BIG BETS™ IN ZONE TO WIN*

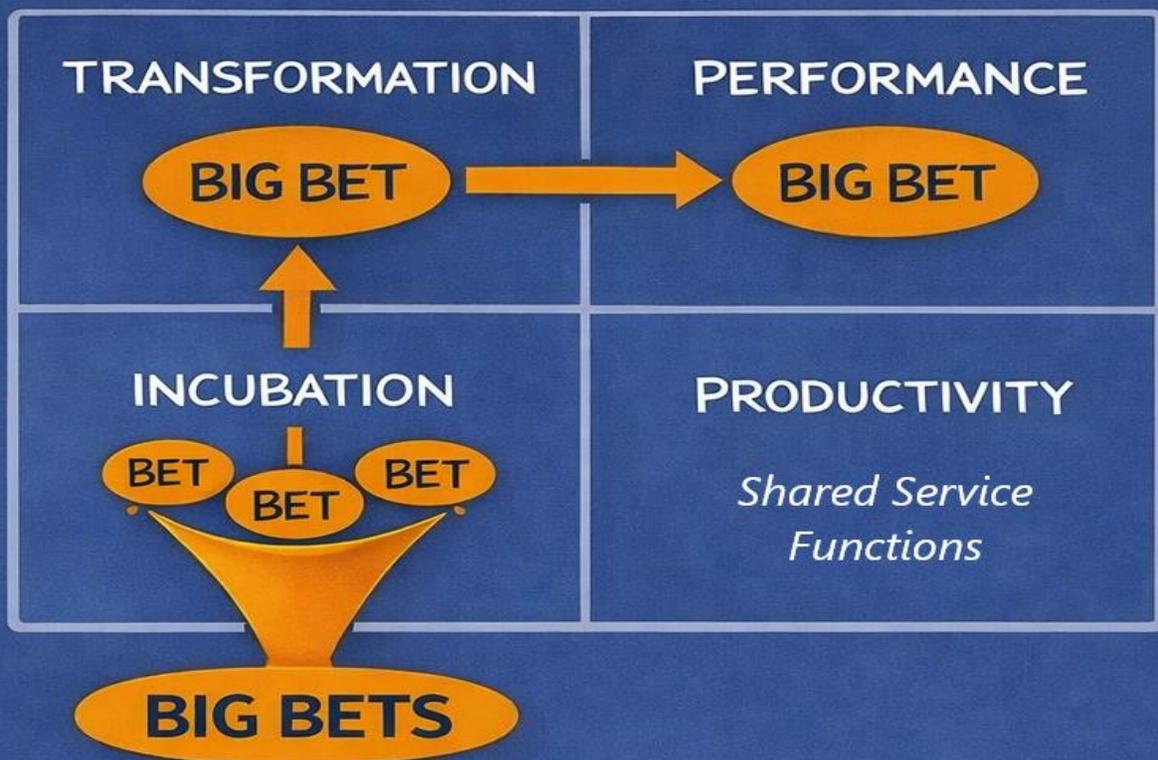| TRANSFORMATION	PERFORMANCE
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INCUBATION	PRODUCTIVITY
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BIG BETS	

THE INTEGRATED MANAGEMENT SYSTEM FOR NAVIGATING TRANSFORMATION

JOHN ROSSMAN & ANDY FORTI

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About the Authors

John Rossman is renowned as an early Amazon executive who led the launch and scaling of the Amazon Marketplace. He has served as a Senior Technology Advisor at the Bill and Melinda Gates Foundation and a Senior Innovation Advisor at T Mobile.

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John delivers keynotes, workshops and advisory engagements on leadership, team culture, business results, and playbooks for immediate action. His expertise is in leadership for digital transformation, artificial intelligence & innovation, and leading high-performance teams.

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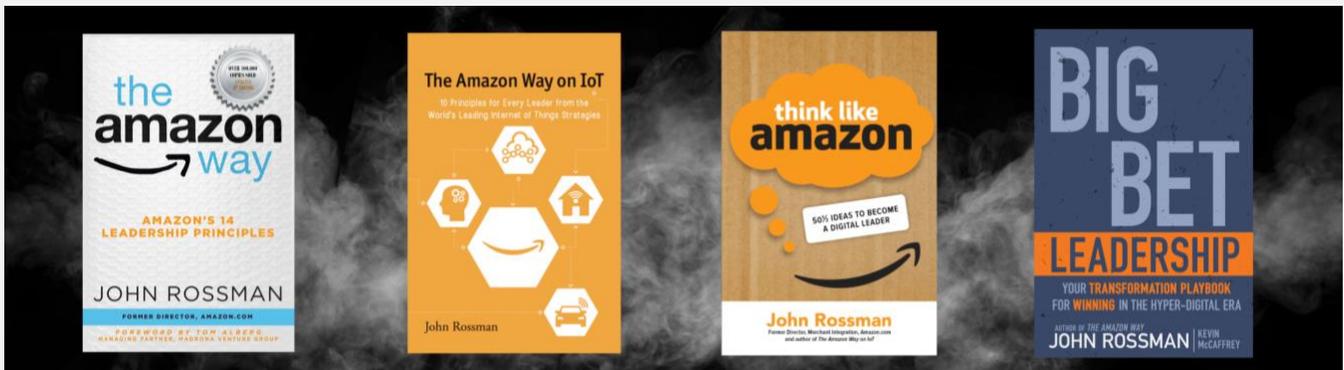
Andy Forti is an advisor to middle market companies with a focus on growth and general management practices. A large portion of his time is spent supporting private equity sponsored companies.

Prior to his 4+ years in advisory roles, Andy spent 20+ years as a strategic general manager and growth leader with hands-on operating and M&A experience in mid-cap public companies across transportation and industrial technology and early career experience with venture-backed start-ups across telecom services and text-to-speech software.

Most noteworthy for this report, Andy founded and led an Internet of Things (IoT) corporate venture within the 'Incubation Zone' of a $4B public company that achieved an exit milestone and entered the 'Transformation Zone' after scaling from $0 to 100M in revenue run-rate. For his achievements, Andy received the #1 leadership award given by the CEO to one person every two years out of 20,000 global employees in recognition of the transformational impact on the company's future.

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Key Takeaways

1

Most companies of all sizes navigating transformation will fail

This high failure rate stems from a fundamental mismatch. Established enterprises are architected for predictability and operational excellence. Their systems, governance models, and cultural norms are optimized to execute and incrementally improve a known business model. When confronted with a disruptive opportunity, particularly one as profound as generative AI, they instinctively apply these same tools and mindsets. This approach is fatal to innovation.

2

Success requires a dual approach—an integrated management system

First, the enterprise must be **architecturally reconfigured—the "what"—**to create protected spaces where transformations and disruptive innovation can be nurtured without being suffocated by the core business. This is the mandate of *Zone to Win ("ZtW")*.

Second, the teams operating within these protected spaces must be equipped with a distinct **operating system—the "how"—**designed for navigating ambiguity, taking risks, testing critical assumptions, and maintaining velocity. This is the purpose of *Big Bet Leadership ("BBL")*.

3

Transformation must be wired into the company's overall operating cadence

A transformation succeeds only when it is integrated into how the company plans, reviews, funds, and staffs work across the entire company. The *Zone Playbook* provides the structure that accounts for the complete view of activity companywide; the annual cadence provides the enforcement.

Together they create systemic visibility and accountability, ensuring transformation priorities survive real trade-offs instead of being quietly deprioritized in day-to-day meetings and 1v1s.

Section I: The Modern Enterprise Dilemma: Balancing Performance and Disruption

1.1. The Innovator's Dilemma in the Hyper-Digital Era

The central challenge confronting established companies today is an accelerated and intensified variation of the classic innovator's dilemma. The conflict between optimizing current business models for profitability and investing in transformation and disruptive innovations for future growth is not a new phenomenon. However, the dawn of what John Rossman and Kevin McCaffrey term the "Hyper-Digital Era," catalyzed by the release of technologies like ChatGPT, has transformed this strategic tension from a theoretical risk into an immediate and existential threat.[1] This new era promises a landscape of more dramatic business winners and losers, where even the dominant brands of the first digital era are not immune to disruption.[1]

The inadequacy of traditional management practices in this environment is starkly illustrated by empirical data. A staggering 70% to 90% of all major corporate transformations—including digital transformations, large-scale technology migrations, and mergers and acquisitions—are considered failures.[1] These initiatives consistently underdeliver on benefits, exceed budgets and timelines, and often fail to meet their core business objectives. One study revealed that only a minuscule 0.5% of "megaprojects" successfully meet their cost, time, and benefit targets.[1]

This is not merely a matter of poor execution; it is most likely a systemic failure of

leadership and organizational design in the face of disruptive change. Companies that fail to place and win "Big Bets" on their future are overtaken by rivals, leading to a predictable path of declining profitability, commoditization, and eventual irrelevance.[1] In a changing world, playing it safe has become one of the riskiest possible strategies.[1]

This high failure rate stems from a fundamental mismatch. Established companies are architected for predictability and operational excellence. Their systems, governance models, and cultural norms are optimized to execute and incrementally improve a known business model. When confronted with a disruptive opportunity, particularly one as profound as generative AI, they instinctively apply these same tools and mindsets. This approach is fatal to innovation. It is akin to asking a world-class marathon runner to win a downhill skiing competition; the athlete is elite, but the tools and techniques are fundamentally wrong for the new context. The result is a corporate immune system response, where the very structures designed to protect the core business identify the transformations and disruptive innovation as a foreign body and systematically reject it.[2]

This pattern is not just limited to large companies, but it also occurs in small- and medium-sized companies alike, the dynamics of which are just different in that the size of the organization has a significant impact on the scope and approach required for navigating it. To that end, this report will bring perspectives from two types of operators' experiences, those of John Rossman in large companies (approximately $10B in revenue or more) and that of Andy Forti within small- and medium-sized companies (approximately $10M - $1B in revenue).

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1.2. Introducing the Two Halves of a Whole Solution

The persistent failure of enterprise transformation is not an unsolvable problem. It is,

however, one that requires a new, integrated management system. This report posits that two leading strategic frameworks, Geoffrey Moore's *Zone to Win* and Rossman and McCaffrey's *Big Bet Leadership*, are not competing theories but are, in fact, two essential and complementary components of a single, cohesive solution. *Zone to Win* provides the organizational **architecture**—the "what"—by creating a blueprint for structuring the company to manage both sustaining and disruptive innovation simultaneously. *Big Bet Leadership* provides the initiative **operating system**—the "how"—by offering a detailed, pragmatic approach for executing high-risk, high-reward "Big Bets" within that structure.

The integration of these two frameworks provides the necessary guide for leaders who deliberately choose to become, in Rossman and McCaffrey's parlance, "a shark, the commanding player at the poker table of Big Bets".[1] It addresses the root cause of transformation failure: the systemic organizational design flaw that applies the wrong management model to the wrong type of problem. Companies of all sizes consistently attempt to manage disruptive, uncertain initiatives—which belong in Moore's Incubation or Transformation Zones—using the metrics, governance, and cultural expectations of their core business, the Performance Zone and Productivity Zone.[3] This mismatch inevitably crushes the nascent venture under the weight of expectations it cannot yet meet, such as short-term ROI or predictable revenue forecasts.

