

**Nicholas Imparato and Oren Harari**

# Jumping —the Curve

**Innovation and  
Strategic Choice in  
an Age of Transition**

**FOREWORD BY TOM PETERS**

# *JUMPING the CURVE*

INNOVATION  
AND  
STRATEGIC CHOICE  
IN AN AGE  
OF TRANSITION



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# F O R E W O R D

Nick Imparato and Oren Harari have written a marvelous book. It is a joy (carefully chosen word) to read.

The coauthors have been bloodied by extensive exposure to the real world. They know of what they speak. And yet, though pragmatists in the end, they lead us back through history, insisting (wisely, I think) that we ground ourselves in the bases of the enormous changes that are buffeting us. Personally, I felt better than I'd felt in a long time precisely because Nick and Oren built their scaffolding so carefully.

But this is not a book about the past as much as it works to place us in a continuum of yesterday to tomorrow. It *is* a book about today, and tomorrow. It is practical to the core. And it soars to the heavens. To do both is an extraordinary act—and the authors have pulled it off.

At the center of Nick's and Oren's argument is the need to innovate—now and forever more. Amen.

I look back at my own work, and sometimes innovation is on the front burner, sometimes it's not. Or at least I haven't always seen the future as clearly as I should have.

These days—individual or corporation—it's innovate or else. And when you've patted dry today's grand, glorious, and bold innovation—well, then, do it all over again.

Read this book slowly. Read it quickly. Read it more than once. Allow it to do its mischief to you. That is, allow it to get under your skin and cause itches and rashes of the sort that may just save your individual (or corporate) hide.

Enjoy! (I did.)

*Palo Alto, California*  
*June 1994*

Tom Peters

# P R E F A C E

A primary lesson of history is that periodically, and often at the most inconvenient times, society needs to make a sharp break with old habits and deliberately learn new ways of behaving. The world is faced with such a moment today. We need to look at the world anew. The demand is not only on our presence of mind and talent but also on our courage and intellectual honesty.

In this spirit, amid dramatic changes in technology, value systems, and global commerce, businesspeople have begun to sense that they must alter the way they lead their companies. Memories of past success, however, have too often handicapped substantial progress, frequently hindering even an understanding of the scope of corporate renewal that is needed. The pressures to lower costs, improve quality, and shorten cycle times have frequently been treated as inconvenient adjustments to a “normal” way of doing business—bumps in the road, necessary deviations from “the plan.”

An alternative view is that the adjustment needed goes to the very core of what business is about. A wave of social and economic change that started in the middle of this century is not subsiding; it is accelerating and spreading. Business is in the middle of something big. The turbulence in the marketplace is not just about commerce and business; it is one aspect of a more

profound upheaval. Our organizations need to change because our civilization is changing, and nothing short of radical transformation in management will suffice.

Today, managers often feel overwhelmed by a sense of disarray and anxiety. They have learned that piecemeal solutions for accommodating fundamental change do not work. There must be a fresh framework that helps managers move from confusion to clarity, and from half-measures to integrated solutions.

As a basis for that framework, we look to the familiar S-curve that describes the natural life cycle of an organization. A new business starts out on the bottom of the curve, struggling with early development, then expands over time, as represented in the steep upward ride of the curve. Finally, success tapers off: the line turns horizontal again at the top. This is a critical juncture. Persisting on the same curve—that is, depending on a pattern of behaviors and attitudes that was once successful but is now losing effectiveness—characterizes poor performance. Leaders need to recognize, even anticipate, the moment that requires moving on, and that demands jettisoning an original pattern that was based on an earlier set of market conditions, product technology, or management style. If they don't do so, they doom the organization to stagnation and failure. Aspirations, fortunes, and careers wither away.

