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# Escape Velocity

**Free Your Company's Future  
from the Pull of the Past**

**Rally Software  
Agile Portfolio Management  
December 6, 2011**

# Agenda

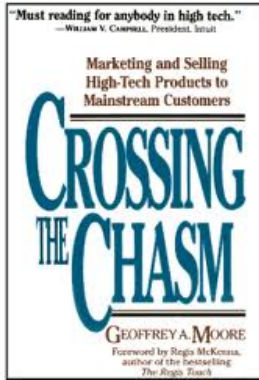
- **Introduction**
  - **Escape Velocity**
  - **The Hierarchy of Powers**
- **Offer Power**
  - **Return on Innovation**
  - **Agile Project Management**
- **Company Power**
  - **Making Asymmetrical Bets**
  - **Agile Portfolio Management**

# Introduction

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**Escape Velocity**

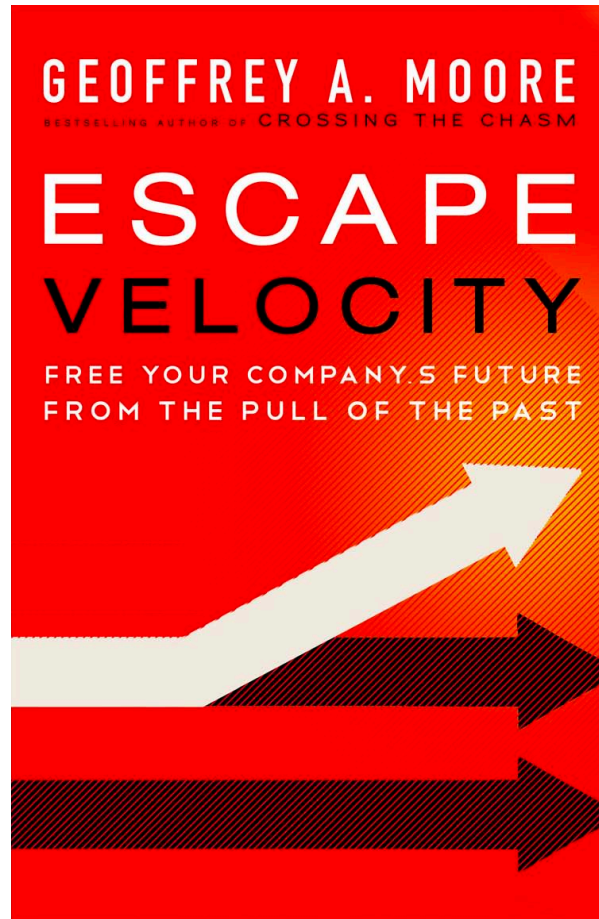
**Focus on the *Hierarchy of Powers***



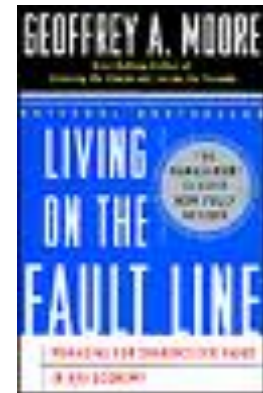
1990



1995



2011



2001



2006

# Why Escape Velocity is Required

## Understanding the Barriers to Breakout Growth

- **The innovator's dilemma**
  - Established enterprises focus on their best customers, who want more of what they have, not something new.
- **The asymmetry of risk for successful companies**
  - Breakout growth involves taking risk. The bigger you are, the less you have to win from taking risk, the more you have to lose
- **The pragmatics of annual planning in established enterprises**
  - Next year's plan is normally based on last year's—which means legacy businesses get first dibs at the critical resources
- **The dynamics of contemporary financial markets**
  - Short-term investors drive short-term compensation metrics—breakout growth always involves a J-curve

# Escape Velocity for Breakout Growth

## What Does It Take?

- **Focus on Power before Performance**
  - Performance consumes power to deliver short-term results
  - Power defers performance to fuel future growth
- **Focus on Leadership before Management**
  - Management exploits current assets to deliver performance
  - Leadership invests current assets to develop power
- **Focus on Tipping Points before ROI**
  - Tipping points change state to enable breakout results
  - Post tipping point, financial performance metrics skyrocket
  - Before tipping points they are a distraction