Success, therefore, requires a dual approach. First, the company must be architecturally reconfigured to create protected spaces where transformations and disruptive innovation can be nurtured without being suffocated by the core business. This is the mandate of *Zone to Win*. Second, the teams operating within these protected spaces must be equipped with a distinct methodology designed for navigating ambiguity, taking risks, testing critical assumptions, and maintaining velocity. This is the purpose of *Big Bet Leadership*. Neither framework is sufficient on its own.

An organization that implements zone management without a specific operating system for execution will have created a protected lab that produces little more than "science fair" projects. Conversely, a team attempting to use *Big Bet Leadership* within an un-zoned, monolithic organization will be thwarted by the corporate antibodies and bureaucratic inertia. The fusion of these two frameworks creates a comprehensive management system for winning, especially in the Hyper-Digital Era.

***Success, therefore, requires a dual approach**. First, the company must be architecturally reconfigured to create protected spaces where transformations and disruptive innovation can be nurtured without being suffocated by the core business. This is the mandate of **Zone to Win**. Second, the teams operating within these protected spaces must be equipped with a distinct methodology designed for navigating ambiguity, taking risks, testing critical assumptions, and maintaining velocity. This is the purpose of **Big Bet Leadership.** Neither framework is sufficient on its own.*

Section II: Architecting the Enterprise: A Deep Dive into the Zone to Win Framework

2.1. The Four-Zone Model: A Blueprint for Strategic Focus

Geoffrey Moore's *Zone to Win* framework provides a powerful model for organizing a company to compete in an age of disruption. It addresses the inherent conflict between running the existing business and creating the next one by segmenting all corporate activities into four distinct zones, each with its own charter, metrics, and culture.[3] This segregation allows leadership to apply the correct management system to each initiative, rather than imposing a one-size-fits-all approach that stifles innovation.

Table 1: Overview of Zone to Win

The Four Zones at a Glance				
Zone	**Performance Zone**	**Productivity Zone**	**Incubation Zone**	**Transformation Zone**
Purpose	Deliver on current commitments; "Make the number"	Enable efficiency and effectiveness of the core business	Create viable options for future growth; "Invent the future"	Scale a single disruptive bet into a new, material business
Time Horizon	Horizon 1 (0-12 months)	Horizon 1 (0-12 months)	Horizon 3 (3-5+ years)	Horizon 2 (2-3 years)
Key Metrics	Revenue, Margin,	Cost Savings,	Validated	Market Adoption,

The Four Zones at a Glance				
Zone	**Performance Zone**	**Productivity Zone**	**Incubation Zone**	**Transformation Zone**
	Bookings, Market Share (Investor Metrics)	Process Efficiency, SLAs (Process Metrics)	Learning, Option Value, Milestone Achievement (Venture Metrics)	Growth Rate, Path to Materiality (Hypergrowth Metrics)
Governance Model	Standard Executive Operating Review	Functional/Cost Center Review	Venture Board (VC Model)	CEO-led, Direct Command
Culture	Commit Culture	Collaboration Culture	Creativity Culture	Command Culture

The Performance Zone

The Performance Zone is the engine room of the enterprise. It contains the core products and services, along with the channels to market, that generate the vast majority of current revenue and, critically, more than 100% of the profits.[2] This is the domain of established business units and entire divisions, or product groups in the case of smaller companies, operating on proven models. The primary charter of this zone is to "make the number"—to meet performance commitments for the current fiscal year (Horizon 1).[8] The culture is one of commitment, predictability, and operational excellence, focused on delivering goods and services on time, on spec, and on budget.[2] Leadership in this zone is held accountable for traditional financial key performance indicators (KPIs) such as revenue, bookings, market share, and contribution margins.[4] Any initiative within this zone must be accretive to the annual operating plan.[11]

Key functions residing in this zone center around commercial and product teams. Often the commercial teams include region or market general management, sales or account management, along with business development and channel management. In other words, whomever owns the go-to-market selling motions, that is, for a particular channel, region or vertical. Sometimes the functions are nested within each other and can potentially include the customer success function if there is a revenue generating mandate, such as upselling. And product teams include the product management function, along with engineering or development functions that are directly supporting specific products (not shared resources such as devops and back-end infrastructure).

The Productivity Zone

The Productivity Zone encompasses all the shared services and cost centers that enable the Performance Zone to function effectively. Typically this includes functions like marketing, devops and back-end infrastructure, manufacturing, IT, tech support, HR, finance, legal and compliance, along with supply chain management.[2] Its charter is to apply sustaining innovation to improve the efficiency, effectiveness, and compliance of the core business.[2] This zone operates on the same Horizon 1 timeline as the Performance Zone, and its primary purpose is to serve and support the revenue-generating activities.[9] The culture is collaborative, and its metrics are focused on process improvement, cost optimization, and service level agreements (SLAs) that support the Performance Zone's goals.[13] Moore stresses that a critical mistake is to allow the Productivity Zone to become superior to, rather than subordinate to, the Performance Zone.[15] Hence, ensuring the commercial and product teams in the Performance Zone drive the business is paramount to success.

In the case of small-and medium-sized businesses, oftentimes the same resources in the Productivity Zone are not only supporting the Horizon 1 needs of the Peformance Zone but also those of the Incubation Zone and Transformation Zone. Simply put, there just are not enough resources to go around. Take for example, business objectives such as improvement of financial reporting or implementation of a new CRM—each of these activities will likely support all other Zones across the business.

The Incubation Zone

The Incubation Zone is the company's dedicated space for nurturing transformations and next-generation, disruptive innovations. This is the home of long-term (Horizon 3, typically 3-5 years out) bets before they have the potential to become a net-new line of business for the company.[2] It is explicitly not for incremental enhancements to existing products; an initiative must represent a new business opportunity to qualify for incubation.[16] The culture is one of creativity, experimentation, and learning, akin to a startup, which warrants the staffing of this zone with people that embrace the venture mindset or otherwise have some startup experience.[19] This zone is intentionally isolated from the Performance Zone because its initiatives are too small and unproven to survive under the pressure of short-term revenue targets.[2] Its purpose is to create viable options for the future, not to generate immediate ROI.[4]
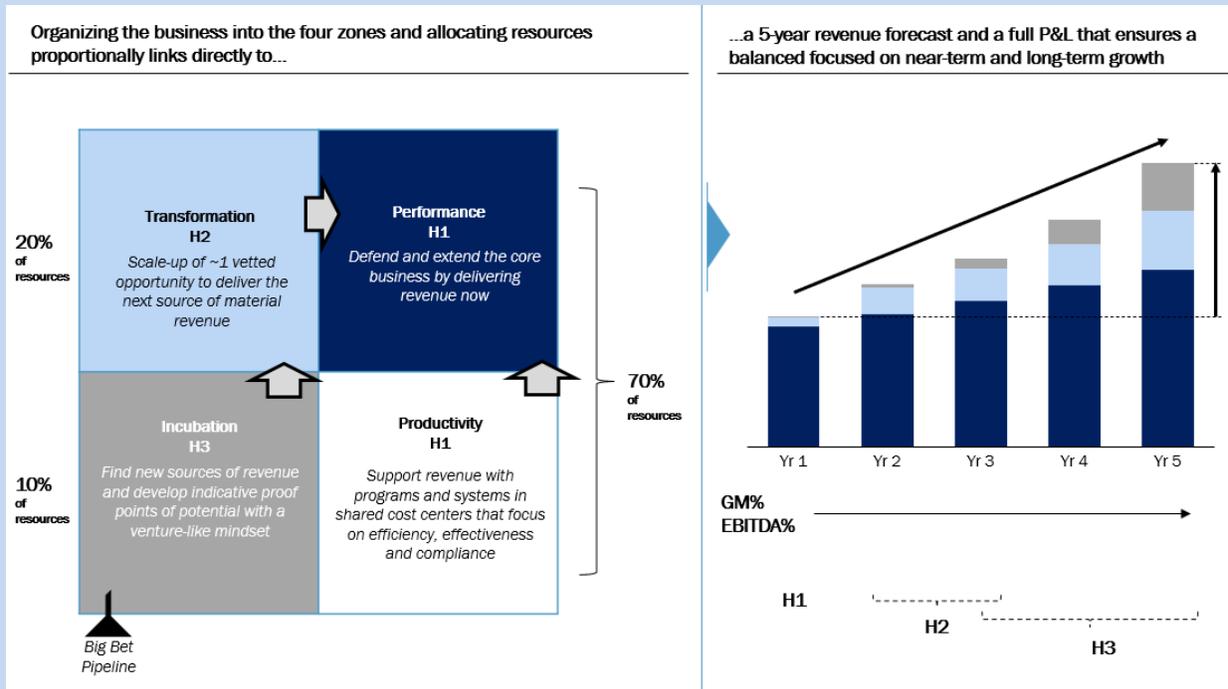
Large companies view the Incubation Zone as nurturing new business opportunities that typically take the form of a standalone startup, or an independent operating unit (IOU) according to Moore, where the startup is largely not reliant on colleagues in other zones. Whereas, small- and medium-sized businesses may simply be seeking to build a new product category, create a partnership ecosystem, enter a new vertical with distinctly different needs or explore a new channel to market or expand into a new region. Hence, these new business opportunities may not take the form of IOUs but rather have a center of gravity in the Incubation Zone but still rely on various parts of the broader business in other zones to build the new business. Bottom line, this zone is not the place for incremental improvements to the core business, but the new ventures selected may take different forms depending on the size and scope of the company.

The Transformation Zone

The Transformation Zone is a temporary, high-intensity, and massively disruptive institution. It is activated for one purpose only: to take a single, promising initiative from the Incubation Zone and scale it into a material, net-new line of business that can eventually take a place in the Performance Zone.[3] This is a Horizon 2 (2-3 years) effort that is, by definition, dilutive to the current operating plan and puts immense stress on the entire organization.[11] The culture is a "command culture," led directly by the CEO, with a singular focus on the transformation mission.[19] Moore is adamant that because of the extreme organizational disruption it causes, the Transformation Zone must only ever contain one initiative at a time.[16] This zone is the mechanism by which an enterprise can "free its future from the pull of the past" and successfully commercialize a disruptive innovation.[11] For most companies, this zone will be empty in most years, activated only once or twice a decade to drive a major strategic pivot.[16]

A Note on Investment Allocation and Time Horizons

*In terms of investment allocation across these zones, these authors posit that the widely practiced **70-20-10 rule**, popularized by Eric Schmidt and Sergey Brin at Google in the mid-2000s as way to balance short, medium and long term growth investment, can be applicable to this zone framework—but is not a rigid formula applicable to all circumstances.[26] Nevertheless, the guideline of 70% of resource allocation may be applied to the combination of the Performance Zone and Productivity Zone while 20% may be applied to the Transformation Zone and the remaining 10% to the Incubation Zone.*

Organizing the business into the four zones and allocating resources proportionally links directly to....

