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Pursue and Leverage Inflection Points

An inflection point is a dramatic and decisive shift in your relationship with the market for better or worse. It can be positive, increasing your success, or negative, as you fall out of favor. Masterful leaders anticipate inflection points and use them to their advantage, like using a wave's energy to carry them to a new and better position or preparing for a setback in conditions to minimize damage to their position. Because an inflection point springs from your relationship to the market, the change it brings comes about one of three ways: (1) you move in relation to the market, (2) the market moves in relation to you, or (3) you move in relation to each other.

Most inflection points fall in the third category, simply because conditions are constantly changing—both yours and the market's. In fact, you are a subset of the market, so change on either side results in change on both sides. But it is helpful to think in terms of the first two to get a handle on how to use market shifts to your advantage. This is done either by anticipating a major change in conditions (the market moves) or by planning a decisive pivot that puts you in a better position to succeed (you move).

An example of the market moving in relation to an organization, generating a negative inflection point, is the recent demise of the Visiting Nurse Foundation (VNF), a nonprofit that served stroke victims in Pittsburgh. VNF, founded in 1989, had as its primary revenue source



the administration of flu shots. In 2007 state legislators passed a law permitting pharmacists to give flu injections and the organization's main source of funding dwindled severely.¹ The legislative process was transparent and the coming inflection point would have been visible to anyone who was looking—apparently they were not looking. As a result VNF failed to build other revenue sources and the change led to their demise.

An example of an organization designed from the beginning to create a positive inflection point is Gazelle.com. As of this writing they are the US leader in re-commerce,² a business founded on buying old or expired electronics so consumers can buy the latest and greatest. Re-commerce as a successful innovation was officially recognized in 2005,³ and Gazelle.com was founded in 2006 to take advantage of it. They have achieved dramatic and consistent success with 2011 year-over-year growth of 65%.⁴

Discovering inflection points in their early stages is a powerful ally to successful innovation. But this is often easier said than done. It takes leaders who understand the power of inflection points, who invest their time and direct their staff to seek out the signals that portend significant changes, and who direct their organizations to respond strategically.

One client of mine discovered how difficult it can be to cut through the mind-set that prevents sensing an emerging inflection point. Yet as you will see, turning a potential negative into a positive inflection point can be done.

I had been hired to work with a large oil and gas operation in the Americas to determine the value of new technology that had been mandated by headquarters. This was the 2000s and every major exploration and production company was putting technology *down hole*, deep in the ground, to better monitor and model what could be extracted.

The technology was a major innovation, a breakthrough in how oil and gas was identified and existing oil wells and gas fields were optimized to produce more. Further, this breakthrough was generating a global inflection point. As underground digital technology became



available around the world, oil and gas operations that adopted it gained a financial edge—my client’s competitors among them.

Yet some of the folks in the Americas remained unconvinced of its utility, and as the top-producing division of the company’s global operations, their resistance was significant. If they denied the inflection point, not only would they lose the value of the innovation at the cash register, they could also stall the enterprise’s progress around the world and put themselves at a major disadvantage in the industry.

On the other hand, if they saw the inflection point and jumped on it, the new technology had the power to propel significant increases in the amount of oil and gas they retrieved from existing wells and fields, with great impact for the financial success of the entire enterprise, propelling them forward as global leader.

The inflection point had been identified at headquarters, but the folks in the Americas did not see it yet. To them, it seemed like just another mandate from above.

Everything came to a head in a meeting I called, bringing the two groups together. We assembled in New Orleans. Major players were present. The first two hours were civil even though it was clear that there was a rift. Slowly the two sides engaged and argued until finally we reached a point where the tension was palpable.

I thought the guy from the Gulf of Mexico was going to jump out of his chair and throttle the analyst from headquarters. “You expect me to believe those numbers? I don’t trust those numbers and I don’t trust you because you gave me those numbers. There is no way in hell that you can tell me you know what this technology will do. There are just too many variables at play. Is that what you believe? I mean do *you* believe these numbers?”

The room was dead quiet. Everyone waited to see what the analyst from headquarters would say.

It had been two years since headquarters had mandated the new technology that could produce exceptional results. But it had been announced with flashy brochures loaded with propaganda and unsubstantiated claims. The guys in the Gulf didn’t like it then and they didn’t



like it now. They had reluctantly agreed to do a pilot but made damn sure the rig they tested it on would demonstrate the new technology's utter lack of utility. I had seen that before.

Sure enough, the trial proved the technology was not cost justified on that oil platform. Then Katrina hit. The whole issue was shelved, pushed to the back burner for well over a year while other, more pressing decisions were made and while New Orleans began to recover.

But headquarters did not forget. They believed in the technology. It was already up and running in Africa. Indonesia and the North Sea were testing it on platforms, where it would do well. But the Gulf still rejected the mandate. This was the single most profitable region and they were not about to be told how to run their business. They had clout because they led in generating profit. But was it worth maintaining their independence if it meant missing the inflection point that could carry them forward or leave them behind?

The analyst from headquarters caved. "You are right. We cannot say this technology is solely responsible for those results." But he was quick to add, "In my gut I just know this is the right thing to do; this is going to change the whole industry and we have to be there, too!" The guy from the Gulf joined him, "You know, I can respect that. Let's take a closer look and see what this can do for us."

What brought them to agreement was the guy from headquarters shifting from the propaganda platform to saying that he knew *in his gut* that an inflection point was on them. Down-hole technology was changing the oil business.

I ended up taking a lead consulting position with the Americas division as they implemented the new technology. Two years later there was a futuristic room in the Gulf of Mexico's main office that looked like the bridge on Star Trek. But it was not its looks that made it innovative—it was the value it brought to operations and the hydrocarbon they took to the bank as a result. This company used the inflection point created by down-hole technology and rode it to maintain and even increase its position as the most profitable energy company in the world.



This is the story of a how one company rode an inflection point into a better future. But if you don't see an inflection point for what it is and act decisively, it can take you out of the game entirely. I have sat in rooms with leaders who just don't see them. The whole world is changing and for some reason their radar is not picking it up. I am going to show you in the pages ahead how to make sure you *never* join their ranks.

I will lay out the four types of inflection points so that you can recognize them as they are emerging. This way you will be able to see them in advance more readily and then align your offerings to best take advantage of them. You can also better prepare to drive your own positive inflection points, jetting your organization into growth mode.

Take for example the Human Resources Certification Institute (HRCI). Created as a separate organization by the Society of Human Resource Professionals in 1973, it is solely and independently responsible for developing and administering certification exams in the field of human resources.

Initially growth was slow. By 1981, under the name of the Personnel Accreditation Institute, they had certified around 2,500 human resources (HR) professionals. In 1988 they established their two mainstay certifications, the Professional in HR[®] and the Senior Professional in HR[®]. Growth was incremental, steady. But all that changed in the middle of the first decade of the 21st century when the group introduced a sequence of game-changing products and services.

The time seemed ripe. Although companies had for years been giving lip service to the idea that people are their biggest assets, the age of the knowledge economy made that a reality, and HR deserved its place on the frontier of strategic talent development. People had become the primary competitive advantage for knowledge organizations.

