



Dealing with Darwin: How Great Companies Innovate at Every Phase of their Evolution

***By Geoffrey A. Moore
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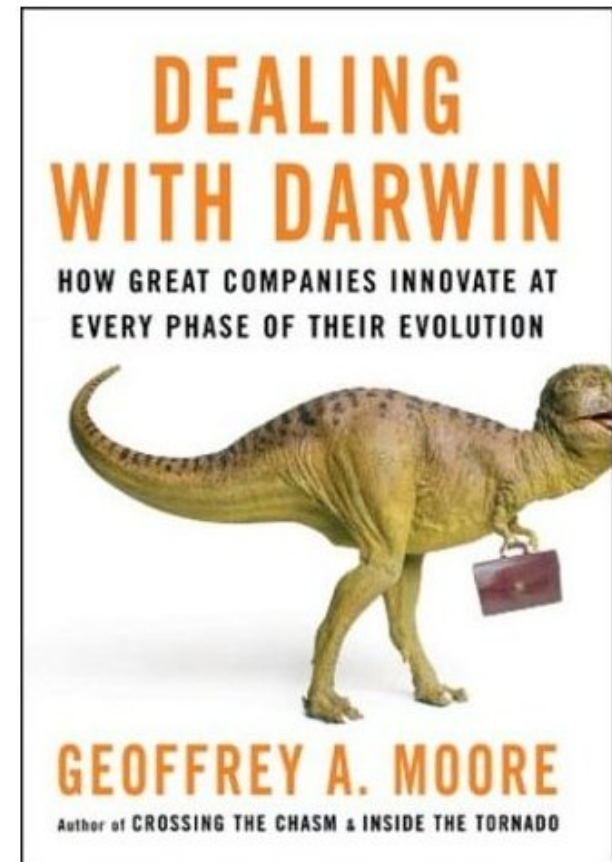
Victor P. Valks
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QUADRUPLE AIM – COST PER CAPITA

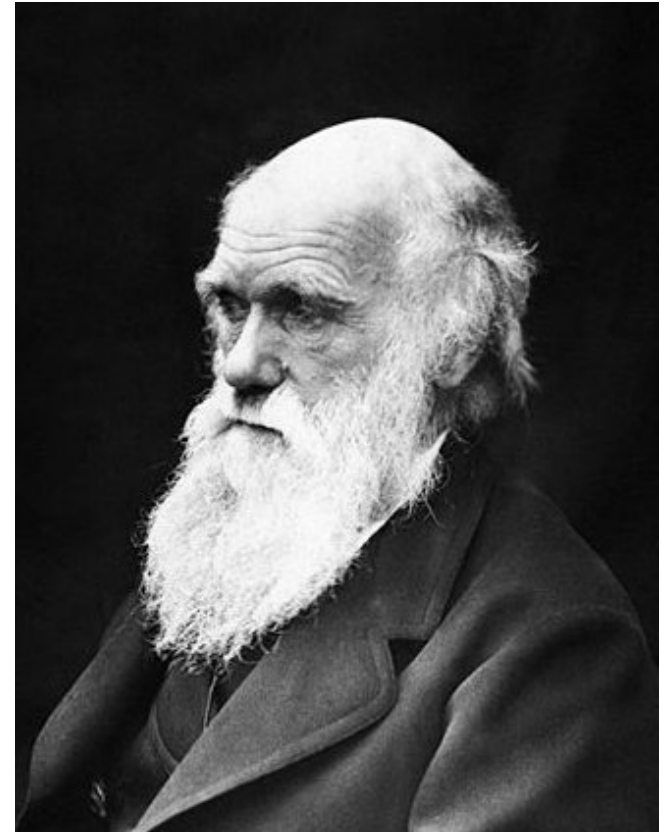
Agenda

- Darwin's Theory
- Volume Operations Model
- Complex Operations Model
- Category Maturity Lifecycle
- Core
- Context
- Innovation Types
- Application to TMA



Darwin's Theory

- Never said “survival of the fittest”
- Did say that the creature best able to compete will survive
- How do companies in private industry compete, so as to survive?
- How will TMA compete, so as to survive?



