

# Session 6

World Med MBA

# This Session

- The focus of this session in *supra* - organizational strategic alignment
- Strategies that:
  - Act in at a level *above* companies
  - Are used to create whole new markets and/or forms of competitive advantage
  - Are often associated with IT / IS

# The Search for the Holy Grail



# The Holy Grail?

- Strategies at this level are seen as "disruptive " or "frame breaking" strategies that bring about such radical changes that they put the company "beyond competition" ... the holy grail



# Globalization



# The Global Village

- Marshal McLuhan coined the term the global village to try to capture the idea of the way in which new communication technologies were transforming everyday life.
  - McLuhan, M. and B. R. Powers (1989). *The Global Village: Transformations in World Life and Media in the 21st Century*. New York: Oxford University Press.

# Globalization

- Is the information processing power of the computer the driver of wider change?
  - The industrial society has reached its zenith: the power of computer technology is now responsible for re-shaping the world.
  - The world has shrunk to a "global village", the constraints of time and space have blurred and business is conducted, 24 hours a day.

# Globalization

- Economies of scale
  - Expanding the organization's scale of operations
- Economies of scope
  - The number and variety of products and services a company offers, and/or the number of regions and/or markets it serves



# Globalization

- Low-cost production
  - Obtain raw materials, labour and/or other resources at the lower cost.
- Innovation
  - Access to wider range of new ideas and/or new knowledge

# What is Globalization?

	<b>I. Domestic</b>	<b>II. International</b>	<b>III. Multinational</b>	<b>IV. Global</b>
<b>Strategic Orientation</b>	Domestically oriented	Export-oriented, multidomestic	Multinational	Global
<b>Stage of Development</b>	Initial foreign involvement	Competitive positioning	Explosion	Global
<b>Market Potential</b>	Moderate, mostly domestic	Large, multidomestic	Very large, multinational	Whole world

# Stages of Development

## **Stage 1 – The domestic stage**

- The company is domestically oriented. However, managers are aware of global opportunities and consider foreign investments as a way to expand production and realize economies of scale

# Stages of Development

## **Stage 2 – The international stage**

- The company takes exports seriously and begins to think in terms of multiple domestic markets. Competitive issues in each country are seen as independent and the company deals with each country individually

# Stages of Development

## **Stage 3 – The multinational stage**

- The company has extensive experience in a number of international markets and has established marketing, manufacturing or research and development facilities in several foreign countries

