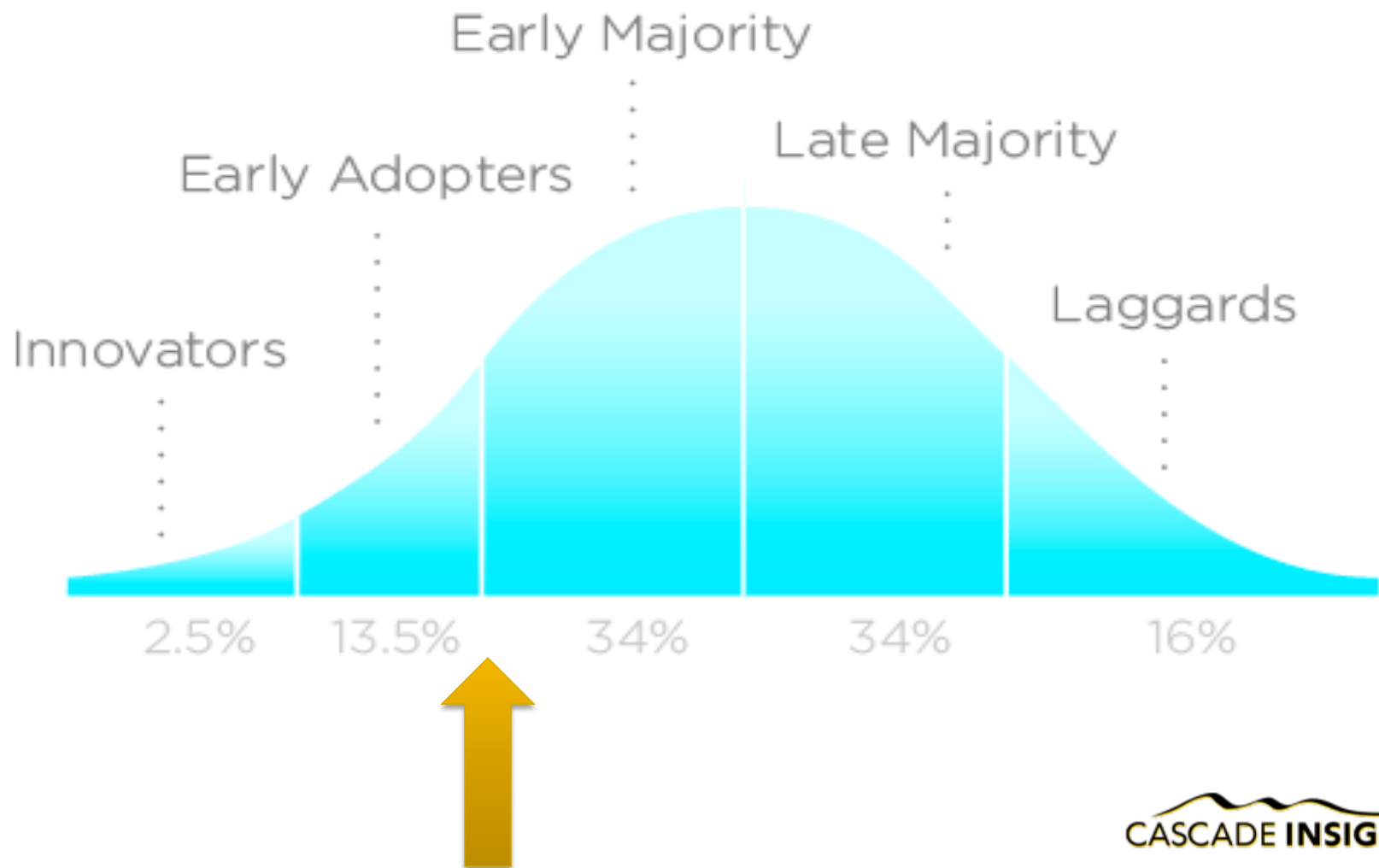
- Since **mid part of the last century** there has been a tool that you can use to see how and when people will adopt a new technology
- It's called the **technology adoption lifecycle**
- It can also be used to **classify a state of mind** in the market
- Popularized by **Crossing the Chasm**



Adoption Lifecycle



The Chasm



The cycle of life...

■ Innovators

- Had the first iPhone, bothered by the iPhone 5, iOS 6, etc. Can rattle off a thousand reasons why they own not 1 but 2 or 3 phones

■ Early Adopters

- Trying to figure out what phone they should experiment with now that the iPhone has become truly mainstream and Pragmatists, Conservatives, and even some Laggards have one.

■ Pragmatists

- Happy to buy an iPhone or Android phone because that's what everyone else around them is buying

■ Conservatives

- I just bought an iPhone 4 (or S), it's much cheaper than the new iPhone 5 and I got a combo price from Amazon that included a car charger

■ Laggards

- I like my phone that I have now, all I need to do is send text and call people, maybe someday I'll get an iPhone but not yet

A final word...

