

When Kevin Kennedy, COO for Openwave Systems (on the boards of Quantum Corp, JDS Uniphase and formerly with both Cisco and Bell Laboratories) turned his agile mind to writing a joint book with the former VP

operations and director of human resources at Stanford University, Mary Moore, it comes as no surprise that "Going the Distance" focuses on the high technology sector and definitely goes its own distance.

Gail Purvis

'Why some companies dominate and others fail'

Like good tweed, the book has a ruminative bone through it, that should leave management and staff chewing on whether the companies that they run and work for can match up to the eight predictable challenges of innovation, product transition, strategy, alignment, culture of learning, leadership DNA, governance systems, and board of directors oversight to 'make the distance.'

One of the more intriguing early views comes from that of the three dimensional, rather than a flat 2D model, demonstrating both complexity while acting as a tool to understand disruption. In Fig 1, companies who excel on two planes - technology & scale, technology & distribution or distribution & scale - are using complexity as a disruption barrier to competition for sustained periods

Computers & component markets 1950-2000					
1950 → 2000					
Computer Companies	Mainframes IBM Burroughs Control Data Honeywell NCR Univac	Minis DEC Data General Prime IBM Comp Auto HP	PCs Apple Microsoft IBM Compaq Dell Microsoft	Workstations Sun HP Compaq Dell	Mainframes IBM Fujitsu/Amdahl
	Vacuum Tubes GE RCA Philco Sylvania	Semiconductors Texas Instruments Transitron Fairchild Motorola	Semiconductors Intel Motorola Texas Instruments AMD NSM Rockwell	Microprocessors Sun Intel Motorola	Silicon Intel LSI Logic AMD Micron Motorola

Computer & components by segment 1980-2000			
1980 → 1995 → 2000			
Network Companies	Data Networks 3Com IBM SynOptics Wellfleet Cisco	Data Networks Cisco	Data and Voice Networks Nortel Lucent Cisco Alcatel Siemens
	Standard, ASIC, ASSP Intel Motorola Texas Instruments LSI Logic	Silicon Intel ATT Semi AMCC PMCs Texas Instruments Broadcom	ICs Intel Lucent Semi AMCC PMCs Broadcom

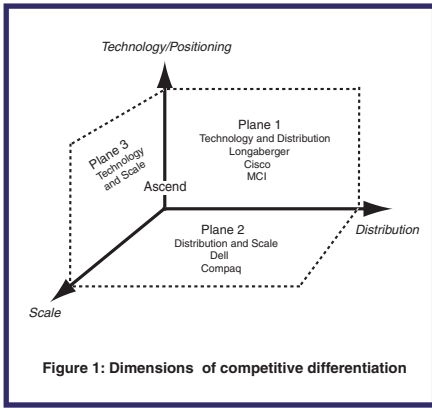


Figure 1: Dimensions of competitive differentiation

Compare your company with its top competitor on the 3D model:

- Does it have a disruption advantage in either technology or positioning?
- Can you find a difference in channel strategy with significant benefit?
- Is there an important difference in economics of scale?

Yes to two out of the three means you have the basis for 2D differentiation that disruption requires. Next step is a well thought out strategic plan for that disruption.

of time. “New market waves,” point out the authors, “occur at least once every two to three years. Great companies compete in multiple markets, so at any given time they are in the process of finding and entering a new market. Great companies are always in search for the next opportunity to disrupt and they are ready for disruption caused by outside forces.”

Disruption creates a point of entry, so readiness to capitalise on such openings is essential. As markets are created, those that get there first, with the right product, can take the biggest share.

On strategy, Cisco’s acquisition and development success between ‘94 - 2001, attributed to Morgridge and Chambers, is analysed as a differentiating strategy that guarded against over investing in prospective new markets before their time; that was ‘technology agnostic’; offered open standards and focused on customer success. In addition it looked outside the company for development of new, high risk, capital intensive, customer driven solutions and focused internally on products that customers buy today.

Interestingly, the authors identify that in 2001 hardware engineering average cost, including prototypes was at \$300,000 - \$380,000/engineer pa. In contrast software products emerged in 9-18 months, at \$180,000 - \$240,000/engineer pa.