The inflection point was the strategic use of HR; that is, developing and acquiring the talent explicitly to drive success in the market. Globally organizations were moving from viewing HR as the birthday-benefits people to HR as the source of the leaders required for growth.



HRCI determined it would be at the forefront of this inflection point, establishing itself as the midwife of professional standards required to succeed in a global marketplace. Innovation would be their tool of choice. Here is a high-level timeline of HRCI's tactical innovations designed to drive a positive inflection point for the organization in relation to their market:

- 2004—Global Professional in HR hits the market, establishing international HR certification standards.
- 2005—The exam is taken online—worldwide, one of the first certifications conducted via the web.
- 2007—Specialized exams for the state of California are introduced.
- 2008—An online directory of approved preparation providers is launched.
- 2010—HRCI's national conversation on strategic HR is launched.
- 2011—The first symposia on strategic HR and innovation takes place in Washington, DC.
- 2012—Launch of the in-house publication, *Certified*, focusing exclusively on the intersection of HR, strategy, and innovation. National symposia are held in Washington, DC, and New York with dates for 2013 in San Francisco, Chicago, Toronto, and Seoul.

Each of these innovations combined to increase awareness of HRCI among its target clients at a time when HR was becoming more visibly crucial to business success. They demonstrated that HRCI was moving aggressively into a new role as a thought leader at the forefront of strategic HR, not just a purveyor of certifications. The global certification of 2004 was a huge step forward, providing practical guidance in a complex world of increasingly multinational organizations. The online exam was one of the first to enable applicants to test electronically, ensuring HRCI's leadership in an increasingly Internet-enabled world. And so on. Each of these accomplishments moved them forward decisively as a leader in their field.



The combined result was a reputation for being at the forefront at a time when strategic HR was a competitive advantage. The success of these efforts could be measured in certifications issued. By 2008 the count was up to about 96,000. At the time of writing, summer 2012, their certificant base had reached over 125,000 in 100 countries.⁵

This sequence of steps was intentionally designed and executed to garner a positive inflection point for the organization. You can feel the results when you walk the halls of HRCI's offices. The buzz is palpable. Leadership is on a roll. The level of productivity is off the charts, with synergies being cultivated and harvested faster than any one person can orchestrate.

HRCI is on the ascent. They are an organization to watch, appreciate, and join. They have changed the game from HR certification to HR leadership, and as a result their market success is on an upward climb. HRCI's sphere of influence is expanding to include CEOs, business leaders, and other players who understand the need for talent management as a critical component of organizational strategy and success.

HRCI's positive inflection point has resulted in a growing customer base, increased purchases as individuals choose to take more than one certification, loyalty during an economic downturn, and a real move up market, claiming and owning their niche.

Four Targets for Innovation Strategy

Recognizing and leveraging inflection points can make a real contribution to four strategic targets:

1. Growing your base
2. Getting a bigger buy
3. Improving loyalty
4. Increasing market prominence

Which of these targets best fits your current situation? Let's consider the gains that can result from aiming at each, and the tactics to do so in more detail. I will use HRCI's example to illustrate.



Growing Your Base

Expanding your customer base depends on five factors:

1. Current customer satisfaction
2. Desire for your offering
3. Your reputation as a provider
4. A value proposition you can deliver
5. Effective outreach

Any one of these factors can significantly limit or enhance the development of new customers. Done well together they create synergies that enhance, reinforce, and build upon each other's capacity to grow your base.

Current customer satisfaction describes how content today's customers are with you. The higher their satisfaction, the easier you'll find it to build the base. Satisfied customers become evangelists, provide positive reviews, and refer people to your business.

Desire for your offering is an indicator of the pull for your products and services; it tells you how much the market wants what you have and therefore how likely it is to embrace your offering.

Your reputation as a provider contributes significantly to the trust the market puts in your ability, which in turn accelerates acceptance.

A value proposition you can deliver is essential. If the other factors are in your favor, customers will give you a try, and then it's up to you to provide the goods. This is what makes your offering credible.

Effective outreach means that you are getting the attention of the people who matter; that is, you are in front of your target audience delivering messages they want to hear in media they prefer.

Bring these five factors together and you have the makings of a solid growth effort. For example, the HRCI activities rely on effective communication to a base of satisfied customers who want the value of certification and trust HRCI to deliver, with quality certification and recertification keeping certificants relevant and up to speed in an ever-changing field. Satisfied customers lend credence by recertifying, obtaining certification in more than one area, sharing their stories,



attending events, and spreading the word to their peers. Each of these strengthens growth in HRCI's market and contributes power to their positive inflection point.

Getting a Bigger Buy

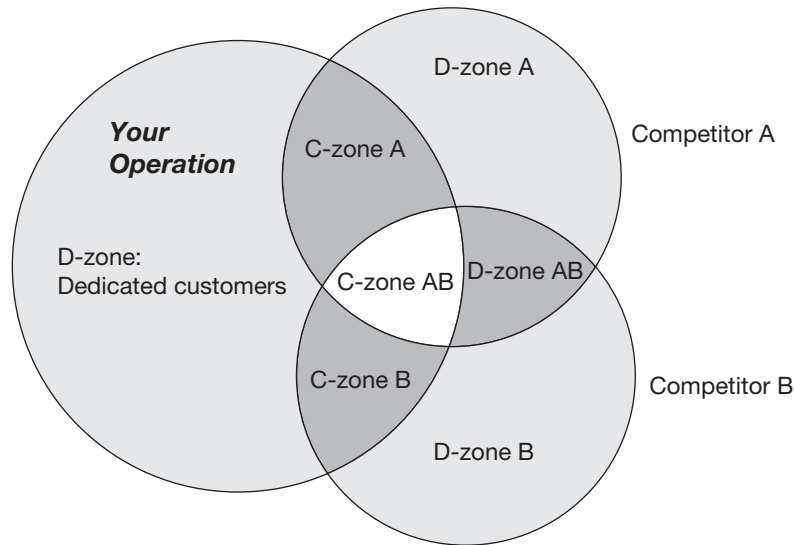
A bigger buy means that you are growing the amount of spend your customers are giving you, as opposed to other providers they can choose for the same services or products.

HRCI got a bigger buy from their audience by expanding the certifications they provided, making it possible for individuals to pursue more than one. Professionals in the field can expand their expertise as they rise through the ranks from Professional in Human Resources (PHR) to Senior Professional in Human Resources (SPHR). If they are operating in a global environment they can also become certified as a Global Professional in Human Resources. Those who already hold PHR and SPHR credentials and want to become expert in regulations and legal mandates specific to the state of California can earn the additional certificates, PHR-CA and SPHR-CA. In this way HRCI has increased the spend clients can give them.

There is an important nuance to growing a bigger spend. I call it *customer-centric competitive differentiation*. Here is an example to illustrate. If you are a hardware store competing with two other stores in your locale, your customers are spreading their business across three stores. Getting a bigger buy in this situation means differentiating yourself from the other two in a way that causes customers to choose you over them. Some of those you are courting are already your customers, but they go to the other two stores, too, for a variety of reasons. Your job is to figure out why and bring everyone to your store whenever possible. This is competitive differentiation.

