

# BOLT

## Business Outcome Lifecycle Transformation

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## What is BOLT?

**BOLT** is a new communication style and a set of guidelines to create Smart Organizations.

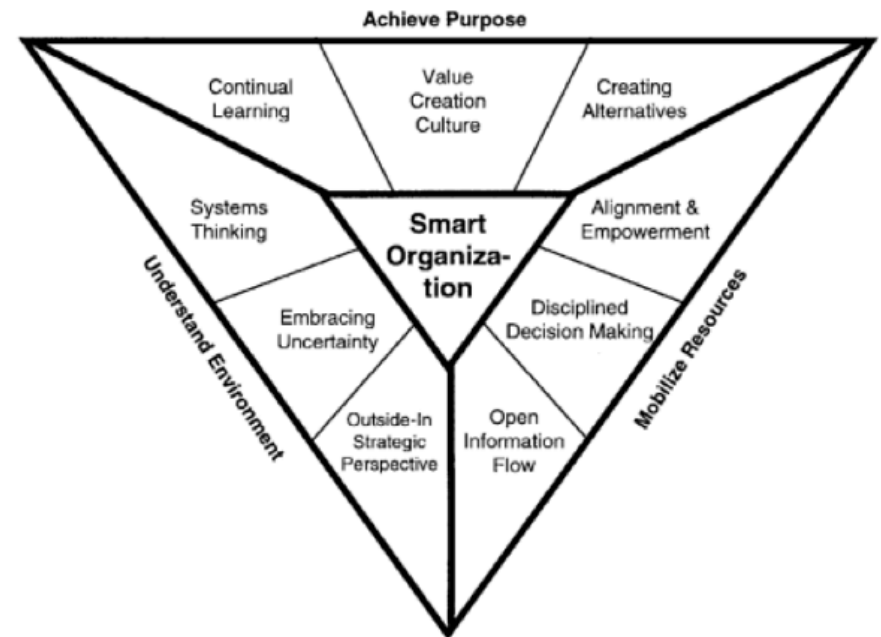
**BOLT** is not a process, a canvas... and works with every strategic framework or process you currently use. It is just a different way to gather, analyze and communicate information.



## What do you mean by Smart Organizations?

We believe that the Nine Principles of Smart Organizations developed by D. Matheson et al ([Smart Organizations Perform Better](#)) are very effective at increasing the Organizational IQ.

**BOLT** can help your organization become smarter by changing the way you communicate when applying each of the Nine Principles.



## What's the best way to learn BOLT?

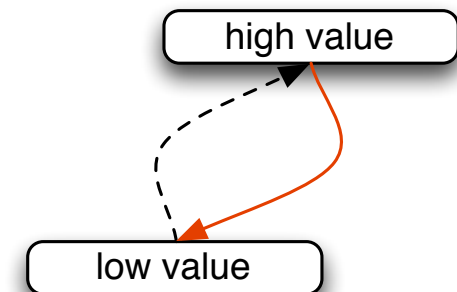
**BOLT** is easy to learn, everything you need to know is in this document. We also published a book that contains many examples ([you can download it for free on iBooks](#)).

**BOLT**'s foundation is simple and pragmatic:

Every action we take (you, me, everyone) connects two states: a low value state and a desired high value state.

No one decides to take an action randomly; we consciously or unconsciously associate a high value to the result of an action. Now, what I think is a high value may be a low value to you, or I may erroneously associate a high value to a particular state, but we never decide to take an action that would knowingly result into a lower value. We also tend to avoid "risky" states where unwanted transitions to lower value states are common.

The key consequence of this simple observation is that all actions are connected by states and all states enable specific actions to be taken. For instance, no one would start running a marathon in a "dehydrated" state. If you were in that state, you would "drink" to reach a desired "hydrated" state, which then would enable you to take the action of running a marathon.