# Stages of Development

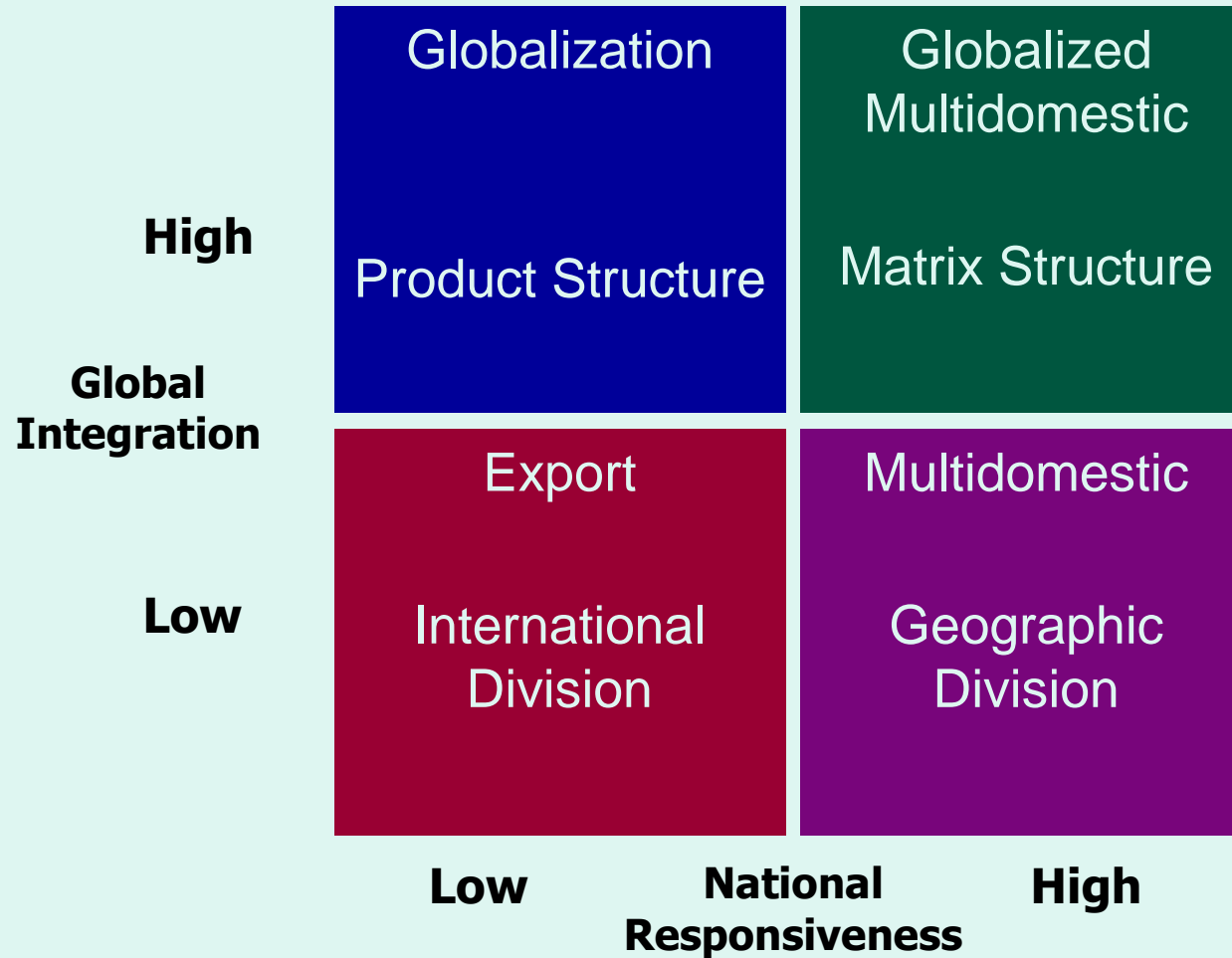
## **Stage 4 – The global stage**

- The company transcends any single country – truly global companies no longer think of themselves as having a single home country and have been called stateless corporations

# Globalization and Structure

- The traditional concern has been with how to structure an organization to compete in a global market
- IT has made new forms of working (e.g. virtual organizations) possible and globalization has added to the range of possibilities

# Some Examples of Structure





# Product Structure

- The product divisions take responsibility for global operations in their specific product area.
- With a product structure, each division is responsible for planning, organizing and controlling all functions for the production and distribution of its products for anywhere in the world.

# Matrix Structure

- A global matrix structure is similar to a normal matrix structure, except that the geographic distances for communication are greater and co-ordination is more complex.
- Each division of the company is responsible for coordinating activities that relate to both the product and the geographic area it serves.

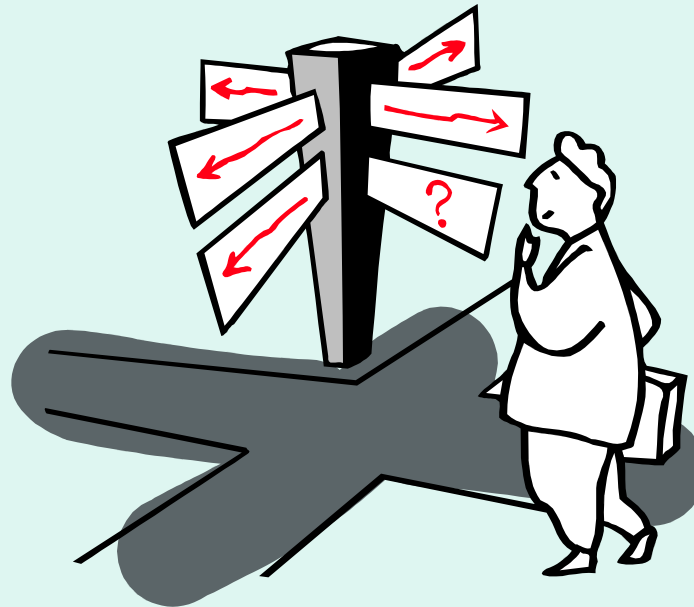
# International Division

- International division typically starts as an export department that grows into an international division.
- It has equal status to other departments but has its own hierarchy to handle the selling the products and services created by domestic divisions.

# Geographic Division

- A geographic division structure divides the world into geographic regions, with each geographic division reporting to the board.
- Each division has full control of functional activities within its geographic area.

