



Week-1 Strategic Management & Business Ecosystem (SMBE)

Introduction to SMBE

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Why are some companies perform better than others?

Moreover....

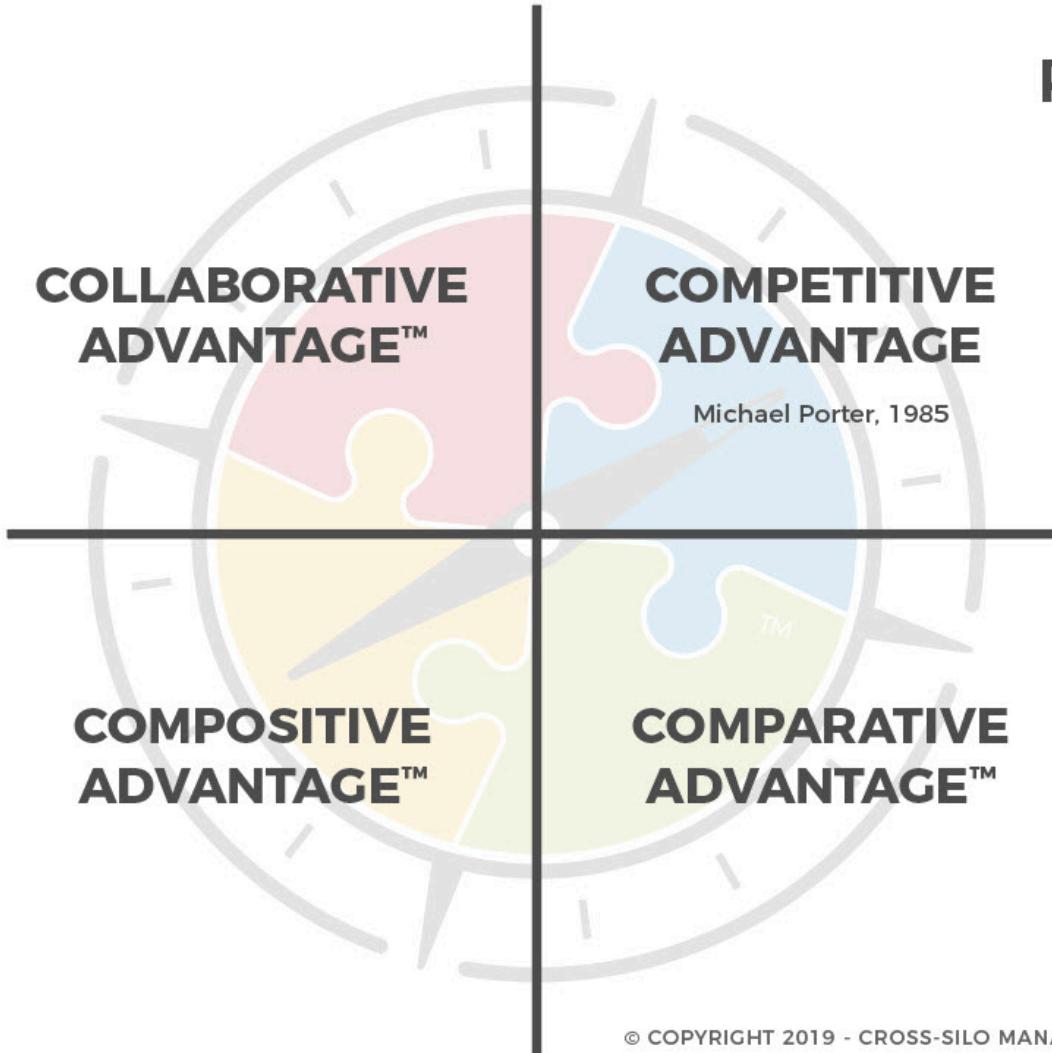
....for a long time!



“The heart and soul of **strategy** are the auctions and moves in the marketplace that managers are taking to improve the company’s **financial performance**, **strengthen its longterm competitive position**, and gain a **competitive edge over rivals**. A creative, distinctive strategy that sets a company **apart from rivals** and yields a **competitive advantage** is a company’s most reliable tickets for earning **above average profits**. Competing in the marketplace with a competitive advantage tends to be more **profitable** than competing with no advantage.” ...*Companies tend to pursue a **sustainable competitive advantage (SCA)** rather than a **temporary** one. Thus, a **longterm above average result** (as a consequence of gaining a SCA) is achieved when actions and elements of strategy cause a **preference** of a company’s products or services **over the offerings of competitors** by an attractive number of buyers **for a long time**.*



(Source: Thompson et al., 2010: 7)