Avoiding Stall Points

Closing Thoughts

■ Stall Points

- “Our analysis of hundreds of stall points in leading companies has led us to the fundamental conclusion that the assumptions a management team holds most deeply- **-has known so long or so well that they are no longer actively debated- -pose the greatest danger to growth.** In other words, it's not what you know that isn't so that will stop your growth run- -more than likely, **it's what you know that's no longer so.**”
- “The reality, however, is that companies behave **more like rocks than gliders.** Our analysis of revenue growth rates in the years preceding and following stall points gives **little comfort to management teams hoping for gradual descents** into slow revenue growth maturity.”

**Stall Points: Most Companies Stop Growing
Yours Doesn't Have To - 2008**

Top Three Stall Categories

- **Position Captivity:** failure to shift tactics in response to the advent of a low-cost competitor or changing customer preferences
 - *Innovator's Dilemma, Value Migration, Crossing the Chasm, Scenario Planning*
- **Innovation Management Breakdown:** failure to achieve desired or required returns on investments in new products and services
 - *Innovator's Dilemma, Value Migration, Crossing the Chasm, Scenario Planning*
- **Premature Core Abandonment:** failure to exploit growth opportunities in the core franchise or to adjust the business model to meet new competitive requirements
 - *Scenario Planning, Innovators Dilemma*

What's next for you?

- Build up your pattern recognition toolkit
 - Innovator's Dilemma, Tech Adoption Lifecycle (Chasm), Gartner Hype Cycle, OODA, PEST, PESTEL, STEEP, LonGPESTEL, Scenario Planning, VMR, Porter's Five Forces etc.
- Research patterns that have worked and those that haven't in the history of business
- Create your own battle tested frameworks...
 - 4 Factor Benchmarking
 - AEP Framework
 - Key Buying Criteria Analysis

Measuring Tools

| Question(s) | Analysis Tool | Analysis Frame |
|---|---------------------------------------|----------------|
| How should we package our offering to target each segment in the industry (innovators, pragmatists, etc.) | "Whole Product Analysis" | Industry |
| How does this industry create value, where can we assist in that value creation effort? | Value Chain Analysis | Industry |
| Is this an attractive industry or SG to target? | Five Forces | Industry |
| If we target this industry or SG where does power lie, where might we face competition? | | |
| What type of customer are we targeting today? | Adoption Lifecycle | Industry |
| Can we cross the chasm to reach the broader market? | | |
| What broad trends are impacting this industry that we can connect with as part of our value proposition? | PEST, PESTEL, LongPESTEL, STEEP, etc. | Industry |
| How can we measure co-innovation risks? | Co-Innovation Risk Measurement | Industry |
| How can we identify co-opetitors that will support our future growth strategy? | PARTS | Industry |

Measuring Tools

| Question(s) | Analysis Tool | Analysis Frame |
|---|-----------------------------|-----------------------|
| Is that (publicly traded) company about to fall off a cliff, fly up off the runway, etc.? | Value Migration Ratio (VMR) | Industry / Competitor |
| Once we enter this market what will be the competition's moves and countermoves from a sales and marketing standpoint | Wargaming | Industry / Competitor |
| What are the possible futures for the industry(s) we target and our competitors | Scenario Planning | Industry / Competitor |
| What type of disruptor is the competitor or industry trend? – Sustaining or Disruptive? | Innovator's Dilemma | Industry / Competitor |
| What kind of competitive disruptions lurk underfoot in this industry? | | |

Measuring Tools

| Question(s) | Measurement Tool | Analysis Frame |
|--|----------------------------------|----------------|
| What competitors target this industry? With what success? How are they viewed within the industry? | Competitive Landscape Assessment | Competitor |
| Where are the competitors winning today? What segments are they competing in that we are not? How are we perceived in those segments? Are their segments that we should play ball in that we are not today? | Key Buying Criteria Analysis | Competitor |
| What data do we have on lost battles in this industry? What caused us to win in the past? How much is being paid out to competitors for their offerings? | Win / Loss Studies | Competitor |
| What type of strengths do we have in both hard and soft skills areas vs. our competition? | Mckinsey 7S | Competitor |
| What portions of our portfolio are stars, dogs, question marks, and cash cows and how does this relate to our competitors? | BCG | Competitor |
| How do we effectively track changes to our competitor assumptions over time? | ACH | Competitor |

Measuring Tools

| Question(s) | Measurement Tool | Analysis Frame |
|---|---|----------------|
| How does feature x stack up against their feature x? What features do they have that we do not? What are we likely to do better (and worse) than the competition in the real world? | Benchmarking – Product / Service Capabilities | Competitor |
| What does our support capabilities look like compared to the competition? What is the purchasing process like? | Benchmarking – Business Capabilities | Competitor |
| How does their reputation all up affect their ability to execute in this market? | Corporate Reputation Analysis | Competitor |
| How does feature x stack up against their feature x? What features do they have that we do not? What are we likely to do better (and worse) than the competition in the real world? | Benchmarking – Product / Service Capabilities | Competitor |
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