# The Hierarchy of Powers

## The Forces that Drive Breakout Growth

- |                 |  |
|-----------------|--|
| Category Power  | <i>Growth born from <b>category expansion</b></i><br><i>Secular growth migrates spending to your new area</i>    |
| Company Power   | <i>Growth born from <b>competitive advantage</b></i><br><i>Partners go out of their way to send you business</i> |
| Market Power    | <i>Growth born from <b>customer consensus</b></i><br><i>Customers go out of their way to give you business</i>   |
| Offer Power     | <i>Growth born from <b>unmatchable offers</b></i><br><i>Competitors cannot or will not copy your efforts</i>     |
| Execution Power | <i>Growth born from reaching <b>tipping points</b></i><br><i>Your initiatives become the next status quo</i>     |

# Three Passes Through the Hierarchy

## Answering the Questions: Where? What? & How?

Category Power

Company Power

Market Power

Offer Power

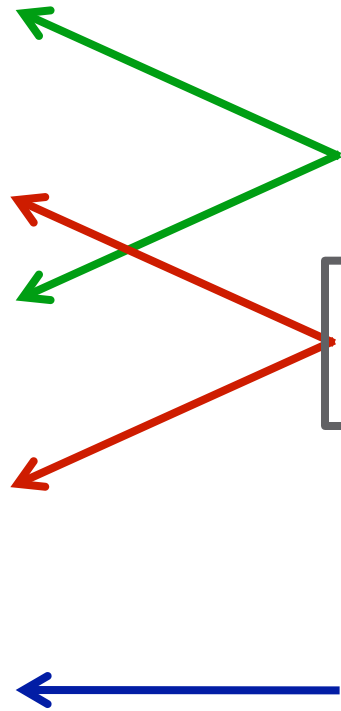
Execution Power

1. External - Where?

2. Internal - What?

Focus for Today

3. Internal - How?



# Focus for Agile Management

Category Power

**Company Power** ← **Agile Portfolio**

Market Power

**Offer Power** ← **Agile Projects**

Execution Power

# Offer Power

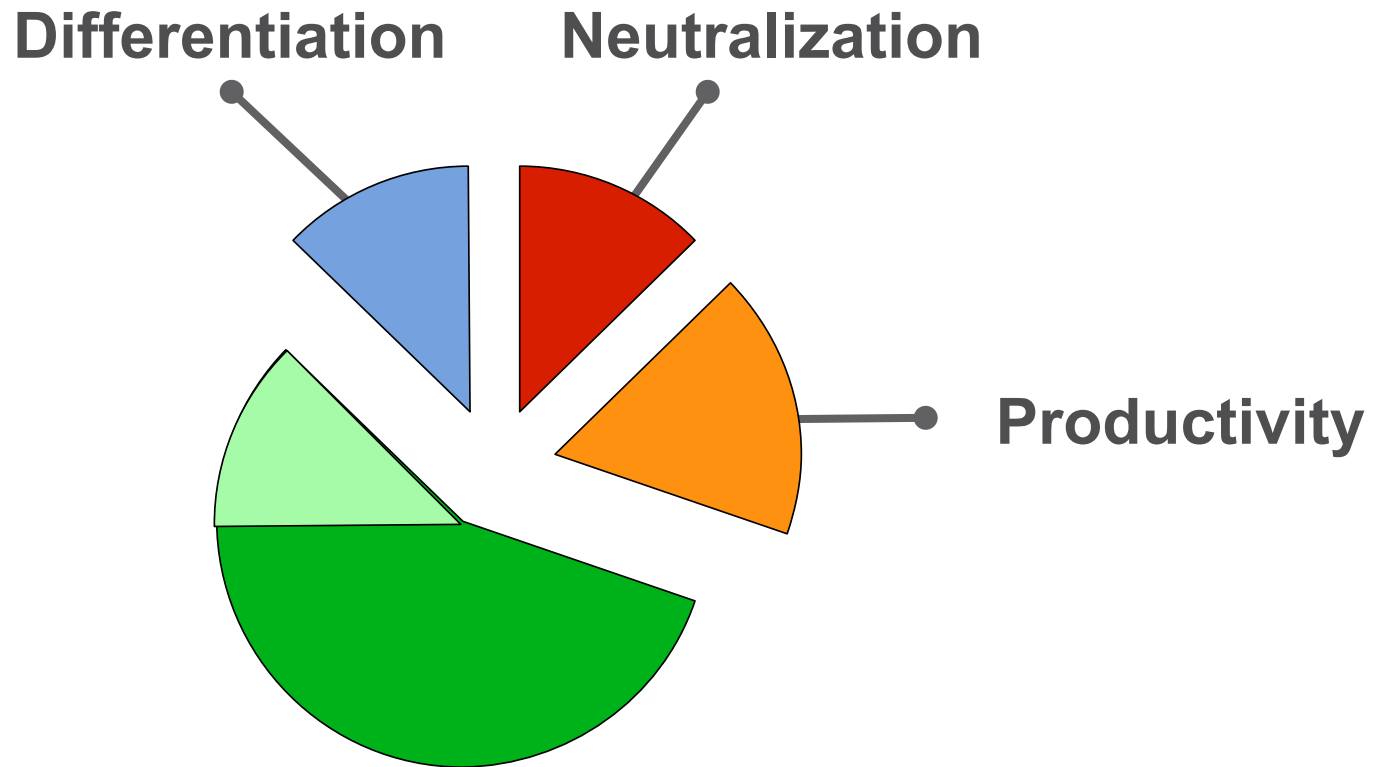
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**Agile Projects**