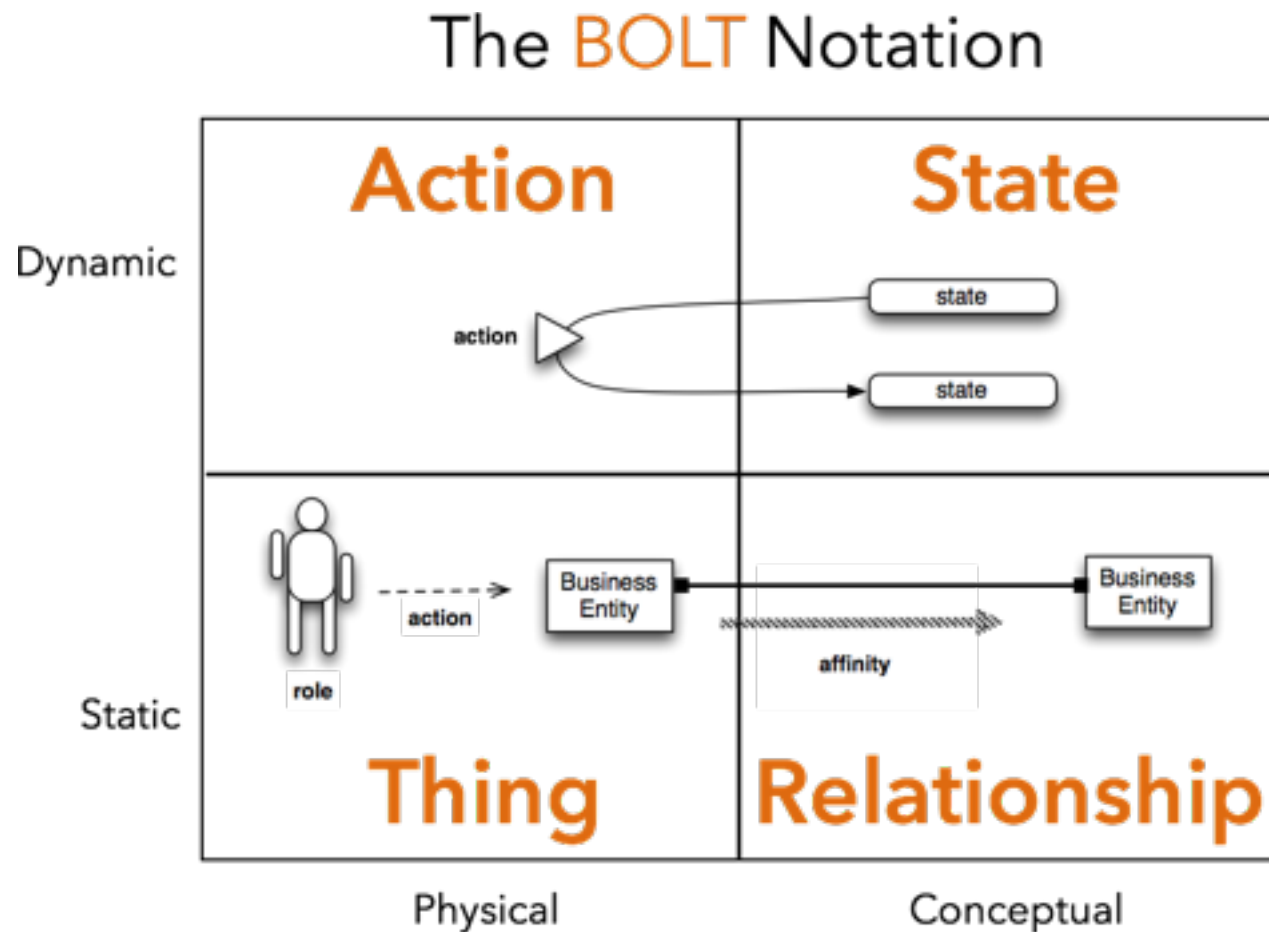


There are two more concepts, which are important to the way we conceptualize the world around us: things and relationships.

These four concepts: **States**, **Actions**, **Things** and **Relationships** (STAR) are the foundation of **BOLT**.

BOLT's communication style requires to be specific as to whether we are talking about a State, an Action, a Thing or a Relationship. Sounds easy? It's easy, but somewhat unnatural because human languages are not equipped to make these distinctions clear. Just take "Communicate" which could be a verb, a state "Communicated" or a Thing "Communication". Can you use them interchangeably?

To help with the distinction, we created a simple visual language, based on seven symbols ("words"):



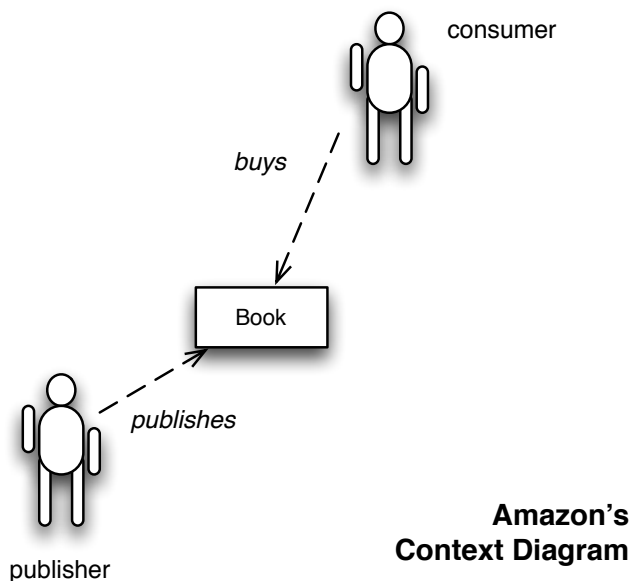
## How does this notation work?

In addition to the seven words, **BOLT** has 4 types of “sentences”:

- Context Diagram
- Outcome Lifecycle Diagram
- Ecosystem Diagram
- Horizon Diagram

Let’s take an example, Amazon. It started in a garage and took one of the oldest ecosystem on the planet, an ecosystem where hardly anything had changed in 500 years, and transformed it into the largest world commerce engine.

### Context Diagram

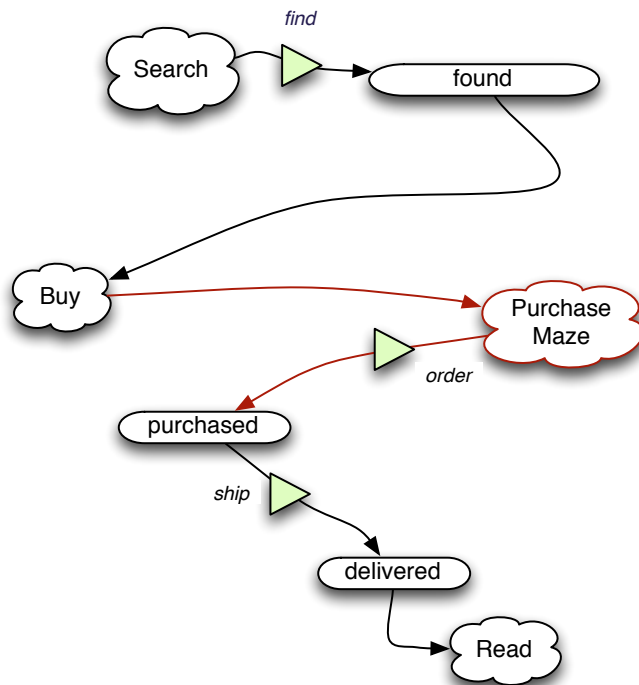


The context diagram connects Roles, Things and Actions (this diagram is also called the static view).