What is so dramatic today is the sight of huge numbers of companies across an array of industries approaching the top of the S-curve at the same time. In effect, an entire cohort of businesses rooted in the assumptions of the industrial age is simultaneously faced with the same challenge. From a manager's perspective, this is the real meaning of what advisors and policymakers call an "economic restructuring." In these circumstances there is almost a universal demand for leaders to invent new S-curves for their organizations, each curve based on a different set of assumptions or business opportunities that will enable the organization to rise to new levels of success. The leap from here to there—from a familiar curve to a new one, from one business theory or methodology to another—can be intimidating. Our purpose in this book is to persuade managers that

the need to jump the curve is the fundamental challenge in their careers. We will explain in detail, in terms of basic leadership and business decisions, what it takes to jump the curve and come out stronger on the other side.

## HOW THIS BOOK CAME TO BE

The rate at which managers are inundated with diverse recommendations and options is accelerating and appears more striking each day. Complexity mushrooms, yet managers need coherent solutions to problems that arise daily. They tell us that despite their readings and attendance in valuable seminars, they still are looking for a connection between a larger perspective and specific recommendations for what to do on Monday morning. Our book satisfies this need. It is designed to help individuals create and manage sustained change by connecting the “big think” to the problems and options they face on a day-to-day basis. The goal is to provide a set of recommended actions that allow managers to react swiftly to the market changes that are taking place—and to shape those changes in a way that is propelled by a broader perspective on the role of business and leadership in the vortex of epochal change.

The book is a balance between interpretive synthesis and original research. We have combined survey studies, consulting experiences, interviews with practicing managers, and a thorough review of the research literature, all conducted from 1989 through 1993. We relied on proprietary assessments of the impact of environmental factors (such as the emergence of time as a competitive weapon and higher customer expectations) on managerial and corporate performance; small discussion groups on culture, financial performance, and methods of improving operational processes; and survey studies using published questionnaires and inventories regarding values and work life. More than two thousand managers from private and public organiza-



tions—computer companies, banks, police departments, universities, hospitals, and retailers—participated in a series of investigations that evolved over the five-year period. We conducted more than one hundred interviews with CEOs and their equivalents—from Africa, Asia, Australia, Europe, and Latin America—as a function of various university programs and consulting engagements. More detailed references and commentary regarding a specific research methodology or project component are provided in the text or endnotes as appropriate.

In reporting our findings, we occasionally have not used names or individual statistics; our decision in some cases to forgo these details reflected our intention to protect the anonymity of the organizations that requested it. Unless otherwise noted, all quotations in text and all epigraphs from executives are from personal interviews and conversations.

Finally, both authors brought their unique experiences and talents to the project; the finished product represents a genuine collaboration.

## WHO SHOULD READ THIS BOOK?

First, we have written this book for the executives and managers who sense that dramatic change is necessary for business and management and who seek practical advice on how to recast their own roles and how to position their organizations for future success. *Jumping the Curve* also provides leaders with one source that integrates a whole spectrum of issues—from reconfiguration of processes to personal responsibility, from customer responsiveness to performance and profit models, from technology applications to justice in the workplace. Reading the book will expedite the process of looking beyond the rigors of one's own position in order to recognize challenges that are companywide.

In addition, we wrote this book for readers who do not ordinarily consider themselves businesspeople but who wish to

understand better the interactions among business, technology, and socioeconomic developments.

## OVERVIEW OF THE CONTENTS

We proceed in two steps, as reflected in the two main parts of the book. In Part One we present the question: given the scale of change that is taking place in the business environment, is it reasonable to assume that the way managers conducted work three or five years ago is the way they should be conducting it today? Is it even rational to think that as institutions falter, ideologies are overturned, and markets break apart and recombine, managers can continue to do the same things they used to do and still be effective? The reality is that individuals and organizations have to adapt to a new set of circumstances. A sense of history helps by generating some confidence and optimism about how we can handle the current tumult. Previous generations have met changes this large before; there is every reason to believe we can rise to the occasion as well.

In Chapter One we explain how the changes that are occurring now are similar in several ways to the changes that came at the dawn of the Modern Age. In effect, what we are experiencing today in terms of sociotechnical change has not been seen since the demise of the Medieval Age. In both instances, changes in technology, trade patterns, and commercial structures combined with a pervading sense of both danger and opportunity to create a new epoch.