**Focus on *Return on Innovation***

# Offer Power

## Return On Innovation: The ROI That *Really* Matters



# Differentiate Separate From Your Competitive Set

Differentiation

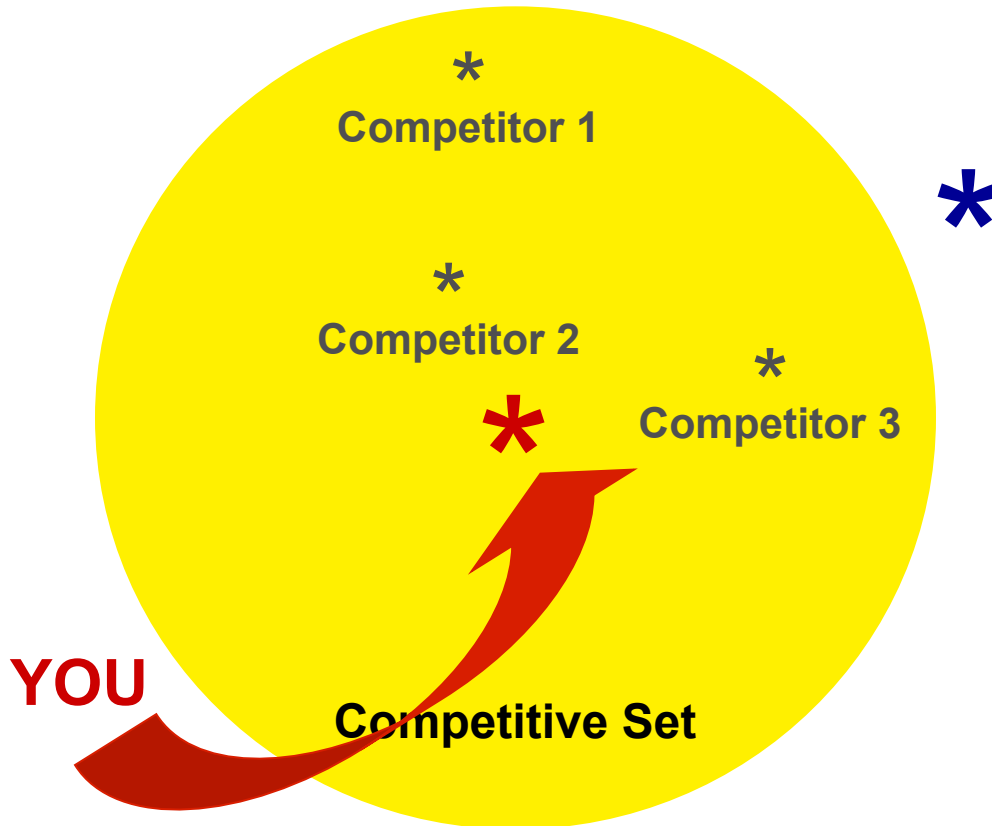


Leverage your  
unmatchable  
*capability*

to create an  
unmatchable  
*offer*

# Neutralize Catch Up to Your Competition

Neutralization



***Neutralize a competitor's differentiation***

***by reaching "good enough" quickly***

# Innovating for Optimization

## Focus on Productivity

Productivity