...a 5-year revenue forecast and a full P&L that ensures a balanced focused on near-term and long-term growth

20% of resources

Transformation H2

Scale-up of ~1 vetted opportunity to deliver the next source of material revenue

Performance H1

Defend and extend the core business by delivering revenue now

70% of resources

Incubation H3

Find new sources of revenue and develop indicative proof points of potential with a venture-like mindset

Productivity H1

Support revenue with programs and systems in shared cost centers that focus on efficiency, effectiveness and compliance

10% of resources

Big Bet Pipeline

Yr 1 Yr 2 Yr 3 Yr 4 Yr 5

GM%
EBITDA%

H1

H2

H3

This allocation provides companies of all sizes with a <u>starting point</u> to calibrate their investment levels and establish a path to execution on a transformation. Hence, this allocation is not a hard and fast rule but rather a simple thought starter to encourage companies to proactively pursue opportunities over different time horizons.

Each company, of course, has its own set of unique strategic, financial, operational and people-related circumstances that will require allocation of investment in a pragmatic way—along with the ability to modify it as the company evolves over time. For example, a healthy growing and profitable business will confront different allocation factors compared to a struggling company with declining margins in the

core business. Or the situation when no initiative has made it to the Transformation Zone—clearly the allocation will need to be distributed differently.

Lastly, the advent of AI could very likely impact the timeframe of the typical three time horizons used by many companies and popularized by McKinsey.[27] Rather than a 3–5-year timeframe used for new ventures in the Incubation Zone the longer-term horizon 3 could conceivably see compressed timeframes from the use of large language models and new ways of working in an AI world that accelerate time to impact. Hence, the timeframes applied to each horizon need to be customized to match the level of expected disruption and forecast period for when the initiatives across zones are anticipated to have a material impact on the business.

The key takeaway, therefore, is for the company to be explicit about its investment allocation and adjust it as circumstances arise while taking into consideration time horizons that match the context of its internal situation and external environment in the short, medium and long term.

2.2. Governance, Resource Allocation, and Leadership Mandates

The true power of the *Zone to Win* framework lies in its prescriptive approach to governance and leadership, which is designed to manage the inherent conflicts between the zones.

First, the framework establishes the **CEO's non-negotiable role as the leader of any transformation**. An initiative in the Transformation Zone cannot be fully delegated to a business unit head or a chief innovation officer, although these roles are needed to lead the day-to-day of the initiative. The CEO must personally take a hands-on role, secure all necessary resources, and enforce total alignment across the executive team.[4] This is because scaling a new, disruptive business requires overriding the priorities and resource claims of the powerful and profitable Performance Zone—a political act that only the CEO can execute. As Moore states, in a transformation, the CEO must adopt a "command and control, take no prisoners" approach, telling the organization, "You will align with me or you will leave".[20]

Second, the framework imposes the **"one bet at a time" rule for transformation**. A company cannot attempt to scale two or more major disruptive innovations

simultaneously. Doing so is a "showstopper" that guarantees failure by diluting resources, focus, and leadership capital.[16] This discipline forces the leadership team to make a clear, high-stakes choice about the company's future, channeling the entire organization's energy toward a single, critical outcome. Time and time again these authors have seen companies attempt to neglect this rule by leaning into more than one Big Bet that exits the Incubation Zone and enters the Transformation Zone. And every single time only one initiative ultimately commands all of the resources and attention.

While Moore does not comment on the volume of new initiatives to contemplate at once in the Incubation Zone, these authors have seen companies of all sizes take on too many ideas and dilute resources even in this zone. Hence, being judicious and using a gated process to quickly filter many ideas down to only a handful of ventures that emerge as candidates for the Transformation Zone is a winning formula.

Third, the framework mandates a **venture capital (VC) governance model for the Incubation Zone**. This zone should not be managed by the standard executive team, whose fiduciary duty biases them toward protecting the existing business.[4] Instead, it should be overseen by a "Venture Board," which may include the CEO, the head of product, and external experts with startup experience.[4] This board does not use the annual corporate budget cycle for spend approval. Instead, it allocates funding based on milestones, similar to a VC firm funding a startup through seed, Series A, and Series B rounds.[16] The metrics for this zone are explicitly not about financial return on investment (ROI); they are about learning, validating market potential, and creating viable options for the future.[4] This financial and operational separation is crucial to protect nascent ideas from premature judgment based on Performance Zone standards.[5] While large companies may find it easier to stand up a Venture Board with independent outside advisors, small- and medium-sized companies may not have the capacity to add another layer of governance. Hence, it can often be found that the Board of Directors, or a select member or two that have startup or transformation experience, can extend their support and counsel beyond their traditional duties.

Reflecting on these themes, the political reality of zone management cannot be overstated. The Performance Zone, generating the majority of the company's profit, naturally holds the most power and influence.[9] Its leaders are compensated based on short-term results and will instinctively resist any reallocation of top talent or budget to long-term, dilutive bets in either the Incubation Zone or Transformation Zone.[15] This creates a structural conflict that is the primary obstacle to innovation in companies of all sizes. Naturally, leaders in the Performance Zone will want their own piece of the action to pursue their respective growth initiatives so the CEO's role in a transformation is

therefore less about project management and more about the strategic expenditure of political capital. It involves forcing the powerful Performance Zone to subordinate its immediate interests to the long-term survival and growth of the enterprise. This explains why the CEO's direct, unwavering leadership is non-negotiable and why the political cost is so high that it can only be paid for one transformation at a time.

2.3. Strategic Postures: Zone Offense vs. Zone Defense

The *Zone to Win* framework provides two primary strategies for engaging with disruption, which Moore terms "Zone Offense" and "Zone Defense".[2] The choice of posture depends on whether the company is proactively creating a new market or reacting to a threat against its core business.

Zone Offense is the strategy for proactively creating a net-new line of business to "catch the next wave" of growth.[2] The goal is to take a promising venture from the Incubation Zone after it gains traction (defined as generating at least 1% of the company's total revenue), accelerate it through the Transformation Zone, and establish it as a new, material revenue stream (defined as generating at least 10% of the company's total revenue) in the Performance Zone.[2] This is an aggressive growth play. The canonical example is Salesforce's acquisition of ExactTarget and its subsequent transformation into the Salesforce Marketing Cloud.[12] Salesforce identified a disruptive wave (digital marketing automation), acquired a key asset, and then used the Transformation Zone playbook under CEO Marc Benioff's direct leadership to scale it into a multi-billion-dollar business, effectively adding a new "row" to its performance matrix.[2]

Zone Defense is the reactive strategy for responding when a competitor launches a disruptive attack on one of the company's core businesses.[2] The primary goal is not to create a new business but to neutralize the disruptive threat and modernize the existing business model to compete in the new paradigm. The strategy involves leveraging assets from the Incubation Zone to quickly reverse-engineer or partner to match the competitor's core innovation, while using the Transformation Zone to drive the necessary changes through the established Performance and Productivity Zones.[2] The quintessential case study is Microsoft's pivot under CEO Satya Nadella. In the early 2010s, Microsoft's core businesses—Windows, Office, and on-premises servers—were all under disruptive attack from mobile and cloud computing.[12] Nadella's "mobile-first, cloud-first" strategy was a masterclass in Zone Defense. He activated the Transformation Zone to pivot the company, shifting the on-premises server business to the growing Azure cloud platform and embracing competitors' mobile operating systems by

deploying Microsoft Office for Android and iOS. This neutralized the immediate threats and successfully transitioned Microsoft's core business models to a new, sustainable foundation.[12]

Section III: The Initiative Operating System: Mastering Big Bet Leadership

3.1. The Three Habits of Big Bet Legends

While *Zone to Win* provides the essential organizational architecture, *Big Bet Leadership* (BBL) offers the critical operating system needed to execute high-stakes initiatives within that structure. The BBL framework is derived from studying the consistent, critical leadership techniques of "Big Bet legends" like Jeff Bezos, Elon Musk, John Ledger and Satya Nadella, who have demonstrated a repeatable ability to beat the dismal odds of transformation success.[1] These leaders share three foundational habits in incubating and transforming that form the core of the BBL philosophy.

First, they **Create Clarity**. Big Bet legends reject vague, high-level notions of transformation. They are guided by a deep curiosity about the customer and a relentless drive to pinpoint the precise use cases, operational requirements, and core customer needs that define a winning solution. They continuously identify the most significant sources of ambiguity and risk, uniting their teams in a systematic effort to eliminate uncertainty. This habit combats the "fog of war" that dooms many initiatives from the start.[1]

It is one thing to ask the right questions but leaders at companies of all sizes also need to create forums and use tools applicable to the size of their organization to drive clarity across all levels on a regular basis. For example, these authors have seen an effective use of 'key decision escalations' to drive clarity in the face of ambiguity while pursuing a new

venture.   Ahead of a monthly operating review held by leadership, a request goes out to all teammates across all levels of the transformation initiative to identify key decisions that need resolution during the session (as opposed to a tops-down exercise as a way to get to the ground level of issues often unseen by leaders). Debates and discussion among leadership and invited subject matter experts around critical issues confronting the initiative at the ground level can therefore take place—whether it's a tactical topic such as how to prioritize the talk-track for an upcoming customer visit or more strategic in nature such as where to play in the value chain or how to make a tough product design decision. And then recording the outcomes in a decision log and distributing to all employees via 'monthly highlights', or otherwise, scheduling a 'monthly townhall' (or both) shortly thereafter to discuss the resolution live so the entire organization within the transformation initiative can understand the context and have an opportunity to get further aligned around the North Star of the initiative and be empowered to execute against it.

Second, they **Maintain Velocity**. These leaders understand that speed is a crucial feature, not a byproduct. They recognize that the comfortable, consensus-driven pace of large corporations, in particular—a state BBL calls "analysis paralysis"—adds material risk to any new venture. They create machinery and cultures that value rapid learning and early feedback, knowing that velocity decreases the risk of bloated initiatives, status quo thinking, and catastrophic failure. They have a keen sense for what must move fast versus what requires more deliberate design and engineering.[1]

Hence, these authors have seen successful leaders consistently prioritize opportunities to reduce friction, thereby enabling the organization to overcome analysis paralysis and move faster. For example, when the purchasing department residing in the Productivity Zone applies the same policies and procedures to the team in the Incubation Zone when it comes to buying something from a new vendor to support a quick experiment—rather than relaxing the standards to permit speed and taking a very small amount of risk to validate a commercial or technical hypothesis, the purchasing department still mandates that three quotes be collected from three different vendors, along with lots of paperwork before any selection and onboarding can be completed. Meanwhile, this could take months but the experiment to run will have already been completed by then. Hence, modifying the policies for the Incubation Zone by putting into place solutions such as a 'sole source justification form' to bypass the standard procedures, in this case, can make it easy to buy something in support of a quick experiment to maintain velocity without compromising purchasing department visibility.

Third, they **Prioritize Risk and Value**. Big Bet legends exhibit an unwavering

commitment to focusing on the highest-risk, highest-value aspects of a concept as early as possible. They accelerate fast, efficient testing on these critical points while aggressively deferring and delaying any scope that is not essential to de-risking the core value proposition. They possess a keen understanding of what is genuinely challenging versus what merely adds unnecessary complication. As Jeff Bezos once advised to Rossman, "*Don't let simple things become the hard things. Only let hard things be the hard things*".[1] This habit ensures that resources and attention are always focused on what matters most. Moreover, when Forti was leading a new venture inside the Incubation Zone during his operating experience he manifested this practice into establishing a "critical path to revenue," or the fastest means for testing and validating, which becomes a forcing mechanism for embodying Bezos' advice.