ROUNDMAP™ STRATEGIC ADVANTAGE MATRIX™

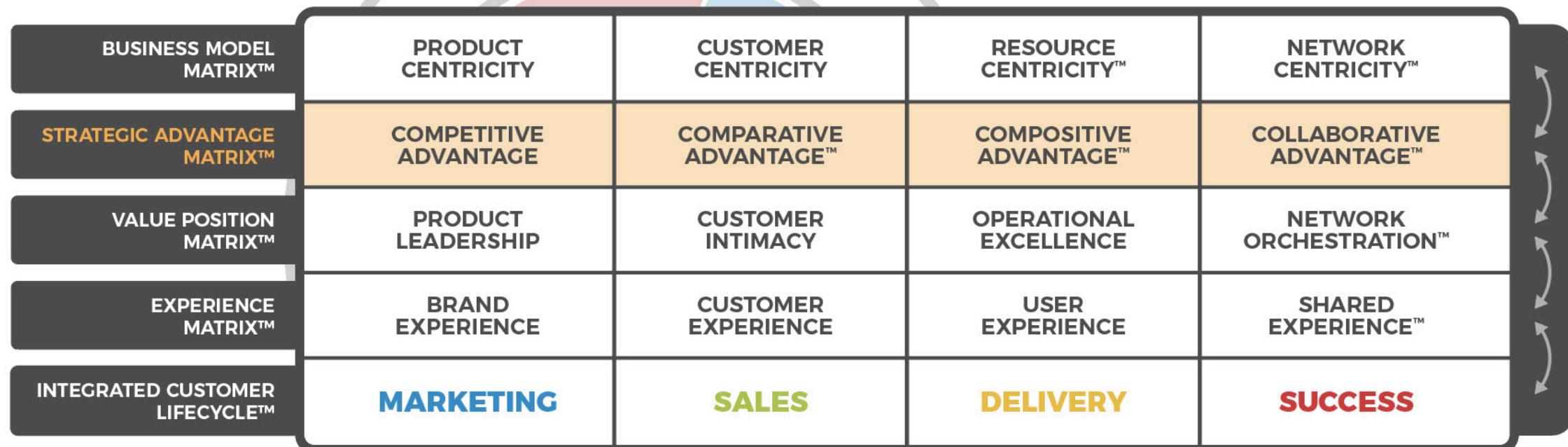
Competitive advantages are conditions that allow a company to produce a good or service of equal value at a lower price or in a more favorable fashion.

Comparative advantages are conditions that allow a company to fulfill more of the needs of a select group of customers with comparable needs, over a period of time.

Compositive advantages are conditions that allow a company to compose a package of goods and services that can be utilized to its maximum capacity.

Collaborative advantages are conditions that allow a company to create a marketplace or marketspace that enables its participants to create, deliver, and capture value, collaboratively (polysided).

ROUNDMAP™ FULL STACK



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THE ROAD TO EPIPHANY



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Strategy (Howto/Plan) needs to bring about the Vision (Whereto/Progress), which is then executed through the Mission (What/Product) and performed with Purpose (Why/Promise).

And then ask:
Is our Vision still valid? Is our Mission relevant, viable, feasible, fulfilling, sustainable, differentiating, and defensible?
What is our current situation in the market? Can we be disrupted?
What's next?

Youtube Series

<https://www.youtube.com/watch?v=TD7WSLeQtVw>



Business Model

An overall approach to competing in industry

Value Propositions

The reasons that customer choose to do business with one firm rather than other acceptable alternatives