The actions are coarse-grained and can have a complex lifecycle behind them. For instance to buy a book, you need to find it, purchase it and have it delivered to you.

In 1995, Amazon’s business model had roughly two roles (Publishers and Consumers) and these roles performed (at a very high level) two actions: publish and buy books.

## Outcome Lifecycle Diagram



**Amazon's  
Lifecycle Diagram**

If we now take a look at the outcomes of Amazon's business model (from a consumer's perspective), we can see that the main outcomes (the states that a customer would want to reach) are "found", "purchased" and "delivered".

We represented the "order" action as a "Purchase Maze" because e-Commerce sites used to be cumbersome to use. You had to enter payment and shipping information... (these operational states are not represented here because they are not critical to the business model).

Successful corporations often create "mazes" for their customers, one feature at a time. One of the key aspects of the outcome lifecycle diagram is to help understand the actions customers take.

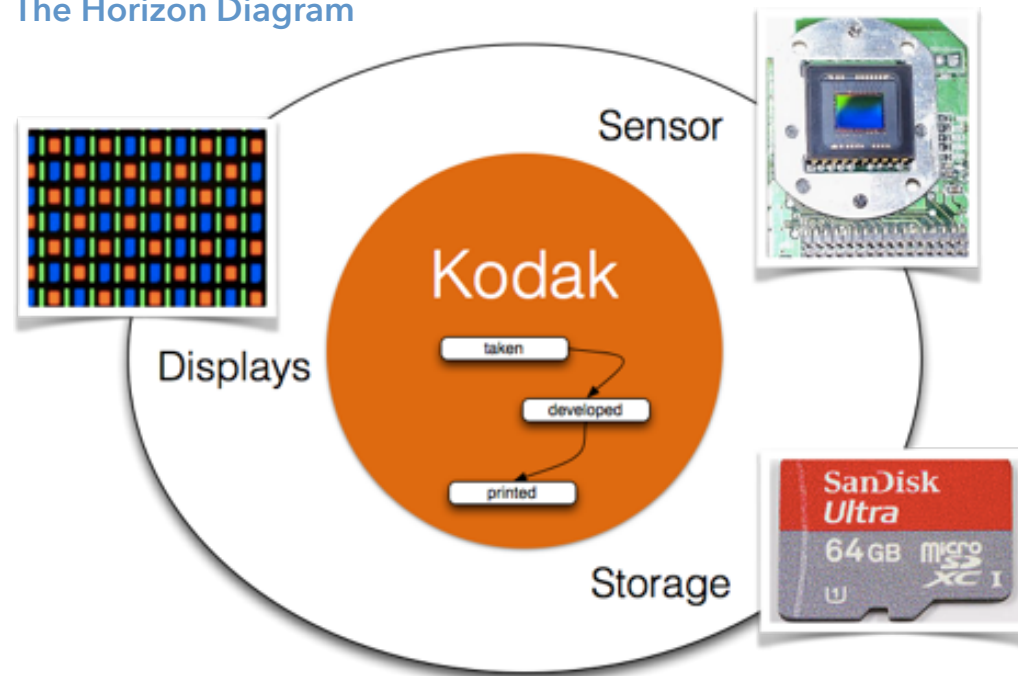
**BOLT** is very easy to use! But you may ask at this point, what can use it for?

## Why should we communicate using BOLT?

Let's start with a simple example Kodak, and let's look at what was its Horizon Diagram at the dawn of digital photography. The horizon diagram looks at what's on the horizon of an organization with respect to its current business model.

Kodak's horizon diagram was picture perfect, so to speak. In the early 90s, Kodak had purchased digital sensor technology from NASA. They also had invented flat panel color displays in the early 80s. They even had invested in a flash memory company.

### The Horizon Diagram



They were fully prepared, when you look at the lifecycle of their core product: a picture is "taken", "developed", and "printed".

What could go wrong?

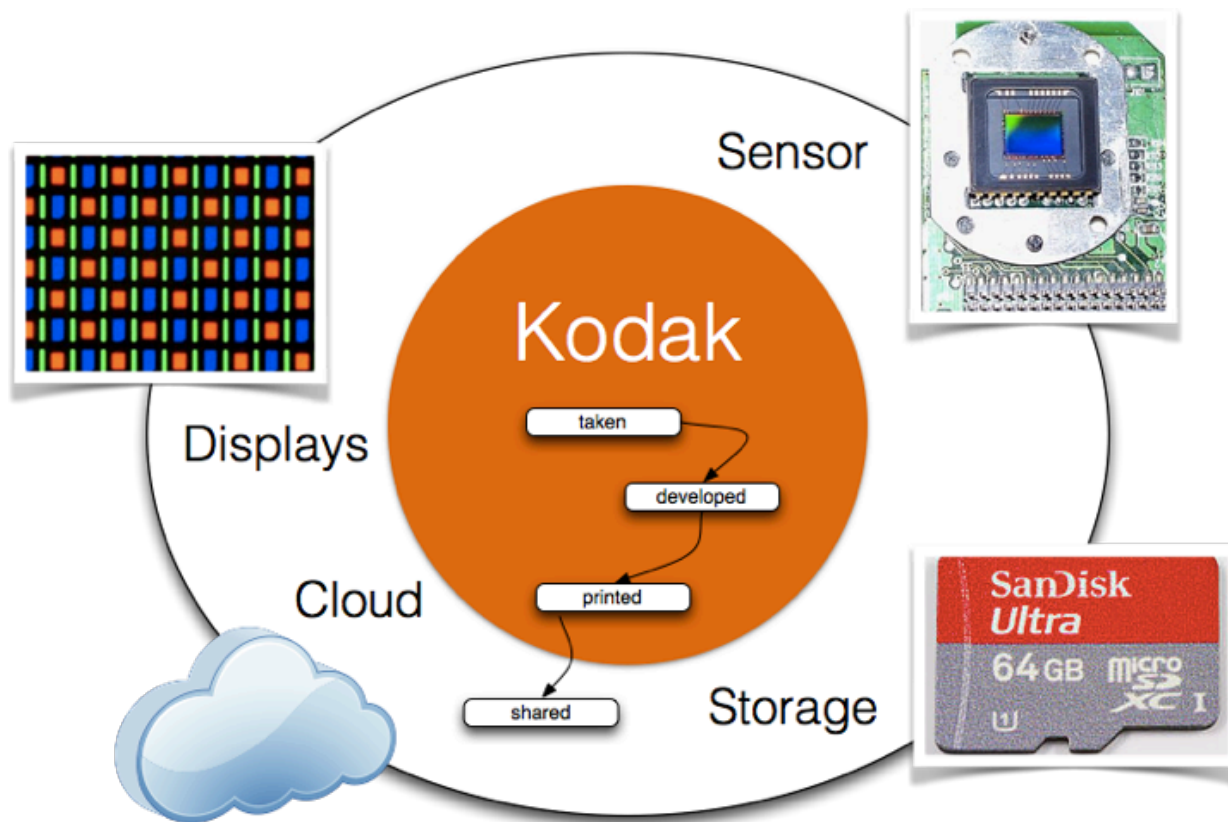
Well, their horizon diagram was incomplete, they actually had never looked at the true "outcome" their customers wanted to reach when taking pictures.

