Dealing with Darwin: How Great Companies Innovate at Every Phase of Their Evolution by Geoffrey A. Moore

A Unique Book, That Sums Up And Advances Needed Ideas

Geoffrey Moore is one of the most respected and bestselling names in business books. In his widely quoted Crossing the Chasm, he identified and addressed the greatest challenge facing new ventures. Now he's back with a book for established businesses that need to learn how to adapt—or suffer the slow declines into marginalized performance that have characterized so many Fortune 500 icons in recent years.

Deregulation, globalization, and e-commerce are exerting unprecedented pressures on company profits. In this new economic ecosystem, companies must dramatically differentiate from their direct competitors—or risk declining performance and eventual extinction. But how do companies choose the right innovation strategy? Or overcome internal inertia that resists the kind of radical commitments needed to truly set the company’s offers apart?

Illustrating his arguments with more than one hundred examples and a full-length case study based on his unprecedented access to Cisco Systems, Moore shows businesses how to meet today's Darwinian challenges, whether they're producing commodity products or customized services. For companies whose competitive differentiation to the marketplace is still effective, he demonstrates how innovations in execution can help boost productivity, whether a company is competing in a growth market, a mature market, or even a declining market. For companies in danger of succumbing to competitive pressures, he shows how to overcome inertia by engaging the entire corporate community in an unceasing commitment to innovate and evolve.
For any business competing in today’s eat-or-be-eaten economic jungle, this groundbreaking guide shows not only how to survive, but also thrive.

Those who have read one or more of Moores previous books (notably Inside the Tornado, Crossing the Chasm, and Living on the Fault Line) already know what a clear thinker and eloquent writer he is on the subject of high-tech markets, especially in terms of formulating appropriate strategies and tactics at a time when ever-accelerating change is the only constant within those dynamic markets. In Dealing with Darwin, he develops in much greater depth his response to this question: How do great companies innovate at every phase of their evolution? He is convinced (as am I) that there is a process of natural selection which determines why some companies prosper and most others do not.

Moore cites the concept of value disciplines which Michael Treacy and Fred Wiersema first introduced in their brilliant book, The Discipline of Market Leaders: Choose Your Customers, Narrow Your Focus, Dominate Your Market. He then identifies four clusters of innovation zones: Product Leadership, Customer Intimacy, Operational Excellence, and Category Renewal. The challenge for decision-makers in any organization (regardless of its size or nature) is to select innovation zone in which to establish and sustain break away separation from its competitive set. Moore suggests that this decision be made in terms of three factors:

1. Core competence: different organizations have different assets to exploit
2. Competitive analysis: different sets of competitors leave different openings to exploit
3. Category maturity: Different stages of the category-maturity life cycle reward different forms of innovation

Moore acknowledges an odd pairing of innovation leadership at the top with innovation bubbling up from the bottom. Initiatives from both must be in proper alignment. Obviously, it is not easy to establish such an alignment and even more difficult to sustain it. Of course, Moore is well aware of that. Managing innovation requires executives to foster a bottoms-up stream of innovation opportunities...Managing innovation also implies maintaining a portfolio of strategies because different categories will respond to different types of innovation. This creates a level of complexity that can create confusion in the broader organization, with teams being asked to pursue one form of innovation here and another there.

What to do? In Chapter Four, Moore offers an innovation-types model. It can help ensure consistent and effective execution across the portfolio, and help management to orient the organization to the logic behind the
different choices and the importance of keeping them distinct from one another. I presume to add two requirements of management. First, that it facilitate effective communication, cooperation, and collaboration between and among all teams. Also, that it ensure that separate initiatives are consistent with the primary innovation strategy.

Of special interest to me is what Moore has to say about managing inertia in Part Three (Chapters Nine, Ten, and Eleven). First, he analyzes how Cisco extracts resources from context; next, he examines how Cisco repurposes resources for core; finally, he offers observations and recommendations which can help others manage inertia in their enterprise. Here are two brief excerpts.

Cisco’s integration of network-related functions creates an enormous separation between Cisco’s offerings and those of its direct competitors. For while those competitors can and do surpass Cisco in point-product performance, they cannot match the overall value proposition of providing an integrated network fabric. Whenever a competitor steals a march on the company, Cisco’s engineers set out to catch up, and once their point products are close to parity, the integration-value proposition overshadows whatever feature distinction may remain. (Page 164).

Cisco knows that being the leader in a platform play has only one requirement: followers. Specifically, the other major players in the ecosystem must voluntarily embrace your platform. Knowing how much power this confers on another company, why would these companies ever do this? The answer is three-fold:

1. They get enormous productivity gains from leveraging your services.
2. They get access to a much broader marketplace.
3. They do not perceive the power you gain coming at their expense.

Cisco’s plan is to deliver on all three points....[It] seeks to leverage its own location advantage by providing services that are noncore to its major partners. (Page 185)

Cisco offers an excellent illustration of what Moore’s definition of core: A word he uses to describe 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.

Of course, few other organizations have the resources available to them that Cisco does. Many (if not most) of them have a risk-reduction mentality that encourages everyone involved 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. In a word, context.

In my opinion, Dealing with Darwin has much wider relevance and greater value than Moores earlier works because it addresses issues by no means limited to the dynamics of high technology. Hence the importance of Chapter Eleven. In it, Moore recommends what he characterizes as essential steps to setting an agenda:

1. Conduct a core/context analysis of your current business.

2. Conduct a resource-allocation analysis to complement your core/context analysis.

3. Set a more ambitious (i.e. more aggressive) agenda.

4. Plan out your moves as a team.

5. Focus on time to market.

6. Get the gears moving.

7. Keep the gears moving.

Moore also provides with these seven steps practical suggestions as well as a few appropriate caveats. Darwins influence remains evident in his concluding remarks. Thats what evolution is all about, a continual raising of the bar. Its how countries raise their standard of living. Its why new companies get formed every year. Its 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. Welcome to the race.

Dealing with Darwin is a brilliant achievement.

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