Strategies

Sustained and purposeful initiatives in pursuit of specific organizational goals

Strategic Portfolios

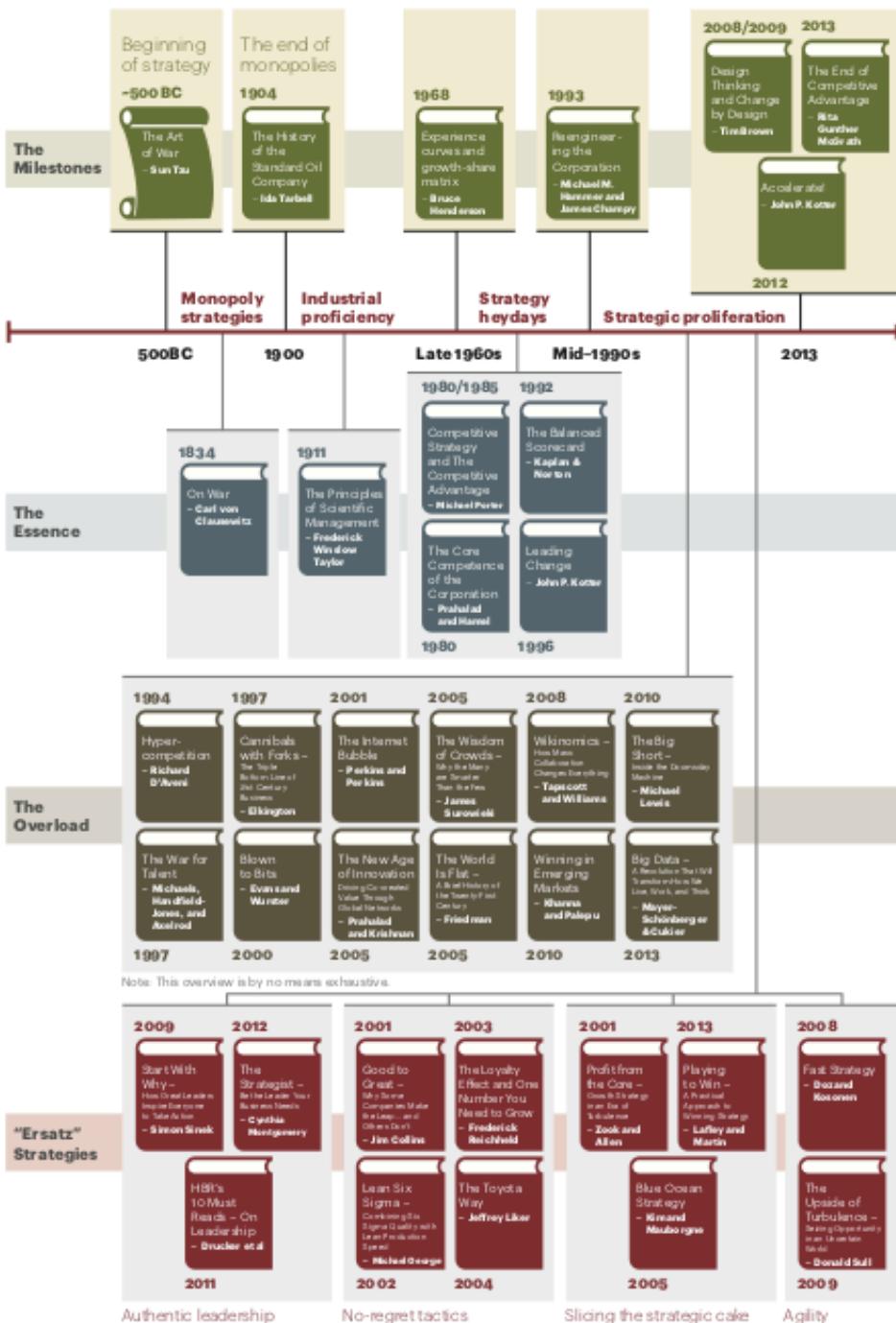
The market presence created by the sum of a firm's business activities

Tactics

Specific operational actions that contribute to a strategic initiative

The History of Strategy

Era	Gurus/Concepts	Characteristics
The early Days (Before 1900)	The Art of War by Sun Tzu & On War by Carl von Clausewitz	Full of strategies of war and the philosophies by avoiding war
Exclusivity Strategies (Up to 1900)	John D. Rockefeller (Standard Oil) that control over 90% oil refinery in US at that time.	The era of monopolies and exclusivity strategies
Industrial Proficiency Strategies (1900–1968)	<ul style="list-style-type: none"> Frederick Winslow Taylor (1911: <i>The Principles of Scientific Management</i>) Alfred P. Sloan (General Motor) 	The era of scientific management that increase productivity and efficiency. However, it was being criticized because of ignoring the social side of labor.
Strategy Heydays (1969 to Mid-1990s)	<ul style="list-style-type: none"> Bruce Henderson (BCG) (Late 60's: Learning Curve & BCG Matrix) Michael E. Porter (1985: Competitive Advantage) → positioning strategy C. K. Prahalad and Gary Hamel (1990: The Core Competence of the Corporation) → RBV P. Kotter (Leading change), Schein (leadership & culture), H. Mintzberg (Design Organisation), Kaplan & Norton (BSC) 	Strategy became a proper discipline: more standalone, more analytical, and more cerebral. The era of strategic professionals and planners. However, it created gap between formulation and implementation. Thus, change discipline takes on board in order to leverage the strategic implementation.
Strategic Proliferation (Mid-1990s to Mid-2010s)	<ul style="list-style-type: none"> Michael M. Hammer & James Champy (1993: <i>Reengineering the Corporation</i>) Philip Evans and Thomas S. Wurster of BCG (1999: Blown to bits) John Hagell III & Marc singer (1999: Unbundling the Corporation) All the internet era authors (Thomas L. Friedman, Don Tapscott, etc.) 	Started with the hype of reengineering revolution the corporation that replace strategic management and continued with networked organization, dis-intermediaries, value chain modularity, and the era of internet began. There are many excellent concepts, recipes, and frameworks for dealing with an individual, strategically disruptive phenomenon, but no overriding framework to pull it all together.



Source: AT Kearney analysis

In today's extremely **dynamic business environment**, it is **difficult to predict** where things are heading and which players will succeed with what and when. What's more, **strategy is more complicated**. Every time a new phenomenon appears, strategy formulation becomes a bit more complex as **more factors must be considered simultaneously**, further eroding the chance for strategy to step in as a guiding force in the competitive turbulence. There is simply no spread-sheet or framework big enough and comprehensive enough to **accommodate all of the strategic parameters or possible business permutations**.