If you are engaged in winning customers from others (that is, operating in a competitive environment), it's helpful to think of the customer base as existing in three spaces, as in Figure 1.1.

On the far left inside *Your Operation*, you see the *D-zone*, so named because this symbolizes your *dedicated* customers. These people have

FIGURE 1.1 Customer Spaces in a Competitive Environment

already decided that you are the provider for them. Your primary activity in this space is maintaining this group, ensuring they stay dedicated. This is your home base. There is no competition here. However, you always want to be alert to any indication your customers are migrating to one of the other six zones.

On the far right are similar D-zones. These are your competitors' home bases. *D-zone A* represents all the customers who are dedicated to doing business with Competitor A, and *D-zone B* is the same for Competitor B. *D-zone AB* indicates those customers torn between your competitors, but not considering you—in other words, they are dedicated to A or B. Since you are not in the mix, this is not an area of competition for you. *You can only compete where customers are torn between you and another.*

In the middle are the C-zones, named for *competition*. Here is where the battle rages. *C-zone A* represents those customers deciding between you and Competitor A. *C-zone B* represents those doing the



same with you and Competitor B. *C-zone AB* are those wrestling between you and A or B.

The key to competition is not *just* what distinguishes you from your competitors. It is what differentiates you *in the areas your customers care about*.

For example, you may have lower prices and feel this is your unique differentiator. But customers may be looking for convenience and willing to pay more for it. If stores A and B get their customers in and out of the store in less than half the time as you, you are misplacing your resources to focus on price. Hire a few extra people to work the floor, teach your cashiers to operate with speed even if it means you have to raise your prices to pay for the extra staff. Conduct a marketing campaign to highlight how you get your customers in and out of the store more rapidly than your competitors.

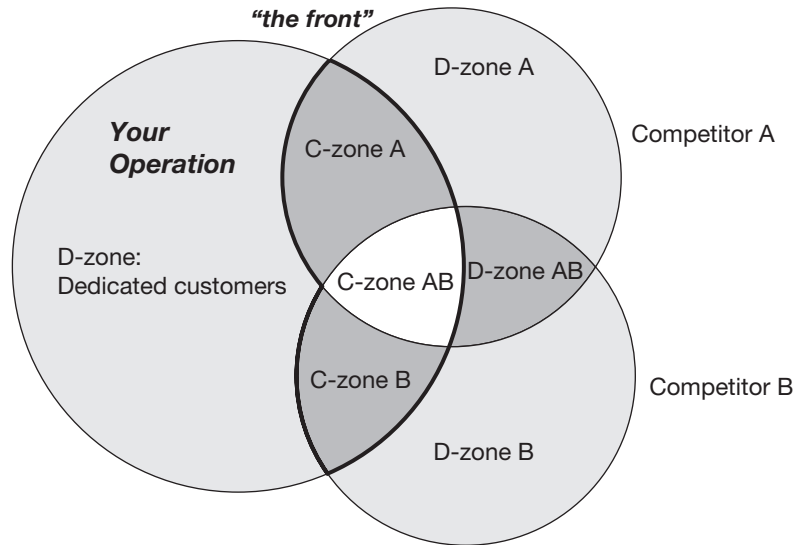
It is critical that you understand what your competitors are providing *that is central to your customers*. That is the front of the battle. To gain customers from the competition you must differentiate yourself and compete here. Thus the name, customer-centric competitive differentiation.

To compete successfully you must work hard to understand what motivates potential customers to choose you over your competitors. Then you are in a position to turn their behavior. If you only focus on what you offer, you miss the actual competition zone, the front in the battle where customers are won.

Another look at our chart in Figure 1.2 and you will see the three intersection zones that overlap with *Your Operation* form “the front” of the battle. This is where you compete.

You may have customers who move from your D-zone toward your competitors. To do so they will have to cross through the front where they make their decision about who to patronize. If you are suffering an exodus you must fortify the front facing your own home base. You can do this by reinforcing what your dedicated customers value.

A positive inflection point is an excellent tool to capture the attention of your competitors’ existing customers and stimulate them

FIGURE 1.2 The Front in the Battle to Win Customers

to make a decision about who they are going to buy from, thus moving them into the front where they become available to you.

When Verizon launched FIOS, their bundle of home communications services, they created an inflection point by bringing fiber optics straight to the homes of their customers. This grabbed the attention of many who went on to reevaluate their service providers and decided to leave Comcast and other competitors to experience fiber optics at home. By so doing Verizon moved competitors' customers out of their opponents' dedication zones and onto the front where many were then acquired. Then Verizon was in a position to get a bigger buy by bundling services, which they did.

Improving Loyalty

One of the biggest market challenges in recent decades was the 2008 economic downturn. Many leaders found holding onto their client base exceptionally hard. Any weakness in customer relationship became stark as portfolios shrank and customers took a hard look at their spending.



What became apparent all too quickly in this dire market was how many organizations were suffering from one of these three unfortunate circumstances:

- Offerings were no longer competitive. Customers were able to get sufficient quality or, in some instances, better for less cost elsewhere.
- Customer care became disconnected from value. In essence, customer care became a nice-to-have, not a must-have. When times were hard, it was exchanged by the customers for cost savings where possible. This means that customers were quick to jump to another provider even when customer care was clearly worse, as long as there were financial rewards.
- Customers were in trouble themselves, slashing their expenses severely and sometimes indiscriminately. They made loyalty decisions poorly, but made them nonetheless.

Creating an inflection point in this environment is an excellent solution that revives loyalty and holds onto your existing base. It can reorient the customers' mind-set from surviving to thriving. If customers believe that by sticking with you they will be able to get through the downturn successfully, their loyalty increases. They become more willing to tolerate challenges buoyed by the hope of a better future.

For example, HRCI increased loyalty at a time when others were losing it by establishing their presence as a thought leader in strategic HR during the economic downturn of 2008. They associated their certifications with job success. It was a way out of dismal prospects in the minds of their customers. Certification is both a job security tactic and a job-seeking strategy. It became necessary in an environment riddled with job loss and the resulting uncertainty, a buffer against difficult circumstances.

By embracing a downturn and associating yourself with a way out, rather than avoiding or hunkering down to weather the storm, you can reverse the trend of disloyalty and increase steadfast dedication among your customers.



Increasing Market Prominence

When Avis, second to Hertz, adopted their slogan, *We try harder*, they were not even making a profit. Within three years under the banner of that slogan they became a credible force in the industry, a position they continue to hold to this day. They increased their prominence in the market by carving out a space that they *were* first in. They put in *more* effort, took their role *more* seriously than Hertz—or so they claimed. The innovation in this case was making #2 the place to be in the customers' minds instead of #1. The inflection point was positioning customer service as the defining value rather than market domination. With success riding on customer service, Avis moved from unprofitability to solvency while growing their market share from 11% in 1962 to 35% in 1966.⁶

You need not be first in what appears to be your niche (for Avis it was rental cars), but you must be first in something. Only then can you attract new customers, build your base, extend your profits, and move up market.