Volume Operations Model

- Business architecture optimized for business-to-consumer commerce
- Individual customers making buying decisions at the point of purchase
- Standardized in the development, distribution, and service of each customer's offer
- Examples: McDonald's, Apple, Sony, Google, Amazon, eBay, United Airlines



Complex Operations Model

- Business architecture optimized for business-to-business commerce
- Large institutional buyers making substantial purchases after careful consideration of alternatives
- Highly customized in development of each customer's offer
- Examples: IBM, Cisco, SAP, Goldman Sachs...and Department of Defense contractors like Lockheed Martin, IBA, Intellidyne, Vangent, and others



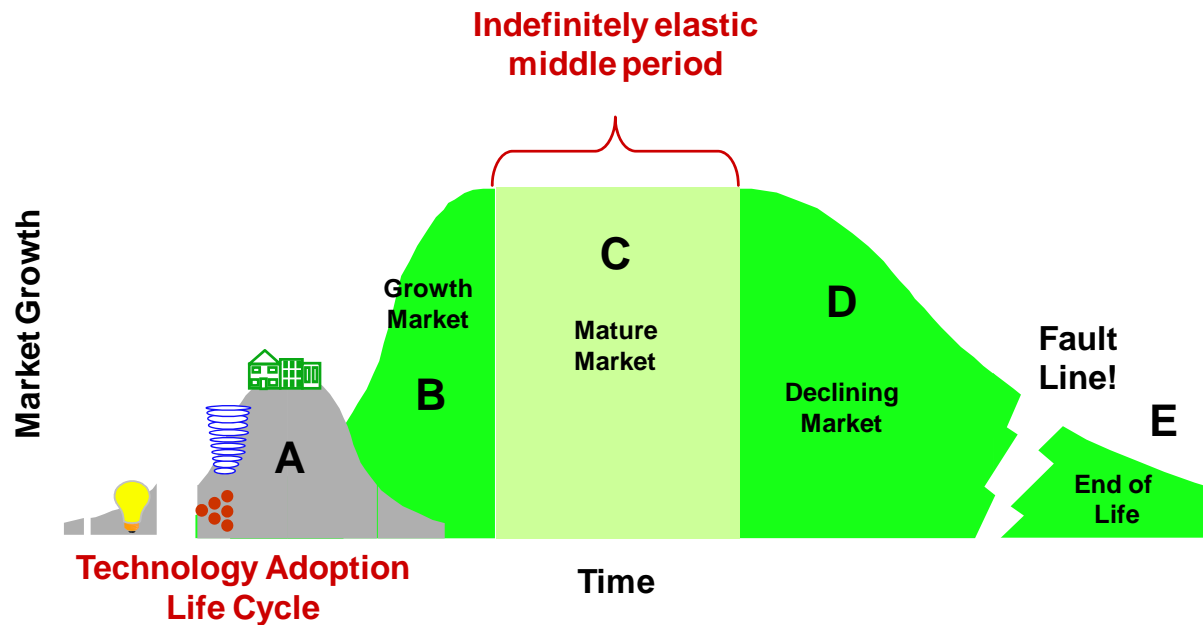
Category Maturity Lifecycle

- Describes the rise, duration, and decline of a category of product or service
- Phases:
 - Technology Adoption
 - Growth
 - Maturity
 - Decline
 - End of Life



Category Maturity Lifecycle, cont'd

The Category Maturity Life Cycle



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QUADRUPLE AIM – COST PER CAPITA

- Any activity that creates sustainable differentiation in a target market, resulting in premium prices or increased volume
- Core management seeks to dramatically outperform all competitors within the domain of core
- Core becomes context over time
- Example: Apple's computers were its core, but are no longer
- What is TMA's core?

Context

- Any activity that does not differentiate a company from the customer's viewpoint in the target market
- Context management seeks to meet (but not exceed) appropriate accepted standards in as productive a manner as possible
- Example: Apple's iPod, iPhone, and iPad were its context and have become its core
- What is TMA's context?



Core becomes Context

- Core/context management advises advocating the funding of differentiating initiatives in growth markets by extracting resources from mission-critical context initiatives in mature markets
- Examples at TMA:
 - Online (paperless) manuals became official version of record in late 1990s.
 - Contractor performance evaluations became faster and more efficient using PAT
 - Reporting process will be enhanced via ORDМ



