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Declaring he'd cull up to 100 brands — many of which he'd acquired and developed — P&G CEO A.G. Lafley launches a "game changer" profoundly different than what he championed in his eponymous 2008 bestseller.

P&G is cutting its global brand portfolio by more than half. Instead of focusing on innovation, as he did during his first tour as CEO of the world's largest consumer packaged goods firm, Lafley is now innovating on focus.

Lafley's bold pare is part of a strategy to dramatically improve P&G's financial performance by doubling down on the roughly 80 brands that generate 95% of the company's profits and 90% of its sales. "This new streamlined P&G should continue to grow faster and more sustainably, and reliably create more value," he said in a telephone call with reporters and analysts to discuss P&G's quarterly results. "Importantly, this will be a much simpler, much less complex company of leading brands that's easier to manage and operate."

Does the leaner, meaner, and refocused Lafley 2.0 represent an innovation repudiation of Lafley 1.0? Not yet. But the "new and improved" game changer offered a heuristic that may reveal a lot about P&G's analytic and innovation future. In retail, Lafley observed, the 80/20 rule usually applied: "Twenty per cent of the brands and products account for 80 per cent sales."

Choosing to lead and manage in accord with that empirical insight has enormous organizational and operation repercussions. As devotees of Vilfredo Pareto and Richard Koch well know, 80/20 rules and ratios are relevant beyond retail. Lafley's brand cull is likely but the first and highest profile of its application. A company that's simpler and less complex more readily lends itself to 80/20 (re)organizing principles. Identifying the 80/20 products and brands is the easy part. But what other

80/20 portfolios will empower and enable the kind of high-impact/high-value focus Lafley now celebrates? To wit, cultures celebrating 80/20 innovation in product and process make different choices and investments than those celebrating "breakthrough" — dare I say "game changing"? — innovation. Indeed, companies focusing on those 20% customer segments that generate 80% of sales and/or profitability and/or sustainable growth markets and innovate differently from those who seek to serve everyone well. Just ask Walmart.

Big Data clearly becomes a big future winner in this strategic scenario. Almost certainly, P&G's core 80/20 brands will be even more rigorously instrumented and analyzed. Data-rich and data-driven analytics will be where essential growth insights and hypotheses will originate. As I've noted in the past, "What happens to innovation and segmentation when serious organizations are challenged to assimilate and integrate 10X, 100X or 1000X more information about customers, clients, prospects and leads? Should management refine and dig deeper into existing 80/20 KPIs? Or do those orders-of-magnitude more data invite revising and reframing a new generation of 80/20s? In other words, how much should dramatic quantitative changes inspire qualitative rethinking of the vital few that generate disproportionate returns?"

A new generation of 80/20 analytics to support its 80/20 brands will invite a similar refocus on organizational and operational 80/20s for investment. For example, which 20% of technical P&G core competences generate 80% of the meaningful features and functionality of the company's core brands? Which 20% of employees — and key suppliers — produce the 80% that core technical competence or capability? Which 80/20 technical capabilities (visualization, computational chemistry, materials science expertise) enable the 80/20 competences that uniquely differentiate and add value?

The demands of 80/20 criteria shifts the innovation emphasis away from more traditional financial metrics around DCF, IRR, and NPV and toward better understanding of how novelty preserves, protects, and extends the 80/20 franchise. Consequently, the most challenging strategic opportunities will emerge from identifying the right units of analysis for 80/20 enshrinement. Are 80/20 people, competences, or capabilities the best value mechanisms for measurement? No doubt there will be meta-criteria — the 80/20s underlying the 80/20s — that will command special top management time, attention, and research. You can be sure that Lafley knows which 20% of his time and effort defines 80% of his impact on the company.

Does this mean that the people and processes outside that Pareto core will be minimized and marginalized? That will prove a huge cultural challenge for Lafley 2.0. Just because a talented team or evolving process innovation doesn't fall within the 80/20's vital center doesn't mean they should be ignored or starved of support. But simply treating them as "overhead" or "enablers" has challenging financial and organizational consequences, too. Will P&G innovation dynamism tomorrow come more from initiatives supporting the core? Or from innovative efforts to break into the core? To what extent do 80/20 criteria encourage brand adjacencies and extensions versus fundamental transformations?

P&G is not getting bigger by getting smaller; it's redefining the measures and metrics it will use to invest in value creation. Lafley 2.0 is a multibillion dollar bet that the most important way to change the game is changing how you're going to keep score.

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