1. Authentic leadership and corporate values (Drucker)

The appeal of strong leadership, clear direction, and an organization with powerful corporate values is unmistakable.

2. No-regret tactics (George, Reichheld, Teal, Liker, Collins)

- *Lean Six Sigma* (2002) and *Lean Six Sigma for Service* (2003) by **Michael L. George**, for example, bring together the six sigma approach (developed by Motorola in 1985 and embraced by Jack Welch for GE in 1995) with lean concepts to minimize waste and take it beyond manufacturing.
- Customer centricity and loyalty are also prominent goals. *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value* by **Frederick F. Reichheld** and **Thomas Teal** (1996).
- Benchmarking remains widespread as learning from successful players has a very straight-forward logic to it. *The Toyota Way: 14 Management Principles from the World's Greatest Manufacturer* (2003) by **Jeffrey Liker** and *Good to Great: Why Some Companies Make the Leap... and Others Don't* (2001) by **Jim Collins** come to mind.

3. No more strategic frameworks (Zook, Allen, Rumelt, Kim, Mauborgne)

By narrowing the strategic parameters involved, a variety of useful ideas are available based on the best practices of successful companies. *Profit from the Core: Growth Strategy in an Era of Turbulence* (2001) and *Repeatability: Build Enduring Businesses for a World of Constant Change* (2012), both by **Chris Zook** and **James Allen**, *Good Strategy/Bad Strategy: The Difference and Why It Matters* (2011) by **Richard Rumelt**, *Blue Ocean Strategy* (2005) by **W. Chan Kim** and **Renée Mauborgne**, etc.

4. Agility, flexibility, and resilience (Doz, Kosonen, Williams, Worley, Lawler)

A last resort (but a useful approach to finding strategic relief) is to acknowledge that it has become so difficult to formulate lasting strategies in a constantly changing environment that it should not even be attempted. The answer must instead be sought in strategic agility, organizational flexibility, and resilience. *Fast Strategy: How Strategic Agility Will Help You Stay Ahead of the Game* (2008) by **Yves Doz** and **Mikko Kosonen** and the 2013 blog entry “The Agility Factor” by **Thomas Williams**, **Christopher G. Worley**, and **Edward E. Lawler III** offer examples of strategic agility in response to a rapidly changing environment.

■ Our Biggest Problems: How to turn overall strategy from an incomplete game plan into comprehensive organizational energy.

1. Shift strategy formulation from current-out to future-in

- In their 2007 *HBR* article, “A Growing Focus on Preparedness,” **Darrell Rigby and Barbara Bilodeau** report that the use of scenario planning has increased markedly since 2002, coinciding with a general renewed interest in future-focused tools, techniques, and services. We need to shift the emphasis—moving from what we know about our point of departure to what we know about the future.
- In the 2008 *HBR* article “Design Thinking,” **Tim Brown** offers several perspectives on designing innovative products and services: It future-proofs products and services by securing a longer innovation horizon, improves the innovations, and makes them more easily implemented because of the multidisciplinary involvement—all of which sounds like something strategy could use right now.

2. Shift the strategy process from cascading down to organizationally inclusive

- **Clayton M. Christensen** argues in his epic book, *The Innovator’s Dilemma* (1997), that larger organizations with strong vested interest in ongoing business are ill-equipped to capitalize on disruptions.
- In his *HBR* article “Accelerate!” (2012), **John P. Kotter** shows the value of such technologies and how they can be used to create a shadow organization made up of willing coalitions of people ready to drive the company’s strategic frontiers.
- **Dan Pink** in his 2009 TED talk “The Puzzle of Motivation,” and **Dan Ariely** in his 2012 TED talk “What Makes Us Feel Good About Our Work?” Research shows that motivation works very differently for mechanical tasks versus cognitive tasks that require even minimal cognitive efforts. Mechanical tasks can be motivated by money. But this is not true for cognitive tasks where motivating factors include autonomy (having some say about the outcome), mastery (having a sense of personal growth), and purpose (having a sense of meaning). By giving people freedom to tackle strategic issues and opportunities with likeminded co-workers, people not only help determine the outcome, but also learn and grow and help repair the disenfranchisement that comes from indiscriminately chasing competitive advantage.

