

Darwin's Dictionary

- **Acquisition innovation.** See *Innovation types*. Creating differentiation through acquisition and divestiture, regardless of whether you are the acquiring or acquired party.
- **Application innovation.** See *Innovation types*. Creating differentiation by finding and exploiting a new application or use for an existing technology. The cornerstone of solution-oriented marketing.
- **Bowling alley.** See *Technology adoption life cycle*. A stage in the technology adoption life cycle during which technology is being adopted for niche markets but not yet for broad horizontal usage.
- **Brand.** The mental associations aroused by the name of a company or product. A key tool for the volume operations model to gain customer preference in consumer markets. In the complex systems model, a frequent source of management confusion (see *Reputation*).
- **Business architecture.** Organizational structure based on prioritizing one of two business models (see *Complex systems model* and *Volume operations model*). Innovation types are understood and executed in completely different ways depending on which model an enterprise adopts.
- **CAP or Competitive Advantage Period.** See *Managing for shareholder value*. A term used in investment analysis to estimate the length of time an investor believes a company can maintain a differentiated position that creates competitive separation.
- **Category.** A term used by customers to classify what they are buying and distinguish it from other purchasing choices. Emerging categories are typically defined by naming one or more reference competitors. Established categories help analysts follow a market and investors determine their asset allocation strategies.
- **Category maturity life cycle.** A model that describes the rise, duration, and decline of a category of product or service.
- **Category Power.** See *Hierarchy of Powers*. Competitive advantage gained by participating in a given category and thereby inheriting its ability to compete with other categories of purchase for budget. Growth markets increase category power, declining markets diminish it.
- **Chasm.** See *Technology adoption life cycle*. A stage in the technology adoption life cycle during which the market stagnates for lack of a natural customer constituency to sponsor it. Visionaries who used to sponsor the category have moved on to other interests. Pragmatists are now the desired sponsors, but they do not see enough adoption activity by their peers to be comfortable supporting the new paradigm.
- **Chimp.** See *Market share hierarchies*. A market share position that is subordinate to the market leader, or gorilla, in a market where both vendors have proprietary technology that is incompatible with the other's. To survive chimps must typically create strongholds in niche markets where they are the local market leader or "gorilla in the niche."
- **Collaboration culture.** See *Corporate culture*. One of four business cultures, it is rooted in the need for affiliation and characterized by team-level accountability to subjectively determined values. For example, the original HP.

- **Commoditization.** The natural result of free-market competition over time as vendors neutralize more and more of each others' differentiation. It enables customers to swap one vendor for another, thereby engendering price competitions that eliminate profit margins for all but the most operationally excellent firms.
- **Company Power.** See *Hierarchy of Powers*. Competitive advantage gained by virtue of a company's market-share status within a given product category. Characteristically the market share leader has the most power, with a significant drop-off to vendor #2, and an even more drastic drop-off for vendor #3. Hence Jack Welch's strategic intent to be number one or two in a market or else exit.
- **Competence culture.** See *Corporate culture*. One of four business cultures, it is rooted in the need for achievement and characterized by individual-level accountability to objectively defined metrics. For example, Microsoft.
- **Competitive advantage grid.** A model for analyzing competitive advantage strategies within a given category based on a matrix of type of power sought (Category, Company, Market, and Offer) cross-referenced by value discipline focus to create differentiation (Operational Excellence, Customer Intimacy, Product Leadership, Disruptive Innovation).
- **Competitive separation.** Differentiation that causes customers to perceive a given company's offers differently from those of other companies in its competitive set, thereby reducing the threat of substitution and increasing its ability to command a premium price or greater volume in its target markets.
- **Complex systems model.** See *Business Architecture*. One of two business architectures, it is optimized for business-to-business commerce with large institutional buyers making substantial purchases after careful consideration of the alternatives and characterized by consultative sales relationships and a high proportion of customization in the develop of each customer's offer.
- **Conservative.** See *Technology adoption life cycle*. An adoption strategy that embraces new technologies only when they threaten to completely displace older established alternatives.
- **Context.** See *Core/context analysis*. Any activity which does not differentiate the company from the customers' viewpoint in the target market. Context management seeks to meet (but not exceed) appropriate accepted standards in as productive a manner as possible.
- **Control culture.** See *Corporate culture*. One of four business cultures, it is rooted in the need for order and security and characterized by team-level accountability to objectively defined metrics. For example, General Electric.
- **Core.** See *Core/context analysis*. Any activity which creates sustainable differentiation in the target market resulting in premium prices or increased volume. Core management seeks to dramatically outperform all competitors within the domain of core. (Note this use of the term is unrelated to either *core competence*, which describes differentiated capability, or *core business*, which describes categories accounting for a high percentage of overall revenues.)
- **Core/context analysis.** A resource prioritization framework that discriminated differentiating processes from all other work. Core/context management advocates funding differentiating initiatives in growth markets by extracting resources (carefully) from mission-critical context initiatives in mature markets.