Can you guess what it was?



Kodak was in fact the first Social Network because the outcome people wanted to reach when taking pictures was mainly to share the moment they represented. A picture was nothing less than a primitive version of a Facebook post!!

It is the Cloud (which gave Facebook the ability to share pictures more effectively) that lead Kodak to irrelevancy, it was not digital photography or flat panel displays.



That is why outcomes are so important to your business model, that is why **BOLT** is a completely new way to form insights.



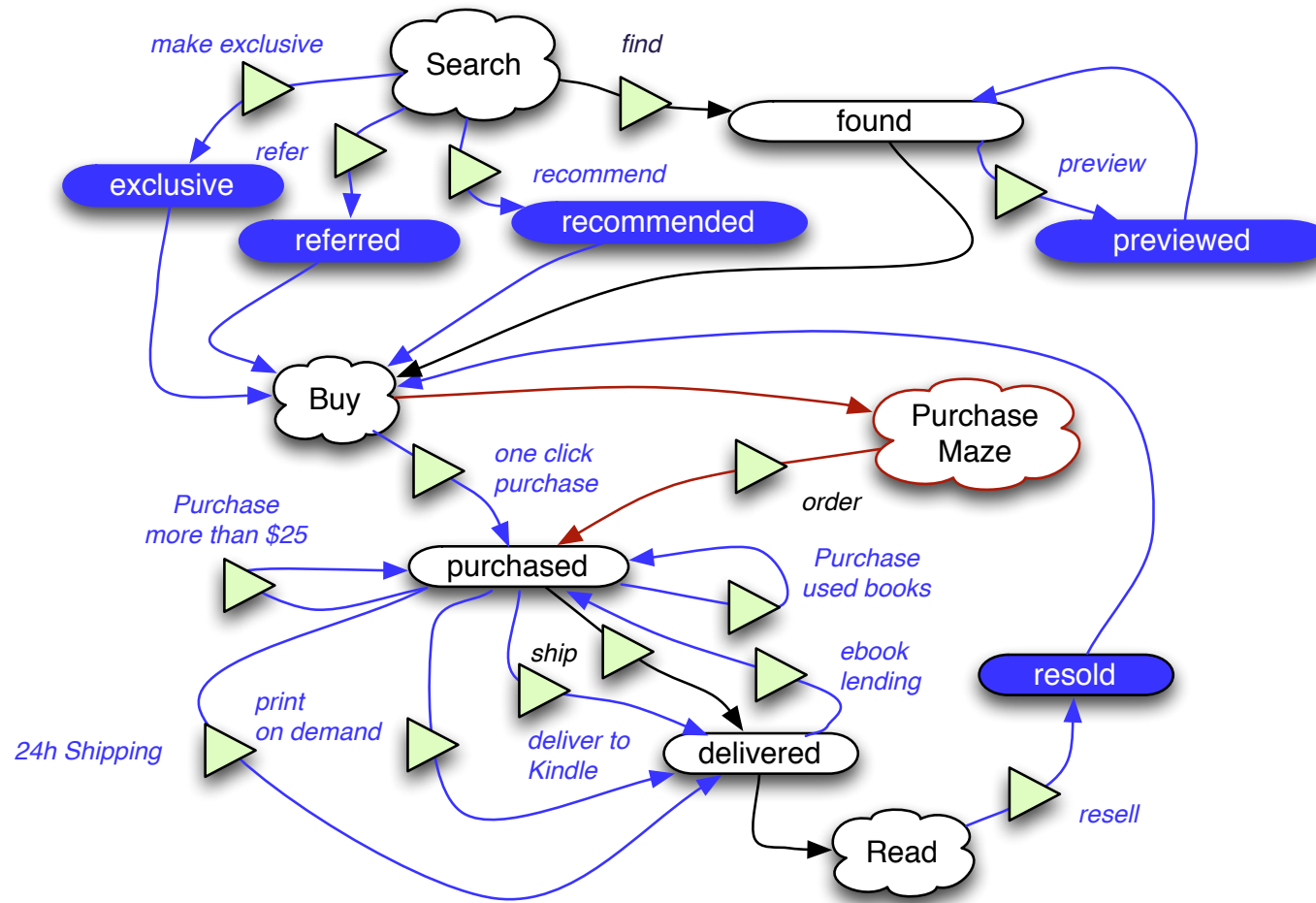
If we now look at Amazon's business model after 2000, the company took a number of strategic steps and this is what it looks like in a BOLT diagram.

