

# CONTENTS

<b>Figures and Tables</b>	<b>xi</b>
<b>Foreword</b>	<b>xiii</b>
<b>1 Why Incumbents Fail</b>	<b>1</b>
Why Incumbents Fail to Innovate Unrelentingly	3
The Preeminence of Culture	7
Culture as a Primary Explanation	15
Basis for the Book	17
Conclusion	19
<b>2 Willingness to Cannibalize Successful Products</b>	<b>23</b>
Why Incumbents Are Reluctant to Cannibalize Products	24
Why Willingness to Cannibalize Is Important	28
Understanding Technological Evolution	33
Blinded to an Opportunity: Microsoft Keywords?	39
Crippled by Fear of Piracy: Sony MP3 Player	41
Decline of an Innovator: Eastman Kodak	45
A Cycle of Cannibalization: Gillette's Innovations	
in Wet Shaving	49
Late Move: HP Tablet	53
Conclusion	54

*Contents*

<b>3</b>	<b>Embracing Risk</b>	<b>59</b>
	Sources of Risk: Innovation's High Failure Rate	59
	The Reflection Effect: Asymmetry in Perceived Risk	63
	The Hot-Stove Effect: Learning from Failure	65
	The Expectations Effect: Hope Versus Reality	68
	Innovation's Gain-Loss Function: Type 1 and 2 Errors	69
	Case Histories	75
	Gambling on an Embryonic Market: Toyota's Prius	75
	Gambling on Growth: Amazon.com	84
	Gambling on Vision: Facebook	90
	Gambling on Scale: Federal Express	103
	Conclusion	106
<b>4</b>	<b>Focusing on the Future</b>	<b>109</b>
	Why Future Focus Is Tough	111
	Availability Bias	114
	Paradigmatic Bias	116
	Commitment Bias	119
	Planning for the Future	121
	Predicting and Managing Takeoff	122
	Targeting Future Mass Markets	126
	Predicting Technological Evolution	129
	Analyzing Emergent Consumers	134
	Conclusion	138
<b>5</b>	<b>Incentives for Enterprise</b>	<b>141</b>
	Traditional Incentives: Winning Loyalty	142
	Asymmetric Incentives: Turning Failure into Success	143
	Making Incentives Work: Economics and Psychology of Incentives	148
	Power of Incentives: IBM's Transformation	155

CONTENTS

Incentives for Enterprise: Google	157
Incentives for Loyalty: General Motors	163
Incentives for Innovation: 3M	168
Structuring Team Incentives: IBM's Learning from Online Gamers	171
Conclusion	173
<b>6 Fostering Internal Markets</b>	<b>177</b>
Characteristics of Markets	181
Implementing Internal Markets	192
Managing Internal Markets	199
Conclusion	203
<b>7 Empowering Innovation Champions</b>	<b>205</b>
Luck Versus Innovation Champions	206
Characteristics of Champions	208
Testing Luck	210
Champions Versus Teams	212
Champions at the Top Versus the Bottom	214
Distributed Champions: Google's "Young Turks" Program	216
Serial Champion: Roger Newton	218
Championing Mass Market of the Future: Tata Nano	222
Championing a Music Revolution: Apple iPod	227
Mobilizing an Organization for Innovation: Sony Walkman	231
Steps in Empowering Champions	235
Conclusion	236
<b>8 Culture Versus Alternate Theories: Arguments and Evidence</b>	<b>237</b>
Micro-Theories	238
Macro-Theories	250
Conclusion	260

*Contents*

<b>Notes</b>	<b>263</b>
<b>Bibliography</b>	<b>289</b>
<b>Acknowledgments</b>	<b>307</b>
<b>The Author</b>	<b>309</b>
<b>Index</b>	<b>311</b>

<http://www.pbookshop.com>