



# What Is Your 650 Strategy?

Why Non-Tech Companies Globally  
Need to Think Harder Than Ever  
About Silicon Valley

# Preamble, Rules & Opines

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- Strategist, Investor, Speaker, Adjunct Professor, Corporate Agitator, Easily Distracted
- Conversation, Not Presentation: 'Challenge & Discuss'
- @markzawacki
- Writing a book about various industries being disrupted by Silicon Valley
- Healthcare deep dive: Topol, Kraft, Poste, Khosla, Ioannidis, #TEDMED, #FUTUREMED, #healthIS, Singularity, Teisberg, etc.
- Going for the trifecta tonight

What Do  
You Think of  
When I Say...  
**'Silicon Valley'**

# Two guys and a garage: Again and again and again

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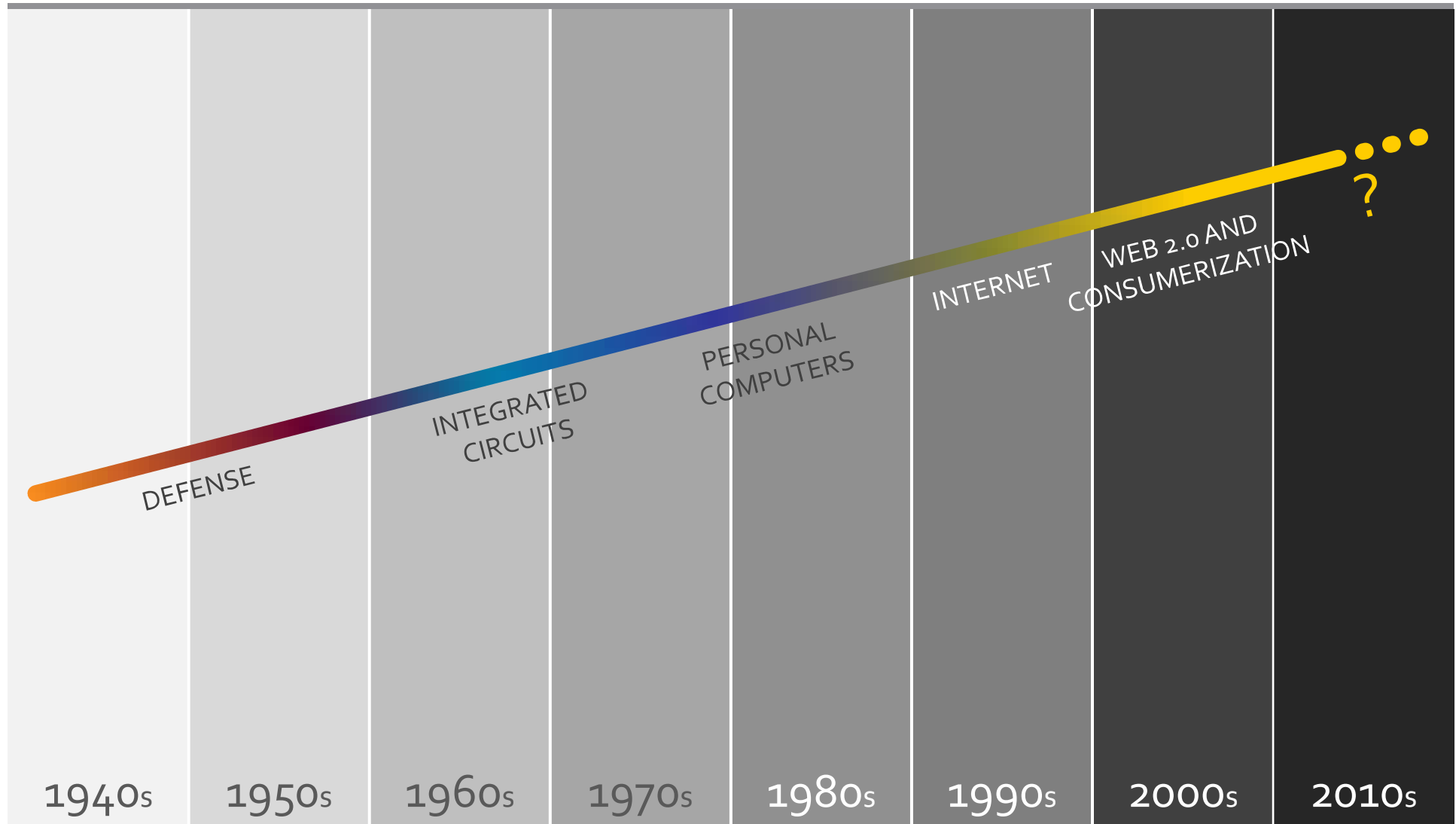