Venkat Rao [documented these steps](#) in an excellent Forbes Magazine article:

1. One-click shopping
2. Free shipping over \$25
3. Being first to market with a meaningful and usable, but predatory, offering for self-publishing as traditional distribution as a small or self-publisher was nearly impossible
4. Creating a used-book marketplace that made used books go from 4% of the market to 15%
5. Fighting a supply-chain battle with on-demand printers, using its 24-hour shipping operation
6. Undercutting Lulu, the pioneering self-publishing operation catering to authors, with Kindle Direct Publishing
7. Booting up the Amazon Affiliate program (which, from unverified sources, accounts for 10% of Amazon's sales)
8. Making it brain-dead simple to publish on the Kindle
9. Creating a royalty option structure for Kindle publishers (70% between \$2.99 and \$9.99, 35% above \$9.99) that leaves you with an offer you cannot refuse for the under-\$9.99 price range
10. Once the traditional supply chain had been sufficiently weakened that traditional publishers were no longer very useful, ramping up direct relationships with authors
11. Starting with an eBook experience that was as close as possible to traditional books, but pushing the envelope as fast as readers could handle, towards more flexible digital formats (blogs on the Kindle, Kindle "singles," and with the recently announced capabilities of the Kindle format, high-quality graphics)
12. Decisively promoting a pawn (ebooks) to Queen with its book-lending model and recent offer-you-cannot-refuse for publishers who go Kindle-exclusive for at least the first 90 days (in the next year, we will likely see a shift towards an ebook-first or ebook-only strategy for many small publishers; so far, ebooks have been considered a "plus" market).
13. All the while, keeping the core shopping experience familiar, but pulling out all stops to increase conversions and same-visit sales with mechanisms ranging from book previews/searches to related-reading recommendations, and bundling recommendations

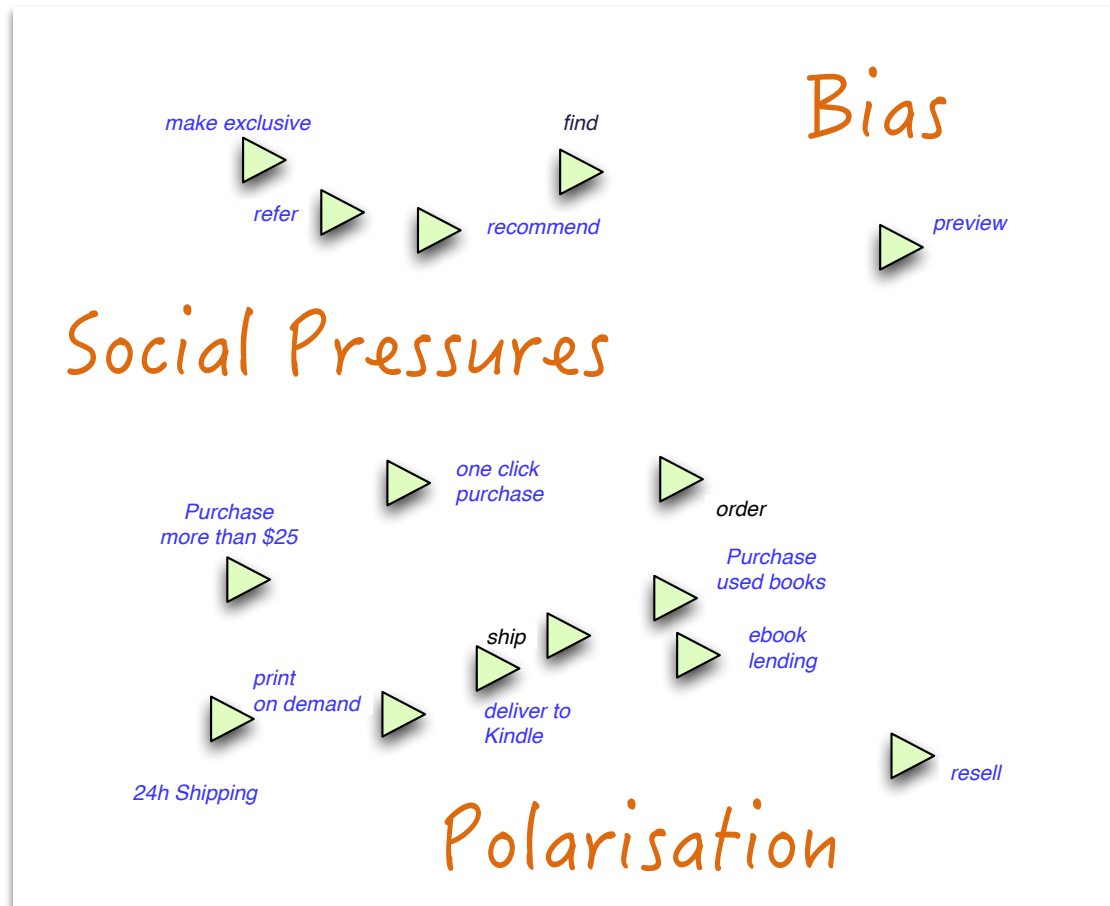


And this is how Amazon transformed its Business Outcome Lifecycle:



Yes, every single strategic decision is either a new action and/or a new outcome!! Even the Kindle can be represented as a new transition between "purchased" and "delivered".

