

Twelve Books in One Hour For the Busy CEO

Sean Murphy, SKMurphy Inc.
Talk @ SDForum Marketing SIG
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Bookshelf: Why These Books? Who's Here? What Are You Up To?

Clayton Christensen	The Innovator's Dilemma (Solution)	1997, 2003
Geoffrey Moore	Crossing the Chasm Inside the Tornado	1991, 1998, 2002 1995
Peter Drucker	Innovation and Entrepreneurship	1985
William Davidow	Marketing High Technology	1986
Steve Blank	Four Steps to the Epiphany	2003
Doug Hall	Jumpstart Your Business Brain	2001
Michael Gerber	E-Myth (Revisited)	1985, 1995
W. Chan Kim & R. Mauborgne	Blue Ocean Strategy	2005
Gerald Weinberg	Secrets of Consulting	1985
Robert Cialdini	Influence: The Psychology of Persuasion	1984
Al Ries and Jack Trout	The 22 Immutable Laws of Marketing	1993



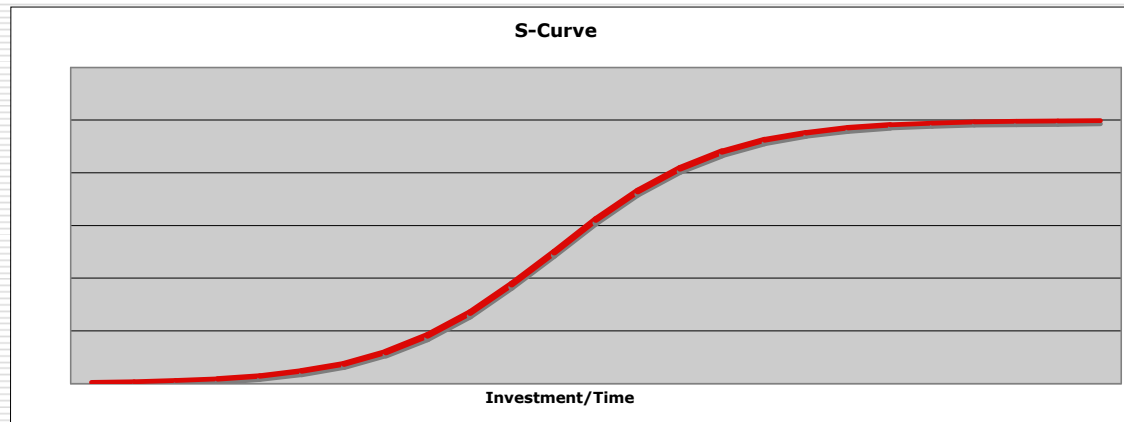
Three Key Questions on Discontinuous Innovation

- How Does The World Work?
 - Business Oriented Discontinuous Innovation
 - Explain Physics Of New Product Adoption
- What Strategies Are Available To Startups?
 - How Should They View The World?
- How To Influence Prospects?
 - First Understand Their Psychology

How the World Works: Key Concepts

- ❑ **Technology:** S-curve of Investment Yield
- ❑ **Markets:** Technology Adoption Life Cycle
- ❑ **Focus:** Enter On a Niche
- ❑ **Customer View:** Whole Product
- ❑ **Sources of Innovation:** How to Search Systematically for Opportunities

How the World Works: S-Curve For Technology Investment Yield



- Foster's "Innovation: Attacker's Advantage" (85)
- "Learning Curve" with Setup Cost
- Eventually Technology Plateaus

Christensen's Insights about S-curve

- Low End: Overshoot Customer's Needs
- New Market: Cut Teeth Elsewhere
 - Start with "Non-Consumers"
- Disruptive Markets Start with
 - Undesirable or "Overserved" Customers
 - Non-Consumers Not Tracked by Incumbents

Innovation is Psychological and Cultural

Technology Does Not Drive Change At All.

Technology Merely Enables Change.