# Silicon Valley:

## Home to 74 years of technology innovation



# Silicon Valley is at the dawn of its next reinvention



# A very big shift in Silicon Valley underway

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## High Tech Capital of the World

- Makes technology-based products
- Sells IT to businesses globally
- 'Arms merchant'



## Industry- Disruption Capital of the World

- Builds disruptive businesses
- Competes with businesses globally
- 'Mercenary'

# The incumbent's nightmare

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What's the most unsettling scenario if you're the CEO of large incumbent in a slow-growth mature industry somewhere in the world?

How about a well planned, focused attack by a fully-funded, below-the-radar disruptor that simultaneously ...









- ... Takes on the risks of re-envisioning how your industry can operate and grow
- ... Builds a product or offers a service that is deemed 'much better' by your customers than your current offer
- ... Focuses on efficiently tearing away your most profitable customers with a better value proposition and/or business model
- ... Undercuts your cost structure with advanced technology innovation
- ... Hits you with sustained force sufficient to inflict major damage
- ... Outflanks your every response with a superior battle plan and strategy
- ... Not constrained as you might be by a bureaucratic culture, lack of an innovative culture, high cost structure and being slow to competitive responses

► ***Your move***



# Ask companies like Motorola, Nokia, RIM and Blockbuster if they felt the Valley wrath ...

## Five Examples:

Vertical	Disruptors	Revenue Disrupted	Disrupted
1. Mobile Handsets	 	\$ 75B	Motorola, Nokia, RIM
2. Advertising	 	\$ 45B	Broadcast & print media, big brands
3. Music	 	\$ 16B	Music retailers, distributors, labels
4. Movies		\$ 4B	Movie retailers, content creators
5. Hospitality		\$ 4B	All major hotel chains globally

## So what's happening?

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1. Thick information layer now on top of every industry, and getting thicker
2. This information layer being exploited by software, advances in hardware and business model innovation at an ever increasing rate
3. Silicon Valley is the only tech cluster globally to have achieved a so-called 'disruptive nuclear fusion'
  - Size of talent pool
  - Ambition of talent pool
  - Concentration of talent pool
  - Extreme openness & sharing
  - Experience / evolution
  - Full service disruptive ecosystem
  - Faster clock speeds?

## Controversial Assertion #1

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Large companies globally across industries have an extremely poor track record of innovation

4,800 public  
cap companies  
globally across  
all industries  
with revenue  
of USD \$1B  
or more

What percentage  
of the 4,800 can  
grow top line  
revenue  
organically by  
5% per year for  
5 years in a row?

8%

## Controversial Assertion #2

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The very best corporate employees who should be driving disruptive innovation activities very seldom are

### Neuroeconomics

- Big companies are typically ↓↓
- ↓↓companies tend to attract & hire ↓↓people
- Personal appetite for risk? (↑↓ or ↓↓)
- Corporate ladders & the 25 year anniversary clock

### Why Under 35?

1. Nothing to lose
2. Something to prove
3. Healthy naivety
4. More energy
5. 'Closer to the future' – represent creative destruction
6. More optimistic
7. Not corporately formatted (yet)
8. Often recently up-skilled
9. Single = more discretionary effort
10. In peak cognitive age

## Controversial Assertion #3

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Silicon Valley doesn't innovate, it practices *incrementalism*

**Silicon Valley did not invent:**

- Integrated circuit
- PC
- Smart phone/feature phone
- Internet
- Browser
- Database
- Search technology



**But it certainly knows how to create trillions of dollars in shareholder value off others' core IP**

## Controversial Assertion #4

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There is only one Silicon Valley; there is no 'second place' anywhere near it's industry disruptive prowess

**40+ Silicon (blanks)  
globally:**

- Many have been at it 30+ years
- Most are using the wrong formula
- None have anywhere near the concentration and scale in the talent ecosystem
- Only one other location has built an industry disruptor (with qualifications)
- Some success will come ...