When we don't use **BOLT**, we communicate in a way where we emphasize the actions we "see" taking place at the expense of the outcomes we want to reach:

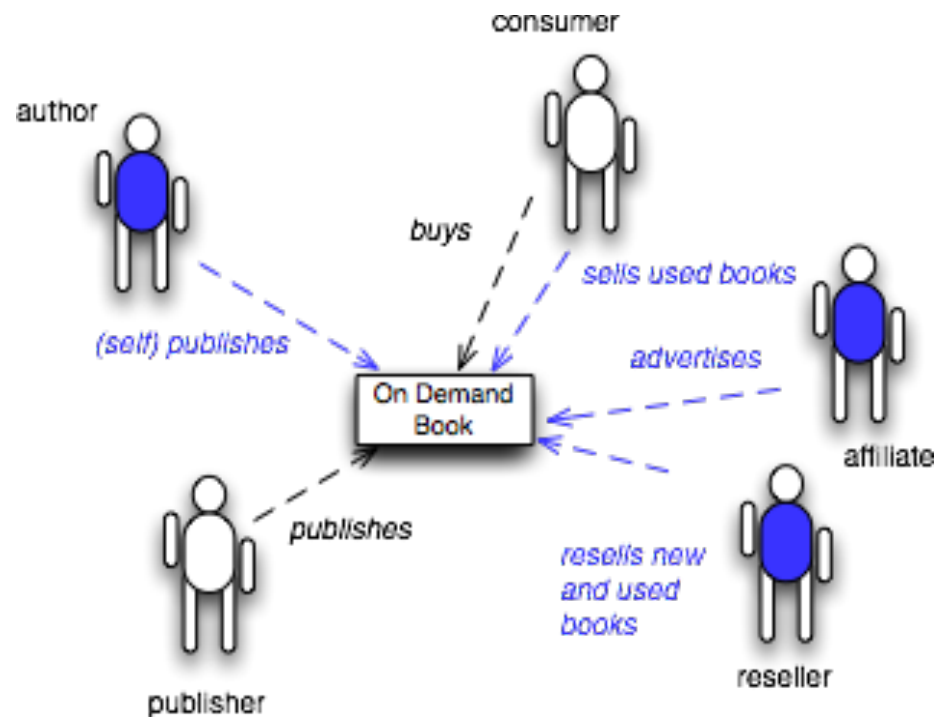


Which diagram is clearer?

Which one do you rather want to communicate with?

Imagine the effects of social pressures, bias and polarization on such communication?

Based on Venkat's analysis, we can also update the Context diagram with new roles, new actions (and one new thing, the on-demand book):



**BOLT** is not just a communication style that helps you communicate more effectively, it also enables you formulate insights and generate ideas.

For instance, **BOLT** enables you to identify problems. How? Let's first ask how do you define a problem?

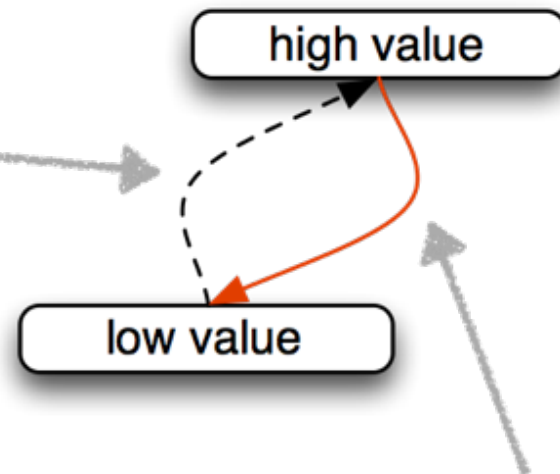
We discovered that a problem is always a missing transition between a low value state and high value state, or an unwanted transition between a high value state and a low value state!

Yes, every problem can be described in these terms!

Every problem  
can be defined as a  
missing transition  
between a low value  
and a high value State