It's Our Collective Cultural Response

To The Options And Opportunities

Presented By Technology

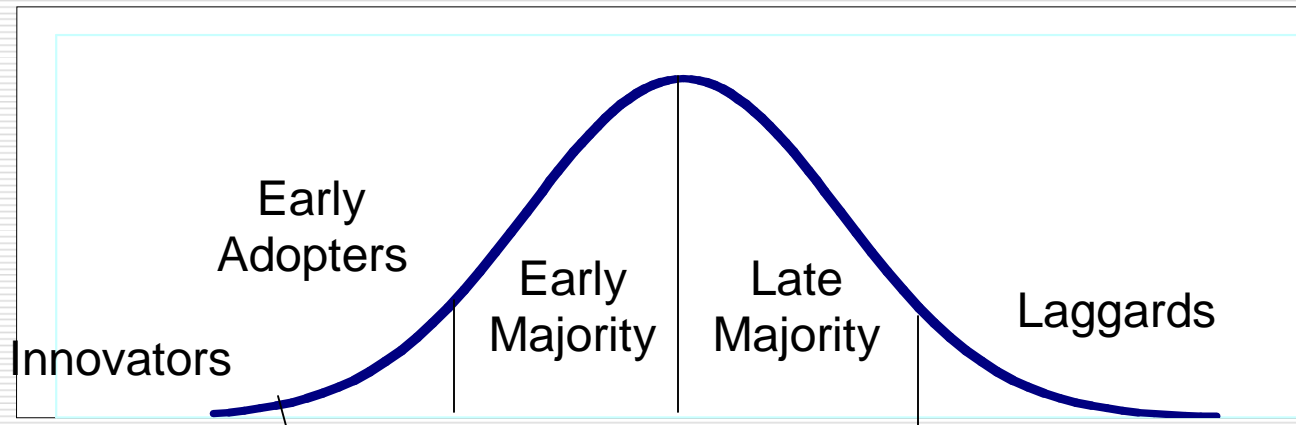
That Drives Change.

Paul Saffo



How the World Works

Technology Adoption Life Cycle



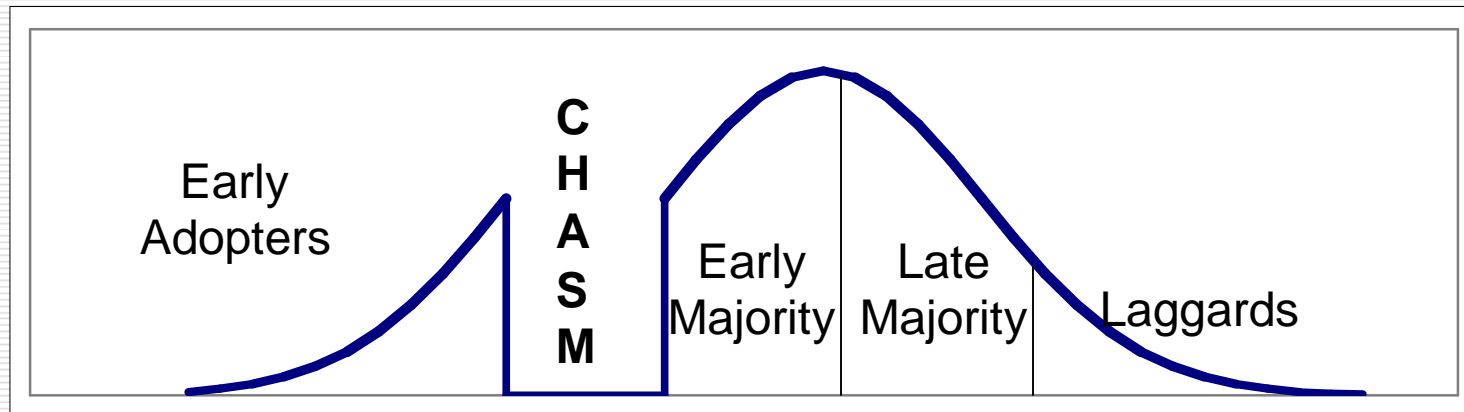
- Roger's "Diffusion of Innovation" (62,71,83,95,03)
- "Normal Distribution" of Risk Aversion
- Nice Single Parameter Model

Two Kinds of Change / Innovation

- Evolution
- Continuous
- Sustaining
- Incremental
- Smooth Transition
- BetterFasterCheaper
- Red Queen Race