3. Don't aim for a single strategy but for an ongoing portfolio of competitive advantages

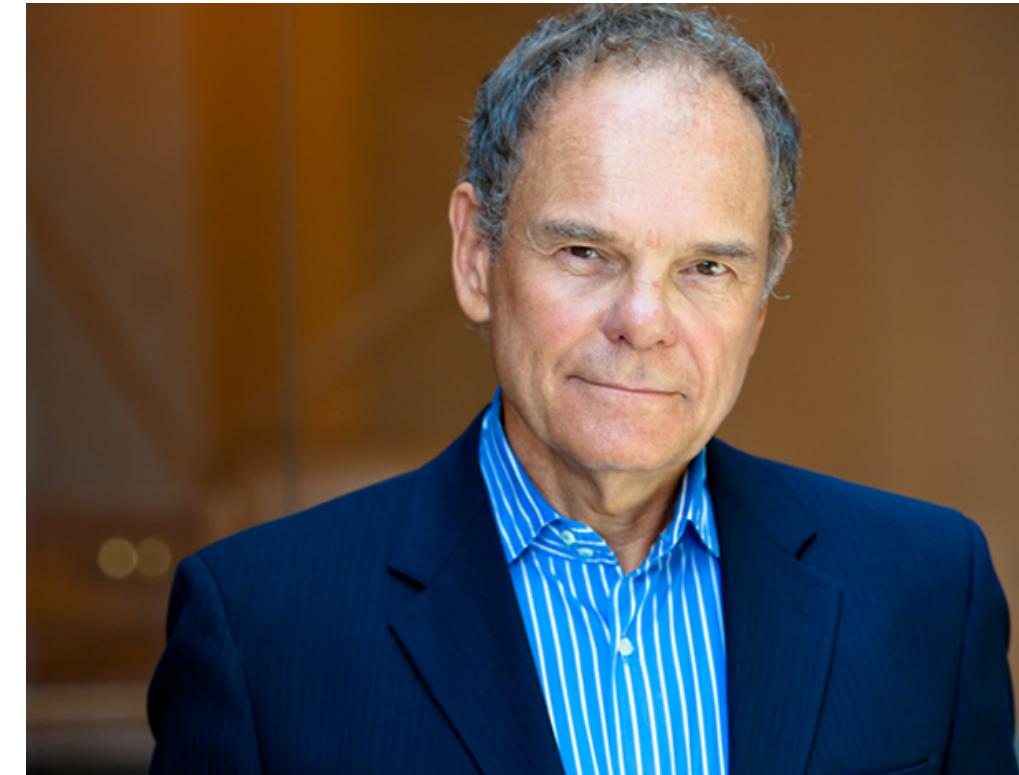
- It is useful to think about strategy in terms of an ongoing portfolio of strengths rather than a single formula spun over a multiyear cycle.
- In her 2013 book, *The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business*, **Rita Gunther McGrath** argues that competitive advantage is no longer sustainable and that it has a life cycle. To be successful, requires learning to initiate, grow, capitalize on, and say goodbye to competitive advantage all in due time.
- If competitive advantages are indeed transient and have a life cycle, we will need more of them in parallel, and we will need to manage them as an ongoing portfolio of competitive advantages with interdependencies, so when some competitive advantages have run their course, new ones are ready to take their place.
- In *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* (2011), **Eric Ries** demonstrates that an earlier and more granular approach for testing hypotheses in the market allows startups to get early feedback on what works and what doesn't so they can create a more attractive proposition in less time. In his 2013 *HBR* article, "Why the Lean Start-Up Changes Everything," **Steve Blank** declares the lean startup principles valid for corporations, too, and argues that corporations should step away from a single, perfect business plan.

<https://www.youtube.com/watch?v=ystdF6jN7hc>

Are you ready for exponential change?

Don Tapscott found 12 important characteristics of digital economy that business practitioners should know and understand:

Knowledge, Digitization, Virtualization, Molecularization, Internetworking, Disintermediation, Convergence, Innovation, Prosumption, Immediacy, Globalization, dan Discordance.



THEME	ECONOMY	ORGANISATION
Knowledge	Knowledge becomes an important element of products	Knowledge work becomes the basis of value, revenue, and profit
Digitization	Products and services' forms are transformed into ones and zeros format	Internal communication shifts from analog to digital
Virtualization	Physical things (institution and relationship) can become virtual	The business transformation into virtual corporations type company
Molecularization	Replacement of the mass media into molecular media	End of command-and-control hierarchy, shifting to team-based, molecular structures
Internetworking	Networked economy with deep and reach interconnections of economic entities	Integration of modular, independent, organizational components for network of services
Disintermediation	Elimination of intermediaries and any stand between producers and consumers	Elimination of middle managers, internal agents, etc. who boost the communication signals
Convergence	Convergence of computing, communications, and content	Convergence of organizational structures responsible
Innovation	Innovation becomes the key driver of business success	The only sustainable advantage is organizational learning
Pro-sumption	Gap between consumers and producers blurs in a number of ways	Consumers of information and technology become producers
Immediacy	It is a real-time economy that occurs at the speed of light	Required a new real-time enterprise that can adjust to changing business conditions
Globalization	Knowledge knows no boundaries, there is only a world of economy	The new enterprise enables time and space independence
Discordance	Massive social contradictions are arising	Profound organizational contradictions are arising

Winning in the brand-new order requires companies to make far-reaching changes to their business. We believe that these changes fall under three key categories. Companies need to:

- **Reframe strategic choices**
- **Realign the value chain**
- **Ruthlessly execute to capture value**

Questions for Management:

- How can we ensure we have both the appetite and ability to disrupt entrenched ways of working?
- Are our management reports and forecasts providing insights into “why” and not just “how, what, when and where”?
- Which markets, customers and segments do we need to invest in now to position ourselves for the future?
- How can we leverage global scale and scope while ensuring in-market execution is uncompromised?
- How do we take into account the needs of all stakeholders as part of the strategic decision-making process?