- **Corporate culture.** A set of implicit rules that shapes communication, motivation, and decision-making. In the TCG Advisors' model, there are four archetypal cultures—cultivation, competence, control, and collaboration—based on privileging one or another layer of Maslow's hierarchy of needs.
- **Crossing the chasm.** See *Technology adoption life cycle*. The transition in a technology adoption life cycle that represents the first penetration of the mainstream market, typically achieved by targeting a beachhead segment of pragmatist customers who are under pressure to address a problem that current technologies cannot solve.
- **Cultivation culture.** See *Corporate culture*. One of four business cultures, it is rooted in the need for self-actualization and characterized by individual accountability to subjectively defined values. For example, Google
- **Customer intimacy.** See *Value disciplines*. One of three value disciplines, it invests heavily in customer information gathering in order to differentiate offerings by aligning them more precisely with target customers' needs and values.
- **Darwinian.** An adjective to describe the ongoing raising-the-bar effect of free-market competition for the scarce resources of customer revenue and investor capital which forces established competitive advantage positions to either evolve or else become commoditized.
- **Declining market.** See *Category maturity life cycle*. A period in the maturity of a market when, setting aside cyclical fluctuations, growth rates are negative. Strategically, a time to either reinvigorate the category or harvest and exit.
- **Delighter.** A novel attribute of a mature-market offer that creates customer preference without increasing cost or introducing risk.
- **Demographic segmentation.** A method of analyzing markets in terms of customer communities based on shared demographic characteristics such as age, income, gender, or ethnicity, typically used to focus consumer offers in volume operations markets.
- **Deployers.** See *Resource recycling*. People who excel at managing mission-critical programs on time, on spec, and on budget, deployers are key to ramping business processes to scale.
- **Deployment zone.** See *Resource recycling*. The upper two quadrants in the core/context analysis model which share the attribute of being mission-critical, the zone most scrutinized by securities analysts and growth investors. The natural zone in which to recycle deployers.
- **Discontinuous technology.** See *Disruptive innovation*. One of two types of disruptive innovation, discontinuous technology is incompatible with currently prevailing standards, forcing those who adopt it to displace their existing systems, thereby initiating a technology adoption life cycle.
- **Disruptive innovation.** See *Innovation types*. An innovation type that initiates a growth market by creating a new category through one of two mechanisms: discontinuous technology or value-chain discontinuity..
- **Dissatisfier.** An attribute of a mature-market offer that, poorly handled, can cause customers to reject the offer, but which if brilliantly handled, would not lead to customer preference.