**Only Silicon Valley has  
disrupted more than one  
industry**

**New vertical clusters are  
forming and interlocking  
providing perhaps  
sustained competitive  
advantage**

## Controversial Assertion #5

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Most large companies globally have not built a strategy to counter Silicon Valley based industry disruption

**NOKIA**



**The New York Times**

**The Boston Globe**

**BORDERS**



**Los Angeles Times**

No. 1:

What do all these companies have in common?

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Mercedes-Benz



Volkswagen



TELENAV<sup>®</sup>

better place 



STANFORD  
UNIVERSITY



Google<sup>™</sup>

**HONDA**  
The Power of Dreams

CarnegieMellon



No. 2:

What do all of these companies have in common?

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Upstart



No. 3:

What do all these companies have in common?

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STANFORD  
UNIVERSITY

Berkeley  
UNIVERSITY OF CALIFORNIA



coursera

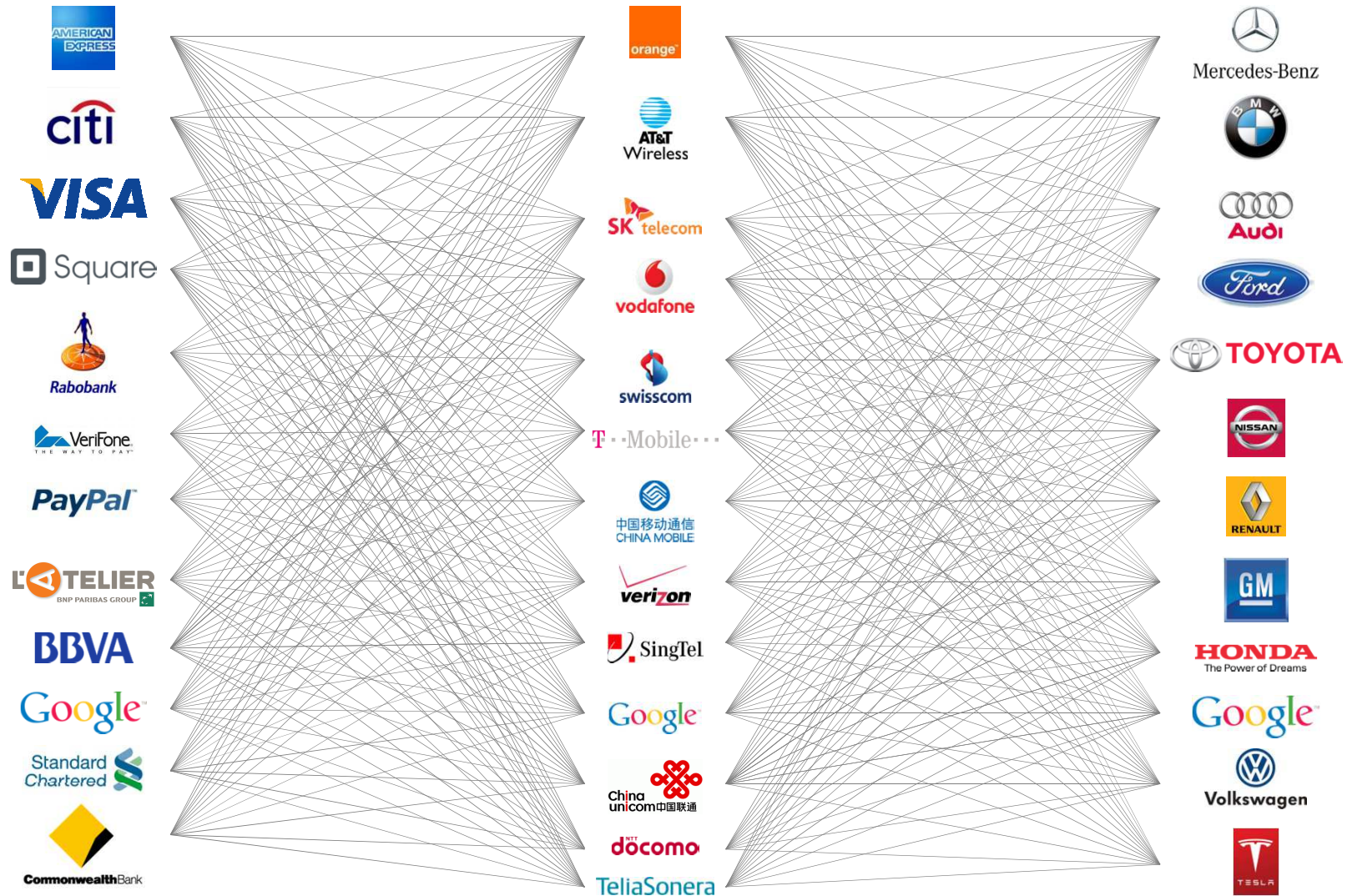
UDACITY

udemy



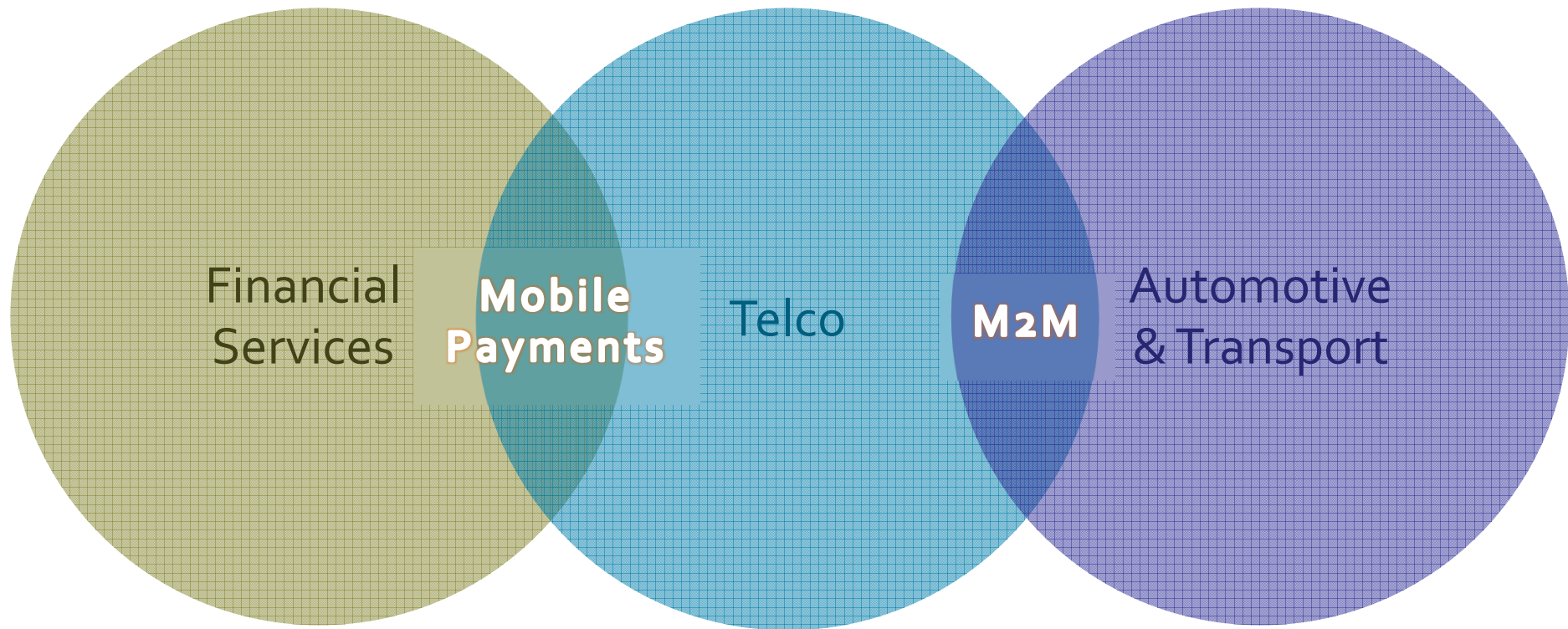
imagine  
k12

# Massive Sharing, Ideas Competing, Massive Learning, Fast Clock Cycles – 'Ideas Having Sex'



# Cross-cluster collaboration in the Valley is becoming critical

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Valley clusters are starting to overlap and work on mutually interesting solutions.

