

# Reading for Session 6

A summary of some articles related to session 6 of the MIS and Strategy course for the World Med MBA

# The Articles

- They are all:
  - From Harvard Business Review
  - Relate to key concepts at the supra-organizational level
  - Available on-line
  - Relevant, practical and easy to read

# The Articles

- **Supraorganizational (above organizations) Information Systems**
  - Hagel, J., Brown, J. S., & Davison, L. (2008). Shaping Strategy in a World of Constant Disruption. *Harvard Business Review*, 86(10), 80 - 89.
  - Adner, R. (2006). Match Your Innovation Strategy to Your Innovation Ecosystem. *Harvard Business Review*, 84(4), 98 - 107.

# Shaping Strategy in Constant Disruption

Hagel et al (2008)

- This article is concerned with what it calls 'shaping strategies'. It argues that if sufficient players in a market can be mobilized around a particular platform, a whole new ecosystem will be formed.
- The article offers some non-IT examples of how this can be done, but most relate to digital platforms such as the i-Tunes network

# Shaping Strategy in Constant Disruption Hagel et al (2008)

- New infrastructures create new business opportunities.
- In the past a new infrastructure has initially transformed the way business has been done and then become a stable foundation
- IT is always changing and we are in a state of 'constant disruption' – what should be our strategy?

# Shaping Strategy in Constant Disruption

Hagel et al (2008)

- 'Be flexible and responsive' works, but is reactive and misses the opportunity that uncertainty brings.
- Shaping strategies exploit the 'wait and see' response of most players by creating a critical mass of support behind one platform, which then becomes a new business opportunity

# Shaping Strategy in Constant Disruption

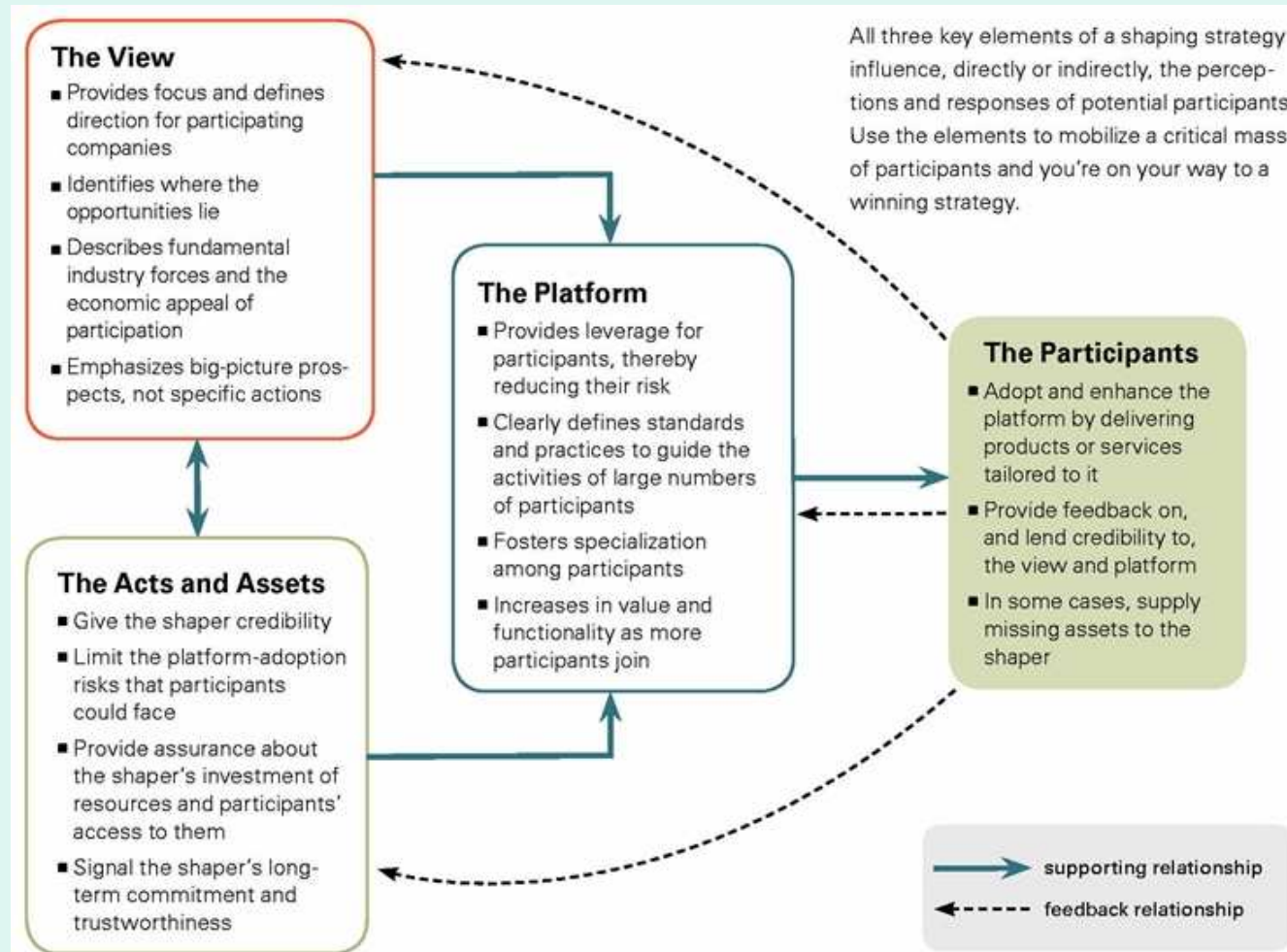
Hagel et al (2008)

