

Hypercompetition

&

The New Rules of Strategic Management



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What I want to cover:

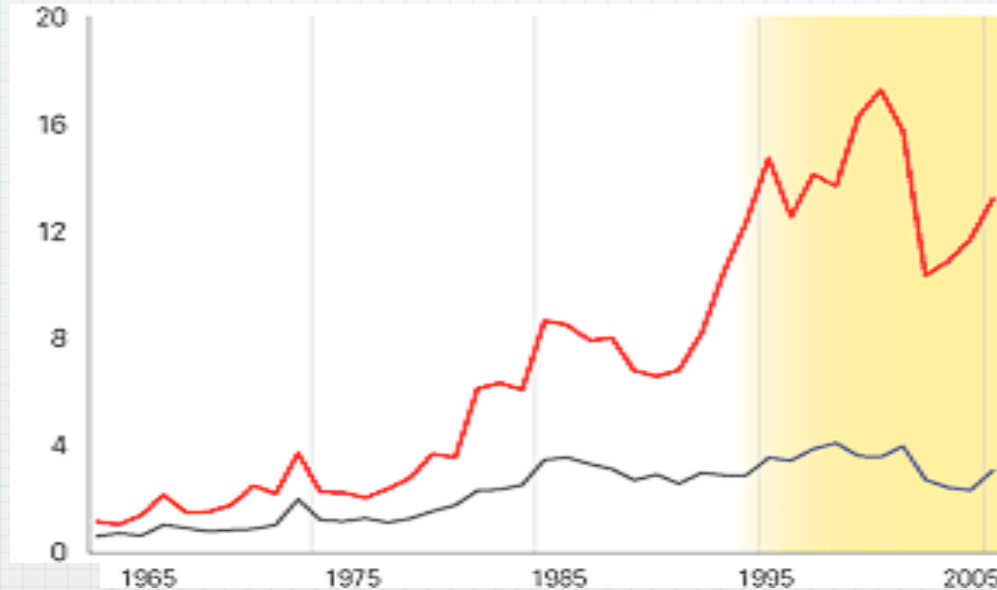
- Resources: *Welcome to Strata!*
- Processes
- Values

Competitive dynamics

"The characteristics of modern business are not so much structure as **dynamic change**. We'll see the **disruption** of competitive advantages far more frequently in this environment"
- D'Aveni

Increased turbulence in high IT industries

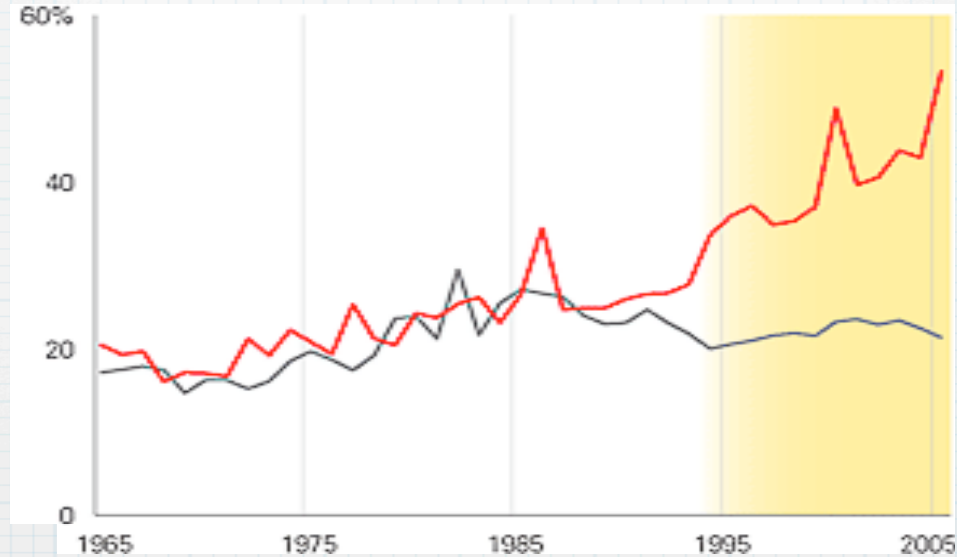
Average jump in number of places up and down the rankings from previous year - Top selling firms



McAfee, Andrew, and Erik Brynjolfsson. "Investing in the IT that makes a competitive difference." *Harvard Business Review* 86.7/8 (2008): 98.