Chapter Two traces the roots of the current sea change in business to the middle of this century. Dramatic events in politics, economics, and commerce spurred the development of a new world; new business dynamics, including an increased emphasis on innovation, customization, and customer satisfaction replaced mass production economics. The challenge for organizations around the world became how to deal with and capitalize on the turmoil they were helping to create.

Chapter Three argues that a reluctance to identify with the new era limits options and performance. Through research results and examples, we document that managers become much more effective once they have let go of conventional managerialist mind-sets and grasped the new responsibilities of post-modern leadership. We identify the critical determinant of management success during this age of transition—accuracy of role perception—and discuss thirteen factors that embody this concept. We then introduce four organizing principles that demonstrate ways to integrate the diverse functions of the organization—principles that we propose leaders will need to use to jump the curve and move wholeheartedly into the new era.

Part Two discloses what jumping the curve looks and feels like for a wide range of companies that are leading the way. We elaborate on each organizing principle within a pair of chapters. The first chapter in each pair demonstrates the pragmatic and business rationale for the organizing principle itself; the second offers both a broad strategy for setting that principle in motion and a set of specific initiatives that provide concrete courses of action.

Chapter Four illustrates how changes in markets, developments in technology, and increased competition from across the globe call for innovative activities that go beyond conventional notions of product research and development. We review efforts of companies ranging from printer Quad/Graphics to medical device manufacturer Nellcor to insurance broker Sedgwick James, and make a case for the first organizing principle—*look a customer ahead*—on the basis of profit and market share, as well as on a broad model of discontinuous change. Chapter Five highlights the traps and pitfalls—such as accepting a corporate culture of mediocrity and searching for the quick fix—that undercut meaningful innovation today. For the leader intent on avoiding such problems, we provide concrete recommendations, including ways to prepare for obsolescence and to create a vigilant organization.

In Chapter Six we describe the genesis of the second organizing principle—*build the company around the software and build the software around the customer*. The search for a new

metaphor to replace mechanistic ideas about work yields the view of the organization as brain. This approach generates processes that depend on knowledge and information flow, which allow leaders to better exploit new opportunities and improve business methods immediately. Emphasizing intelligence rather than mass and size prioritizes different skill sets and processes and establishes different criteria by which to evaluate competitors. In Chapter Seven we discuss how companies from Mrs. Fields' Cookies to advertisers Young & Rubicam have used expert systems, groupware, mass customization, and paperless management to leverage knowledge, spur collaboration between and within organizations, and increase marketing power.

Chapter Eight asks how a leader operating in an unsettled, ambiguous environment can harness a vast diversity of information, ideas, technologies, and people to achieve a unity of purpose within the organization. Our third organizing principle—*ensure that those who live the values and ideals of the organization are the most rewarded and the most satisfied*—points to the answer. In Chapter Nine, we discuss how leaders can use this organizing principle to help create organizational coherence, credibility in leadership, and integrity in the organization. In both chapters, we offer snapshots of the organizing principle in action in organizations from hospitals to software suppliers.

In Chapter Ten we argue that, by virtue of our rights-happy society, one of the major problems in business today is the absence of responsibility. We discuss the implications of responsibility for business success, especially as it pertains to service guarantees, and we contrast the pseudo-guarantees that now proliferate in the marketplace with genuine guarantees that reflect a deep, abiding sense of responsibility to the customer. Adopting our fourth organizing principle—*make customers the final arbiters by offering an unconditional guarantee of complete satisfaction*—fundamentally changes the conventional meaning of such terms as *customer satisfaction*, *quality*, and *guarantee*. The way organizations are run also changes, because the organizing principle demands that activities, processes, and decisions must be evaluated on their ability to deliver on the guarantee.