Questions for Management:

- How can we ensure we keep pace with the rapid expansion of digital marketing and the social media revolution?
- How are we turning shopper data into insights and shopper insights into practical actions?
- How will increasing competition and cost of natural resources affect our margins and business?
- How are we exploring potential synergies with other players in the value chain to create value?
- How could a segmented supply chain help us manage complexity?

Questions for Management:

- How do we ensure our long-term strategic goals are understood internally and behavior across the business reflects them?
- How do we optimize our performance and execution with the talent we have?
- What is needed to embed a culture of continuous improvement?
- How do we make sure that cost-cutting programs do not affect the quality of products or remove features that consumers value?
- How do we “right price” our portfolio to satisfy consumers, trade with customers and maximize our gross profit?
- What capabilities do we need to build to succeed tomorrow as well as today?

Start-ups vs SME/Established Companies

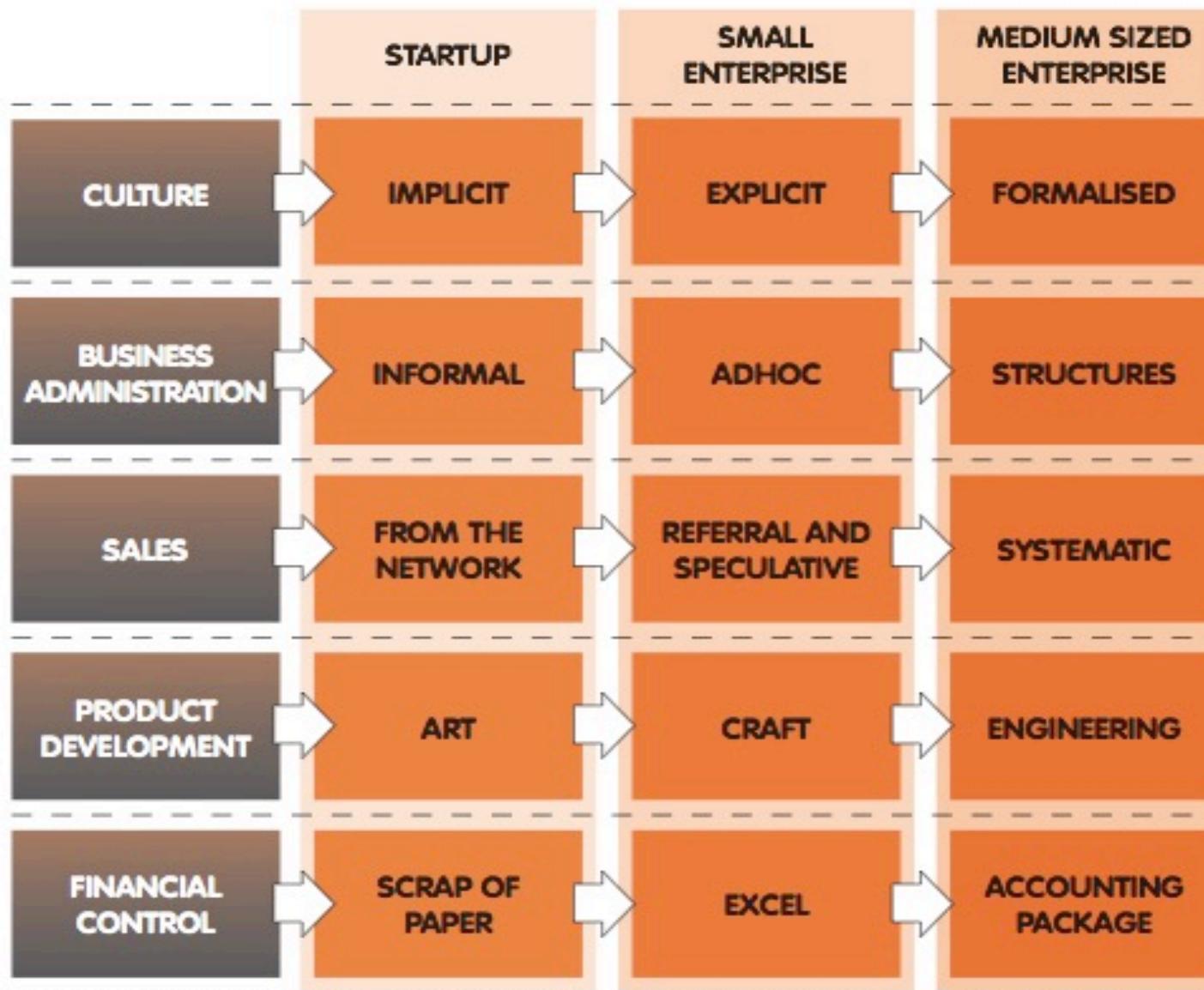
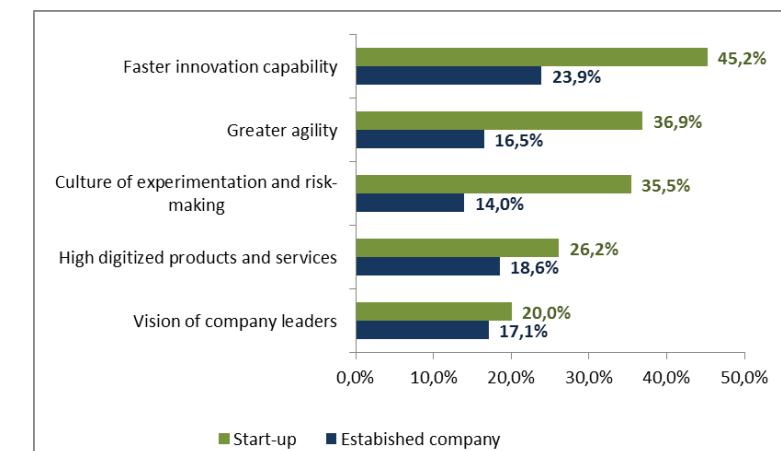
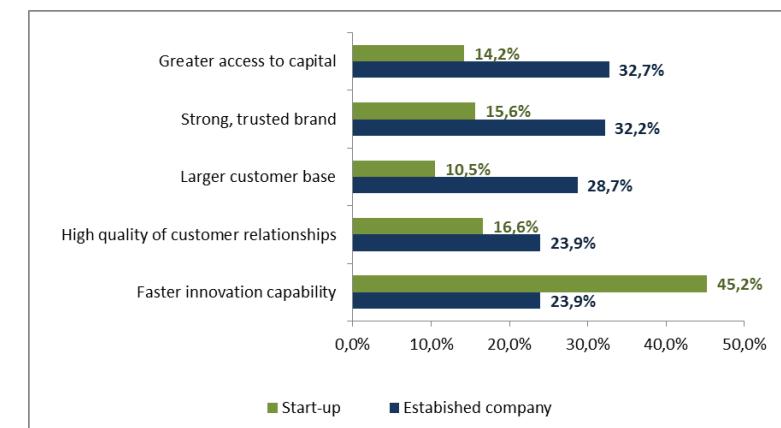