Spread between winners and losers grew

Percentage gap between top and bottom quartiles
Gross Profit Margin

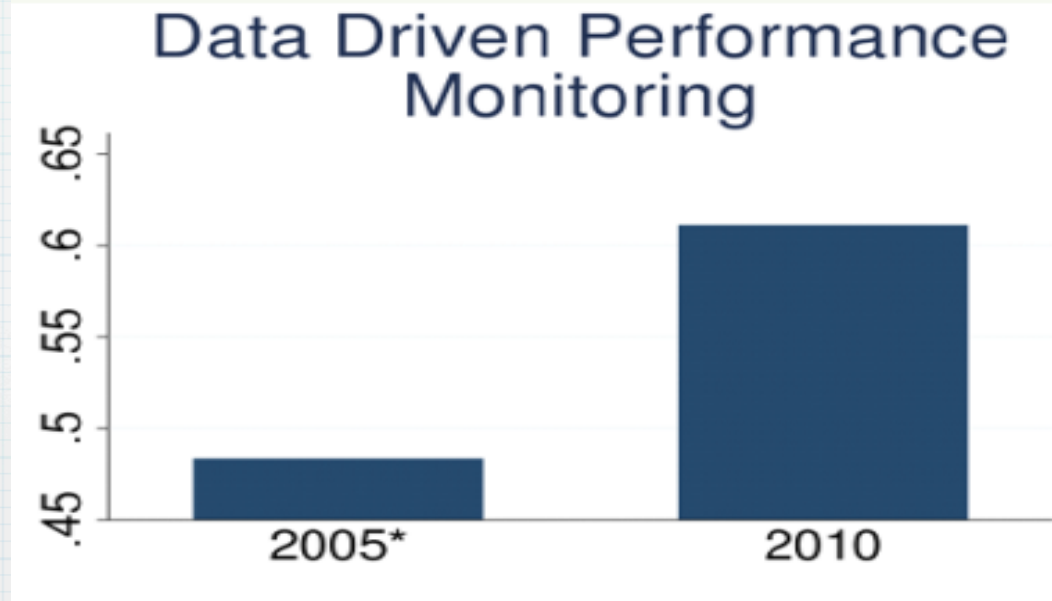


McAfee, Andrew, and Erik Brynjolfsson. "Investing in the IT that makes a competitive difference." *Harvard Business Review* 86.7/8 (2008): 98.

Strength in Numbers

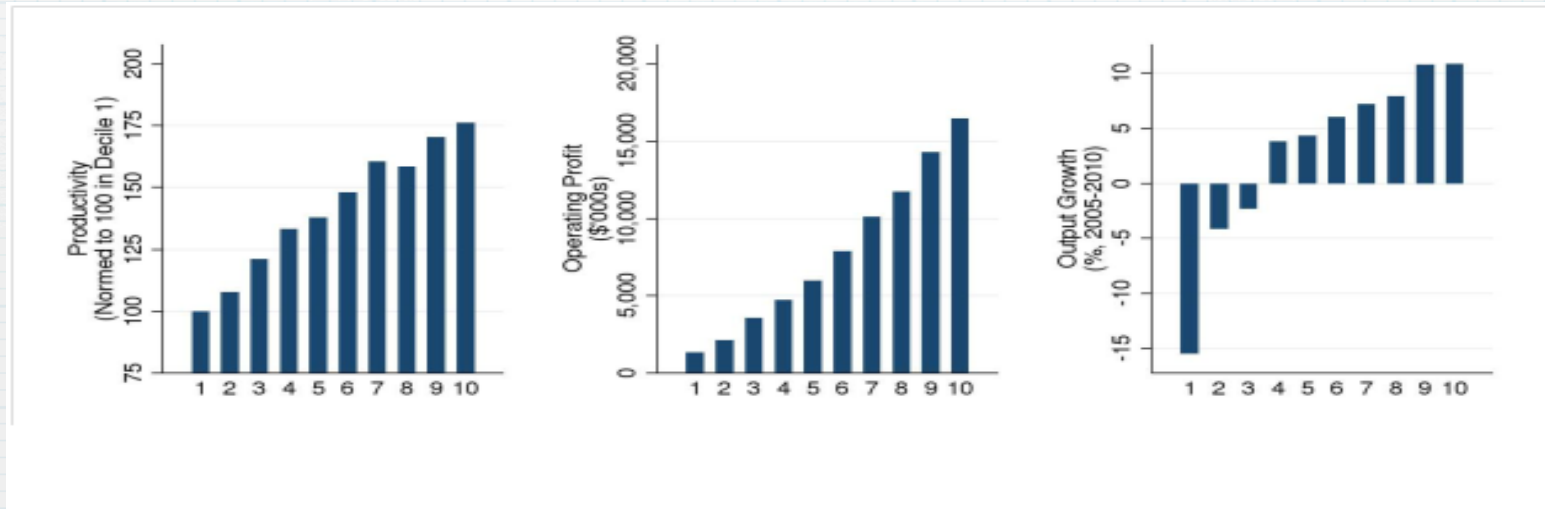
- 2011 MIT Research was based on the business practices and information technology investments of 179 large publicly traded firms
- Companies that use data-driven analytics instead of intuition **have 5%-6% higher productivity and profits** than competitors