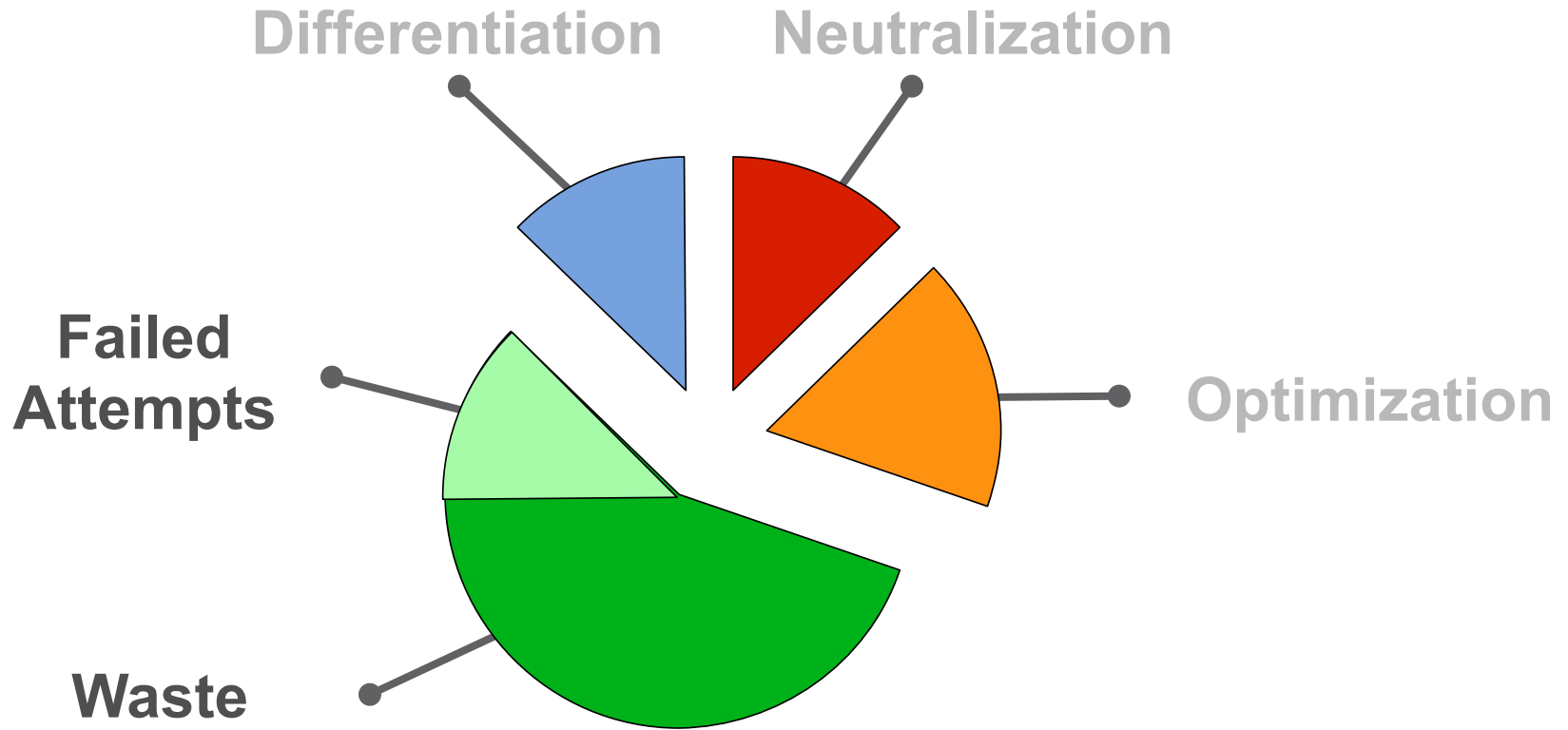


Optimize behind  
the scenes

to lower costs and  
free up scarce  
resources

# No Return on Innovation

## How Established Enterprises Waste Their R&D



### Sources of Waste:

- Differentiation projects that don't go far enough
- Neutralization projects that go too far and/or are too slow
- Optimization projects that don't free up mission-critical resources