As Jeff Bezos once advised to Rossman, **"Don't let simple things become the hard things. Only let hard things be the hard things".**

For example, we have consistently seen examples of teams working on an initiative in the Incubation Zone that aspire to build an entire solution on their own, such as a full-stack tech offering, before putting into the market for testing of a key commercial hypothesis (e.g. does this offering create value for the customer). Rather than spending the time and money building the entire stack, successful BBL leaders identify what non-core and non-value-add aspect of the solution can be outsourced or otherwise benefit from off-the-shelf offerings. This way, the risk from the learning curve is minimized and the organization can spend its time on the value-add aspects of the solution where there is an opportunity to establish a source of differentiation that leads to customer value creation, all on a critical path to revenue.

3.2. "Thinking in Outcomes": The Art of Future-Back Design

The BBL system begins with a novel approach inspired by Amazon's "working backwards" approach and other co-creation techniques for defining a Big Bet, termed "Thinking in Outcomes." This methodology is a systematic process of working "future-back, risk-forward" to establish a clear and compelling vision from the very beginning.[1] It is

designed to rapidly cut through ambiguity and create a shared, precise definition of the initiative's purpose and destination. This process establishes what BBL calls the **Big Bet Vector**, a concept representing both the magnitude (speed and resources) and the specific direction between two precise coordinates: the current "wicked problem" and the exact desired future state.[1]
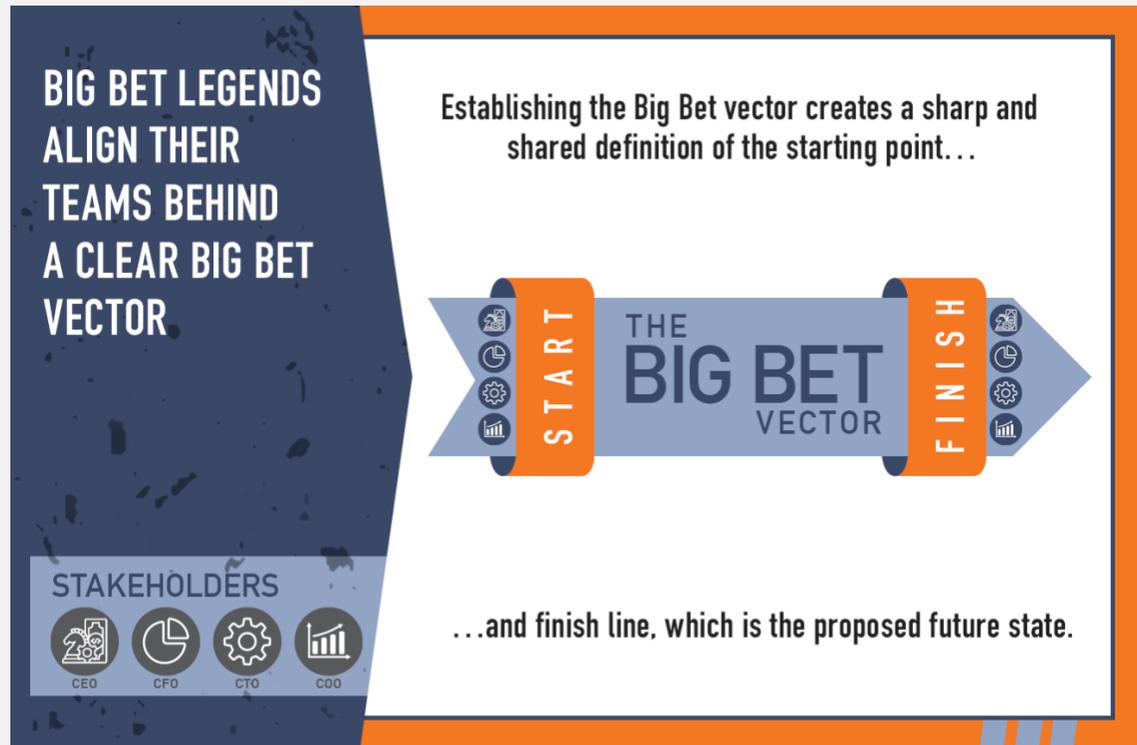

Figure 1: The Big Bet Vector

The process consists of three core, iterative activities, often captured in a series of memos that serve as "thought experiments".[1] Otherwise, in the case of small- and medium-sized companies it could be consolidated into one structured lightweight document produced in memo form or a list of detailed bullet points—whatever the company has the capacity to absorb for effective decision-making. In other words, the concepts are the same, but the application rigor can flex.

First is the **"What Sucks?" Memo**. This activity forces a deep exploration of the customer, problem, and market. It begins by posing the provocative and candid question, "What sucks?" to uncover truly vexing customer pain points, not minor inconveniences.[1] By identifying a significant unmet need, the team can then hypothesize a **"killer feature"**—a single, unique capability that will provide a decisive competitive advantage and be the primary reason customers choose the new product or service.[1] This focus on a singular killer feature, rather than a long list of requirements, is a critical constraint that enforces clarity and prioritization from the outset.

Second is the **Outcome Definition Memo**. Using the killer feature as the input, this memo provides a robust, narrative articulation of the future state. It often takes the form of a "future press release," a technique famously used at Amazon.[1] This document tells the story of the product's success from the customer's perspective, bringing the vision to life. It includes the killer feature, the customer value proposition, and a constrained list of no more than five "high-risk operating targets"—the most difficult operational targets (e.g., cost, quality, or speed) required to deliver the killer feature.[1] This narrative approach improves comprehension and creates a memorable North Star for the entire team.

These authors have consistently observed how companies of all sizes struggle to take this 'outside-in' approach, and rather, default to an 'inside-out' perspective when pursuing transformation initiatives. Companies oftentimes think through the lens of what products and capabilities the business possesses today and design the outcomes around what can be accomplished with them. Whereas, as with the Thinking in Outcomes technique, companies that truly start with the customer and work backwards are able to connect the dots with what customers need and therefore what should be developed—and then fill in the gaps compared to what products and capabilities exist today. It sounds easier than it is, but companies of all sizes must have thoughtful 'outside-in' minded team members to be successful with this Big Bet approach.

Third is the **Outcome Financial Memo**. This memo tackles the financial case for the Big Bet, but in a way that deliberately avoids the trap of "false precision" common in traditional business case exercises.[1] Instead of building a detailed spreadsheet to predict the future, the team crafts a narrative that identifies the limited and essential factors that must be true for the financial gains to be worth the effort. It uses a "reverse income statement" methodology, starting with the desired compelling financial outcome and working backward to define the key assumptions (e.g., market size, cost structure innovations, key costs to control) that need to be validated.[1] This shifts the focus from defending a forecast to designing a set of financial targets and constraints for verification.

When putting all three of these activities together into practice, an effective technique these authors have seen is the use of a 2-column version of the Memos with one column labeled with the 'initial perspective' and the second column with 'current learnings'. This way the teams can focus the basis of conversations around isolating what hypotheses have been validated along with the inevitable modifications collected along the way to help shape the relentless pursuit of clarity around the winning solution.

3.3. "Think Big, But Bet Small": The Discipline of De-Risking

Once the Big Bet Vector is established through "Thinking in Outcomes," the BBL operating system moves to a disciplined process of validation. This phase is guided by the principle of "Think Big, But Bet Small," a concept articulated by Jeff Bezos.[1] The philosophy rejects the notion of high-risk, "bet-the-company" wagers. Instead, it advocates for maintaining a bold, ambitious vision while making a series of small, efficient, and often reversible bets to test the critical risks and assumptions before making major, irreversible commitments.[1] The successful launch of Amazon Marketplace, which evolved through two prior failed models (Amazon Auctions and zShops), serves as a prime example of this iterative, risk-forward approach.[1]

The central tool for implementing this discipline is the **Big Bet Experiment Planner**. This is a simple but powerful mechanism for operationalizing the habit of prioritizing risk and value.[1]
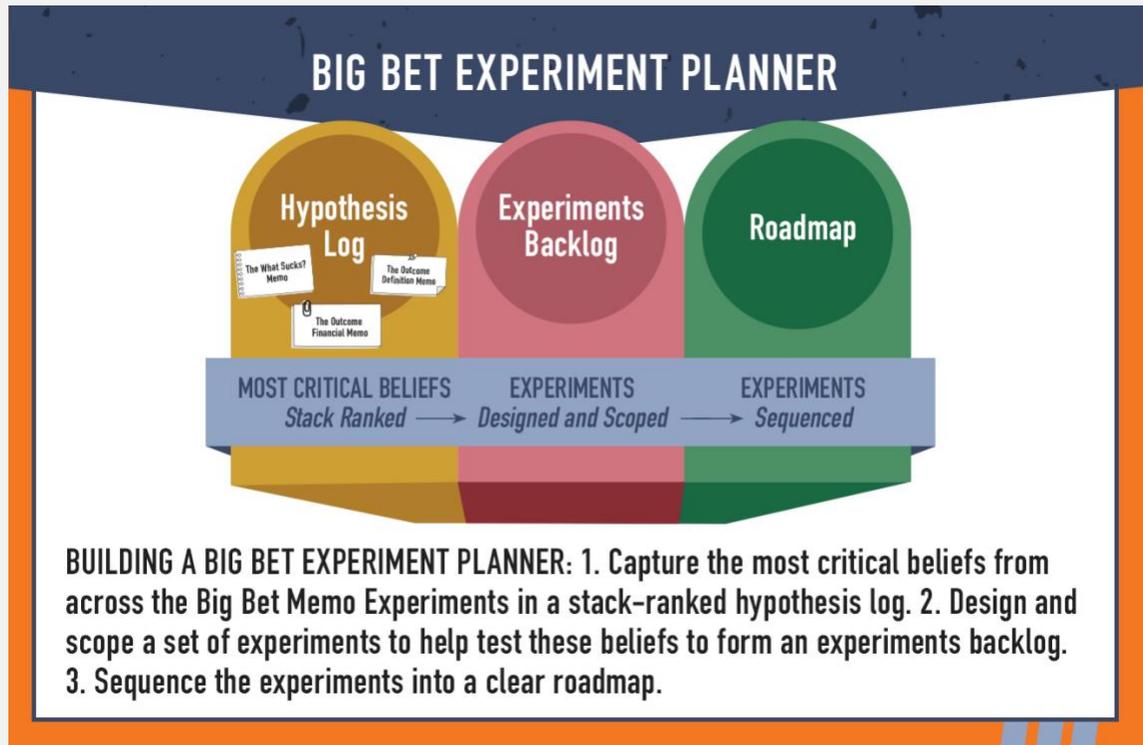

Figure 2: The Big Bet Experiment Planner

The process is straightforward:

1. **Identify Hypotheses:** The team revisits the memos created during the "Thinking in Outcomes" phase and extracts all the key beliefs that must be true for the Big Bet to succeed. These cover everything from the customer value proposition (from the Outcome Definition Memo) to the scalable economics (from the Outcome Financial Memo).

