

Silicon Valley 4.0

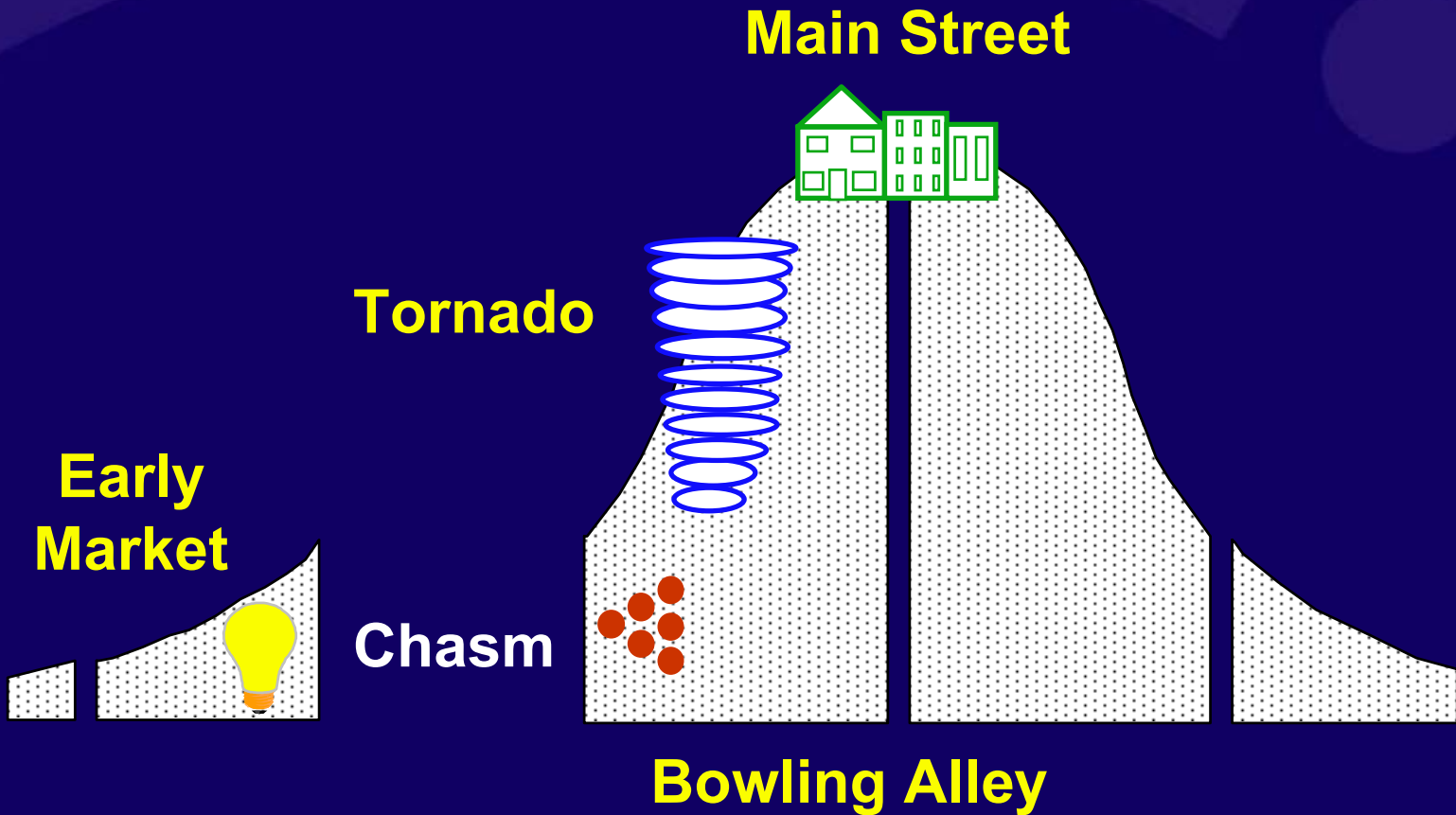
Rethinking Innovation

Geoffrey Moore

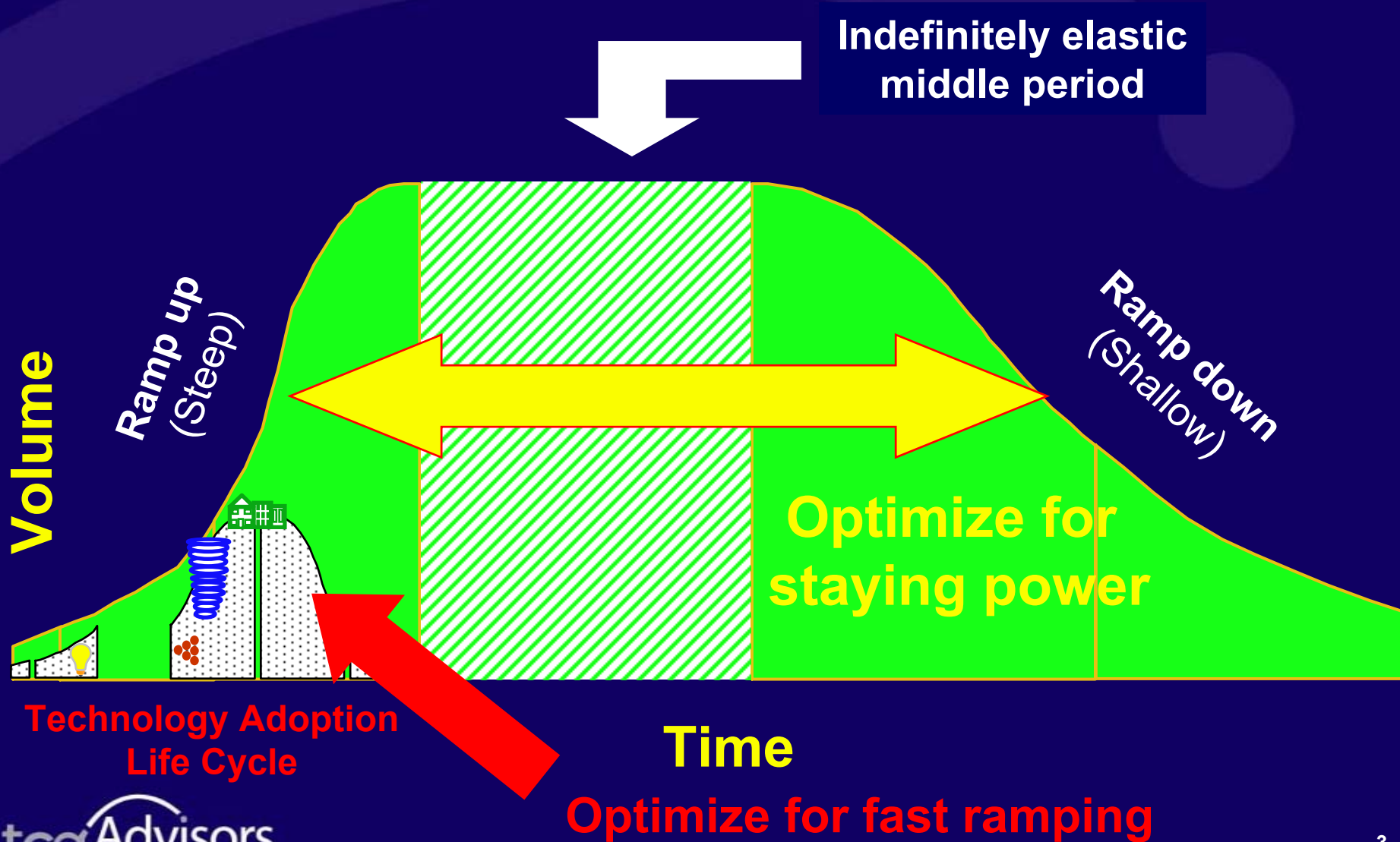
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High Tech in the 90's



Market Maturation in Tech



Innovation Gets Redefined

- **Ramp up**
 - Disruptive innovation
 - Technology focus, engineering led
- **Elastic Middle**
 - Continuous innovation
 - Product/service focus, marketing led
- **Ramp down**
 - Structural innovation
 - Business model focus, finance led

Pluses and Minuses of Maturation

- **Pluses**

- Better quality, reliability, and value for consumers
- More predictable earnings behavior for investors
- Less risk for established leaders

- **Minuses**

- Less solution innovation for customers
- Less growth for investors
- Less opportunity for newcomers