HRCI shifted their position out from under their progenitor's shadow to create a center of gravity all their own, establishing a global brand and attracting new clientele through their reputation as the thought leader for strategic HR. They increased their market prominence significantly by using their inflection point to secure their position as global leader in HR certification.

Now that we have looked at the four targets of inflection points, let's take a deeper look at what exactly an inflection point is, the different types of inflection points both negative and positive so you can recognize and discover them, and how multiple inflection points can be combined to generate a Turnaround.

Inflection Points Defined

HRCI leads today in supporting HR practitioners worldwide, lifting them out of the ranks through certification, and facilitating a national conversation on strategy, innovation, leadership, and the contribution



of HR to succeeding in business. As a result of a positive inflection point, they changed their game and garnered market favor. That's how organizations get ahead, move out in front of others, reposition themselves as leaders, and claim ownership of their niche.

My use of the term *inflection point* borrows from both mathematics and economics but is a generalization not bound by the rules of either. I use the term to highlight an important business dynamic, a game change that shifts circumstances forcefully. I am talking about *a decisive change in the status of your organization with respect to its success in the market*. This is not an independent phenomenon, but an event that takes place between you and the market. It can be either negative, indicating a drop, or positive, demonstrating market success.

I illustrate with graphs that depict an organization's path through its inflection point. For these illustrations, time is always moving us forward into the future, left to right. The vertical axis shows how the organization is doing in the market: up means success is on the rise and down means it is in decline.

First I go through the negative inflection points (diagrammed in Figure 1.3) that show a turn for the worse. Each of these reflects a game

FIGURE 1.3 Negative Inflection Points

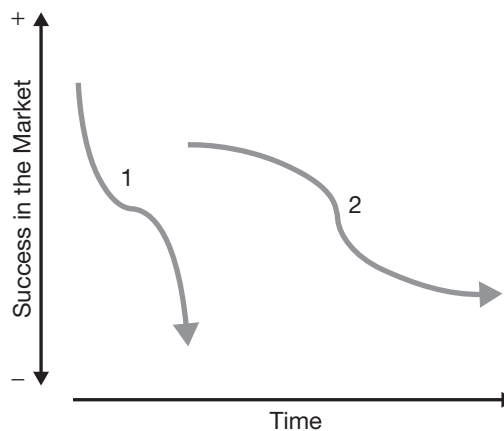
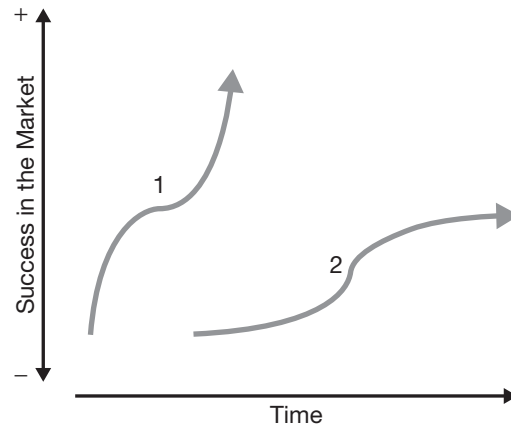


FIGURE 1.4 Positive Inflection Points

change that shifts circumstances decisively against you: a trajectory to avoid.

Then I discuss the positive inflection points (shown in Figure 1.4), highlighting a variety of increases in market success; that is, game changes that shift circumstances decisively in your favor. These, of course, are the inflection points we pursue and leverage.

Negative Inflection Points

There are two types of negative inflection points:

1. *Vertical Drop*: A downward fall levels and then falls again, this time decisively.
2. *Step Down*: A shallow descent drops precipitously and then levels out in shallow but ongoing decline.

While we strive for positive turns, it is good to have a thorough understanding of the negative. Business, like life, is filled with its fair share of both.

Vertical Drop: This is what happens when an organization is on its way down and is not able to pull out and achieve a Turnaround. The inflection point here portends demise. Success in the market is on a



downward slope to begin with, but it starts to flatten out before taking a turn for the worse. Then performance plummets.

We see this kind of behavior when a leader makes a bad move just as the drop in market success is starting to slow, or other factors move in to impact an already-weak situation and seal its doom.

The way out of this is to go for a Turnaround, a tactic I detail later in this chapter.

Step Down: Although this is a less-than-ideal scenario, it does not end in death. Instead the organization plateaus at a lower level of success than it began. This is preferable to annihilation and can be engineered into a Turnaround somewhat more easily than a Vertical Drop.

Here you have an organization that was on its way down, too—see the shallow descent turning steep at the midway point in the second curve in Figure 1.3. The inflection point actually reorients the path so that it is heading off to the right rather than on to the bottom. This means that some form of stability has staved off a nosedive and resulting obliteration. The stability is very important to understand, as it is likely to be a primary asset in putting together a Turnaround.

While the way out of both the Vertical Drop and the Step Down is a Turnaround, a Vertical Drop has greater downward momentum and is thus more difficult to shift in direction. As a result, it is almost always easier to first shift a Vertical Drop into a Step Down and then shift the resulting Step Down into a positive inflection point.

For example, if your company is in a free fall, out of market favor, and losing customers quickly, you may find a way to hold onto a certain segment and be able to do so even if you cannot pull the organization into a climb right away. Securing a segment of your customers moves you from the Vertical Drop into a Step Down. Then you can work with that segment to shift to a rise in market prominence. By viewing the Turnaround process in two steps, it becomes easier to see the action steps that lead to your desired result, market success.

Now that we have seen the inflection points that spell trouble, let's move to those we all desire: inflection points that signal market success.



Positive Inflection Points

The two types of positive inflection points are

1. *Vertical Climb*: A steep climb shifts to a plateau then a near vertical ascent.
2. *Step Up*: A shallow ascent accelerates up and then levels out as a plateau.

Vertical Climb: Here is an organization that was on its way up, began to level out, and then shifted to an ascent. We see (from the zoom view in Figure 1.5) that the curve is heading off to the right in a plateau before it begins to ascend dramatically.

This pattern is typical of many organizations today. After a strong run it is considered normal to flatten out, even decline. The traditional innovation S-curves (portrayed in Figure 1.6) suggest the need for a sequence of innovations to avoid plateaus and achieve continuous growth.