Shaping strategies have 3 elements:

- The view
  - the inspirational focus that acts as a rallying point
- The platform
  - that acts as a standard for a whole market sector and opens the door to new opportunities
- The shaper's assets and actions
  - what the shaper has to offer and the way it acts to convince others that this is the way forward

# Shaping Strategy in Constant Disruption

Hagel et al (2008)





# Shaping Strategy in Constant Disruption

Hagel et al (2008)

## Examples

- Bill Gates' message that computing power was moving away from centralized mainframes to desktop machines acted as a rallying point
- Malcom McLean's design for shipping containers acted as a platform that transformed docks, transport and logistics
- Novell selling it's hardware business (which provided 80% of revenues) was that action that convinced the industry that networked systems were the future of IT

# Shaping Strategy in Constant Disruption

Hagel et al (2008)

## Shaper of Participant?

- **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

# Match Your Strategy and Ecosystem

Adner (2006)

- This article looks more closely at the risks associated with the strategy of creating innovation ecosystems
- It argues that creating an ecosystem is essentially a project management problem taken outside of normal company boundaries to encompass a range of external factors

# Match Your Strategy and Ecosystem

Adner (2006)

3 types of risk that need to be managed

- Initiative risk
  - how does the project measure up?
- Interdependence risk
  - who needs to deliver before you can?
- Integration risk
  - who has to adopt before the customer can?

# Match Your Strategy and Ecosystem

Adner (2006)

## Initiative risk

- The 'normal' risks of project management
  - The article does not deal with these but does point out that a firm needs to decide which of the risks it identifies should be dealt with internally and which should be given to its partners

# Match Your Strategy and Ecosystem

Adner (2006)

## Interdependence risk

- An ecosystem involves coordinating the activities of others in the network, if these are dependent on each other ...

4 suppliers 90% certain of delivering on time

–  $0.9 \times 0.9 \times 0.9 \times 0.9 = 0.66$  certainty

if one is only 20% certain

–  $0.9 \times 0.9 \times 0.9 \times 0.2 = 0.15$  certainty

# Match Your Strategy and Ecosystem

Adner (2006)

## Integration risk

- The further up the value chain an innovation is, the more intermediaries it has to pass through and the more chance there is of delay
  - See the example of flat screen manufacturer for the effect that delays could have on profitability and expectations

# Match Your Strategy and Ecosystem

Adner (2006)

- Although the strategy of attempting to create an ecosystem is risky, the potential rewards are great.
- A successful organization must decide
  - where to compete
  - when to compete
  - how to compete



# Match Your Strategy and Ecosystem

Adner (2006)

## Where to compete

- Attempts to create ecosystems are high risk and can become 'bet-the-ranch' initiatives
- Opportunities must be analyzed and prioritized; the framework of *initiative*, *interdependence* and *integration* risk can help executives to do this

# Match Your Strategy and Ecosystem

Adner (2006)

## When to compete

- Delays are normally seen as something to be avoided, but in ecosystems the task is to coordinate activities not to be first
- Apple waiting until digital copyright agreements were in place before entering the on-line music market is given as an example of this

# Match Your Strategy and Ecosystem

Adner (2006)

## How to compete

- Because ecosystems are pervasive, the issue of identifying the boundaries within which an organization can act is problematical
- Palm had a less ambitious goal for handwriting recognition (for PDAs) than Apple (for PCs) and succeed where the larger company failed

# Compare and Contrast

- When you have read these articles, you might like to reflect on
  - The way the two articles approach the problem of creating an ecosystem that will become a whole new business sector
  - The differences in role played by IT in this view of IT and strategy and the role it plays in the earlier views