I. Introduction
This is a tough spot to be in. If I were a stranger I could get by with being an expert. But you all know me too well. So I can't get by with anything.

Anyway, let me tell you a couple stories about myself.

Career strategy
(1) 8 years old
(2) 25 years old

So opportunity comes to us not only in unexpected ways, but even unwanted ways.

II. Strategy
This book can be considered from a number of perspectives: obviously it is about innovation. For many of my old friends it will be just the history of a maverick computer company that they loved. For a few industry observers who are old enough it may seem a somewhat quixotic matter of correcting of old misimpressions. But the true roots of the book are in strategy and strategic thinking over half a century.

Right up front I have to say that "strategic" is a term that is so overused it causes eyes to glaze over.

What is strategy? [elicit responses]
Strategy is allocation of resources to gain a stated goals and objective
(Alfred Chandler)
Strategy is about making money
Strategy is a plan
Sun Tzu (The Art of War) - "Strategy is the great work of the organization. In situations of life or death it is the Tao of survival or extinction. Its study cannot be neglected."

Tell the story: "just a little monopoly"
Anyway, whenever I hear people pontificating about strategy or the strategic nature of something, I think of that story to remind myself that basically all we seek is “just a little monopoly.”

Strategy it about problem-solving, strategy is the result of a continual problem solving process. So far, so good, but as one of my students said one day, “O.K. Bob, but what the hell’s the problem?!” And the problem is finding a way to meet some need better than anybody else. That’s the source of our “little monopoly!!” Let me just mention one example. Steve Bennett, CEO: Intint specializes in helping people to do “things you have t do, not want to do, that have deadlines and that have repercussions if you do them wrong.”

Quick Books  -  bookkeeping software

Turbo Tax  -  Byzantine tax returns

Health Industry - basic problem: 3rd party payee system

Bennett and Scott Cook - they talk about their approach rather than latest [product] plans

Ignore market share (87% Quick Books, 80% Turbo Tax). Instead, focus on potential available market including current non-consumers, not on taxpayers who use competitive software, but on the 100m out of 132 m tax filers who use professionals or pencil and paper.
III. Meeting a Need

So the goal we seek is to satisfy some need (or needs) and to do that better than anybody else – that's called competitive superiority. Here again however we get misled. Consultants, books on strategy, define strategy in terms of competitiveness per se: For example: Michael Porter's so-called five force model describes the external environment which determines a company's ability to compete: Buyer Power, Supplier Power, the threat of substitutes; threat of new entrants, the intensity of rivalry within the industry. Or there's the theory of internal resources and capabilities that provide or can provide competitive superiority. There is also the SWOT (Strengths Weaknesses Opportunities Threats) analysis which is kind of a combination internal and external analysis of the competitive picture. Those things are useful. They also have distinct limitations. All of them suffer from a perspective that shifts our focus from the customer (and the customer's need) to the product and the competition. If we think solely in terms of competition, all too often the need we are seeking to satisfy is forgotten. That is at the root of the poor customer relationships that are all too prevalent in our economic world.

Strategic management of innovation starts with a different perspective. It builds upon a foundation of know-how, of technology. So we start with technology (know-how) - the skills that are the basis to solving problems. Another way to say this is that business strategy is built upon people for it is people who have technology know-how. Then comes innovation - applying skills in novel ways to solve some problems, to meet some need. Who does that? People, of course. But why does a person become innovative? Well, as Rhett Butler might have put it, "Frankly, my dear, because they do give a damn." Caring, curiosity, desire to find a better way. So the executive task starts with understanding that
people have the know-how necessary to innovate and that they will do so if we can instill curiosity and caring. Let me go back to Intint. Re Awareness Dan Robinson, Intint engineer who had a baby with a rare disease “entered a hell of paperwork.”

Executives first have to build an environment for innovation, then they have to use it. Given an innovative organization the job is to shape and guide that innovation toward business success: meeting a need better than anybody else. That is strategy. This is the ultimate executive task.

We tend to think of innovation in terms of new products or new services. Certainly it is true that we need those things - that’s where the top line comes from. But innovation, particularly in the economic world of PNMR, is even more essential in the processes by which the business is executed. At a board meeting earlier this year Charles hit the nail squarely on the head when he referred to costs and the secret of success being new ways to deliver electric power. Processes, however, are much more comprehensive than just those by which we generate and deliver electric power. Technology, know-how, ways of doing things, is embedded in administration, financing, human resource policy, legal, marketing and sales. (Is this last ever true in First Choice!) There is also a tendency to think of innovation in terms of discovering or using new science, new innovation but I’ll give you one example that may help dispel that notion [Hypercusine - MIT Technology Review] The reviewer went to a restaurant in Napa Valley. He described several dishes prepared “sous vide.” I’ll just quote his remarks regarding the lamb: “the lamb: tongue searingly gamy, weirdly succulent, more like a fruit or lequescent veggie than meat.” What’s going on here? “Altering chemical structures of proteins, starches, fats to produce hitherto untasted
(rich) flavors and textures), “food created not so much as to nourish, but entertain “How did he do that?”

SousVide (French under vacuum) is nothing more than cryovaking - a 1960s technology - plastic bags (vacuum packed) then cooked in warm water at low temperatures over long periods. The lamb: marinated 10 hours in salt & rosemary with cumin, cooked at 104°F for 36 hours.

IV. Brain Storming Session
So today I would like to think specifically about innovation in PNM. What kind of policies and management practices can we adopt - or eliminate - that would enhance the innovative capacity of the people in PNMR.

V. Questions about the book