The Rise of Data-Driven Decision Making in Management



Bloom, Nicholas and Brynjolfsson, Erik and Foster, Lucia and Jarmin, Ron S. and Saporta Eksten, Itay and Van Reenen, John, Management in America (January 15, 2013). US Census Bureau Center for Economic Studies Paper No. CES-WP-13-01. Available at SSRN: <http://ssrn.com/abstract=2200954>

Better Performance is Associated With More Structured Management

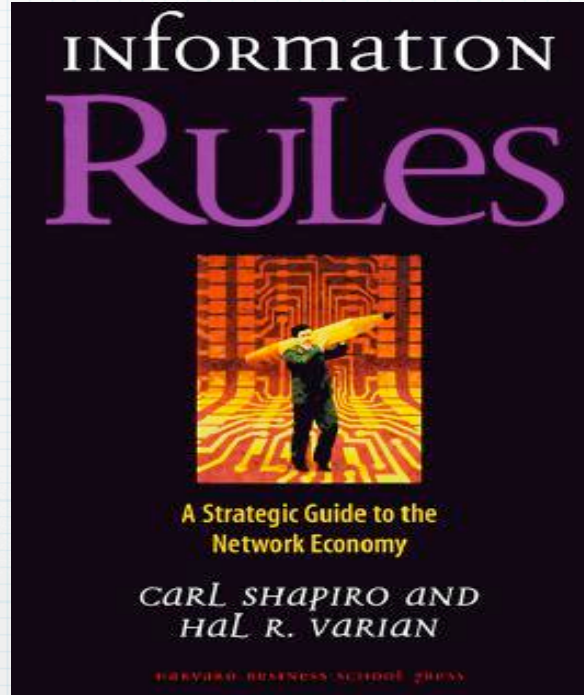


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The Digital Advantage in 2012

- The 25% of firms that are most digitally mature are **26% more profitable, gain 9% more revenue from their physical assets, and earn 12% higher market valuations** than their industry competitors
- Every firm in these industries has a competitor that is already earning the digital advantage.
- Since digital maturity takes several years to develop, every executive should start to consider what it will take to get there