# 10+ Silicon Valley vertical clusters are getting real scale

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1. Mobile
2. Advertising
3. Automotive/Transport
4. Financial Services
5. Education
6. Retailing
7. Media & Entertainment
8. Hospitality
9. Personnel/Staffing
- 10. Food ⇔ Healthcare**
11. Consumer Electronics
12. Energy



'The formula for creating copycat clusters is always the same: Pick a hot industry, build a technology park next to a research university, provide incentives for businesses to relocate, add some venture capital and then watch the magic happen. It simply doesn't work without the right people'

– Vivek Wadhwa

# 'Disruptive innovation' – Clayton Christensen

Christensen studied why great companies with smart management and substantial resources consistently lost to 'disruptors' – companies with simpler, cheaper, and inferior products.

## Two Ways Disruptive Innovation Can Happen

### Low-End Segment Strategy

1 Disruptors introduce a product that is at the low end of the market and that is neither profitable for the incumbents nor in demand from the incumbents' customers ...

This becomes a problem as the disruptors improve their offering and move up market, eventually encroaching on the core business of the incumbent, and doing so with a lower cost structure.

**Amazon.com/Netflix/PayPal**

### Non-Consumption Strategy

2 Disruptors introduce a product that was unavailable to consumers before, effectively competing with non-consumption.

**iPhone/iPad/Facebook/Tesla ...**

Source: "Untangling Skill and Luck: How to Think About Outcomes – Past, Present and Future" (7/15/2010).  
Michael Mauboussin, Legg Mason Capital Management

# How Silicon Valley REALLY Now Works...

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1. Software Is Eating the World
2. incrementalism (not innovation)
3. Open Sharing + Concentration + At Scale (mutually exclusive)
4. Jigsaw Puzzles
5. Geek Olympics
6. Youth Gone Wild
7. Broad Vertical Expertise/ Interlocking
8. Pay It Forward
9. Failure (with two very important conditions)
10. There Is No Second Place on the Horizon

# Summary of Big Messages

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1. Silicon Valley has evolved from arms merchant to industry-disruptor
2. Only Silicon Valley has now disrupted several industries, no other tech/innovation cluster has done one fully – there is no ‘second place’
3. It’s not just about the technology anymore; it’s about the infinite number of combinations of business models + technologies to disrupt industries
4. Large incumbents have historically had a poor track record creating disruptive innovation
5. It’s a myth Silicon Valley innovates
6. Tap the under 35’s!
7. Many companies globally compete less and less with other named/ traditional competitors, but rather with Valley-based disruptors
8. Companies globally thus need to have a thoughtful ‘650 Strategy’



# Sleep with one eye open, clutching your pillow tight

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What Industries Will Be Affected By Silicon Valley?

Information-Based Industries

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graph TD; A[Information-Based Industries] --> B[Middleman-Based Industries]; B --> C[End Consumer-Based Industries]; C --> D[Everything Else];
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Middleman-Based Industries

End Consumer-Based Industries

Everything Else

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# OK Mark, So What Does This All Mean For Healthcare?