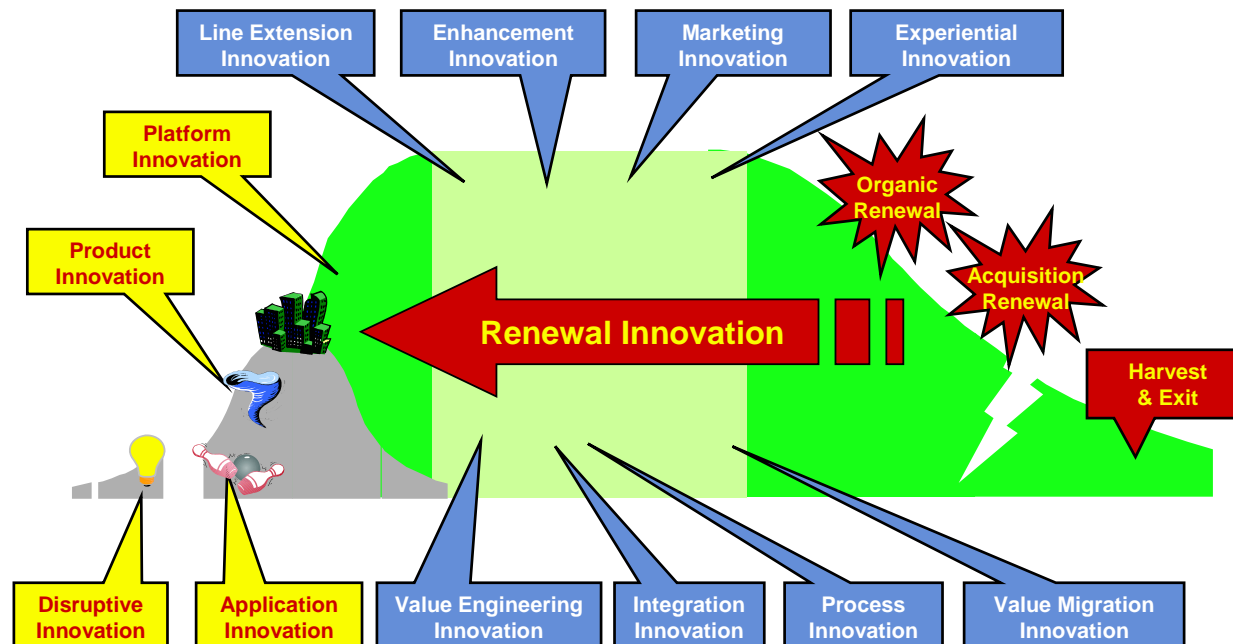
Innovation Types

<i>Lifecycle Phase</i>	Growth	Maturity		Decline
<i>Innovation Zone</i>	Product Leadership	Customer Intimacy	Operational Excellence	Category Renewal
<i>Innovation Type</i>	Disruptive	Line-Extension	Value-Engineering	Organic
	Application	Enhancement	Integration	Acquisition
	Product	Marketing	Process	Harvest and Exit
	Platform	Experiential	Value-Migration	

- Innovation in Product Leadership Zone occurs during industry growth phase
 - iPod in mid-2000s
- Innovation in Customer Intimacy and Operational Excellence Zones occurs during maturity phase
 - Southwest Airlines, Toyota, Hyundai

Innovation Types, cont'd

A Broad Universe of Innovation Types



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Innovation Types, cont'd

- In which phase is TMA? How can we innovate?

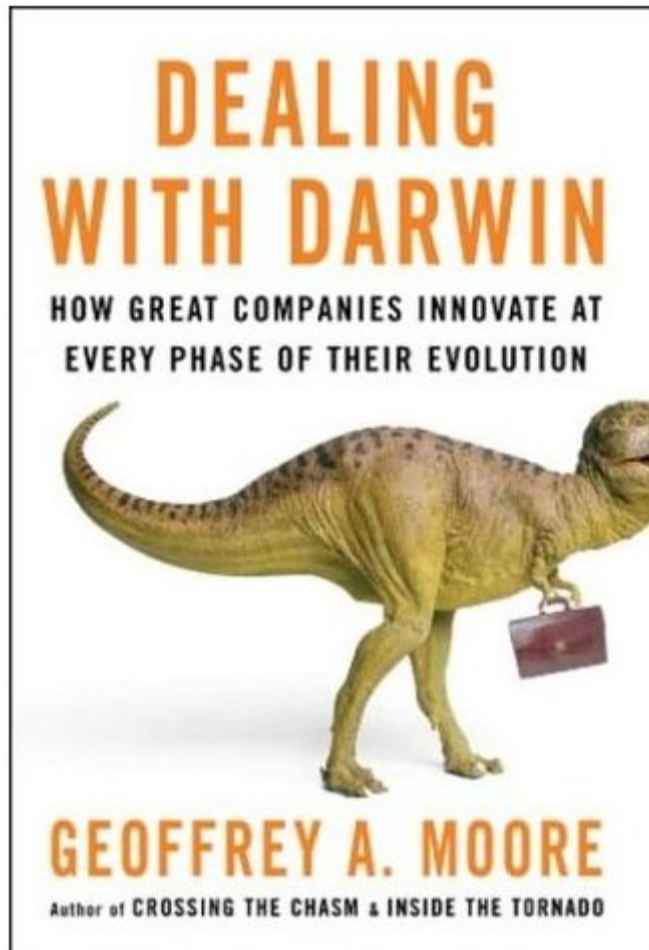
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Application to TMA

- PAT and ORDM
 - Product innovation differentiates a growth market position by R&D to improve features, performance, or market price
- Audit sampling methodology
 - Process innovation differentiates a mature market position by reengineering processes to reduce cost and gain quality
- Secretary Gates' efficiency initiatives
 - Efficiency innovation focuses on identifying new ideas for improving on what already exists



Questions?



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