On the Disruptive Side, Opportunities Still Abound

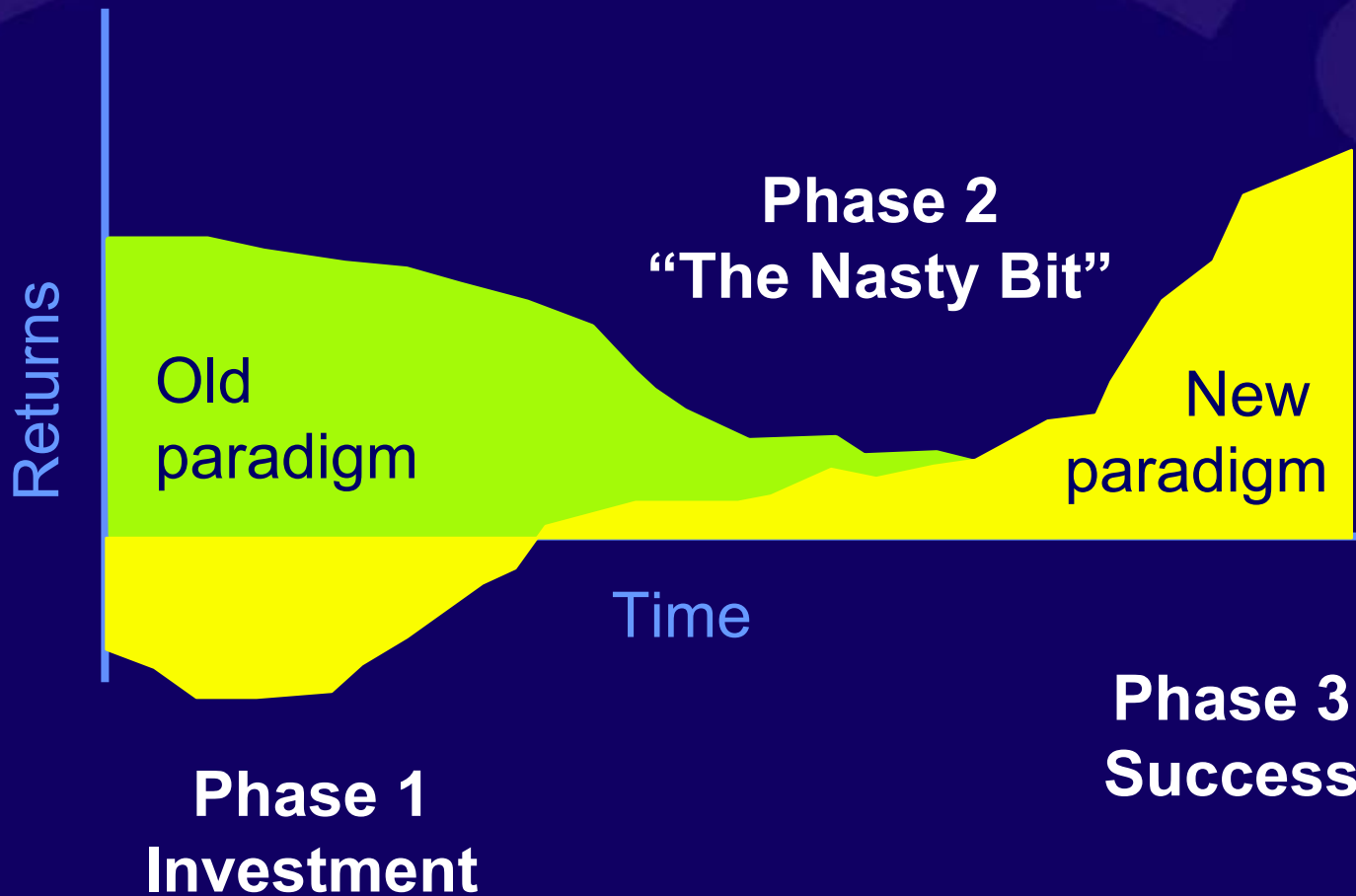
- **Biological engineering**
 - Drug discovery in silico
 - Medical devices for the new demographics
- **Business model reengineering**
 - Internet-enabled business processes
 - Mobile-communications enabled processes
- **Defense engineering**
 - Detection and response systems
 - Protecting the Internet

Restating the Question

- Should Silicon Valley continue to reinvent itself around disruptive innovation?
- Should it focus to capitalize on current innovation off its current base?

Wait! Why not both?

Understanding the Challenge



The Nasty Bit

- **Key constituencies treat the benefits of the old paradigm as entitlements**
- **Vested interests block the emergence of the new paradigm**
- **Declared support for the new in fact masks deep-seated resistance to it**
- **New recedes while the old commoditizes**
- **This is why start-ups beat incumbents**

Silicon Valley is the Incumbent!

- **Our standard of living has created a huge entitlements umbrella under which other communities can compete and thrive**
- **Our major corporations and institutions have vested interests in keeping things continuous with the past**
- **Our declared support for new things masks a lack of hunger to bring them about**

How Do Companies Solve This?

- **Rethinking core vs. context**
 - Core = sources of competitive differentiation
 - Context = all other processes
- **As markets mature, core becomes context**
 - What used to differentiate no longer does
 - But there is lots of inertia behind the old ways
- **Extract resources from context to repurpose for core**
 - Get out of processes that no longer differentiate
 - Use the resources to innovate at the next level

Core vs. Context in Silicon Valley

- **Where the world has been catching up**
 - IT technology advantage is gone
 - Market access advantage is slipping
 - Education advantage must be renewed

- **Where we still have the edge**
 - Next-generation complex systems
 - Market development innovation
 - Capital market support
 - Entrepreneurial management experience

Managing Core vs. Context

Extract resources from context . . .

Centralizing, Standardizing, Automating
Outsourcing, Partnering, Offshoring

. . . to invest them in core

Design, Invention, Orchestration
Products, Services, Business Models

There Will Certainly Be Obstacles . . .

- **Taxation**
 - A more complex world demands more attention
- **Regulation**
 - Loss of confidence results in a tax on management time
- **Off-shoring Reaction**
 - Too many jobs going away too fast
- **Unionization**
 - As off-shoring hits home, engineers will fight back
- **Backlash**
 - As vested interests get squeezed, they will fight back
- **Litigation**
 - Every law is a market for a lawyer
- **Ennui**
 - The inability to ultimately care enough to fight the good fight

But We Can Expect Victory, If . . .

- **We solve problems that matter**
- **We break through long-standing barriers**
- **We partner for context to focus on core**
- **We take risk and stand accountable**
- **We respect our sources of capital: human, social, and financial**
- **We stay very close to the customer**
- **We give deeply of ourselves**

Thank You

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