The Story So Far

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Outline

• Strategy fundamentals
  – Creating, capturing and delivering value

• Technology strategy:
  – Taking value creation for granted now
  – Exploring the dynamics of value capture
  – Moving too organizational dynamics as a fundamental source of long term competitive advantage – integrating value delivery into value capture
Strategy Fundamentals
Strategy fundamentals

How will we Create value?

How will we Deliver value?

How will we Capture value?
Strategy Fundamentals

• Create value: Choose a “good” industry
  – One with a large “PIE”

• Capture value: Create a source of sustained competitive advantage
  – Choose/create a “favorable” industry structure
  – Build assets/competencies/resources that cannot be bought on the open market
  – Build assets/competencies/resources that cannot be instantaneously built

• Capture value:
  – Align the organization with the strategy
“Choose” an industry with a “favorable” industry structure

- Low threat of entry
- Many, fragmented Suppliers
- Weak Rivals
- Many, fragmented Buyers
- Weak Substitutes
- Weak Rivals
Technology Strategy: What’s new?
Thinking explicitly, about dynamics: S-curves, industry lifecycle, chasm, innovators dilemma, effective organization processes.
Taking value creation for granted...

- How will we create value?
- How will we capture value?
- How will we deliver value?

How are technologies likely to evolve?
Will this technology serve an addressable market?
Two key ideas:

• Uniqueness
  – Controlling the knowledge generated by an innovation

• Complementary assets
  – Controlling the assets that maximize the profits from innovating
Thinking about tightly held complementary assets

• “Raw” first mover advantage: acquiring an asset before others realize its value
  – Land, location, people....

• Building an asset that others cannot imitate
  – Tacit skills? Company cultures? Ways of doing things?

• More sophisticated “first mover” advantage: taking advantage of increasing returns before others
  – Learning curves, Network effects, Brands, Technological skills....
The best complementary assets are tightly held.
The sources of advantage usually change over time...

Complementary assets are:

<table>
<thead>
<tr>
<th>Available</th>
<th>Tightly held</th>
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<tbody>
<tr>
<td>Possible</td>
<td>$</td>
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Uniqueness is:

<table>
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<tr>
<th>Very Difficult</th>
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Platforms and Network Effects

• Winner-Take-All and Network Effects: Will it tip?
  – Are their direct network effects?
    • Markets where $/user depends on number of users
    • Example: Fax Machines
  – Are their indirect network effects?
    • 2-sided markets like eBay
  – What are the costs of multi-homing?
    • Example: Video Game Consoles
    • That is, users and suppliers switching back and forth
  – Demand for differentiated platform?
    • Can you differentiate?
Where we’re going next...

• Value Capture:
  – More to know about platform-based industries...
  – ...foreshadow some “value delivery” by thinking about how to manage platforms and ecosystems.
  – Rethinking the Value Chain

• Value Delivery:
  – Making Decisions in High Velocity Environments
  – Product Development & Organizational Rhythms
  – Overload and Commitment
  – Managing Partnerships: Alza/Ciba Two-Day Alliance Role Play