In Chapter Eleven we discuss common misconceptions and fears about putting together an unconditional guarantee and demonstrate this organizing principle in action—for instance, in the genuine guarantees offered by such companies as Delta Dental Plan and First Image. We outline an approach that allows organizations to use unconditional guarantees as strategic tools.

Finally, in the Epilogue, we review additional implications of the current transition for organizational purpose and the character of managerial life, ranging from discussions of intellectual homelessness to considerations of the meaning of success. We conclude by raising possibilities for a more optimistic future.

## THE CHALLENGE UPON US

Too many times in organizational change, when all is said and done, more is said than done. World society cannot let that be the final judgment of corporate reinvention today. The stakes are too high. At the same time, there is no way to turn the tide, to reverse the social and technological developments of the recent past. Yet despite the imposing nature of these challenges, the means to be successful are available to us. We are out at sea, having pushed away from one shore yet still a distance from the other side. Like sailors who can't see their destination but can still see the shore they have just left, we are pulled by memories of the security and familiarity we once experienced. In the face of this reluctance, success rests in going forward.

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out of us, shaped the manuscript through repeated iterations, and was always there for us—professionally and personally. Our debt to her cannot be overstated.

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*June 1994*  
*San Francisco, California*

Nicholas Imparato  
Oren Harari

# T H E     A U T H O R S

**Nicholas Imparato** is professor of marketing and management at the McLaren School of Business of the University of San Francisco. He has been a visiting scholar at Stanford University, a visiting scholar at the Center for Ethics and Social Policy, Berkeley, and an associate professor in the Department of Computer Sciences at Boston College. During a series of special leaves from the University of San Francisco, he held senior management and executive positions, including senior vice president and Ford Liaison at First Nationwide Bank and chief operating officer of Coit Services, a diversified multinational organization with operations in radio broadcasting, interior home care, and commercial real estate.

Imparato has been a member of the boards of directors of both privately and publicly held companies. He is currently a member of the development committee of the Board of Trustees of the University of San Francisco and the Board of Advisors of Park City Group. He is a prominent speaker and consultant with companies and management groups around the world, particularly in the areas of global change, transformational leadership, intelligent organizations, and marketing strategies focused on innovation. He has worked with enterprises as diverse as AT&T, Beijing Electrical Products Office, Dole Packaged Foods, Fujitsu,



IBM, ICC (Ingeniería en Comunicación y Computación, S.A.C.V.), Lawrence Livermore Laboratory, Merchants Home Delivery, Mrs. Fields Cookies, Silicon Graphics, and Wells Fargo Bank. Imparato's numerous honors include the University Distinguished Teacher Award and the Teaching Excellence Award in Executive Education, given as part of the People's Republic of China Program at the University of San Francisco.

**Oren Harari** is a senior consultant and renowned speaker with The Tom Peters Group and has spoken about competitive advantage, transformational leadership, and organizational change to numerous audiences around the world. In that capacity and independently he has worked with such major organizations as All Nippon Airways, ARCO, AT&T, Dayton Hudson, Dole Packaged Foods, Fidelity Investments, ICI Australia, Merck, Swedish National Board for Industrial and Technical Development, 3M, Voluntary Hospitals of America, and Unisys Latin American and Caribbean Group.

Harari is professor of management at the McLaren School of Business of the University of San Francisco, where he has received both the University Distinguished Teacher Award and the Annual School of Business Research Award. He is also an associate with the Owner Managed Business Institute in Santa Barbara, an international educational and consulting organization for privately held and family businesses. He received his Ph.D. from the University of California, Berkeley, and has spent the last fifteen years studying organizations and leaders who not only respond immediately to the marketplace but who lead and transform it with their innovations. He believes that in the chaotic competitiveness of today's world markets, bold—often radical—management approaches are the key to success.

Harari writes a national monthly column, "The Cutting Edge," for *Management Review*. For five years, he also wrote a biweekly national column, "On Management," for the *Gavin Report*. He has written for many other professional publications, such as *Harvard Business Review* and *California Management Review*. He has co-authored, with David Beaty, an international