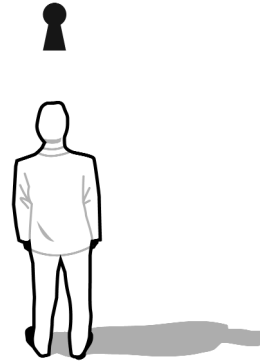


The Business Genome: The Key to Next



Before anything else happens, an idea is born.

Democratize the automobile. Naturalize cleaning. Give shoes to the needy. Smooth out ticket pricing. Crowd source creativity. Communalize coupons. Shelf books on cell phones. Deliver the world overnight. Bring Napa Valley to wherever you are.

Then, a business emerges. Many do: Ford, Method, Toms Shoes, ScoreBig, IndieGoGo, Groupon, Coca Cola, Vook, FedEx, Cooper's Hawk.

Sometimes an organization—a brand—develops organically, inspiring a group of people to naturally flock to it and engage with it with little persuasion necessary. Other companies show up ahead of the crowd that will eventually come to support it. In either case, as the idea evolves, so do the processes, systems, people, products, and modes of distribution that will sustain it. And the company carves out its niche in the competitive landscape.

Corporate growth continues down a path, creating silos of expertise in finance, accounting, product development, research, marketing, and talent, until the organization defines its point of difference in a mushrooming world of customers.

Then, one day, someone in the organization will have an idea, a hunch.

- *“I wonder if we could take this concept national.”*
- *“I think we could expand our product line.”*
- *“What if we could solve a bigger problem for our customers?”*
- *“I bet we could tap into the economic trends much more powerfully.”*
- *“We’re missing a big opportunity.”*

There the process begins: writing the company’s next chapter, uncovering its next set of opportunities, realizing its next competitive edge, developing its next area for reinvention, locating its next group of customers. Or, for an entrepreneur, planting the seed of a brand new company altogether.

And, until now, that journey would have started with dissection. The company would measure its current strengths, weigh its component parts, evaluate its past results, and scrutinize its industry peers in search of its “next.” The silos of capability that grew and developed to support complex business requirements now come to define the options for analysis. The range of potential places of where to go next may look a lot like what a company has already done, but instead is actually bigger, better, or different.

Analyzing humor is said to be a little like dissecting a frog: why bother when it only ends up killing the frog. In other words, humor loses its power when pulled apart. Likewise, a company can’t be understood by simply looking at each of its components in a vacuum. The problem with dissection and analysis of parts of a whole is what it doesn’t reveal. It can only show the obvious in any one of the individual component parts. But there is more to be seen in the bigger picture.



The strength of the most powerful opportunities is born from the cohesion of disparate elements from multiple strategies, and an incorporation of trends that can drive business in the future. The best way to write the next chapter for your organization is not to tweak each structural

ScoreBig: An Industry-wide Solution



Adam Kanner had an idea. He envisioned a world in which fans could save substantial money on tickets to sporting events, concerts, and shows, and entertainment and sports venues could solve the problem of 40 percent of tickets going unsold. But he needed to ensure that these tickets could be priced at a discount without damaging the brand of the seller, or cannibalizing those tickets sold at full-price. To get there, he abandoned the SWOT analysis lessons from his MBA courses and didn't just create incremental enhancements to ticket pricing. He had worked for the NBA; he knew all about that. Everyone did. But he also knew that reengineering existing ticket pricing wouldn't go far enough. The gap between what the public needed—an entirely new rulebook for sports and entertainment ticketing—and what the sports franchises and entertainment promoters were offering at the time—a tiered pricing structure—was too large to address with piecemeal solutions. Instead, Adam envisioned the new solution and set out to get there, constructing a powerful way to achieve it that cobbled together elements from e-commerce, social commerce, dynamic ticket pricing, direct marketing, sports, and entertainment—and gave birth to ScoreBig.

element individually but to create something bigger and all-inclusive—and then a game plan for how to get there.