- **Early market.** See *Technology adoption life cycle*. A stage in the technology adoption life cycle during which technology enthusiasts and visionaries sponsor new technologies while the mainstream marketplace watches but does not participate.
- **Enhancement innovation.** See *Innovation types*. An innovation type in the customer intimacy zone that differentiates a mature market position by leveraging a modest R & D investment to create a large increase in the perceived value of an established offer to re-stimulate customer interest.
- **Experiential innovation.** See *Innovation types*. An innovation type in the customer intimacy zone that differentiates an otherwise commoditized offer in a mature market by modifying the customer's end-to-end experience from initial encounter to ultimate disposition.
- **Fault line.** See *Category maturity life cycle*. A transition very late in the category maturity life cycle when a category becomes obsolete by virtue of a discontinuous technology or disruptive innovation entering the tornado.
- **GAP or Competitive Advantage Gap.** See *Managing for shareholder value*. A term used in investment analysis that interprets a company's current reported revenue and margin performance as a gauge of the competitive separation it currently enjoys in its target markets.
- **Gorilla.** See *Market share hierarchies*. A market-share leader whose position is sustained by proprietary technology that has high switching costs, leading to both high GAP and long CAP, the marks of exceptional shareholder value.
- **Growth market.** See *Category maturity life cycle*. A period in the development of a market when growth rates are significantly in excess of 10 percent. Strategically, a time when gains in market share create more shareholder value than maximizing profits.
- **Hierarchy of Powers.** A model organizing type of business power from most strategic to most tactical, as follows: category power, company power, market power, offer power, program power.
- **Horizons 1, 2, and 3.** A strategy management model outlined by Merhdad Baghai, Stephen Coley, and David White in *The Alchemy of Growth*, it segments strategic initiatives into three time zones—1) the current fiscal year, 2) the 12-to-18 month period just beyond the current year, and 3) developments further out in time than that.
- **Indefinitely elastic middle.** See *Category maturity life cycle*. The duration of a mature market, commencing with the end of the growth market phase, ending with the onset of the declining market phase.
- **Industry segmentation.** A method of analyzing markets in terms of customer communities based on participating in a common industry sector. In business-to-business marketing, the primary organizing principle of vertical marketing and the key to crossing-the-chasm and bowling-alley strategy.
- **Inertia.** A risk-adverse characteristic of established enterprises that privileges allocating resources to current lines of business and resists redeploying them into emerging ones.
- **Innovation for differentiation.** See *Innovation outcomes*. Innovation initiatives that succeed in creating competitive separation from reference competitors in target markets.

- **Innovation for neutralization.** See *Innovation outcomes*. Innovation initiatives that succeed in reducing or eliminating a competitive separation achieved by a reference competitor in a target market..
- **Innovation for productivity.** See *Innovation outcomes*. Innovation initiatives that improve the return on resources deployed by increasing their yield.
- **Innovation outcomes.** The economic results of an investment in innovation, of which there are four: differentiation, productivity, neutralization of a competitive differentiator, or waste.
- **Innovation strategy.** Intensely focusing on one or two innovation vectors to create competitive separation. Specifically, fielding highly differentiated offerings that dramatically outperform competitive alternatives in the dimensions targeted.
- **Innovation that is wasted.** See *Innovation outcomes*. Innovation that does not result in differentiation, neutralization, or productivity. Specifically, innovation that seeks to differentiate for competitive advantage but fails to generate privileged treatment from customers in their purchase behavior.
- **Innovation types.** A model of innovation that compares and contrasts fourteen different approaches to creating differentiation for competitive advantage.
- **Innovation vector.** The idea that each type of innovation can be thought of as a strategic direction for investment that competes for resources with alternative vectors. An enterprise's overall differentiation is the sum of its performance along all vectors which, were resources allocated equally, would equate to zero—hence the need for innovation strategy.
- **Invention zone.** See *Resource recycling*. The left two quadrants in the core/context analysis model which share the attribute of being core, the zone most scrutinized by industry analysts and venture investors. The natural zone in which to recycle inventors.
- **Inventors.** See *Resource recycling*. People who excel at developing core, inventors are key to ensuring a continuous supply of innovations that create sustainable competitive advantage.
- **Investable category.** An existing product or service category in which market shares are tracked by securities analysts seeking to help investors allocate their capital optimally first by category, then by company.
- **Integration innovation.** See *Innovation types*. An innovation type in the operational excellence zone that differentiates a mature market position by integrating a set of established products and services into a single more easily managed offering.
- **Killer app.** An application with broad horizontal appeal that catapults a category into the tornado phase of the technology adoption life cycle.
- **King.** See *Market share hierarchies*. A market-share leader whose position is sustained primarily by execution. Compared to gorillas, Kings typically have equally high GAPs but, because they can be more readily swapped out, significantly shorter CAPs, resulting in lower shareholder value.
- **Line extension innovation.** See *Innovation types*. An innovation type in the customer intimacy zone that creates a new sub-category to engage a new customer or re-engage an old one by targeting their unique preferences.

