

THE CHANGE FUNCTION

Why Some Technologies Take Off and Others Crash and Burn

PIP COBURN

PIP COBURN is the founder of his own advisory services firm, Coburn Ventures, and the manager of his own hedge fund. Mr. Coburn typically writes 300 reports every week about technology investing and change. Before starting his own company, he was managing director and global technology strategist for the technology group of UBS Investment Research. Prior to that, Mr. Coburn was a senior vice president at Lynch & Mayer, a New York institutional money manager. Mr. Coburn is a graduate of Brown University and the Wharton School at the University of Pennsylvania,

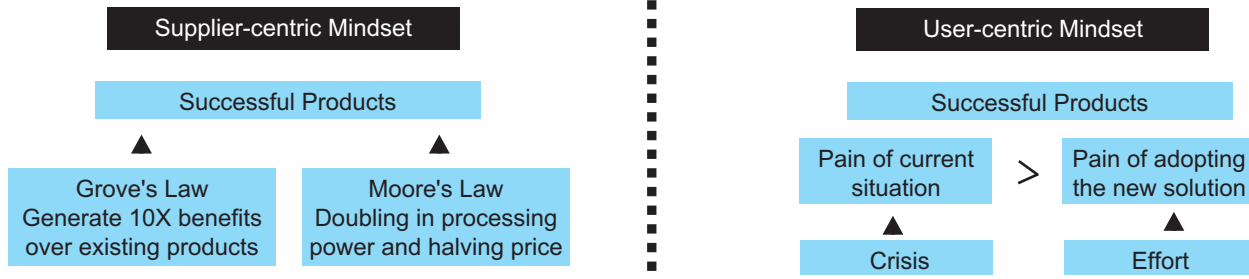
The Web site for this book is at www.coburnventures.com.

SUMMARIES.COM is a concentrated business information service. Every week, subscribers are e-mailed a concise summary of a different business book. Each summary is about 8 pages long and contains the stripped-down essential ideas from the entire book in a time-saving format. By investing less than one hour per week in these summaries, subscribers gain a working knowledge of the top business titles. Subscriptions are available on a monthly or yearly basis. Further information is available at www.summaries.com.

MAIN IDEA

Why do some new technologies succeed in the marketplace while others fail? Billions of dollars in expenditure ride on this question as does the possibility of being able to get in on the investment ground floor of a future mass consumer success story.

The key to answering this question does not lie in determining whether or not the new technology is technically superior. Instead, it rests squarely on the mindset of those who are developing the new technology. Most industries have a supplier-centric mindset but successful products generally emerge from the application of a user-centric mindset instead.



Suppliers believe “if they build it, the users will come”. They therefore consistently work at improving their technology. Eventually, they get so far ahead of their customer’s needs they end up offering solutions looking for problems to solve.

Customers are prepared to adopt new products only when and if the pain of adopting the new solution is less than the pain of putting up with their current problems. They don't care about technology per se, just solutions to their problems.

If companies will spend less time and effort trying to develop new technology just because they can and instead put more resources into finding out what consumers actually want, then it stands to reason their chances of introducing new technologies which consumers will actually buy will increase.

1. The essential concepts underpinning the change function Page 2

The technology industry has an in-built problem which everyone is trying to ignore. Fully 75-percent of the billions of dollars spent annually on developing new whiz bang technology gets canned before these products ever see the light of day. Some people believe this is the free markets at work, but if a more efficient way to develop new technologies could be found and applied, billions of dollars of wasted expenditure could be applied more beneficially to growing the world's economy instead. Equally, by applying change function thinking, it also becomes possible to identify those emerging new technologies worth backing in early-stage investments. This is a great litmus test for potential investors.

2. Case studies – Technology winners vs. Technology failures Pages 3 - 4

Applying change function thinking allows us to understand why some technologies have failed to gain traction in the marketplace while others have prospered and grown. This has applied so consistently well in the past it becomes reasonable to make some predictions about the commercial viability or otherwise of several of the technologies now lining up to vie for consumer success in the future.

3. The ten questions every technology developer should be able to answer Pages 5 - 6

To decide for yourself how well positioned any company, entrepreneur or management team is to develop a commercially viable product, there are ten sets of questions you should ask and evaluate the answers to. The answers will suggest:

- Whether an entrepreneur will actually build a great business.
- Whether a company will commercialize a new technology.
- Whether a company will succeed and is worth investing in.

Generally speaking, if the answers show a reliance on Moore's Law and Grove's Law to get the price low enough where people will buy, that should raise a warning flag. By contrast, answers which focus on inspiring the current crisis and lowering the total perceived pain of adoption are good. This is a good litmus test of the way the technology developers are thinking.

4. How to put the change function into action Pages 7 - 8

It's time to break free of the engineering dominance which has created the current set of problems facing the high technology industry. This will only happen when organizations start focusing more intensively on what people really want rather than what is possible and feasible technically. It's time to create the user experiences people actually want, and not solely those which are technically feasible. To achieve this:

1. Employ iteration and consumer codesign extensively.
2. Create guiding customer crises and develop real solutions.
3. Observe consumer behavior and emphasize cultural change.

In all, move away from being supplier-centric and become much more intensely user-centric.