This is effective. But it is much more powerful when an inflection point takes place that fundamentally shifts circumstances in your favor. This requires not a linear sequence of innovations, but a multipronged approach that includes building capacity, generating value, turning

FIGURE 1.5 The Vertical Climb

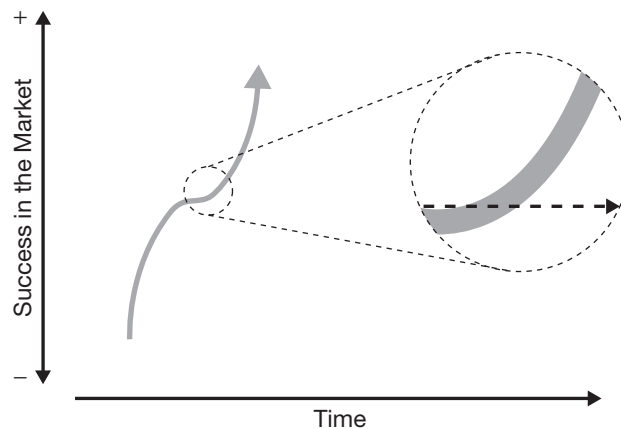
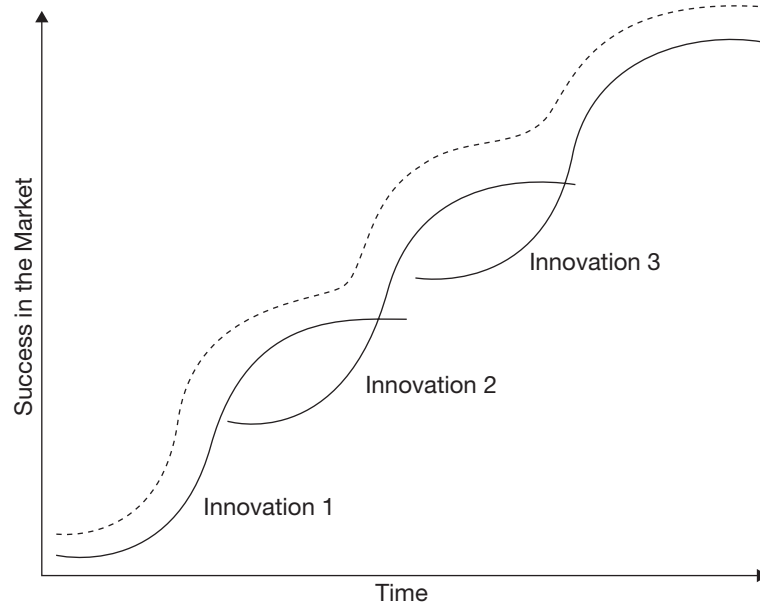


FIGURE 1.6 Traditional Innovation S-Curves

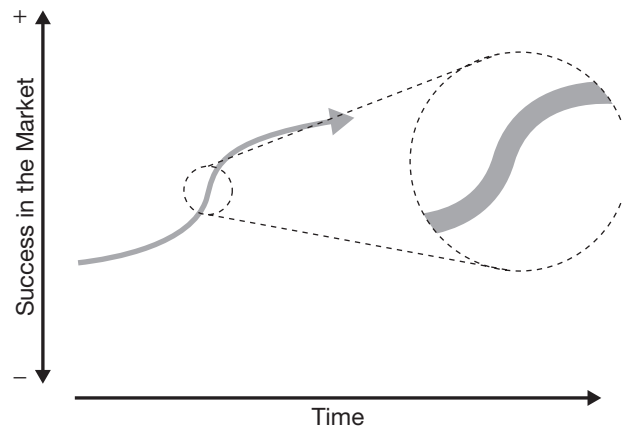
disruption to your advantage, and engaging your target customers for best possible delivery. All of these are covered in detail in the chapters ahead.

The end of the Vertical Climb's curve points almost straight up rather than at the flatter angle of the Step Up. Through this type of inflection point you shift market success through a plateau into the aggressive climb of dramatic growth.

Step Up: Here (in Figure 1.7) we see a curve moving from an upward tilting plateau through an ascent into another plateau.

Why would we want to stabilize rather than continue up? There are three good reasons:

1. Resources are exhausted. You need to secure position and refuel.
2. Timing is not right for the next level of growth. You need to reassess, bring in different talent, or wait for the opportunity window to open to mount the next stage of growth.

FIGURE 1.7 The Step Up

3. You have achieved your target and now need to dedicate resources to other activity; for example, engaging the increased base you now have exposure to.

The Step Up is particularly effective when you have tapped a source of value that can provide an ongoing stream of profitable customers but is pulling you in directions you don't want to go. Let me give an example to illustrate.

Roger Scheumann and Carolyn Weinberg, owners of Quartermaine Coffee Roasters, started out as Peet's Coffee & Tea protégés. I met them after I wrote my first book in their coffee shop. It's a great place to get locally brewed coffee and write in Bethesda, Maryland.

When Peet's Coffee & Tea decided to close down the Quartermaine brand Roger and Carolyn bought it. Their hard work produced seven stores and a wholesale business that included an account with Walmart. By all accounts they were well on their way.

Then they created something new that propelled them into success rapidly. Working with local restaurant, Clyde's Restaurant Group, Roger and Carolyn developed a customized roast, *Clyde's blend*, that achieved great success among customers. But the wait staff did not always make a great cup of coffee, so Roger and Carolyn developed a training program



to ensure that every cup was uniformly excellent, a monitoring process that made it possible for Clyde's Restaurant Group executives to detect how well their employees adhered to the procedures and a course correction methodology that could be applied as needed to ensure customers were getting the coffee experience they wanted. This quality control system, predicated on a quality coffee experience for customers, was the innovation that launched them into a whole new level of success.

Their innovation required them to install and maintain the coffee machines, train employees, develop and gather metrics, report to management, and support employees when coffee quality went down. The result was a powerful coffee experience that grew their brand so well demand moved first from restaurant to local stores. As a result of the popularity a very large chain picked up the coffee. Their innovation had springboarded them from local roaster to national phenomenon. They had created a Vertical Climb inflection point.

But Roger and Carolyn did not want to grow, grow, and grow. They wanted a business lifestyle that matched their desire for fun, family, and other pursuits. They closed down all the retail shops except for one that was within easy driving distance of their homes. They sold the coffee wholesale, but let go of managing the stores. They concentrated on their roasting facility, one retail shop, and building relationships with local restaurants where the taste of their coffee was central.

Then they received an offer for a second location. It was close to their homes but a different culture altogether from their one successful store. Not being in the heart of a small city like Bethesda, they would have to adapt to a new clientele. After some examination they decided the new location fit their criteria and they decided to go forward.

Business didn't come easy the first year. The landlord didn't understand their style. The mall they were in had not had a community coffee shop. They had to find innovative ways to attract the locals. As of this writing they are in their second year at the new location and things are going well, but they are not pursuing additional growth. Instead they are stabilizing, creating a Step Up inflection point. They are working to lock in their success rather than secure new ground.



Using Inflection Points to Create Success

When you begin to pursue inflection points, you start to look at the world in a different way. Jeff Bezos sensed an inflection point when he learned about the rapid growth in Internet use through his job in a hedge fund.⁷ He determined to get ahead of the curve and put together a business plan, incorporated in 1994, and turned his first profit in the fourth quarter of 2001.⁸ It took him seven years of aggressive driving to achieve the inflection point that buoyed Amazon.com to its current position.

With his knowledge of the coming changes in technology he was able to brave years of investor losses and steer successfully toward the day when it would all turn around and he would achieve a positive inflection point, a dramatic and decisive rise in success in his market. Today, the business he founded, Amazon.com, is the most profitable online retailer in the world.⁹

Pursuing inflection points requires attention to market movements, a clear understanding of emerging opportunities and challenges, the ability to question basic assumptions, and skill at turning disruption to your advantage. All of these are covered in the chapters ahead in detail. But once you understand the opportunities that circumstances are giving rise to, how do you position yourself to harness those conditions favorably?