2. **Stack-Rank Hypotheses:** The consolidated list of hypotheses is then stack-ranked. The primary question for ranking is, "*How much more confident would I be about the likelihood of success if this hypothesis is true?*" Hypotheses that prove a distinctive customer value proposition and scalable economics should rise to the top.[1]

3. **Design Experiments:** For each high-priority hypothesis, the team designs the fastest and most efficient experiment to generate a proof point and reduce ambiguity. This could be a prototype, a Wizard of Oz test, market research, or a technical spike.[1] The goal is to achieve a high "return on experimentation" (ROE) or "return on effort".[1]

4. **Sequence the Work:** The team then prioritizes which experiments to run first, focusing on those that target high-value hypotheses, eliminate the most ambiguity, and consume the least investment. This creates a backlog of focused, risk-mitigating work, ensuring that the team avoids common pitfalls like prematurely building out scalable but low-risk components (e.g., a billing system) before validating that customers actually want the product.[1]

This entire methodology serves as a powerful antidote to corporate inertia. The constraints built into the BBL process—such as the focus on a single killer feature, the time-boxed memo experiments, and the relentless prioritization of the Experiment Planner—are all forcing functions. They are designed to counteract the natural tendencies of established organizations toward analysis paralysis, risk aversion, and incrementalism. BBL is not merely a project management framework; it is a cultural intervention designed to inject the velocity, focus, and risk tolerance of a startup into a corporate environment, enabling it to successfully execute Big Bets.

Section IV: The Unified Framework: Integrating Big Bet Leadership into the Incubation and Transformation Zones

4.1. The Core Synthesis: Structure Meets Operating System

The integration of Geoffrey Moore's *Zone to Win* and Rossman and McCaffrey's *Big Bet Leadership* creates a comprehensive, end-to-end management system for executing on transformations and disruptive innovation within an established company. This unified framework resolves the primary conflict between sustaining core operations and nurturing future growth by assigning each activity to its proper place and providing it with the right tools to succeed. *Zone to Win* supplies the essential organizational **structure**, creating protected environments where new ventures can develop without being crushed by the core business. *Big Bet Leadership* provides the tailored **operating system** for those ventures, equipping them with the specific methodologies needed to navigate uncertainty and drive toward scalable success.

This synthesis directly addresses the most common failure mode for corporate innovation: the "innovation theater" of creating isolated labs or incubators that ultimately produce no material business impact. These initiatives often succeed in achieving organizational separation (in effect, creating an Incubation Zone) but fail because they are not equipped with a distinct operating system. They are staffed with fractional resources, lack a dedicated, single-threaded leader, and are inevitably judged by the Performance Zone metrics of short-term ROI. The integrated framework solves

this by mandating both the structural separation of *Zone to Win* and the bespoke operating system of *Big Bet Leadership*. That being said, oftentimes small- and medium-sized companies use fractional resources out of necessity given the resource capacity constraints, especially with very small companies. In these instances, it becomes critical, at the very least, to carve out one person to be the dedicated, single-threaded leader for the initiative. That way, at least one person wakes up everyday thinking about the initiative in a 360-degree manner and embodies the practices of the *Big Bet Leadership* system.

4.2. The Incubation Zone Operating Model

Under the integrated framework, the Incubation Zone becomes a professionally managed portfolio of early-stage ventures—or Big Bets. Its operations are governed by the principles and tools of BBL, executed under the unique governance structure prescribed by ZtW.

- **Process:** Each potential new venture within the Incubation Zone is managed as a "Big Bet Memo Experiment".[1] The "Think Big, But Bet Small" philosophy is the zone's prime directive. Teams are tasked with using the "Thinking in Outcomes" methodology to rapidly define customer pain points ("What Sucks?" Memo), articulate a compelling future state ("Outcome Definition Memo"), and outline the critical financial assumptions ("Outcome Financial Memo").[1] The output of this work is not a business plan, but a "Big Bet Experiment Planner" that prioritizes the highest-risk hypotheses for validation.[1]

- **Environment and Culture:** The "Opening Moves" and "Championship Habits" described in *Big Bet Leadership* become the cultural foundation and rules of engagement for the Incubation Zone.[1] This involves creating, namely at the early stages of the venture, a dedicated, full-time "two-pizza team" (or even "one-pizza team" in the new era of AI) with a "get to yes" mindset, empowered to bust bureaucracy and operate with a velocity alien to the rest of the organization.[1]

- **Performance Management:** Progress is not tracked through traditional status reports. Instead, performance evaluation is based on the principle of "Trust, but Verify," with a relentless focus on proof points: live demos, prototype testing results, and customer feedback sessions.[1] This "manage by proof points" approach provides an unvarnished view of actual progress.

- **Governance:** The zone is overseen by a "Venture Board," as prescribed by Moore, which acts like an internal venture capital firm.[4] This board's primary role is to review the Big

Bet Experiment Planners for each incubated idea. Its funding decisions are not based on annual budgets but are structured as milestone-based tranches (e.g., seed, Series A).[16] Funding is released upon the successful validation of critical hypotheses through the designed experiments. The Venture Board uses the BBL "Continue, Kill, Pivot, or Confusion" framework to make these high-stakes decisions, ensuring that resources are allocated to the most promising ventures while shutting down those that fail to prove their core assumptions.[1]

- **Transition Criteria:** An initiative graduates from the Incubation Zone and becomes a candidate for the Transformation Zone only when its Experiment Planner demonstrates that the core hypotheses have been sufficiently de-risked. This means the team has generated at least 1% of the total company's revenue with strong evidence for a compelling customer value proposition, a path to >10% of the total company's revenue with scalable and advantaged unit economics, and the technical validation of the killer feature.[1] The Venture Board's decision to recommend an initiative for transformation is the ultimate validation of the incubation process.

To help with implementing activity within the Incubation Zone a portfolio kanban with maturity stages can be used to establish clear scope and expectations for applying these techniques and advancing the venture forward with the Experiment Planner. For each new venture individual 'Objectives' corresponding to the Experiment Planner can be advanced through their respective maturity stages (see more detail on Objectives in Section 5.1 below).

Table 2: Maturity stages for the Incubation Zone

Maturity Stage	Description	Output	Criteria to Move to Next Stage
7-Product Market Fit	Customer acceptance from multiple paying customers using a minimum marketable product (MMP)	MMP with full rollouts and validated value for customers with a detailed business case for scale-up	Validated candidate for Transformation Zone (i.e. generating >1% of total company revenue with potential to generate >10%)
6-Solution Fit	Viable solution using a minimum viable product (MVP) and revenue generated with at least 1 paying customer	MVP and validated value	Feasibility of technical solution and growth potential with market viability
5-Problem	Real opportunity to test a	Revised Thinking in	Market opportunity worth

Maturity Stage	Description	Output	Criteria to Move to Next Stage
Definition	proof of concept with enough resources to nurture a new business via R&D and market development work	Outcomes Memos Revised Big Bet Experiment Planner	pursuing with a clear hypothesis for the solution and corresponding value
4-Backlog	Planning stage for an attractive initiative	Final definition and scheduling	Approval for resourcing
3-Analysis	Refined concept with hypotheses for business value and level of effort	Thinking in Outcomes Memos Big Bet Experiment Planner	Approval to refine
2-Review	Preliminary assessment of attractiveness and ability to execute	Preliminary hypotheses Scoring of the idea	Approval to prepare the Memos
1-Idea Pipeline	Pipeline of new initiatives	Opportunity description	Approval to do a quick screen

4.3. The Transformation Zone Execution Model

When a single, validated initiative is selected to be scaled into a new line of business, the Transformation Zone is activated. This is the moment the enterprise makes its "Big Bet" commitment. The entire BBL playbook now becomes the execution manual for this zone, championed directly by the CEO.

- **Activation and Leadership:** The decision to move an initiative into the Transformation Zone represents the ultimate "Continue" decision in the BBL framework—a major, irreversible commitment of capital, resources, and organizational focus.[1] As mandated by ZtW, the CEO personally becomes the initiative champion and selects a trusted leader to take charge of the day-to-day, becoming the "single-threaded leader" or "Directly Responsible Individual (DRI)" for the initiative's success.[1] This signals to the entire organization that the transformation is the company's number one priority, trumping even the short-term performance of the core business.[19]

- **Environment and Culture:** The CEO acts as the "heat shield," protecting the team from

the gravitational pull and distractions of the broader enterprise.[1]

- **Management and Governance:** The CEO and the transformation team continue to use the *Big Bet Management* playbook (see Chapters 6-8 of *Big Bet Leadership: Your Transformation Playbook for Winning in the Hyper-Digital Era*[1]) to drive the initiative.

  - Stakeholder Alignment: The "Canary in the Coal Mine" approach, utilizing a "Three Futures Memo," is deployed early to surface, debate, and resolve potential misalignment with leaders in the Performance and Productivity zones, who will inevitably feel the strain of diverted resources and attention.[1] This proactive management of internal politics is critical for maintaining momentum.

  - Performance Management: As with the Incubation Zone, progress is not tracked through traditional status reports. Instead, governance continues based on the principle of "Trust, but Verify," while new scale-up metrics are also introduced, namely revenue hypergrowth, win/loss ratios, churn, customer acquisition costs and partner engagement levels.

  - Risk Management: The framework institutionalizes skepticism. Independent advisors, "Red Teams," and "Rude Q&A" sessions are used to actively pressure-test assumptions, identify blind spots, and challenge the team's biases.[1] The communication culture is one of "featuring the bad news," where problems and risks are surfaced immediately rather than being buried in optimistic reports.[1]

As with the Incubation Zone a portfolio kanban with maturity stages can be used to establish clear scope and expectations for applying these techniques and scaling up the transformation initiative. However, the maturity stages are slightly modified to account for the scale-up effect and more complexity. The three venture-oriented stages after Backlog are replaced with more traditional stages. The individual 'Objectives' corresponding to the upgraded and expanded Experiment Planner can be advanced through their respective maturity stages (see more detail on Objectives in Section 5.1 below).

Table 3: Maturity stages for the Transformation Zone

Maturity Stage	Description	Output	Criteria to Move to Next Stage
7-Completed	Completed Objectives	Completed work product	Not applicable (but enough completed Objectives could form the basis to move the initiative into the Performance Zone)
6-Maintenance	Post-implementation support of the Objectives	Released work product	Approval to mark as completed
5-Resourced	Actively resourced Objectives	Work product of implementation	Completed or requires ongoing maintenance
4-Backlog	Planning stage for an attractive initiative	Final definition and scheduling	Approval for resourcing
3-Analysis	Refined concept with hypotheses for business value and level of effort	Thinking in Outcomes Memos Big Bet Experiment Planner	Approval to refine
2-Review	Preliminary assessment of attractiveness and ability to execute	Preliminary hypotheses Scoring of the idea	Approval to prepare the Memos
1-Idea Pipeline	Pipeline of new Objectives that need to be prioritized as to whether to screen	Opportunity description	Approval to do a quick screen

Section V: Consolidating Big Bet Leadership and Zone to Win into an Integrated Zone Playbook for the Company to Mobilize Around

5.1: Building the Zone Playbook

Companies of all sizes need a way to easily communicate and monitor the priorities across the business, including the Incubation Zone and Transformation Zone, in a way that captures the essence of the *Zone to Win* framework and *Big Bet Leadership* operating system.