- **Main Street.** See *Technology adoption life cycle*. The last stage of the technology adoption life cycle, coming at the end of the tornado, it signals a rise in the strategic importance of the conservative customer.
- **Managing for shareholder value.** A management discipline that uses long-term investor valuation criteria to prioritize strategic initiatives. An analytical tool that analyses market capitalization as a function of GAP (Competitive Advantage Gap) times CAP (Competitive Advantage Period).
- **Market.** An aggregation of economic activity, organized either by customer or product segmentation, which sets the context for market share metrics from which market power is inferred.
- **Market power.** See *Hierarchy of Powers*. Competitive advantage gained by virtue of a company's market-share status in a given customer segment or niche speciality, typically used to offset the company power of a market-share leader.
- **Market share hierarchies.** A model for describing the pecking order in marketplace power among the market leader, a close challenger, and an also-ran. In proprietary-technology-enabled markets with high switching costs, the roles are gorilla, chimp, and monkey. In commoditized markets with low switching costs, the corresponding roles are king, prince, and serf.
- **Marketing innovation.** See *Innovation types*. An innovation type in the customer intimacy zone that differentiates a mature market position through novel go-to-market programs affecting interaction with the prospective customer, typically in marketing communications and distribution channels.
- **Mature market.** See *Category maturity life cycle*. A period in the development of a market when, setting aside cyclical fluctuations, growth rates are modest, typically less than 10 percent. Strategically, a time when profits take precedence over revenues and market share.
- **Monkey.** See *Market share hierarchies*. A company with little to no market share in a category dominated by a gorilla, its strategy is to reproduce the gorilla's in-market offering as best it can and sell it at a substantial discount.
- **Mission critical.** Material to outcomes that are central to the fate of a company. Shortfalls in mission-critical activities jeopardize market valuation, among other things.
- **Mission-critical context.** See *Core/context analysis*. Mission-critical context consists of activities that must be executed to market expectations else dire consequences ensue; however, doing these activities better than others yields no increased differentiation and profit. Strategically, an area where resources are over-allocated leading to an under-allocation for next-generation initiatives.
- **Natural selection.** The outcome of competitions for scarce resources in which winners are more fully represented in the next round and losers are marginalized. Strategically it drives evolution in differentiation in search of greater competitive advantage.
- **Nine-point checklist.** A product marketing tool for describing the key variables that make up a market development strategy. The nine points are: 1) target customer, 2) compelling reason to buy, 3) whole product, 4) partners and allies, 5) distribution, 6) pricing, 7) competition, 8) positioning, and 9) next target customer.

- **Offer power.** See *Hierarchy of Powers*. Competitive advantage gained by virtue of fielding a product or service that has superior features, performance, or price relative to a reference competitor in a target market.
- **Off-shoring.** Procuring a given product or service from a company located in another country, whether to exploit a cost advantage, tap into a talent pool, or establish a point of entry into a foreign market.
- **Operational excellence.** See *Value disciplines*. One of three value disciplines, it invests heavily in processes and systems to differentiate offerings by lower cost, higher quality, or faster time to market.
- **Optimization zone.** See *Resource recycling*. The right two quadrants in the core/context analysis model which share the attribute of being context, the zone most scrutinized by productivity analysts and value investors. The natural zone in which to recycle optimizers.
- **Optimizers.** See *Resource recycling*. People who excel at extracting resources from mission-critical context to repurpose for core, optimizers are key to funding the next wave of innovation and deconstructing the organizations that would create inertial resistance to it.
- **Organic innovation.** See *Innovation types*. An innovation type in the category renewal zone that differentiates a declining market position by migrating resources from a declining category to a growth one, typically through in-house R&D.
- **Outsourcing.** Procuring a given product or service from another company rather than staffing it in-house, whether to take advantage of that company's specialization advantages or to focus in-house resources on core.
- **Out-tasking.** Procuring a portion of given product or service from another company while retaining a portion in-house, whether to mitigate mission-critical risk or to retain an option on using it to create future core.
- **Platform innovation.** See *Innovation types*. An innovation type in the product leadership zone that differentiates a growth market position by consolidating the interface to a legacy environment in service to a next generation of emerging offerings.
- **Positioning.** Strategically, influencing the category which a product or company occupies inside a buyer's mind, thereby establishing its reference competitors. Tactically, comparing and contrasting an offer relative to its reference competitors.
- **Pragmatist.** See *Technology adoption life cycle*. An adoption strategy that embraces new technologies when its proponents see others like them adopting them, a follow-the-herd approach that is particularly sensitive to word-of-mouth references.
- **Prince.** See *Market share hierarchies*. A market-share challenger whose position is sustained primarily by execution as opposed to proprietary technology with high switching costs. Compared to chimps, princes have far more volatile CAPs because they have the opportunity to displace kings as the market leader but also the vulnerability of being displaced by some other would-be prince.
- **Process innovation.** See *Innovation types*. An innovation type in the operational excellence zone that differentiates a mature market position by reengineering fundamental processes to create exceptional gains in cost reduction, quality, or time to market.