# Supra-organizational strategies



# Globalization and Strategy

- In session 3 we drew a distinction between corporate strategy (which industry) and business strategy (how to compete).
- Strategy at the supra-organizational level is often thought of as part of corporate strategy, but increasingly business strategy has a role to play at this level

# The Big Picture

- Innovation and operations have become the art of influencing assets you don't own
  - New markets based on technology and intellectual property
  - Technological innovation and operations are becoming more distributed
  - Complex value chains that look increasingly like 'ecosystems'

# Supra-organizational Strategies

- In addition to facilitating the restructuring of organizations to meet the challenge of globalization, the development of global standards (particularly in digital technologies) can open up whole new areas for business to compete
- The alignment of business and IT strategy now has a supra-organizational dimension



# Ecosystems and Keystones



# Business Ecosystems

- An ecosystem is a loose network of creators of products or services, suppliers, distributors and others that form around a particular technological innovation
- Each part of the ecosystem affects, and is affected by, the creation and delivery of another company's offerings

# Business Ecosystems

- Internal R&D in the core is seen as the hub of an external network. Ecosystems:
  - Develop around a new innovation
  - Cross traditional industry boundaries
  - Work co-operatively and competitively to create and support new products
- Firms are not seen as independent members of a industry sector, but as part of an interrelated and interlinked whole

# Strategy and Ecosystems

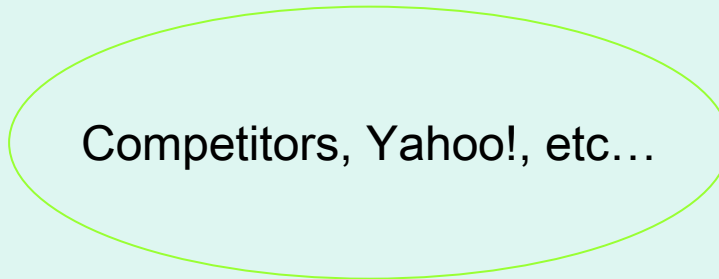
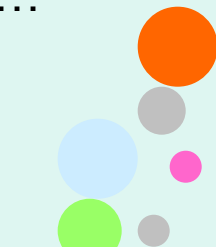
- Although ecosystems are thought of as a system of interrelated and interlinked organizations, there is also the notion of a core and a periphery in the system
  - Core players have the ability to shape the direction taken by the system as a whole
  - Peripheral players benefit from being part of the system but can only influence it indirectly

# IT and Ecosystems

- The key to the creation of an ecosystem is existence of a widely accepted 'industry standard' that allows the creation of new products or services around it
- This standard does not have to be related to IT, but the convergence of ICTs on digital technology means that digital ecosystems centred around the IT industry are the focus of most interest

# eBay's Ecosystem

PowerSellers:  
IBM,  
Home Depot,  
...

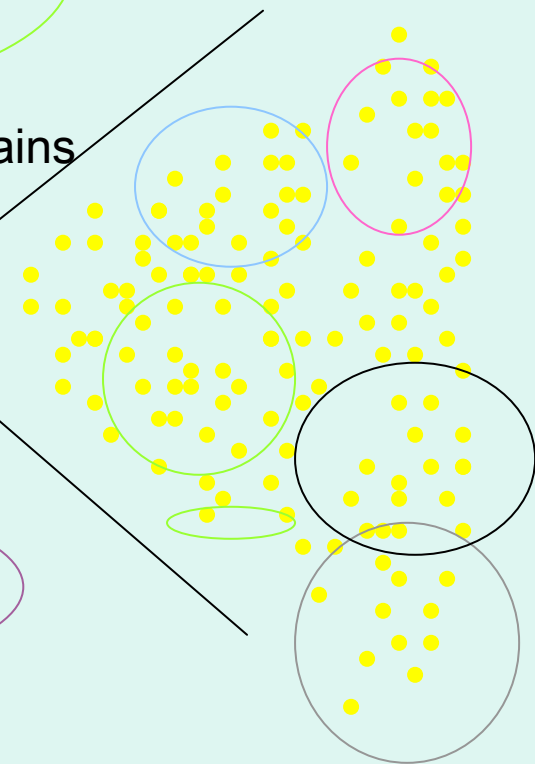


100 million users

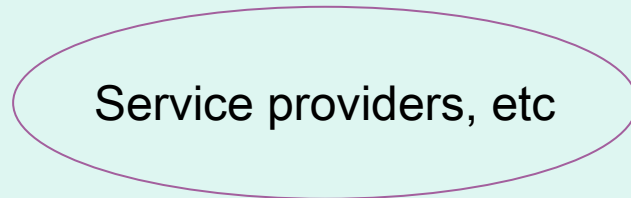
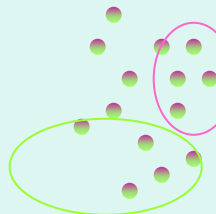
Matches buyer and seller domains