1 + 1 + 1 = 5: The Value of a Systems Approach to Change

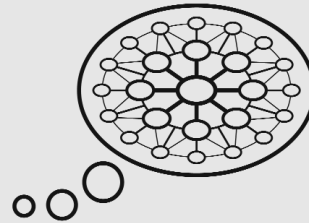
Matt Winter, CEO and President of Allstate Financial, believes in the value of what he describes as the systems approach to the sale of financial services: a multifaceted, interdisciplinary process with which the contribution of any individual component—product, for example—is enhanced by the impact of the other parts of the overall capacity—price and people, for example. As Matt Winter sought to reinvent his company, he realized it was time to recalculate the entire equation of consumer satisfaction. He thought it through, eliminating the obvious: simplification of the policy issue process, offering the same products being sold online, or updating slogans and branding. That approach would mitigate the true power of the change he envisioned. Winter knew that simply changing individual

components wouldn't get Allstate Financial to its next level. The power of the company's reinvention, Winter believed, one that led to the development of an entirely new product set, customer experience, and distribution model and economic framework, had to come from the power of the combined, synergistic effect of multiple components, and not the individual effect of alterations to any single element.

Good For Life: Thinking Like a System

Good For Life represents more than a new product for Allstate Financial's company, customers, and distribution ecosystem. It combines simultaneous change in process, product, distribution, compensation, and brand, and establishes the capability for all of those forces to feed off one another. Winter decided to depart from the way the organization had been approaching change prior to Good For Life— isolated product, system, and brand changes—and move toward a more system-wide approach. He likened the dynamic to the world of drug interaction, in which one drug's efficacy is greatly enhanced by the presence of other drugs administered at the same time. "To generate massive change in a system like Allstate Financial's, which is what we were trying to do, you have to think *like* a system and attack multiple components simultaneously. We fall out of the habit because it's easy to revert to a new-product mindset or a productivity-initiative mindset. But the reality is that you have to go up a level for 99 percent of these ideas to work. If you liken this to the genome concept, you're motivated to look at the interconnectedness of things: you don't get the true power of anything until you attack using all elements in concert with one another."

Winter calls it a systems approach; we call it the business genome approach, a concept founded on the fact that, like humans, all businesses are made up of the same components. It's not the individual gene itself that makes the difference, but the combination of the genes in a particular pattern. That permutation is what will drive a company toward a new opportunity for growth or reinvention and an entrepreneur toward an entirely new playing field where he or she can land, hit the ground running, attract loyal customers, and grow.



Genomic Patterns Offer a Fresh Lens for Business

Learn from leaders of companies whose strategies reflect the Business Genome approach:

- Groupon, dedicated to bundling discounts online, took the idea of newspaper coupons and mixed it with the power of community to create a business that made \$500 million in revenue in its first two years.
- OnStar matched the phone call home with GPS and the 911 emergency phone system to invent a way to exit the dashboard and enter Best Buy, morphing from a GM factory-installed service to an electronic device that can work on any vehicle.
- Cooper's Hawk infused great food and a relaxing atmosphere with Napa Valley vibe and added Facebook's viral sense of connection, community, and the power of recommendation to create a restaurant/winery that boasts the fastest-growing community of club members of any restaurant "cult" in the country.
- G.E. applied its desire of incorporating the new world of energy use and sustainability to its manufacturing powerhouse and invented its ecomagination generation of manufacturing products and facilities.
- Toms Shoes jumped on a growing philosophy to make a difference and defined a new space for shoes, in which the sense of community and social contribution could be married with every purchase.

The Business Genome approach is designed to allow everyone in business to follow their hunches, look at the world in a new way, and craft ideas for growth in just the ways that Groupon, OnStar, G.E., Toms Shoes, Cooper's Hawk, and Allstate Financial did. These ideas that became profitable organizations were conceived not by comparing an existing industry to the restaurants, insurance companies, shoe companies, or manufacturers of the company's competition, but by following a genomic process and finding patterns.

The Genomic Approach to Business

Businesses consist of components of great ideas that can be melded together to create and launch new business opportunities. When the higher-ups at Jiffy Lube started to suspect the value of selling oil had diminished in favor of a more holistic approach to the oil change experience, they used a genomic process to borrow ideas from other industries. Who had a great waiting room experience that could be built into a new model for Jiffy Lube? How could that experience be grafted onto the existing interior of Jiffy Lube's stores to create a killer app?