Three Inflection Point Tactics

There are several basic tactics that can be used to take advantage of changing market conditions. They can be executed independently or combined to create more complex responses such as a Turnaround. The three that I will elaborate on here are

1. Stop the Drop
2. Shift to Ascent
3. Soar

Inflection point tactics are simple moves that change your relationship to an upward or downward trend. Each tactic is designed to accelerate or stabilize your success in the market.



Stop the Drop: This tactic, shown in Figure 1.8, is one of the most important to learn, as it rescues you from impending disaster. It takes a situation in rapid decline and creates a plateau to stop the downturn. It is the first stage of a Turnaround, covered in more detail after the three tactics.

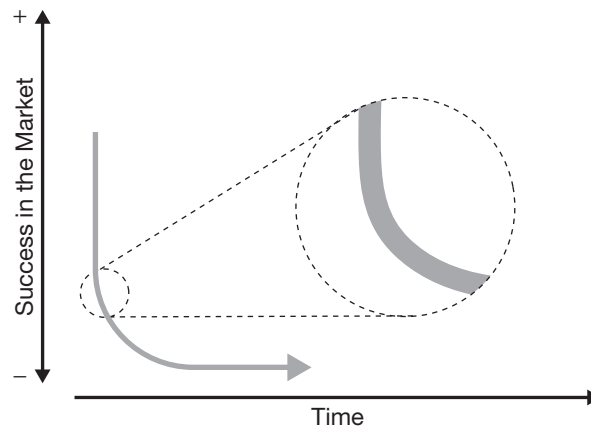
When an organization is in free fall something dramatic is called for to stop the nosedive.

One of my CEO clients was in command of an old-school organization that served an industry experiencing a significant transition, gasoline station owners. He was on top of his numbers and knew his profits were declining and leading him into the red.

The longstanding customers were all white males who believed knowledge-sharing was what you do at the bar after work with your best buddies. As they retired and left his organization, his numbers went down. The new clients were Asian, African American, and Hispanic, including women as well as men. Many were young, some just out of college, with others even younger, helping their families run operations.

The new crowd appreciated an online approach. Many were immigrants and worked long hours. Their culture was such that they would

FIGURE 1.8 Stop the Drop



not take time out to get away from work. However, they were very interested in learning from others.

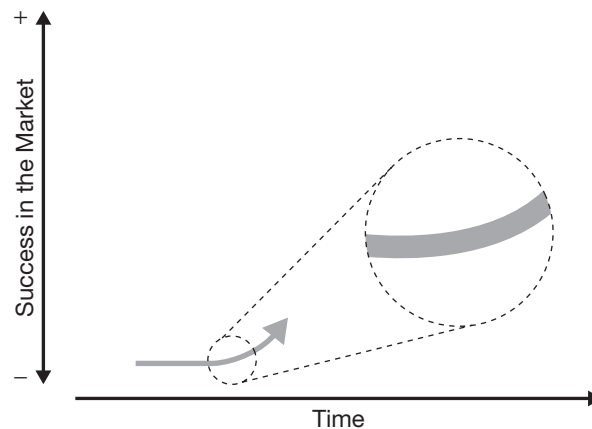
My client created a migration path from traditional strategies that included annual meetings that were thinly disguised pleasure trips. He moved his organization to a suite of online communities that could be accessed 24/7 from anywhere there was an Internet connection.

He did a rigorous accounting of the costs and revenues he had to generate and intentionally took his organization from one mode of operation to the other. By shifting decisively away from leading the old boy's club and toward real value delivery online he stopped the drop.

Shift to Ascent: Aggressive growth is not always the aim, even when growth is sought. Sometimes establishing a slow growth presence in the market is desired. This tactic (shown in Figure 1.9) yields a gentle incline as an outcome.

Slow growth can be good if infrastructure is an issue. Often it is the case that a firm will use an investment to grow. If that growth takes off, the original investment may not be enough to build the infrastructure required to ensure the quality necessary for continued, rapid growth. If quality goes down as speed of growth goes up, sustainability is sacrificed.

FIGURE 1.9 Shift to Ascent





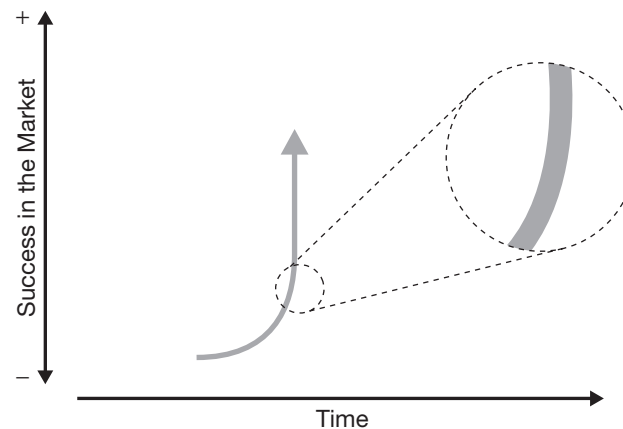
You may even build up animosity in the market that will sabotage your growth.

Another instance when slow growth can be helpful is when issues of scale arise. Sometimes a business model that works very well at one scale has challenges associated with speedy growth. For example 'wichcraft, the New York, Las Vegas, and San Francisco sandwich shop that built its reputation on fresh ingredients, has taken its time growing its first 14 locations. This was necessary so they could work out the supply chain required to make the small batches of fresh preparations responsible for their success.¹⁰

Soar: This tactic, shown in Figure 1.10, shifts you from steady to dramatic growth. The organization is already on the way up when its success moves to another level, creating a Vertical Climb. This is a demanding transition, requiring excellence in execution to sustain. Although it appears at first glance to be a desired state, many are not prepared for the activity required to sustain it.

A primary area of concern is infrastructure. Your infrastructure must be ready to handle a large spike in activity to achieve a Soar inflection point. An example of success in this regard is Animoto.com, a web-based video producer.

FIGURE 1.10 Soar





The Animoto site will take photos, video, music, and sound files, and combine them into a short video you can download and share with your friends. It's a creative way to generate home movies and works for business presentations, too.

Animoto launched in 2007 and was received well, attracting funding and users at a significant pace. In 2008 they launched an application on Facebook and experienced a huge spike in new users, resulting in a need for massive computing power fast.

They went from 25,000 customers to 750,000 in four days. To process all the registrations and videos they required the use of up to 5,000 servers simultaneously.¹¹ Brad Jefferson, one of the founders, said, "Without the ability to handle a spike like that, our business doesn't exist."¹²

Animoto did it using cloud computing purchased from Amazon. As their need increased Amazon was able to dedicate the resources, and as their need diminished Amazon followed along, hugging demand closely.

This type of arrangement makes it possible for companies working with cloud providers to experience huge spikes in computing power, both the climb and the drop, without sacrificing customer experience. Further, the close matching by Amazon ensures they stay in the black, never spending more than they need.