4,000 employees

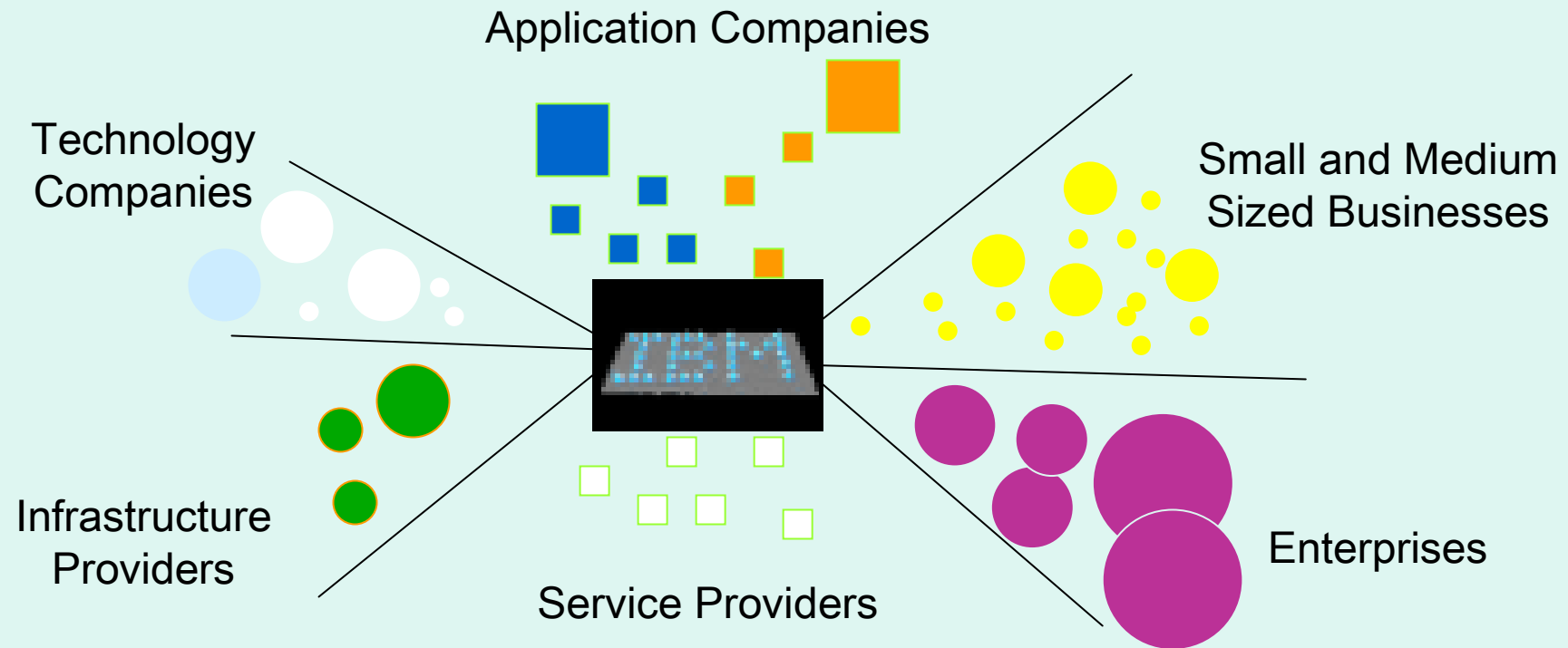


Millions of  
other sellers



Adapted from talk by Marco Iansiti, Harvard Business School

# IBM's On Demand Ecosystem



Adapted from talk by Marco Iansiti, Harvard Business School

# eBay and IBM

- Both occupy the hub of a large network that functions as an ecosystem
- Both invest in programs, tools, and platforms to shape these ecosystems and make them innovative and productive
- Both invest in capabilities that enable them to sustain their position and to manage value creation / extraction



# eBay and IBM

- Both eBay and IBM serve as a "keystone" for their respective ecosystems
  - A keystone strategy is a technology strategy that shapes an innovation network, controls its health and benefits the performance of the firm
  - They invest in capabilities, programs, tools, platforms and technologies that make the network more productive while holding it together

# Keystone Strategies

- A keystone strategy is a technology strategy at the core of an ecosystem that shapes a whole network
  - Keystone players dominate the ecosystem and create platform used by other firms
  - They invest in the tools, platforms and technologies that tie the whole network together and make it more productive

# Keystones

- Keystones provide platforms that add value for niche players
  - Complementary technologies
  - Access to channels
  - Access to specific customers
  - Stability
  - Standardization
  - Integration
  - ...