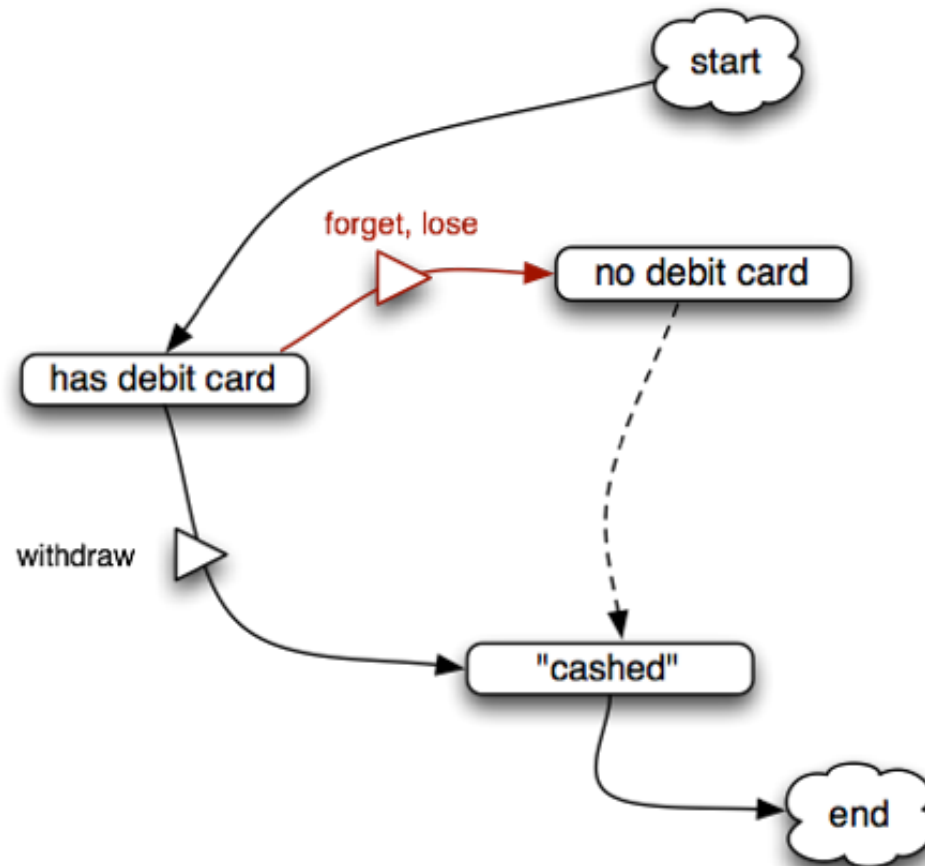
or an

unwanted transition



Let's take an example to illustrate this very abstract concept. Banks are now coming up with a solution to solve the problem when people lost or forgot their ATM card.

The diagram below shows two problems: an unwanted transition to the state where you don't have your debit card, and then a missing transition from that state to the state where you have cash in your wallet.



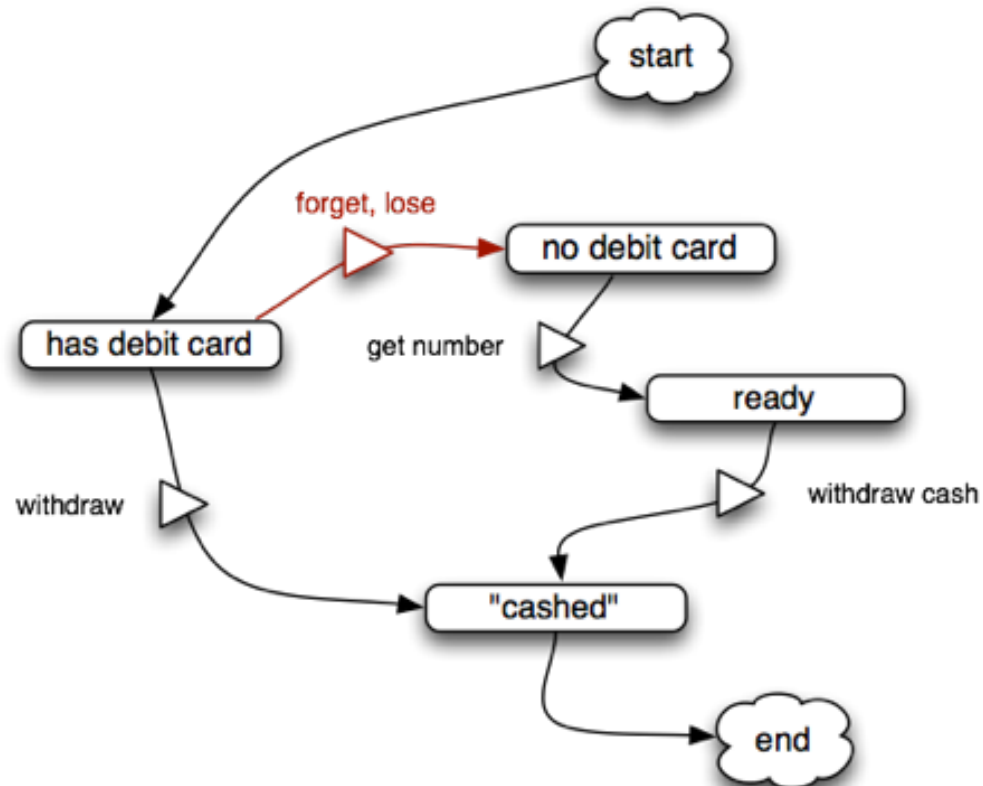
How do you solve the problem when you reach the "no debit card" state and would like to transition to the state where you have some money in your wallet?



You provide an action (or in this case a couple of actions) that realizes the missing transition:

1/ get a number from the bank's mobile app,

2/ key-in that number is any ATM machine.



Could there be a more effective solution to that problem? Think about the transition from “no debit card” to “cashed”, is there a single action could “solve” that problem?

We could for instance create a solution where we enable a customer to create a 22 digit number that's easy to remember for them, but hard to guess for anyone else, for instance a combination of:

- the birth date of one their friends
- the phone number of another
- their pin

Key in these 22 digits in an ATM and you get a nominal amount of money \$100. That solution solves the problem of not having your phone or internet access either! (very low value states these days).