Not so long ago a company like Animoto would have had to buy servers, the facility to house them, and the staff to run them in advance. A huge expense like this is not justified unless a big increase in revenue is clearly coming. This is often something no one can predict accurately. And when the spike is over, what do you do with the servers, facility, and people?

The process of powering down, so to speak, has tremendous overhead. But with the advent of cloud computing all that changes for the better, enabling companies like Animoto to pull off the Soar tactic while they maximize their profits in the process.

Each of these three tactics is easier to talk about than to execute. These simple moves take an extraordinary amount of skill. Now that



you have an understanding of what they are, I will show you how they can be combined to create a more complex move, the Turnaround.

The Turnaround

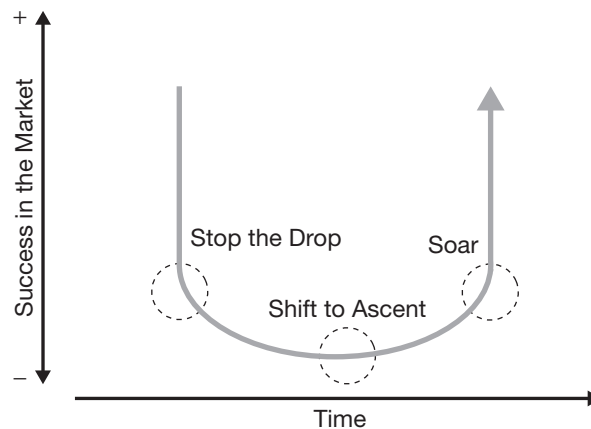
The Turnaround (illustrated in Figure 1.11) is one of the most difficult maneuvers to manage, yet it is also one of the most important and lucrative when done successfully. As a result there are leaders who specialize in it.

A Turnaround delivers three inflection points sequentially: (a) Stop the Drop, (b) Shift to Ascent, then (c) Soar. Each requires its own effort.

First you have to pull out of your nosedive, Stop the Drop. This is all about steering the organization away from doom. It typically involves changing staff, implementing new and better systems, getting reliable data, and sometimes slashing expenses beyond what can be sustained in operations; for example, temporary salary cuts. The result is a stabilization or plateau. Typically that alone does not improve your standing in the market. Instead it stabilizes the organization, averting a nasty ending. But you cannot cut your way to success—and so there is more to do.

Once you are no longer drowning, just treading water, you shift to improving your market standing. The focus is less on cutting

FIGURE 1.11 Turnaround





expenses and more on generating enough revenue for operations while establishing solid value for your customer base. You begin to earn your keep. This is the Shift to Ascent.

Finally, you put the pieces in place to take off with an eye toward success. All the changes you have instituted are now put to the test: great staff, robust systems, rigorous financials, market aggression, and partnerships. If successful you Soar, and you are not only back in business, you are on your way to the top. I will share a story so you will see the exceptional leadership necessary to execute this kind of dramatic change.

I serve on the board of the Columbia Lighthouse for the Blind (CLB), a Washington, DC, nonprofit, and was privy to their recent Turnaround from the inside, providing strategy to CEO Tony Cancelosi pro bono. I read the financial statements before and after. I watched Cancelosi operate on multiple fronts to pull the organization out of a nosedive and get it back in the community as a rising star.

Founded in 1900, CLB enables people of all ages who are blind, visually impaired, and deaf-blind to remain independent, active, and productive in society. Their programs and services include training and consultation in assistive technology, employment marketing, skills training, career placement services, comprehensive low-vision care, and a wide range of counseling and rehabilitation services. While their mission is to help the visually challenged population of the Washington, DC, metro region, they provide assistive technology and training in 83 cities across the United States.

But in 2005 the century-plus-old CLB was going down, an outdated institution in the red and plummeting fast. That year Cancelosi was hired as CEO to get the organization back on track. The first thing he did when he arrived was to review the bylaws, turn over the board, and implement solid financial systems. He also reviewed and turned over staff, took a cut in salary himself, and instituted a short furlough. All of this was intended to Stop the Drop, which he did successfully.

Cancelosi then focused on reinvigorating CLB's presence in the Washington, DC, community by building an advisory board of movers



and shakers, combining veteran business leaders with up-and-coming firebrands. Simultaneously he focused efforts on improving services to the visually impaired and instituting innovations to resuscitate the ailing organization. Central to his efforts is the program Bridge to Work, training for wounded warriors. Bridge to Work ensures that veterans who are blind or visually impaired have the skills, resources, and training they need to succeed in the workplace. It does this by giving them training in digital data scanning, computer skills, and job interviewing.

“The disabilities groups within the different counties recognized the fact that our veterans were coming back through miracle medical attention and had all the capabilities of survival,” he said to me. “Yet they still needed to be reconstituted back into society at a level that they could be earning a living and maintain the quality of life they had before they went into the military.”

Cancelosi envisioned an innovation. He wanted not only to train the veterans in skills they could market and use to gain employment. He wanted to match them with jobs. He wanted to provide a complete end-to-end solution, one that started with the veteran’s desire to reenter the workforce and ended with secure employment. Cancelosi used CLB as an incubator to test the Bridge to Work program.

After three years and cross-county support, he built a mature program and began identifying corporate sponsors. This program, along with others that Cancelosi has put together, is now responsible for government funding that has taken the Lighthouse to a whole new level of operation. He successfully engineered a Shift to Ascent.

In 2011 CLB put on their first Light the Way 5k run. The goal of the run was to increase public awareness of CLB’s work restoring independence to the visually impaired and open the way to new partnerships that would amplify CLB’s success. Through media coverage and public participation he wanted people to learn how CLB was making a difference.

Cancelosi recruited Charlie Plaskon to be spokesperson for the Light the Way 5k. Since 2003 Plaskon has completed eight half Ironman



events, six full Ironman events, including the World Championship in Kona, Hawaii in October, 2007. He has six Olympic distance triathlons to his credit including the ITU World Championship representing the United States as part of Team USA in Lausanne, Switzerland in 2006. He has been featured in two Ironman documentaries carried nationally on NBC and the Outdoor Life Network. Charlie is in his late 60s and blind.

Cancelosi brought Plaskon in not just to speak about the Light the Way 5k, but to run and teach other participants how to lead runners who are visually impaired. This way the visually impaired could participate and everyone who was up for the challenge had the chance to be a guide.

The event netted \$80,000, far more than most 5ks garner their first year. More importantly it established partnerships in the community that included the Washington Nationals and Safeway. It did this by involving the key members of their staff in the race as sponsors and participants. Steve Neibergall, president of Safeway's Eastern Division and veteran marathoner, left me in his dust as I ran the course.

Once people experienced what CLB was all about firsthand, they wanted to deepen their involvement. The same year as the first race Cancelosi began a professional fundraising campaign and received several significant estate donations.

He poured energy into his grant acquisition program and garnered millions of dollars in multiyear contracts from the federal government, including the Federal Bureau of Investigation, Internal Revenue Service, Department of Veterans Affairs, Andrews Air Force Base, and the Department of Education. Many smaller grants were also acquired. He opened relationships with the Workforce Investment Boards of three local counties and the District of Columbia.