This is where, as Forti calls it, a *Zone Playbook* comes into play—a management tool that links strategy with execution by codifying what the company is trying to do and how it intends to accomplish it. It ultimately serves as the foundational reference point within the annual operating cadence that the company can mobilize around. Furthermore, in doing so it serves as a forcing mechanism that brings visibility to trade-offs and facilitates governance discussions that would otherwise not occur. Therefore, it ensures the transformation can flourish and the company can proportionally balance the competing priorities across the business.
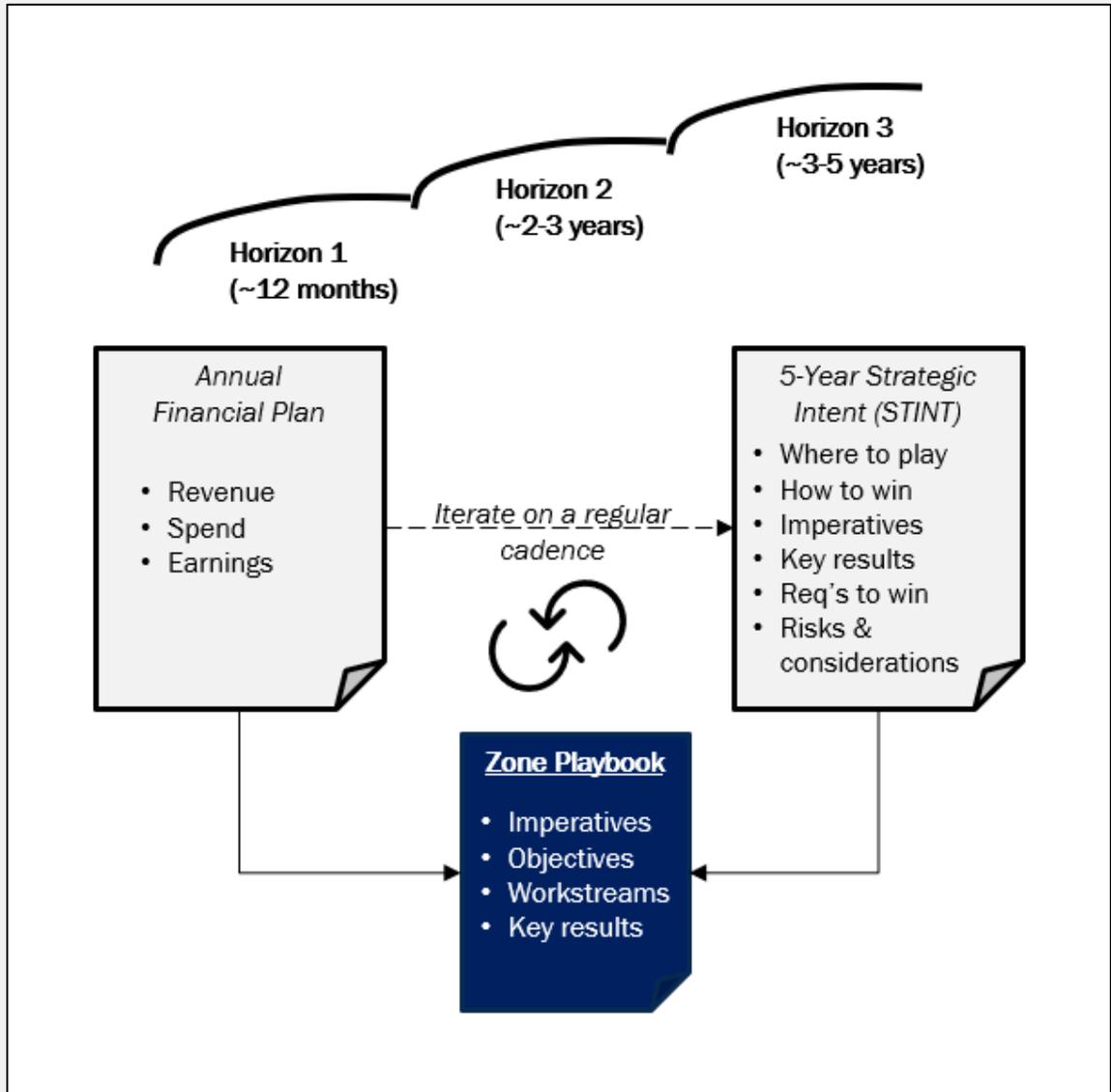
Figure 3: Translating strategy to execution via a Zone Playbook

The table below shows how cascading *Imperatives* down to *Objectives* within each zone drives alignment and focus across the company and functional departments while the *Workstreams* make it real for teams, i.e. how work gets done but linked back to how it fits into the broader company.

Table 4: Elements of the Zone Playbook

Zone Playbook Overview				
	Company Level		**Functional Level**	**Team Level**
Zone	Imperative	Key Results	Objectives	Workstreams
For each of the four zones: Performance Productivity Transformation Incubation	The broad, high-level mandates that align with the Zone and are essential to achieving the compay priorities across horizons Gives clear direction and purpose	Measurable outcomes or metrics that track progress towards an Imperative Helps to define success in a concrete way	Critical actions or projects necessary to accomplish the key results Sets the operational focus within the context of the Imperatives	Actionable, tactical steps taken to achieve the Objectives Broken down into smaller projects and daily work tasks

It is important to limit the overall number of *Imperatives* to between 5 and 10 to make the *Zone Playbook* digestible for the organization. Keeping *Objectives* with each *Imperative* to a manageable level is equally as important. A litmus test for leadership is whether the company and functional level information can be extracted and captured within one-page, known as the *Zone Playbook Summary*, as shown below:

Table 5: Illustrative one-page Zone Playbook Summary

One-Page Zone Playbook Summary					
Zone	**Imperative**	**Key Results**		**Objectives**	
Performance	Imperative #1	[Insert targets]	[Insert actuals with R/Y/G status]	[Insert objectives]	[Insert R/Y/G status]
	Imperative #2	[...]	[...]	[...]	[...]
	Imperative #3				
Productivity	Imperative #4				
	Imperative #5				
	Imperative #6				
	Imperative #7				
Transformation	Imperative #8				
Incubation	Imperative #9				
	Imperative #10				

This summary can be shared across the organization and refreshed regularly to further drive focus and alignment for delivering the desired outcomes across the entire business, not just for the transformation initiatives, per se. Keep in mind that a derivative version can also be created for each transformation initiative as desired by the respective

leaders. In that case, the *Objectives* would elevate to become the *Imperatives* while the *Workstreams* would elevate to become the *Objectives*, and so on.

5.2. Putting the Zone Playbook into Context: Iterating During the Company's Annual Operating Cadence

Once a *Zone Playbook* is constructed it can be deployed within the context of the annual operating cadence used across the *entire* company—however structured or ad hoc it may be. Either way, it is important to ensure it is used as the foundation of discussions to bring visibility into the transformation initiative, so it is accounted for holistically during decision-making, along with everything else going on across the company. In other words, trade-off decisions are inevitable (e.g. budget allocation, talent needs, etc.) so the impact to the transformation initiative needs to be considered when people in the room are making decisions. This systemic connectivity will drive company-wide alignment while navigating the shifting nature of a transformation.

Now there is no 'one size fits all' approach for outlining an annual operating cadence— never mind the fact that it will likely evolve over time anyway as new leaders come and go or as practices evolve. Hence, the details of each component of an annual operating cadence (such as those included in *Figure 2*) are outside the scope of this report.

Rather, what is relevant within the context of this report is how the *Zone Playbook* can be utilized across each of the relevant perspectives of the business throughout the calendar year to ensure the transformation initiative succeeds inside the broader context of the entire company—and so it is not isolated from others who operate outside of the Transformation or Incubation Zone but indirectly can influence the outcomes. Take the *Zone Playbook Summary*—its value lies not within the one-page document or the framework itself; it's how it is used during the operating cadence and how it serves as the reference point that underpins decision-making.

This systemic connectivity will drive company-wide alignment while navigating the shifting nature of a transformation.
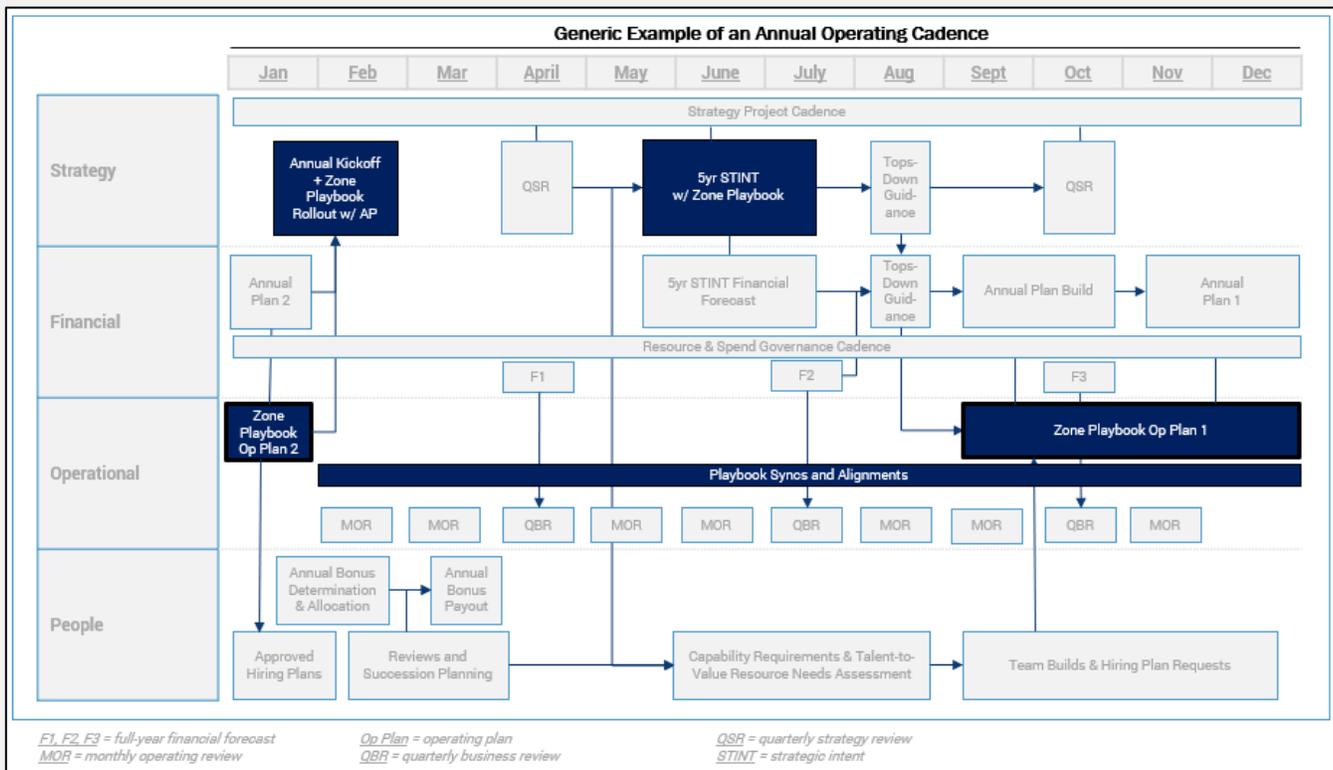
Figure 4: Illustrative example of an annual operating cadence highlighting the Zone Playbook

Below are four perspectives to contemplate, along with illustrative intersection points with the *Zone Playbook* and topics to raise regarding the transformation efforts (as they relate to both the Transformation Zone and Incubation Zone):

- **Strategic:** this perspective refers to the art and science of determining where to play (i.e. markets, products and customers, etc.) and how to win (i.e. capabilities and sources of differentiation, etc.). Oftentimes companies have a dedicated strategic planning cycle in which a strategy team identifies external trends in the served and adjacent markets and evaluates the opportunities and threats they pose to the existing business, including its market position and long-term goals. This may take place during ongoing strategy projects and manifest into quarterly strategy reviews and long-term planning sessions during STINT reviews—forums where the prescription of the 'strategic intent' of each business unit or division, as well as shared service functions, is provided over a forecast period, such as 5 years, or whatever duration is relevant to the business cycles within the company.