Figure 2: The top 5 relative advantages of startups



Source: DBT Center, 2015

Figure 3: The top 5 relative advantages of established companies



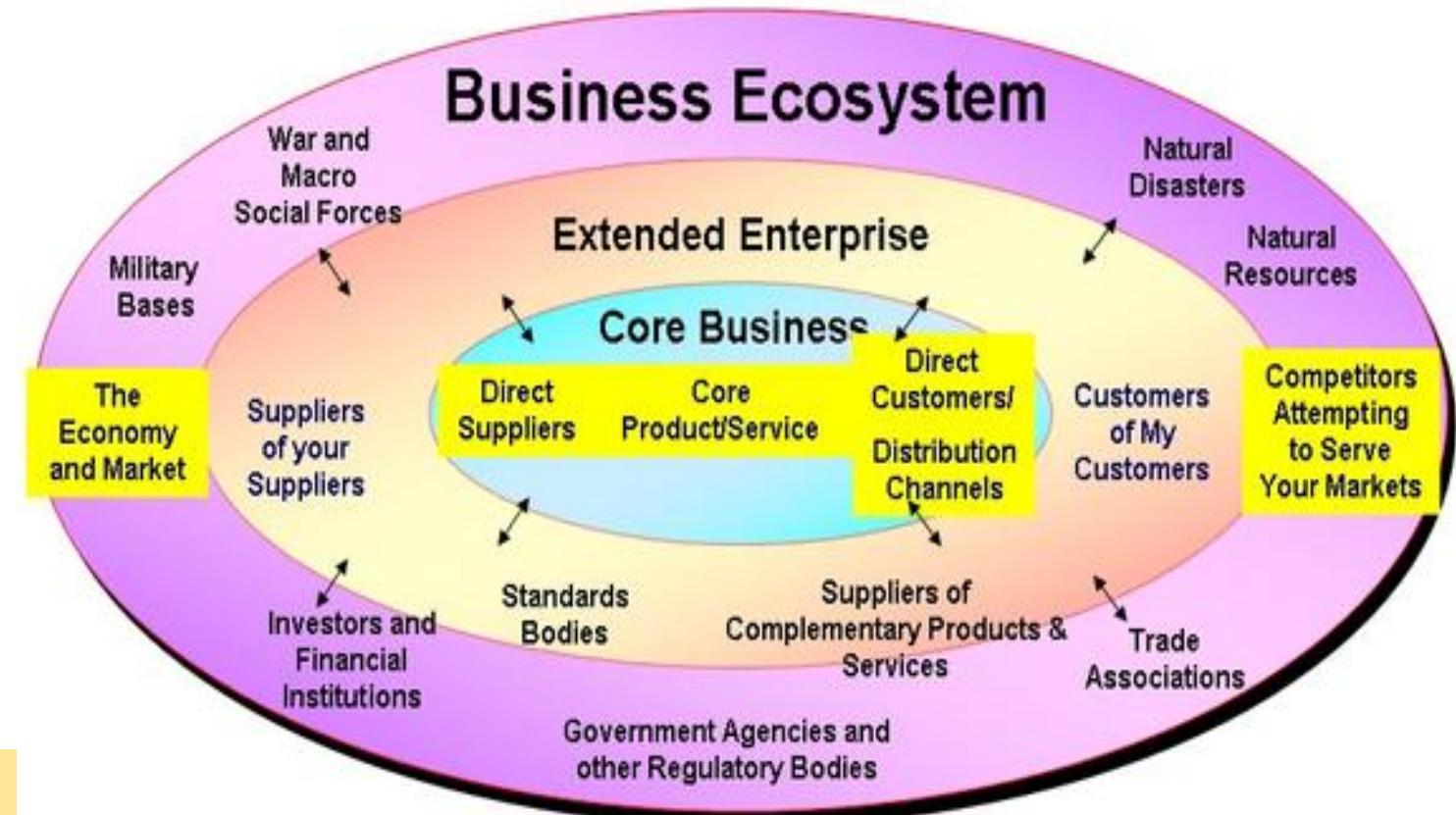
Source: DBT Center, 2015

Ecosystems

[ek-oh-sis-tuh m, ee-koh-]

An adaptive network of interdependent entities that grows by developing and maintaining innovative solutions and technologies through collaboration and coordination

In this environment, business success depends on how effectively the ecosystem directs its combined capabilities and talent to co-create solutions and experiences that address emerging customer needs.

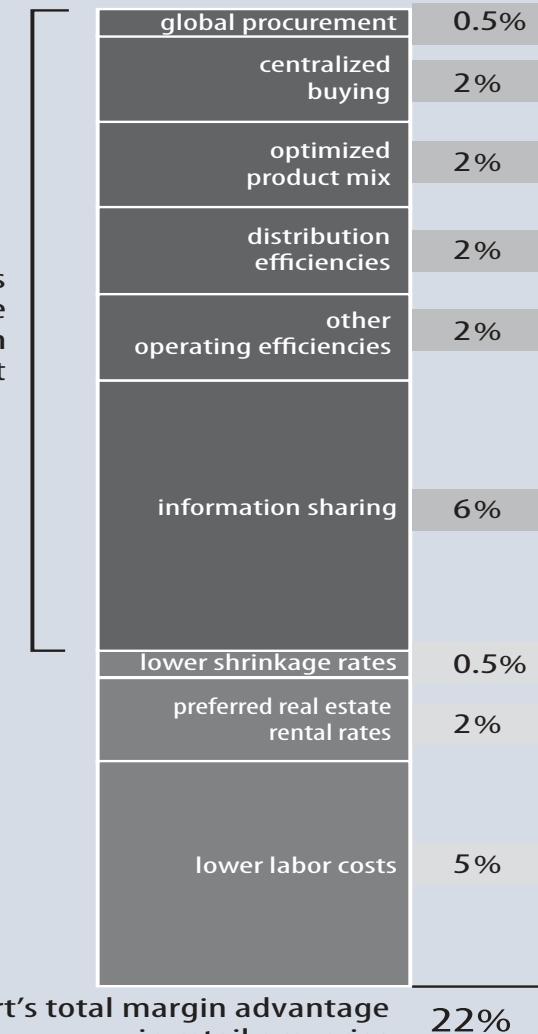


A winning ecosystem is collaborative, able to scale fast, and solutions-focused

*Stand-alone strategies don't work when your company's success depends on the collective health of the organizations that influence the creation and delivery of your product. Knowing what to do requires **understanding the ecosystem** and your organization's role in it.*

Marco Lansiti and Roy Levien (2004), Strategy as Ecology.
HBR, March, 2004

The Ecosystem Edge



More than half of Wal-Mart's cost advantage in the retail grocery business results from how the company manages its ecosystem of business partners. For example, by sharing information, Wal-Mart is better able to match supply and demand across the entire ecosystem, increasing productivity and responsiveness for itself—and for its partners.

Source: authors' analysis of company data.

[https://www.youtube.com/watch?v=xQTGjLXWP8M:](https://www.youtube.com/watch?v=xQTGjLXWP8M)

Jack Ma on how Amazon and Alibaba differ