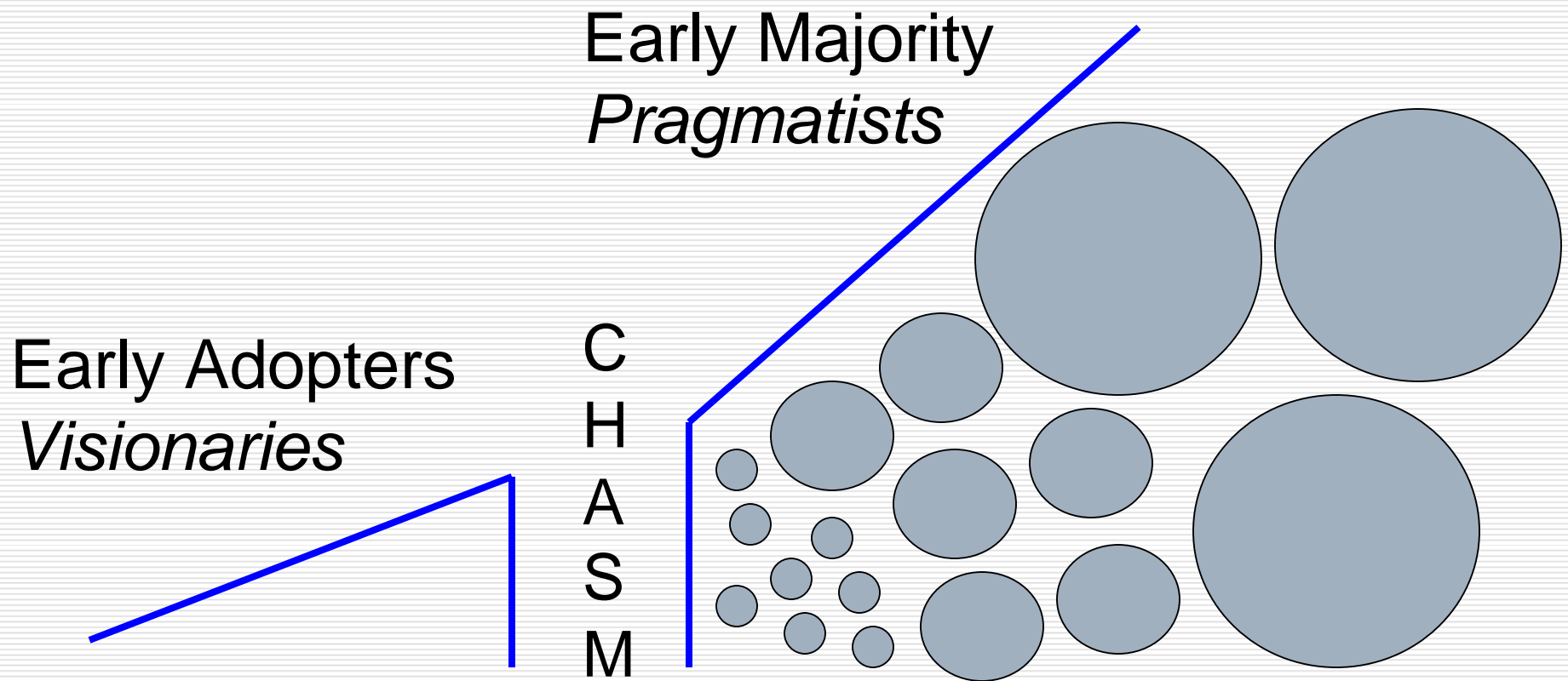
- Revolution
- Discontinuous
- Disruptive
- Radical
- Singularity
- Different
- Overturn Chessboard

How the World Really Works: A Chasm in Discontinuous Technology Adoption



- Geoffrey Moore's Insight was the Chasm
- Early Majority Not Influenced By Early Adopters
- They Want the Comforts of an Established Market
- They Want a Whole Product

Cross the Chasm into a Niche



Early Majority Want A Whole Product Marketing High Technology by Davidow

- Quality, Service, Support Part Of Design
 - Documentation, Training, Development Kits,...
 - As Important As “Core” (Chip, SW, System)
- Market Share Funds The Whole Product
 - Need At Least 1/6 Of A Niche To Survive
 - Critical Mass If You Are First
 - 1/3 Share Normally Hard To Dislodge

Drucker on Innovation

"Innovation requires us to systematically identify changes that have already occurred but whose full effects have not yet been felt, and then to look at them as opportunities. It also requires existing companies to abandon rather than defend yesterday."

Innovation & Entrepreneurship (1985)

Sources of Innovation: How to Systematically Search for Opportunities

- ❑ The Unexpected.
- ❑ The Incongruous
- ❑ Weak Link In Existing Process
- ❑ Industry Or Market Structure Change
- ❑ Demographics: Size, Age Structure
- ❑ New Zeitgeist: Perception, Mood, Meaning
- ❑ New Knowledge

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How Startups Need to View the World?

- Blank: Your Product Starts as a Hypothesis
- Hall: Simple Physics in the Early Market
- Blue Ocean Strategy: Go Somewhere else
- Gerber: Technology is Not Enough

How to View the World: Steve Blank's "Four Steps to the Epiphany"

- Your Product Starts as a Hypothesis
 - As Is Customer, Price, Distribution, ...
- Founders Must Sell
 - To Test, Evaluate, and **Learn** First Hand
 - Facts Are "Outside the Building"
- Customer Hypothesis Most Important
 - Too Much Focus on "Engineering Beta"
 - Instead of Defined Scalable Sales Process