  Hence, determining if any of the findings collected throughout the cadence impact the transformation initiative, and thereby, require actionable changes is a valuable reconciliation exercise in spirit of continuously challenging the merits of the initiative, ensuring it has the necessary capabilities and support, and validating the upside while minimizing the downside—so either stay the course and persevere or otherwise pivot and revise, as applicable. For example, did the market landscape change from M&A

consolidation or did a high priority targeted prospective customer change its own strategic direction and no longer become relevant to the transformation initiative? Did a competitor or new entrant introduce a similar product offering that squarely competes with the transformation initiative, thereby requiring a re-think of a key source of advantage?

When all is said and done, any new updates to the *Zone Playbook*, whether that being Imperatives, Key Results or Objectives, need to be rolled out during the annual kickoff early in the year. That way, teams are aligned to where the business is going and what should be accomplished.

- **Financial:** this perspective contemplates 1) financial forecasting, whether a long-range view over the STINT period or simply next year's P&L, investment and working capital needs; 2) whether any financial metrics or ratios need to be governed; and 3) how spend and capital will be allocated across the company departments and business units or divisions.

  Now even though dynamic funding of ventures in the Incubation Zone should not be conducted in accordance to the overall company's annual budgeting timeline (as highlighted earlier in this report), the financial implications of the ventures still need to be considered within the overall picture of the company's investment and spend allocation. For example, how much funding can be allocated to the venture during a new fundraising round while still permitting the company to balance all of its other imperatives? Plus, did another venture get funded and it's spend run-rate will carry forward in the next year? Or did a venture get cancelled to free up spend capacity to absorb the new venture spend? Therefore, the annual budgeting cycle should set the overall spend context for new ventures while funding should be released (following approval of the venture board) during 'off-cycle' forums as milestones are achieved.

  On the other hand, the financial performance outlook and investment-related scale-up factors for the single initiative in the Transformation Zone need to be considered from a financial perspective. Is the initiative scaling up faster than anticipated? More or less profitable? Does it need more spend to be allocated from the Performance Zone to stay within the overall company's spend targets or is it self-funding yet? For public companies this will be important for providing full-year guidance to the investor community. For private equity sponsored companies the institutional investor may need to incorporate this information into a refreshed view on the enterprise value of the business along with exit planning and implications on fund returns.

  Each of these topics is often addressed during a variety of forums during the year, namely in concert with the STINT planning sessions (the output of each session is added to the refreshed financial view for the entire company), the annual budgeting sessions typically conducted in Q4 ahead of the new year, and spend governance reviews along with rolling forecast refreshes to compare variances to the original budget.

- **Operational:** this is the bread-and-butter execution perspective—the fundamental day-to-day muscles of the transformation initiative. It straddles the go-to-market performance, the product development process, the platform engineering and development, manufacturing and supply chain management, customer success and all of the other dedicated or supporting functions that drive the efforts forward each day.

  As the operating cadence unfolds throughout the year the strengths and weaknesses of the initiative inevitably come to light. Why is the initiative succeeding or failing? Are there sources of friction impeding progress, whether external market-facing factors or internal obstacles reducing velocity, such as support from other departments across the company? What needs to change—should new Objectives or Workstreams be added to the *Zone Playbook*?

  Common forums include: 1) some fashion of regular *Zone Playbook* 'syncs' where cross-functional and cross-company teams synchronize around execution required to meet the Objectives; 2) a monthly and quarterly review cadence to review the actual and forecasted performance across the company; and 3) the operating plan buildout for the following year (i.e. a refresh of the Objectives and Workstreams within the *Zone Playbook* after the Imperatives have been defined).

- **People:** everything related to talent, team builds, succession planning and compensation are included in this perspective. As the long-range STINT plan is inked during the year and the tops-down guidance is received for what the company aspires to accomplish in the upcoming year the first look in the people perspective is whether the right organization exists to execute on the transformation initiative, including whether the org structure remains relevant or whether the right talent is available and in the right roles, regardless of which layer—including the single threaded leader down to the ground level.

  Star players and rising leaders should be given the opportunities to make a meaningful difference while low performers need to be moved out and into a different role or transitioned to other parts of the company, altogether. Is an essential team member planning to retire? Then the backup successor needs to be transitioned into the role in an ordinary fashion. Are the compensation incentives still aligned to the current reality of the initiative and level of employee engagement? If not, they need to be evaluated and revised accordingly. All of this ultimately needs to be rolled up into a final team build and hiring plan with corresponding compensation linked to the annual operating and financial plan.

  Typical people elements of the annual operating cadence are: 1) some form of an employee review cycle (e.g. mid-year, 1x per year, etc.) that evaluates individual contribution against the relevant Imperatives and Objectives in the *Zone Playbook*; 2) a bonus or otherwise an incentive compensation payout and determination process based on the prior year's performance; 3) a refresh of the overall talent evaluation (think: 9-box placement) and corresponding succession planning (think: who could be a replacement

for a key leader and what roles and experiences should they be collecting to ensure readiness); 4) the talent and skillset gap analysis and action plan stemming from the output of the long-range STINT planning determination (e.g. the company aspires to add more Gen AI skills); and 5) the subsequent team build-outs and hiring plans linked to the annual operating plan and *Zone Playbook* for the upcoming year.

5.3. Governing Trade-Offs: Making Decisions When Pressure Rises to Support the Core Business at the Expense of Transformation

Organizations inevitably experience ongoing tension between serving the core business in the Performance Zone and Productivity Zone while building the future business in both the Incubation and Transformation Zones. It surfaces in everyday activity and during forums connected to the annual operating cadence—and is often exacerbated the smaller the company given talent is thin and demand for support from high performers is intensified. Thus, when the core business priorities start pulling oxygen from the transformation initative, leaders need to employ disciplined governance—not emotion—to keep the balancing act intact.

When indicators of the overall company performance begin flashing yellow or red—be it a sales miss, margin erosion, a working capital squeeze or emerging concerns of covenant breaches—the first instinct of leaders can be to immediately cut investment outside the core, reassign top talent to fix the core, freeze hiring across the board, or worse, suspend Big Bets entirely. This is not an operational decision but rather it's a strategic decision so governance must treat it as such.

Hence, an essential rule of governance in this inevitable situation is to make the trade-offs explicit—no silent erosion of the transformation initative should occur. This is where companies oftentimes struggle. Office politics, self-serving motivations and poor escalation feedback loops, for example, create obstacles. Leaders need to work hard to overcome them in order to keep a pulse on the transformation. They can achieve this by monitoring early-warning signs that indicate a problematic trade-off is emerging or otherwise already exists and needs immediate attention.

Typical warning signs include:

- ✓ Transformation milestones begin slipping or repeated deferral of roadmap items are highlighted because managers note that "*the business is busy*"
- ✓ High performing talent is reassigned to fire drills in other parts of the business
- ✓ Language such as "*let's revisit next quarter*" is used
- ✓ Budget reductions are framed as "*temporary*"

During these moments, leaders should declare the trade-off, use a structured escalation path and apply clear criteria to make an informed decision (with board approval where applicable). For example, below is a simple escalation path to follow so the right leaders can be presented with the information for review and deliberation:

- <u>Step 1</u>: define the competing priorities (e.g. deliver an EBITDA target for the core business vs. completing a transformation milestone that is at risk);
- <u>Step 2</u>: quantify the impact (e.g. short-term upside/downside for EBITDA vs. long-term NPV or strategic positioning impact); and
- <u>Step 3</u>: present the decision as a portfolio trade-off or capital allocation decision (e.g. "*we are choosing between protecting $10M in this year's EBITDA versus preserving a $200M Big Bet growth vector over the next 3 years*")

Next, leaders should rely upon clear decision criteria to inform the resolution as part of the company's governance. *Table 6* below is an illustrative example:

Table 6: Trade-Off Criteria and Resolution

Criteria	Key Question(s)	Trade-Off Resolution

Strategic Necessity	• Is the transformation:
	  ○ Defensive (prevents disruption?)
	  ○ Offensive (new growth vector)?
	  ○ Optional experiment?
		Defensive transformation should be protected over the core business priority

Time Sensitivity	• Is there a window? • Is a competitor moving fast? • Does delay reduce probability of success?	Protect the transformation if delay kills momentum; otherwise, flex if delay only slows
Spend Intensity	• Does the transformation spend have high fixed costs?	High fixed cost transformation is harder to restart so be cautious if stopping means rebuilding from zero
Talent Scarcity	• Can you replace the transformation leader if s/he leaves? • Is the transformation threatened if a high	Institutional memory is lost if the leader cannot be replaced Revert to 'Time Sensitivity' above if a temporary reassignment kills

	performer is temporarily reassigned to fight a fire? • Will 'temporary' support become permanent resulting in resource drift?	momentum; otherwise, consider a 'time-box' for loaning a high performer if transformation is not threatened

Financial Stability Threshold	• Does the priority in the core business threaten:
	    ○ Liquidity?
	    ○ Covenants?
	    ○ Payroll?
	    ○ Core customer relationships?
		If 'yes', then priorities in the core business may temporarily outrank the transformation because survival beats strategy

Following these guidelines will ensure balanced protection of the transformation initiative while ensuring the health of the overall business. However, when decisions do result in suspension of the transformation or temporary reallocation of resources to address a priority in the core business leaders (and boards as applicable) should establish an agreement on the time-boxed duration (e.g. 90-days), the explicit recovery milestones (e.g. criteria to return the high performer back to the transformation) and a defined review date to recommit to the transformation initiative in full. It is important not to allow indefinite suspension, talent loans or spend reductions without having set clear expectations up front. Otherwise, it can become a self-fulfilling prophecy that results in a reactive culture and slow erosion of the transformation due to neglect—being intentional is paramount.

Section VI: Bringing it All Together: An End-to-End Example of Executing a Big Bet with the Integrated Management System

To illustrate how the integrated management system works in practice, consider the lifecycle of a single, transformative AI Big Bet example within a large, established enterprise.