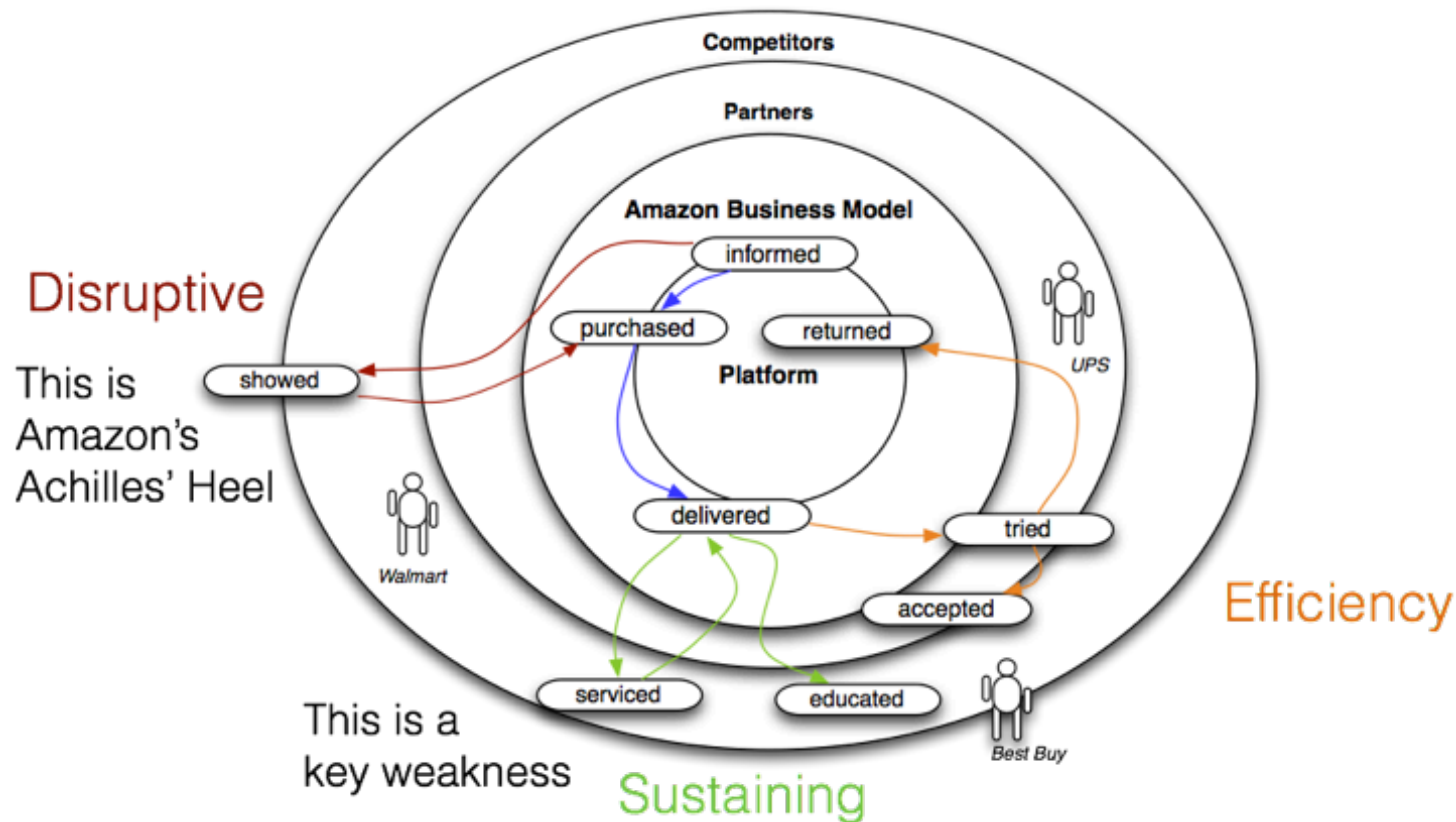
**BOLT** is very effective at identifying next generation innovation opportunities!

One of the key advantages of **BOLT** is that it does not make any difference between the states and outcomes of the customer and the operational states/outcomes of your organization, because in effect a customer doesn't see boundaries of corporations, he or she is only trying to get a job done and the whole purpose of a business is to provide the capability (the action or the series of actions) to reach the desired outcome.

**BOLT** even allows you to explore the customer journey in an ecosystem comprising the outcomes your offer your customers to reach, but also the ones your partners and competitors control.

## Ecosystem Diagram

This diagram helps you think about the customer journey at the scale of the ecosystem (your organization, its partners and competitors). Let's take a look at an Amazon's customer journey.



The customer journey could not be simpler: customers find products and get informed on the Web site, they purchase what they need, and the goods get delivered.

This diagram is very effective at helping us identify potential innovations. Let's look at the three types of innovation identified by Clay Christensen: Disruptive, Sustaining, Efficiency.

A **disruptive innovation** is always pulling customers away from your lifecycle (either preventing them to enter your lifecycle or driving them out after a key state). In the case of Amazon, once customers find products, they often go to a store to check if that is what they would like to purchase. Because of its pricing strategy, Amazon often sees the customer coming back to purchase the goods. However, Walmart, Target, Best Buy... have reached a level of efficiency where they can match Amazon prices. What do you think a customer would do if the price is the same? re-enter Amazon's lifecycle? The "showed" outcome has the potential to disrupt Amazon entirely.

A **sustaining innovation** delivers some improvements in the service or product. For instance, retailers like Apple or BestBuy have been very successful at providing additional "outcomes" for the customer, where a customer can get educated about products or get their products serviced, in the store, with an unprecedented response time. However, these types of outcomes do not disrupt the flow of customers in and out of your lifecycles, they only expand the lifecycle.

An **efficiency innovation** is about improving the operations of your business model. For instance, one of the difficult aspects of online commerce is the reverse logistics process (returns). Companies are starting to involve their logistics partners to give a superior customer experience: the customer can "try" the goods as the driver waits and return them if needed. Returns happen on the spot at a lower cost for everyone (the partner doesn't have to drive back for a pick-up), and a superior user experience.

## Conclusion

**BOLT** helps create an outside-in perspective and supports a disciplined decision making process at the scale of your organization's ecosystem and well beyond its immediate horizon.

**BOLT** creates naturally an open information flow, with sustained alignment and empowering everyone to contribute to his or her best abilities.

**BOLT** is deeply rooted in system thinking and architecture and allows you to discover and evaluate alternatives rapidly.

**BOLT** provides an unprecedented way to identify value and embrace uncertainty.

**BOLT** is also an amazing tool for continuous learning.

**BOLT** is the ultimate tool to achieve purpose in a complex world, mobilizing everyone in the organization, with the strongest sense of empowerment.