“Simply put, large hardware projects for new markets possess four times the financial risk of software-based projects. So purchasing a company that had developed new hardware to a certain point, represented less risk than investing operating capital in a complicated untried concept.”

In a portfolio of more than 70 acquisitions, Cisco was able to ensure internal focus, enabling the company to scale beyond its competition.

The authors’ analysis of Cisco acquisitions is detailed and amazingly successful. Set in contrast are such tales as the

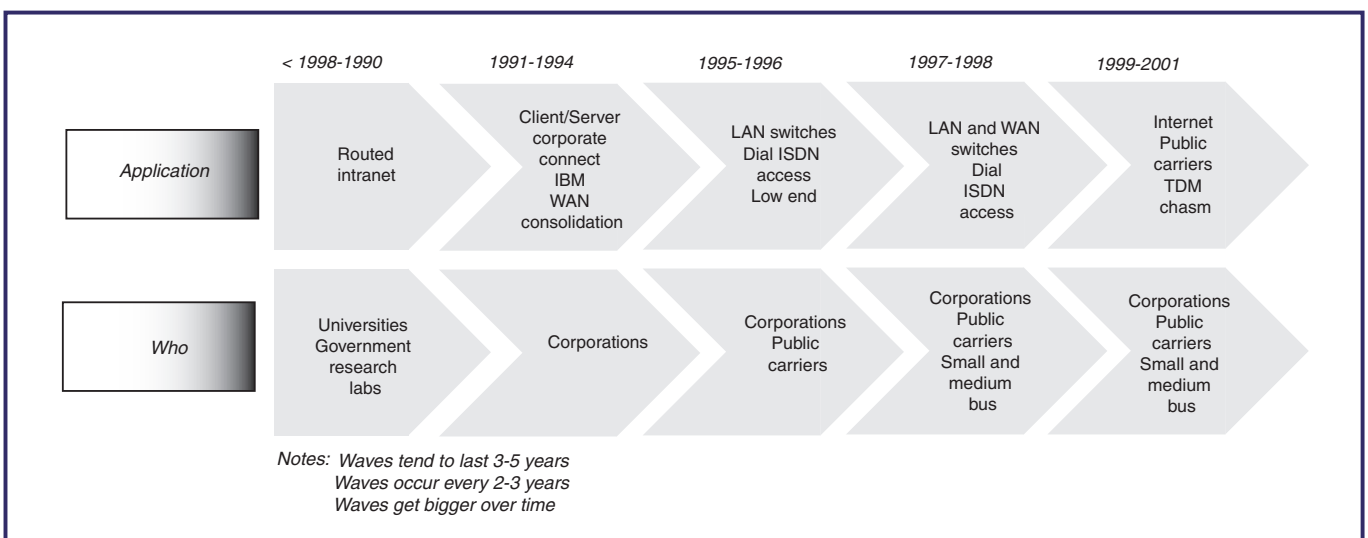
3Com merger with US Robotics, to predictions of beating established competitors hands down, since both had a near monopoly on the dial concentrator markets - and a market capitalisation equal to Cisco’s.

But despite those advantages, the collective efforts of the two could not improve their customer’s private intranets, offer large networks, high end routing or scalable carrier class, asynchronous transfer mode for voice and data transfer over the internet.

Different business models, one low margin modems and one on high margin systems resulted in the new company’s market capitalisation being less than half of Cisco’s in two years.

In a book that continually urges reader comparison of ‘best practice’ to what is in the reader’s company, management aiming to ‘go the distance’ should be compelled to consider the simple tenets of the ‘Vital Signs Questionnaire’:- Don’t wait for external indicators. Understand predictable challenges. Develop ‘feel’ for each challenge. Focus on trends when measuring. Ensure accountability of expertise for predictable challenges. Recognise the interdependency of threads of failure ... and go the distance.

‘Going the distance’ by K Kennedy & M Moore. Publisher: FT Prentice Hill. Price: \$24.95



Timeline showing all the products that Cisco introduced over a 10 year period. Cisco’s decision makers did not depend on a few ‘cash cows’ ... they constantly introduced new products and new versions of existing products. Disruption was an overt strategy, backed by careful planning and constant learning.