From Viscosity to Customer Experience: Pennzoil to Jiffy Lube



Jiffy Lube's road to customerization over the past decade highlights the shift in what matters now. Clyde Beahm, former president of Jiffy Lube during its early days of expansion, explains the complexities of driving customer loyalty by transforming the entire experience of an oil change. "Before, our options were limited and undesirable. We could either leave our car at a dealership waiting all day, or take it to the local 'grease monkey,' and sit in an atmosphere designed for dirty rags and tools, but not for customer comfort." Under Beahm's leadership, Jiffy Lube focused on the ambiance of the waiting environment, the speed of service, and the organization of the recordkeeping, driving customer loyalty for more than a decade based on those customer-facing priorities (Beahm, 2011). To keep up with the speed of change, Jiffy Lube realized it was competing with customer experiences well beyond the waiting area and billing procedures: its customer process for an oil change incorporated the proactive reminder systems of a computerized hair salon or dentist, the loyalty benefits of an airlines frequent flier program, plus the engagement of social media outlets where talking about top-of-mind topics like travel tips and fuel efficiency, gleaned from Internet feedback, involved customers in-between visits. Jiffy Lube went beyond differentiating itself as a

comfortable place to wait for auto maintenance to a watering hole for chats with and between customers about owning, driving, and maintaining a car. It wasn't just oil changes anymore.

Beahm explains how the genomic approach became a catalyst for change. "Pennzoil could not have grown organically from discussions about viscosity to a vision for Jiffy Lube. No amount of benchmarking against industry peers would have gotten them there. It had to take a certain leap of faith that once it shifted to focus more on its distribution channel, it wouldn't be long before it was up against a new customer requirement: a pleasant oil change experience. No conversations about viscosity or formulations would have led naturally to that arena."

Pennzoil had to borrow customer experience insights from the likes of Starbucks to really create its next incarnation—Jiffy Lube.

The genome mindset sparks new insights for translating the DNA of one business to the growth challenges of another. It allows us to see through a new lens. Now we can read the facts and figures in a different way, and shift our focus toward response and away from prediction. What we'll need are ideas—novel ideas—influenced by strategies that have worked successfully in other arenas. The *Find Your Next* process can help us get there by offering a systematic way of sorting through those ideas to land on opportunities for building up any company, whether a large, global enterprise or a local start-up.

The heritage for the genomic approach truly began in 1991, when the Human Genome Project defined a new playing field for genetic scientists interested in the next step of DNA analysis, thereby enabling people to trace their individual biological inheritance. It was a huge project that started with gene mapping and led to new medical innovations, because, for the first time, scientists could actually look at patterns of biological information and visualize connections.

But genomics had much further reach. Along came Pandora, an online music service based on the Music Genome Project and sparked by the imagination of Tim Westergren, who, in 1999, decided that the time had come to organize music into new genres that freed us from the notion of old music industry categories like "rock," "classical," "heavy metal," "rap," "country," and "rhythm and blues."

The Pandora model started with a lot of trained musical listeners writing more than 600 descriptors of music. From there, Pandora.com launched as an Internet music service that combined the elements of music's DNA with a thumbs-up thumbs-down user voting that trains the station to refine its next selection for you. A personal profile develops and two things happen: one, you find yourself exposed to new songs and new musicians because the Pandora engine helps you match the taste of what you know you like (the Beatles) with music that has a similar "genomic" pattern (rock beat, good lyrics, lead guitar style), and two, you discover that your taste can't be categorized as simply "rock." You, and your preferences, are a little more complicated. The net result of listening to music with Pandora's music genome engine is that your musical taste expands to new genres, new styles, and new possibilities.

The Find Your Next approach builds on that same genomic concept. It is based on the idea that the possibilities for what a business leader can do next must come from somewhere other than what they did last. The Business Genome model isn't designed to help business leaders predict what comes next but to arm them when it happens. As was the case with Pandora's analysis of the world of music, all genomes are intrinsically human. What can a cereal company learn about a clothing designer's experiences with teen purchasing trends? How can a manufacturer benefit from a defense contractor's insights into applications of hydraulics? What can a medical equipment distributor learn from FedEx about global logistics innovations? Businesses are all about their customers, and that means they're all about people.

Vook: Plug and Play and Read



Brad Inman doesn't think of Vook as just another book reader, or what a customer views on Vooks as simple books with moving pictures. He considers the difference he brings to the world of traditional publishing to be genomic, in which his company's combination of talent plugs and plays into the new world of ubiquitous display and connectivity. Vooks, unlike traditional books, can tell their stories with movie-like engagement, a dose of mobile device speed, a bit of radio magic, the feel of a magazine serial, elements from the interactive world of Wii, and the sense of viral community popularized by Twitter.