# Three Innovation Playbooks



Core Metric

**Separation**

**Time to market**

**Reclaimed resources**

Standard to Meet

**Unmatchable**

**Good enough**

**Best in class**

Test Question

*How far?*

*How fast?*

*How deep?*

**Three playbooks for Agile development  
Do not “mix and match”!**

# Company Power

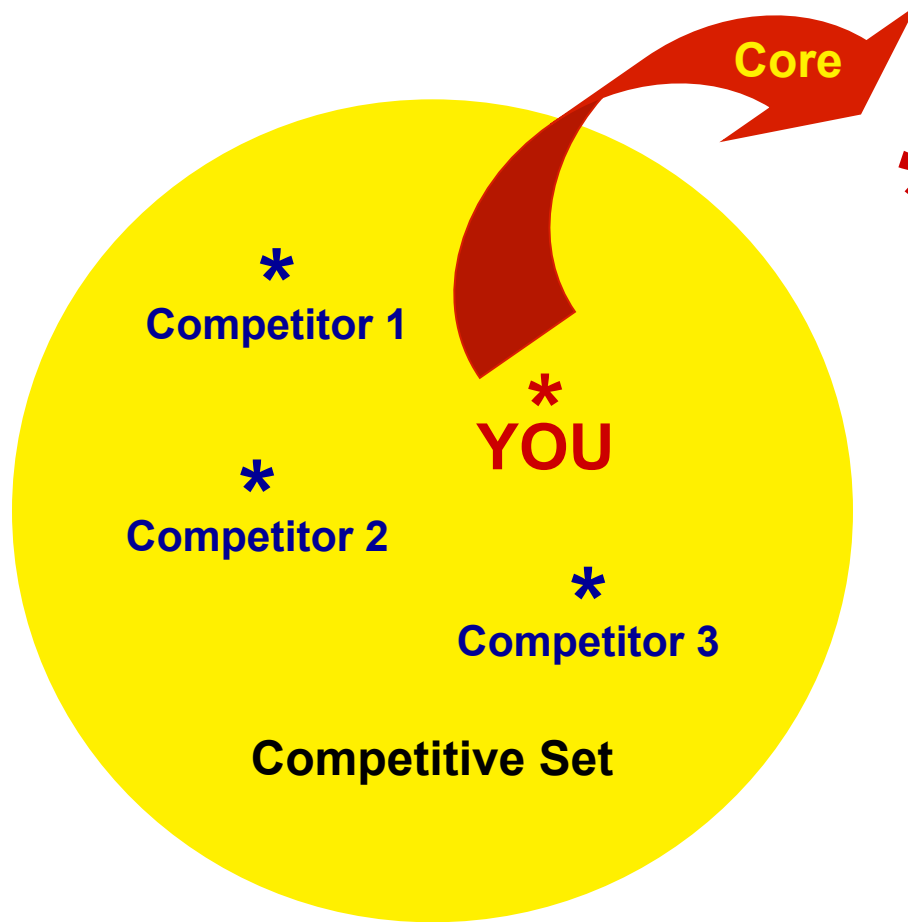
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**Agile Portfolio**

**Focus on Making *Asymmetrical Bets***

# Company Power

## Committing to an Asymmetrical Best



Redefine value in your category by setting a new standard

Create ***unmatchable capability*** via your core vector of innovation

Leverage your ***crown jewels*** to amplify your power

Over-invest to the point that competitors cannot or will not follow

“North Star” for Prioritizing Agile Choices

# Crown Jewels

## Anchor Points for Asymmetrical Bets

- Technology
- Expertise
- Platform products
- Passionate customer base
- Scale
- Balance sheet
- Brand reputation
- Access to markets
- Business model
- *Other*

# Core vs. Context

## The Model Behind Asymmetrical Bets

- **Core:**
  - What sets you apart from your competitive set
  - Your claim to fame – why people choose you
  - Must radically outperform your competitive set
  - Goal is to be unmatchably differentiated
- **Context:**
  - Everything else that you do
  - Your obligations – what people expect from you
  - Must meet the norms set by your competitive set
  - Goal is to react quickly and efficiently

**Biggest management challenge:  
Processes that are mission-critical but not core**

# The Six Levers

## Optimizing Mission-Critical Context Processes

- 1. Centralize** Consolidate all spend under a single authority
- 2. Standardize** Eliminate variations among similar systems
- 3. Modularize** Isolate the untouchable elements
- 4. Optimize** Reengineer everything else for efficiency
- 5. Instrument** Install monitoring systems for process control
- 6. Outsource** Your context becomes someone else's core

# Agile Portfolio Management

## A Guide to Over-Investing

- **Over-resource differentiation projects**
  - You must create unmatched offers
  - This is your greatest area of risk
- **Accelerate neutralization projects**
  - You must not fall behind category norms
  - Pare back the specs to speed delivery and reduce cost
- **Recover resources from mission-critical context**
  - This is where the bulk of your money and talent is spent
  - Use the Six Levers to get it back

# Recap

- **Escape Velocity**
  - The Pull of the Past
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