- **Product innovation.** See *Innovation types*. An innovation type in the product leadership zone that differentiates a growth market position by R&D to improve features, performance, or market price in an established product category.
- **Product leadership.** See *Value disciplines*. One of three value disciplines, it invests heavily in R&D to differentiate offerings by more desirable features, better performance, or lower market price.
- **Program power.** See *Hierarchy of Powers*. Competitive advantage gained by virtue of fielding superior go-to-market programs relative to a reference competitor in a target market.
- **Reputation.** The mental associations aroused by naming a company or product in a complex-systems market. A superior term to *brand* when analyzing returns on marketing investments in a complex-systems enterprise.
- **Resource recycling.** A human capital management strategy which recycles a work force to optimize an individual's contributions in one of three zones: invention, deployment, or optimization. A work management strategy that deconstructs inertia-bearing legacy in order to fuel and accelerate the adoption of next-generation innovations.
- **Sectoring.** In contrast to *segmentation*, a scheme that imposes zones on a market to organize territory coverage and sales channel management.
- **Segmentation.** within contrast to *sectoring*, a scheme that infers zones in a market from customers self-organizing into communities of interest. Used to focus market share gains and intensify word-of-mouth references.
- **Serf.** (See *Market share hierarchies*). A market-share also-ran in a market with low switching costs, serfs enter and exit product categories opportunistically based on short-lived offer power advantages. They are the ultimate commoditizing force. Compared to monkeys, serfs have lower barriers to entry as there is no proprietary technology to clone.
- **Skeptic.** See *Technology adoption life cycle*. An adoption strategy that resists the adoption of technologies to the end, believing that the law of unintended consequences will undermine whatever gains they purport to offer.
- **Technology adoption life cycle.** A model that describes how communities react to the introduction of a discontinuous technology, consisting of a progression through five adoption strategies: technology enthusiast, visionary, pragmatist, conservative, and skeptic.
- **Technology enthusiast.** See *Technology adoption life cycle*. An adoption strategy that embraces discontinuous technologies on a personal basis as an opportunity to learn and to participate in the leading edge of technology innovation.
- **Tornado.** See *Technology adoption life cycle*. A stage in the technology adoption life cycle during which pragmatist customers, spurred by the appearance of a killer app, enter the market in droves, driving demand to exceed supply, creating a frenzy of expansion and a meteoric rise in equity valuations.
- **Value chain.** A progression of processes and providers required to take a product or service from creation through to customer delivery and eventually to disposal.
- **Value-chain discontinuity.** One of two form of disruptive innovation, a value-chain discontinuity destabilizes the value chain in an existing market by challenging the

business model of the incumbent. It does not, however, initiate a new technology adoption life cycle.

- **Value disciplines.** A strategy development model championed by Michael Treacy and Fred Wiersema in *The Value Disciplines of Market Leaders* that focuses value creation on one of three areas: product leadership, customer intimacy, or operational excellence.
- **Value engineering innovation.** See *Innovation types*. An innovation type in the operational excellence zone that differentiates a mature market position by extracting costs from an established product or process design.
- **Value migration innovation.** See *Innovation types*. An innovation type in the operational excellence zone that differentiates a mature market position by transferring focus from a value-losing element in a value chain to a value-gaining one. Two classic value chain migrations seen in maturing markets are the shifts from product to consumables and from products to services.
- **Vertical marketing.** Marketing focused on gaining dominant market share in an industry segment, thereby creating the market-power position “gorilla in the niche.”
- **Visionary.** See *Technology adoption life cycle*. An adoption strategy that works with technology enthusiasts to sponsor first-mover adoption of discontinuous technologies in order to gain a dramatic competitive advantage.
- **Volume operations model.** One of two business architectures, optimized for business-to-consumer commerce with individual customers making buying decisions at the point of purchase. More generally, a business model with a high proportion of standardization in the development, distribution, and service of each customer’s offer.
- **Whole product.** The minimum set of products and services needed to fulfill a target customer’s compelling reason to buy, especially important during the bowling alley phase of the technology adoption life cycle.