# Keystone Strategies

Google as an example - Google's platform allows:

- Independent developers create new products
- Media companies disseminate content
- Individuals and companies to access content
- Google to access all of the search data
- Google to skim off revenue streams

# Other strategies

- Influencer
  - early adopter who shapes the shaper in a way that benefits the influencer
- Disciple
  - focuses exclusively on the new platform and reaps the benefits
- Hedger
  - develops products / services for a range of platforms and minimizes the risk from failure
    - » See Hagel et al (2008)

# Looking Back ...



# Models and Frameworks

- A framework provides a coherent set of assumptions with which to build models of the real world.
  - Framework = a conceptual structure used to build a specific model of the real world.
  - Model = an abstract representation of the real world.
- This course has been a framework for you to build conceptual models to understand the relationship between IT and strategy.

# Some Frameworks

- The 'Classic' IS
  - Provides a way of thinking about the functionality of an IS in relation to the internal structure of an organization (Sessions 1 to 3)
- Intra, Inter and Supra-organizational IS
  - Provides a way of thinking about the objectives of an IS in relation to the strategic scope of an organization (Sessions 4 to 6)



# Some Models

- **Deterministic and Interactionist models**
  - Provides an abstract (generalized) description of the way that IS / IT 'impacts' on an organization (Session 2)
- **Porter and Competitive Advantage**
  - Provides an abstract description of different strategies to gain competitive advantage (Session 3)

# Some Models

- Henderson and Venkatraman
  - Provides an abstract description of different ways to align business and IS / IT strategies (Session 3)
  
- Business Models
  - Provide a way to deal with the complexity of real world systems by capturing the 'business logic' of an organization (Session 3)

# The Limits of Frameworks

- A framework exists to provide a coherent set of assumptions about the real world - they should not become strait-jackets.
  - Different sets of assumptions can be made about the same situation
  - Different situations may require different assumptions
  - Things may change with time or depending at what level you view them

# The Limits of Frameworks

- The 'classic' IS
  - We have already seen (see session 4) the limits of the 'classic' view of IS which was formulated in the 1980s
- New modes of working
  - The idea of a networked / knowledge based organization (session 5) that is currently in vogue also has limits

# The Limits of Frameworks

- Ecosystems and Keystones
  - These strategies (often drive or enabled by IT) are seen by some as "the holy grail"
- However ...
  - We have already seen similar ideas about the effect technology can have that were formulated in the 1980s by Porter (see session 3)
- Do we abandon all notions of strategy?

# Looking Forward ...



# World Med MBA

- To make informed decisions in a responsible manner, encompassing ethical, social, environmental dimensions – to create "responsible leaders and entrepreneurs"

# Social and Ethical Issues

- Strategy, particularly at the supra-organizational level can not be divorced from the reality of the world in which it is formulated.
- Similarly, decisions about aligning business and IT strategies are inevitably taken in the context in which a decision maker finds themselves.



# Social and Ethical Issues

- Ethical
  - based on moral beliefs about what is right and what is wrong
  
- Ethical
  - conforming to accepted standards of social or professional behaviour

# Censorship

- Some questions for in-class discussion:
  - If innovation is the result of exchanging ideas, is censorship rational?
  - When operating on a global scale, how should an organization deal with the conflicting legal requirements of different countries?
  - When operating on a global scale, how should an organization deal with conflicting cultural norms in different countries?

# Privacy

- Some questions for in-class discussion:
  - Where should a company draw the line between freedom of personal privacy and corporate security?
  - To what extent is it acceptable to use IS / IT to collect data on customers / clients / business rivals?
  - When operating on a global scale, how should an organization deal with the conflicting legal requirements of different countries?

# Social Inequalities

- Some questions for in-class discussion:
  - Are differences / inequalities opportunities or handicaps?
  - Is there a really digital divide between nations and, if so, does it matter and how should we respond to it?
  - Do morals have any place in a market?

# Additional Reading

- Two articles
  - From Harvard business review
  - Relate to the supra-organizational use of IT
  - Relevant, practical and easy to read
  - Available on-line
- See web page for detail of how to get access and a summary of the articles

# Final Assessment

- An essay based on published articles and case studies
  - In English
  - Appropriately referenced
- To demonstrate an understanding of the course by applying it to examples
- Worth 75% of the total marks
  - Feedback will be given after marking