## Directionally Correct?

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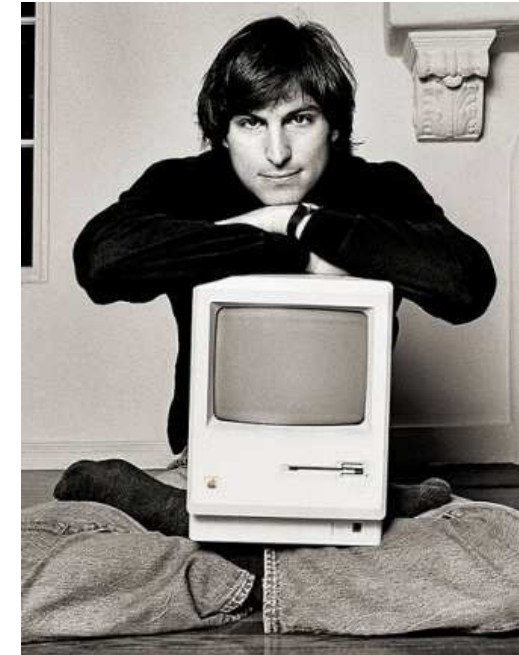
- 'Only 2 of 100 patients on lifelong Crestor derive benefit' - Topol
- 'Machines are better at integrative medicine than doctors' – Khosla
- '50% of initial diagnosis in US are incorrect' – Poste
- '80% of medicine is taken in a non-compliance manner' – Poste

# 10 Big Levers In Healthcare Going Forward

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1. Mobile connectivity + bandwidth
2. Increasing computing power + data explosion
3. IoT/M2M, wireless sensors, nano-sensors
4. Bioprinting
5. Genomics
6. Robots – nursing (and surgical!)
7. EHR's/PHR's
8. Prescribing apps
9. Telemedicine + consumer medical devices
10. Populations > Individuals, rigorous patient segmentation

'Here's to the crazy ones, the misfits, the rebels, the troublemakers, the round pegs in the square holes ... the ones who see things differently – they're not fond of rules ... You can quote them, disagree with them, glorify or vilify them, but the only thing you can't do is ignore them because they change things ... they push the human race forward, and while some may see them as the crazy ones, we see genius, because the ones who are crazy enough to think that they can change the world, are the ones who do.'



– *Steve Jobs*

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# Thank You

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# About 650 Labs

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# About us

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## Who we are

- Analytically driven strategy consulting firm
- Established in 2001
- Headquartered in Silicon Valley; projects worldwide
- 25 Professionals
- Over 200 Clients, 400+ successful projects

## Why we are unique

- Focused on revenue acceleration and growth for large and mid-sized companies
- Team with balanced mix of operational, venture capital and strategy consulting backgrounds
- Proprietary methodology and software IP



# Mark Zawacki

## *Founder*

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Mark is the Founder of 650 Labs and Milestone Group. Since 2001, he has led/supervised engagement teams on more than 200+ tech, media and telco (TMT) clients globally, working a myriad of growth and revenue-related initiatives including strategy, innovation, business and corporate development, alliances/partnering and international expansion. Prior to founding both Milestone Group and 650 Labs, Mark spent nearly a decade as a strategy consultant with the CSC Index, the strategic management consulting division of Computer Sciences Corporation (CSC). Various based in Amsterdam, London, Sydney and San Francisco, Mark's consulting at CSC Index focused on corporate strategy, organizational change and leveraging technology for business advantage. Mark began his career in tech at Symantec, joining in 1987. Mark is a frequent speaker, panelist and moderator at industry events globally.

## All our work must meet three criteria

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### Insightful

Our analysis tells our Clients new things they did not already know

### Impactful

Our findings must positively affect our Clients' top-line revenue growth

### Actionable

Our recommendations must be implementable and pragmatic, not just theory

## In summary

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Since 2001, we've been focusing on one thing and one thing only: helping our Clients **accelerate their top-line revenue growth**.

It starts with objectively analyzing where they are at and figuring out a plan to viably grow the business. A proper diagnosis combined with an objective and analytically grounded prescription going forward takes dedication, experience, perspective, objectivity and candor.

We're not like the others. Really. We promise we won't tell you what you want to hear just to curry favor and/or get the follow-on consulting work.

Unfiltered, unfettered, unconventional and **un-consulting like**.

Perhaps we should start a dialogue and **figure out what's really going on?**

# The meaning of 650?

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'650' is the telephone area code covering most of Silicon Valley. The main telephone numbers for companies like Google, Facebook, Oracle, HP and thousands of others at the center of Silicon Valley will all start with + 1 (650) xxx-xxxx. So asking 'What Is Your 650 Strategy' is equivalent to asking 'What Is Your Silicon Valley Strategy'. OK, now you're officially in on the inside joke.