Your business is an information business



The CEO - Chief Experimentation Officer



Peter DaSilva for The New York Times

Teece

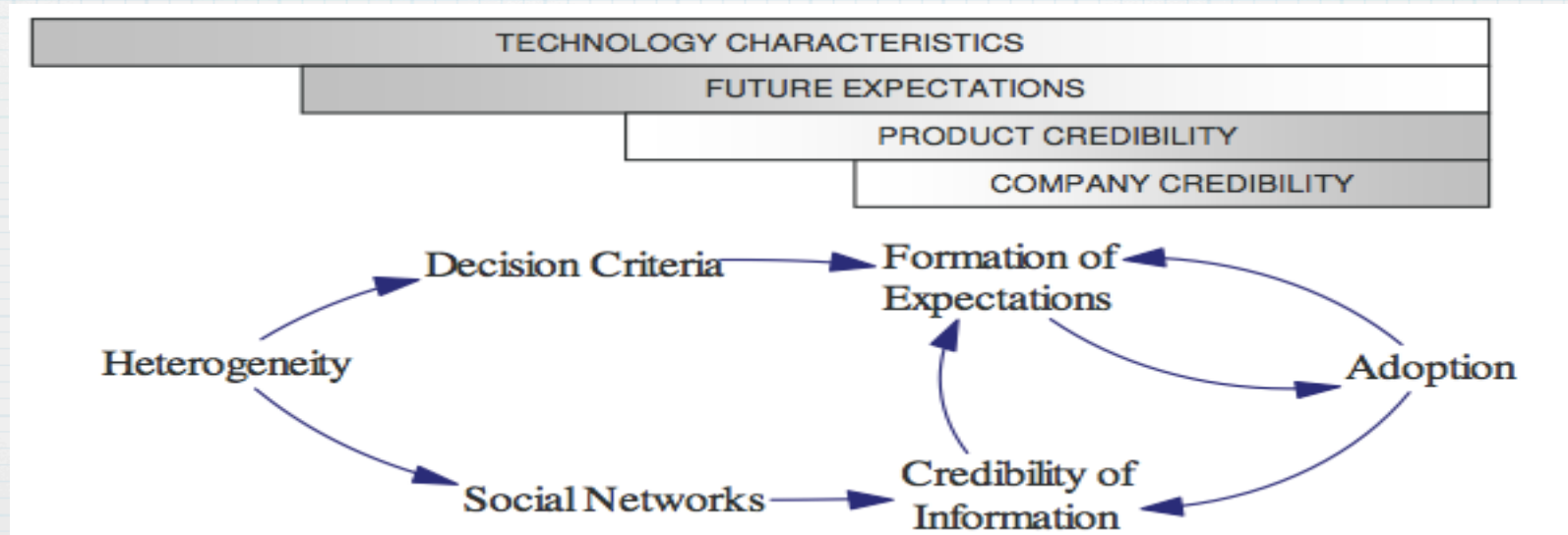
Dynamics Capabilities

- Dynamic capabilities are not operational capabilities
- Ability to integrate, build, and reconfigure internal and external competences to address **rapidly changing environments**
- Capabilities cannot easily be bought; they must be built
- Strategy involves choosing among and committing to long-term trajectories of **competence development**
- What dynamic capabilities do you need and by when?
- How will you get them?

Dattee & Weil

Dynamics of social factors in technology

Paradigmatic technology shift is not only a function of technological characteristics but also depends on influential change agents and many social dynamics



Information businesses must re-learn how to innovate and operate to stay ahead

<p>Real-time input from users</p>	<p>Constantly engaging users to understand customer needs throughout production cycle</p>	<ul style="list-style-type: none"> • Lead Users • Co-Creation 	
<p>Rapid testing & learning</p>	<p>Rapidly testing new ideas, learning from results, and integrating changes</p>	<ul style="list-style-type: none"> • Experimentation • User Analytics • Dev Ops 	
<p>Simpler products</p>	<p>Implementing a minimum set of functionality allows for fast product releases and early user feedback</p>	<ul style="list-style-type: none"> • Minimum Viable Product • Less is More 	
<p>Innovation with partners & community</p>	<p>Leveraging partners, developer communities to co-develop better products</p>	<ul style="list-style-type: none"> • Crowd Sourcing • Open Innovation 	

Why open innovation matters

A company that is already consumed with managing its existing operations, may see a new innovation as more of a distraction than an opportunity

But, this is generally a mistake, sometimes a very costly one

Once the buzz is in the air, universities and research communities, as well as entrepreneurs and VCs are likely well on their way in developing the new technologies and figuring out their marketplace implications

Heuristics

- Digital technologies and **data-driven decision making** are redefining competitive strategy
- The lines between strategic and operational management are blurred in a **hypercompetitive** environment
- The only viable way to compete is to focus on **externalization** and **rapid experimentation** to learn
- For a business to survive, it must aim to add value to and with customers via **focused and structured open innovation process**

THANK YOU

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