Steve Blank on “Earlyvangelist” Characteristics of Visionary Customer

1. Has a Critical Business Problem
2. **Know** That They Have the Problem
3. Actively Looking for a Solution
4. Has Tried to Solve the Problem
 - Unsatisfied with In-House or Custom Fix
5. Has (Or Can Acquire) Budget

How to View the World: Doug Hall's “Jumpstart Your Business Brain”

3 Laws of Market Physics for Products

1. Demonstrable Benefit
2. Reason to Believe
3. Dramatic Difference

3 Laws of Capitalist Creativity for Product Team

1. Explore Stimuli
2. Leverage Diversity
3. Face Fears

How to View the World: “Blue Ocean Strategy” by W. Chan Kim and Renee Mauborgne

□ Avoid the Competition

- Under-served or “Undesirable” Customers
- vs. Beat the Competition “Across the Board”

□ You Have To Subtract To Be Able To Add

- Eliminate Features That Don’t Add Value
- Reduce “Tables Stakes” to Minimum Ante
- Improve Features that Differentiate
- Add One Or Two New Features or Aspects

How to View the World: Michael Gerber's "E-Myth (Revisited)"

- Business Needs:
 - Technologist
 - Manager
 - Entrepreneur
- Technology Not Enough
 - Process -> Franchise -> Scale

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How To Influence Prospects? First Understand Their Psychology

- Cialdini Explores Basis of Influence
- Reis & Trout Explain Perception
- Weinberg Offers Tip for Change Agents

How to Influence Prospects?

“Influence” by Robert Cialdini

- Customers & Prospects Will Learn Truth
 - About Your Sales, Marketing, Service, Product
 - Cialdini Explains Consequences of Behavior
 - *Internet Has Vastly Accelerated This Process*
- Use Real Testimonials
- Target Every Customer as a Reference
- Be Authentic in Your Corporate Generosity

How to Influence Prospects?

Real Testimonials

- Interview Customer & Visit Their Workplace
 - Understand Why they Bought
 - What Benefits Do They Believe Accrued
- Use Their Description of Pain & Benefits
 - Best Guide to what they will tell other
 - Avoids “Echo Chamber” Effect

How to Influence Prospects?

22 Immutable Laws of Marketing

- Marketing is a battle of Perceptions
 - Not Products, Effects Take Time
- First in Mind Before First in the Market
 - Create a Category to Be First in
 - Word(s) You Own in Prospect's Mind
 - Two Firms Can't Own the Same Word
- Build on trends and not fads

Tips for Change Agents

Gerald Weinberg in "Secrets of Consulting"

- Spend One Day A Week Getting Exposure.
- No Client More Than 25% Of Your Business
- Pre-mortem: ID 3 Things That Might Go Wrong
 - ...And How To Prevent, Mitigate, or Fix
 - You Have To Accept Failure To Succeed
- People Don't Tell You If They *Stop* Trusting You
- Money Is Usually The Smallest Part Of The Price.

Advice to Mad Scientists

Innovation is the First Reduction to Practice of an Idea in a Culture. *James Brian Quinn*

Stop Working From Idea To Culture

1. Start With Culture (Niche)
2. Analyze Needs (Pain)
3. Determine What Constitutes Proof
4. Find an “In Culture” Partner Willing To Help Jointly Reduce To Practice

About SKMurphy, Inc.

- We Offer Strategy and Business Development Consulting & Products
- Our Focus is on Software Entrepreneurs
- We Help Them Find
 - Early Customers / Early References
 - Early Revenue

Backup Slides



Our Focus Tonight is on Innovation

As the births of living creatures are at first ill-shapen, so are all innovations, which are the births of time.

Francis Bacon

More innovations come from borrowing and combining than simple invention. 'I invented nothing new,' said Henry Ford. 'I simply assembled into a car discoveries of other men behind whom were centuries of work.' It sounds easy, but it emphasizes another quality more significant than originality: imagination as manifest in the ability to see relationships.

Harold Evans "They Made America"

Yahoo Labs Motto

Captures Technology Life Cycle

Invention, disruption, innovation, improvement

Yahoo Labs <http://labs.yahoo.com/>

Peer Insight's Take on Blue Ocean

- "customer experience mapping" for service innovation.
http://www.norcalpdma.org/resources/2005/Peer_Insight_NorCap_PDMA2005-1-27.pdf
- In particular see PDF pages: 15, 17, 22, 28, 30
(slide & page numbers don't match, I mean PDF page numbers)
- Their presentation mirrors the "Blue Ocean" strategy mapping
 - Calling it "exploiting the white space"
- Except they fix potential value innovations at ten pre-defined points in the "customer experience map"
- They don't suggest that new value points should be added to enable further value-added differentiation.
- It's a very useful elaboration/enhancement on strategy map