Phase 1: Incubation

Insights learned from the company's annual strategic planning cadence reveal a frontier technology known as "AI" is poised to unlock substantial productivity and cost savings over the horizon 3 timeframe, or 3-5 years.

The corporate strategy team identifies a "wicked problem": enterprise knowledge workers spend an inordinate amount of time on low-value, repetitive coordination tasks, creating massive inefficiency. The team believes a new class of "autonomous AI agents" could solve this problem. The goal is to drive the product to its "Minimum Marketable Product" (MMP) stage and secure the first 10 enterprise customers within 18 months.[1]

- **Linking to the Company's Operating Cadence**: The tops-down guidance from the executive team is to identify a small intrapreneurial team to explore this hypothesis in the form of a new Imperative in the Incubation Zone. The company CFO notes during the annual financial plan build exercise conducted in Q4 that the company has some available capacity to fund the activity while remaining in line with their customized

investment allocation guidelines. Following the annual talent capability and needs assessment a handful of individuals are carved out from their day jobs, backfilled using their previously defined successor plans and mobilized to begin in the new role with a fresh incentive compensation plan.

- **Thinking in Outcomes:** The team is chartered by the company's Venture Board to conduct a "Big Bet Memo Experiment." They write a "What Sucks?" memo detailing the pain of workflow management. They then craft an "Outcome Definition Memo" in the form of a future press release, with the headline: "GrokIt Technologies Announces Autonomous AI Workforce, Saving Clients $10 Billion in Verified Operational Expenses".[1] Their killer feature is a "set and forget" platform that requires no programmers to configure.[1]

- **Think Big, Bet Small:** The team creates a "Big Bet Experiment Planner." Their top-ranked hypotheses are: (1) Customers will trust AI agents with critical business processes, and (2) The unit economics of running these agents can be made profitable at scale. The Venture Board provides seed funding to run experiments. A "two pizza" team builds a simple "Wizard of Oz" prototype where humans simulate the AI agents behind a simple UI, testing the core value proposition with a handful of friendly customers.

Phase 2: Transformation

The venture team is expanded using funding allocated outside of the company's normal allocation cycle. The team uses the monthly operating reviews and zone playbook sync cadence to move the initiative through the maturity stages of the Incubation Zone. Initial experiments are highly successful ultimately demonstrating product-market fit by delivering $20M in revenue (or 1% of the company's total revenue) and validating strong customer demand. The team prepares an updated business case outlining a 10x scale-up potential with a plausible path to profitability. The Venture Board, after reviewing the results and the scale-up plan, recommends the initiative to the CEO. The CEO, seeing the potential for a new multi-billion-dollar business line, agrees and decides to activate the Transformation Zone.

- **Leadership and Environment:** The CEO publicly declares the "Autonomous AI Workforce" project as the company's single top priority. She appoints a senior, trusted executive as the full-time "single-threaded leader" and charters a dedicated, co-located team with top talent from engineering, product, and sales, pulling them from their roles in the Performance Zone. The Zone Playbook is updated to show this Imperative in the Transformation Zone and rolled out during the company's upcoming annual kickoff

event.

- **Execution and Governance:** The CEO chairs a weekly "Trust, but Verify" meeting focused exclusively on demos of the evolving product and the results of ongoing experiments. She uses the "Three Futures Memo" to force a crisp, aligned decision with the CIO and CFO on the platform's architecture and long-term funding model during the company's annual operating cadence, preempting future conflicts and clearing the path for transformation success. When the core business leaders complain about losing top talent, the CEO acts as a "heat shield," reinforcing the priority of the transformation and holding them accountable for supporting the scale-up of the initiative. The goal is to drive the product to its "Minimum Lovable Product" (MLP) stage and secure the next 100 enterprise customers within 18 months.[1]

Phase 3: Graduation to Performance

After two years of intense, CEO-led focus, the Autonomous AI Workforce platform has achieved significant market traction, exceeding $200 million in annual recurring revenue and growing at over 100% year-over-year. It has reached a "tipping point" of material scale, representing nearly 10% of the company's total revenue.[19]

- **Transition:** The CEO declares the transformation phase complete. The initiative "graduates" and becomes a new, formal line of business within the **Performance Zone**. The transformation team is paid out their previously defined incentive compensation and the overall company's bonus pay out calculation is updated to account for the results and shared support—everyone wins. Next, the initiative is given its own P&L, a General Manager is appointed with the relevant experience to build the business even further, and its targets are now integrated into the company's annual operating plan. The Transformation Zone is deactivated, ready to be used for the next major transformation years down the road and the company's Zone Playbook is updated to account for the milestone. The company has successfully used the integrated management system to navigate the full lifecycle from a nascent idea to a new engine of growth.

Section VII: Conclusion and Executive Recommendations

7.1. The Mandate for a New Management System

The Hyper-Digital Era, supercharged by artificial intelligence, presents a stark choice for incumbent enterprises: disrupt or be disrupted. The historical data is unequivocal—traditional management approaches are insufficient for this challenge, leading to a failure rate for major transformations that exceeds 70%.[1] Continuing to operate under the old management system while hoping for different results is no longer a viable strategy. Survival and growth in this new landscape require a fundamental shift in how leaders structure their organizations, govern innovation, and execute high-stakes initiatives.

The integrated framework presented in this report—fusing the organizational architecture of Geoffrey Moore's *Zone to Win* with the initiative operating system of *Big Bet Leadership*—provides a pragmatic and proven management system for navigating this challenge. It is not a theoretical exercise but a practical guide for managing the inherent conflict between present performance and future viability. It allows leadership to protect and nurture disruptive bets while maintaining the discipline and focus required to run the core business. It replaces the chaos and high failure rate of ad-hoc transformation efforts with a structured, repeatable process for turning disruptive ideas into material new lines of business.

Crucially, adopting this management system is not a third-person endeavor to be delegated to a transformation office. It is a first-person commitment that starts at the highest level of the organization. It requires executives, and most importantly the CEO, to change their own belief systems, time allocation, and leadership approaches.[1] It demands the courage to protect long-term bets from short-term pressures, the discipline to focus on only one true transformation at a time, and the humility to embrace a risk-forward, test-and-learn mindset. The ability to successfully lead Big Bets is no longer an optional skill; it is the core competency of leadership in the 21st century.[1]

7.2. Actionable Recommendations for the C-Suite

To begin implementing this integrated framework, senior leadership should take the following immediate, actionable steps:

- **Conduct a Portfolio Audit:** Immediately classify every major strategic initiative, business unit and shared service functions within the enterprise into one of the four zones: Performance, Productivity, Incubation, or Transformation. This exercise will quickly reveal critical mismatches, such as nascent, disruptive projects being judged by Performance Zone metrics or multiple, competing initiatives vying for the Transformation Zone mantle.

- **Develop the Zone Playbook:** Following the audit, build the Zone Playbook by listing out the Imperatives and Objectives across each of the four zones. Then classify them by maturity stage and add the applicable key result targets. Lastly, synthesize them into the one-page Zone Playbook Summary.

- **Establish the Venture Board:** Formally charter a governance body for the Incubation Zone, distinct from the standard executive operating committee. Staff it with a mix of internal leaders (including the CEO) and external experts with venture capital or startup experience. Grant this board a dedicated, milestone-based budget and empower it to manage the innovation portfolio using a VC-style discipline.[4]

- **Identify and Commit to Your Next *Single* Transformation Bet:** Use the "Thinking in Outcomes" process during the Incubation Zone to vet potential candidates for the Transformation Zone. Force a rigorous debate and a clear decision. Once a bet is chosen, the CEO must communicate to the board, investors, and the entire organization that this is the company's singular top priority, and that all other disruptive bets will remain in the Incubation Zone until the current transformation is complete.[19]

- **Adopt the *Big Bet Leadership* Toolkit:** Mandate the use of the BBL methodologies for all initiatives in the Incubation and Transformation Zones. Train key leaders and teams on the disciplines of writing "Thinking in Outcomes" memos and building "Big Bet Experiment Planners." Make these tools the standard language for proposing and governing new ventures.

- **Re-architect Executive Incentives:** Align the compensation of the operating team in the Incubation Zone, along with entire senior leadership team following the identification of the chosen transformation initiative. As Robert Iger did at Disney to ensure the success of Disney+, a portion of executive bonuses should be tied directly to achieving the key milestones of the transformation initiative, not just the quarterly performance of their legacy business units.[1] This ensures that the entire leadership team has a vested interest in freeing the future from the pull of the past.

- **Connect the Transformation Initiatives to the Company's Operating Cadence**: Be proactive and define exactly how the activities in the Incubation Zone and Transformation Zone will sync up with the existing annual operating cadence deployed across the entire company. Ensure each of the cadence leaders understands the points of intersection and the context for which to make trade-off decisions and set boundaries to ensure the transformation initiatives are successful.

De-Risk Your Next Big Bet

Catalyze Your Strategic Kickoff Meeting

In a changing world, playing it safe has become one of the riskiest possible strategies. The greatest threat to your future growth isn't a lack of ideas; it is a fundamental mismatch in how you manage them. Companies consistently attempt to govern the ambiguity of the Incubation and Transformation Zones using the predictable metrics of the Performance Zone. Without a deliberate understanding of the distinct demands of each zone, your transformation initiatives are destined to become mere "innovation theater."

John Rossman delivers high-impact keynotes, workshops and advisory board involvement all designed to help executive teams and boards take more calculated risks through better high-stakes decision making.

- Executive Keynotes: A provocative 60-minute session to align your broader organization on the "Innovator's Dilemma" and the required "Big Bet" mindset.

- Leadership Workshops: Half-day, sleeves-rolled-up sessions to architect your custom Zone Playbook and define your Big Bet Vectors.

- Venture Board Advisory: Strategic guidance on establishing the governance, funding, and metrics required for your Incubation and Transformation Zones.

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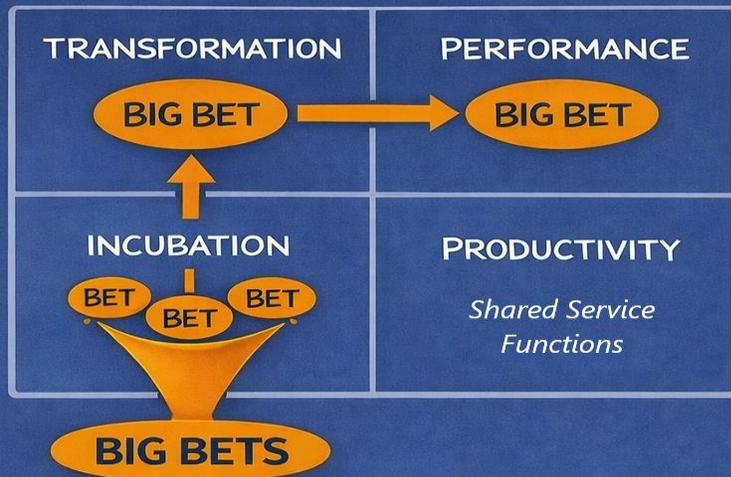| **John Rossman**	**Andy Forti**
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