In 2011 not only was CLB in the black, it was garnering media attention and new major partnerships. All of these efforts were parlayed back into core services improving the quality of care to help the visually impaired achieve independence. As of 2012 Cancelosi is in the early stages of a Soar. CLB is no longer known as an old-school charity. It is now a savvy business partner attracting top-level sponsors in the Washington, DC, community.



With emotional intensity Cancelosi executed each of the three tactics that together generated a Turnaround. His is a perfect example of how to combine basic moves for a more sophisticated result.

The overarching innovation Cancelosi brought to CLB was his ability to run it like a business. Every step of the way his tactics were engineered to lift the numbers. He ran the nonprofit with the rigor of a business perspective. He never compromised on CLB's core mission. But he pulled every lever at his disposal as a CEO, from salaries to systems, from marketing to partnerships, to move CLB from the red to the black.

Seeing Around the Curve

Inflection points are important because they enable decisive shifts in market acceptance. Being able to sense them in advance and prepare your organization to take advantage of them positions you for innovations that will succeed in the market—the only kind that really matter.

Looking for inflection points and detecting them in advance positions you to win big in important areas. Without developing this sense, you will find it extremely difficult to get innovation right. Increasing your ability to find inflection points and applying the tactics to turn them to your advantage will help you grow your base, get a bigger buy from existing customers, improve loyalty even in tough times, and increase market prominence.

Every one of the chapters that follows teaches skills that will help you discover inflection points and take advantage of them when you spot them coming.

EXPERT INPUT: CINDY HALLBERLIN OF GOOD360.ORG ON GETTING AHEAD OF AN INFLECTION POINT

Cindy Hallberlin, CEO of Good360.org, is a dynamo with a mission. She has a history of successfully tackling really tough business challenges. As the chief ethics and compliance officer following a \$1 billion fraud, she oversaw the cultural transformation of US Foodservice.

Expert Input

**Expert Input**

Before that she developed and successfully managed the US Postal Service's REDRESS employment mediation program, which successfully resolved more than 80% of discrimination claims and resulted in \$60 million in cost avoidance.

An international nonprofit with nearly 30 years of experience in product philanthropy, Good360 is dedicated to helping people and communities in need by distributing corporate product donations to qualified nonprofits. On behalf of Fortune 500 consumer, retail, and technology companies, Good360 distributes products to a network of more than 30,000 prevetted organizations and is consistently ranked by Forbes as one of the top 10 most efficient charities in America.¹³

Good360 has delivered more than \$7 billion of donated products to tens of thousands of nonprofits and schools. Every Good360-registered nonprofit can access their online catalog to browse products donated by America's top brands such as The Home Depot, 3M, Hallmark, Bed Bath & Beyond, Crayola, Sears, Walmart, Life Is Good, and many others. Registration is free and all a nonprofit needs is proof of their organization's 501(c)(3) status, an active Form 990 provided to the IRS or financial documentation that demonstrates how programs are funded, and a signed Good360 Product Use Guidelines agreement.

The inflection point Hallberlin wanted to get ahead of was that of companies participating in product giving on a significant scale. It had already been established that product giving could be used as a brand element, helping a company to project an image of social responsibility. It became clear that scaling product giving would require a stronger and clearer financial case. Hallberlin's job was not just establishing the cost returns, but also ensuring Good360 was well known as the leaders in product philanthropy.

When it comes to companies unloading product, we have learned that donating not only provides scalable impact to communities in need, but can also yield a better return on investment than liquidating or disposing. This fact cannot be ignored. Strategic donation efforts—benefiting the triple bottom line (people, planet, profit)—were an inflection point in the private sector I wanted to



get ahead of and steer. The way that recycling has become a social movement over the last decade, we want to lock in and seal the donation mind-set by publicizing the business case and simplifying the donation process.

To get ahead of the product giving inflection point, we knew we had to do more than connect those who have with those who need—we had to become thought leaders. We commissioned Indiana University research that was released in January 2012 showing donation to be the best financial choice over liquidation or disposal. *The Business Case for Product Philanthropy*, by economist Justin Ross, includes two worksheets companies can use to determine for themselves (1) Cost-Benefit Analysis of Liquidate, Dispose, or Donate, and (2) Return on Investment.

Our vision also demands constant innovation and it was imperative that we leverage the latest technology to stay ahead of the curve. For the product giving movement to truly catch on, we knew it had to be simple, manageable and customizable. We have the ability to tailor a giving program to fit any company's needs and strategies—from innovative employee giving programs to one-time donations to ongoing national retail initiatives.

A good example of an employee giving program is the one we developed and manage with Hewlett-Packard (HP). We set up their giving website, manage the back end, and oversee all logistical aspects. Employees are able to select HP products they want to donate through an online website, donate 25% of the cost (HP picks up the remaining 75%), and hand select which charity will receive their gift. When employees are asking more from their employers than ever before, HP provides a fantastic benefit that not only empowers employees to give back to the community, but allows selected nonprofits to receive new technology to aid their missions.

In June of 2012, the Committee Encouraging Corporate Philanthropy (CECP) honored Good360 with its Directors' Award as part of the organization's 12th Annual Excellence Awards in Corporate Philanthropy, for our exemplary partnership with The Home Depot

Expert Input

on the Framing Hope Product Donation Program. Framing Hope was created in 2008 out of The Home Depot associates' desire to donate marked-down inventory, buy-backs, returned merchandise, and end-of-season items rather than shipping them back to distribution centers or placed in landfills. By partnering with Good360 to manage all aspects of the program, The Home Depot was able to distribute more than \$100M in products to more than 1,000 prequalified nonprofits across the country.

Influencing a powerful trend like corporate giving on a large scale is a real challenge. Operations are massive and complex. But a keen eye for Good360's inflection point indicated what was needed: (1) a strong financial case she could present to her customers, (2) easy-to-use tools her customers' CFOs can apply to their organizations, (3) highly customizable and easy-to-implement employee participation programs, and (4) a reputation for thought leadership in the field demonstrating that Good360 is the partner of choice. These are the tools Hallberlin plied to successfully achieve her positive inflection point.

Success Rules

- Create inflection points that drive you toward one or more of four targets:
 1. Growing your base
 2. Getting a bigger buy
 3. Improving loyalty
 4. Increasing market prominence
- Growing your base depends on five primary contributing factors:
 1. Current customer satisfaction
 2. Desire for your offering
 3. Your reputation as a provider
 4. A value proposition you can deliver
 5. Effective outreach



- To get the bigger buy, exploit inflection points that bring opponents' customers into the competition-zone where they will decide who they want to engage.
- Improving loyalty requires creating an inflection point that reorients customers' mind-sets.
- To increase market prominence, carve out a space you can be first in.
- Inflection points, which can be negative or positive, and precipitous or moderate, represent a change in the status of the organization with respect to its success in the market.
- Inflection point tactics are simple moves that stabilize or accelerate your success in the market. Combine the Stop the Drop, Shift to Ascent, and Soar inflection point tactics to create a Turnaround.