Which combination of product innovation, talent deployment, process design, customer impact, secret sauce, and trendability can bring your company to a new level of opportunity? In that Business Genome vein, business leaders can diagnose where their businesses are in a way that goes beyond the traditional strength, weakness, opportunity, and threat (SWOT) tools. They can create a map of their company's current genomic pattern. They can look across industries for examples

A Personal View from Tom Stat: Learning to See Things through the Lens of Both Hemispheres



In my final year at Boston University, I expanded my electives beyond my degree path in psychology and discovered architecture. In architecture, I found what I believed to be the ultimate integration of art, science, engineering, and human behavior—a marriage between my two brain hemispheres.

This journey of integration and synthesis has remained a central theme in my life and in my work. After many fulfilling years immersed in the world of architecture, I joined IDEO, one of the world's most respected innovation consultancies. As a part of its laborious interview process, a good friend and mentor wrote a note to an IDEO partner. It said simply, "Tom was genetically engineered to work at IDEO." I had found a home where my genetic predisposition toward seeing analogies, leveraging unusual connections, extracting value from parallels, and creating something from what appeared to be next to nothing, were celebrated. Thus began some of the most rewarding, challenging, and fulfilling years of my professional life.

In almost 12 years at IDEO, beyond all the expertise, deep domain knowledge, design genius, and engineering prowess resident there, I believe that two true competencies of innovation were the primary forces behind our work and our success. Simply put, they were the ability of diverse disciplines to work collaboratively and the ability to synthesize across dissimilar domains. Crucial to both is the ability to integrate, recognize patterns, fuse, and combine disparate elements into entirely new entities. It is about leveraging a playful state of curiosity and harnessing the outcomes of discovery. It is the transmutation of lesser, more common elements into something of far greater value. It is alchemy in its purest form. It is nothing short of genetically engineering what's next, not merely near or new.

of companies that have tackled the same concern successfully. IDEO, a firm known for its innovation, especially in the area of product design, is one example. A few years ago, it was assigned the task of redesigning a hospital emergency room. Rather than simply benchmarking its client's ER against other hospitals, its management team studied another process that mirrored several components of a hospital's genome, one characterized by the need for precision movements when time was critical and the pressure of a potential dying patient loomed large. The

How to Open Your Organization to New Thinking

I once worked with a large manufacturing company that was trying to develop new chemical formulations, but its team was stuck in old ways. The company had a hiring policy it called the "nine-dot system," based on its recruiting policy for hiring the exact right fit from a competitor that had a nearly identical chemical development process. When it needed a new engineer to do job A at their company, it had the headhunters scan the competition for someone who did exactly that job. It didn't think to look for someone who could do job A and maybe job B.

Through what began as an experiment, the company's management changed that approach for one hire and brought in an industrial designer to fit into their team, thereby transforming the company's development process into a much more consumer-friendly approach.

To quote the client who was responsible for that change and the resulting double-digit growth that came from the new solvents, "If you can't change the people, sometimes you have to change the people."

A similar lesson came to an energy company that was a client of mine that was experiencing the early impact of deregulation in the 1990s. It tried to devise breakthrough thinking about how government regulations might change their industry and inserted a fresh perspective into its planning—by way of a new employee who came from telecommunications and had expertise in that industry's shifts. This new recruit brought some lessons about the FCC's telecommunications regulations into discussions about FERC's energy regulations and accelerated the company's adaptation to the change in their competitive environment.

answer for them was NASCAR pit crews, and IDEO grafted best practices onto the hospital's process redesign.

Taking a systems approach to business innovation requires some new skills. But that's the secret to discovery, to be able to shuffle elements to make a break through. We all have the capacity to think this way once we tune into business patterns and think about our futures in a new way.

Every company is capable of injecting the new perspective of another industry into its own DNA. The trick is to begin with a fresh mindset, founded on the belief that the future should get at least equal billing with the past as a catalyst for our organization's growth path. The beauty of applying genomics to business is that the business opportunities that emerge are part "art" or instinct (what-if thinking and a sense of what could be), and part science (analyzing other processes in unrelated industries and looking for patterns of opportunity). Only then, with a little of both, can companies get to a next with success that will stick.