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15.912 Technology Strategy
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The Story So Far

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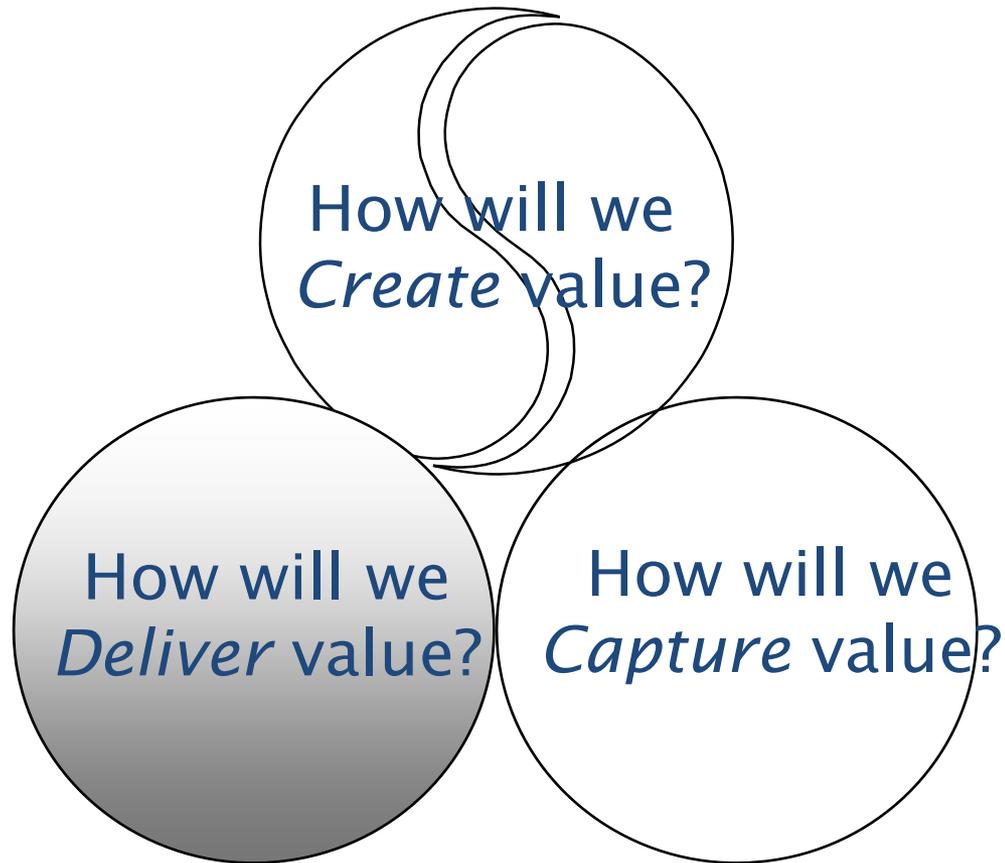


Outline

- 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

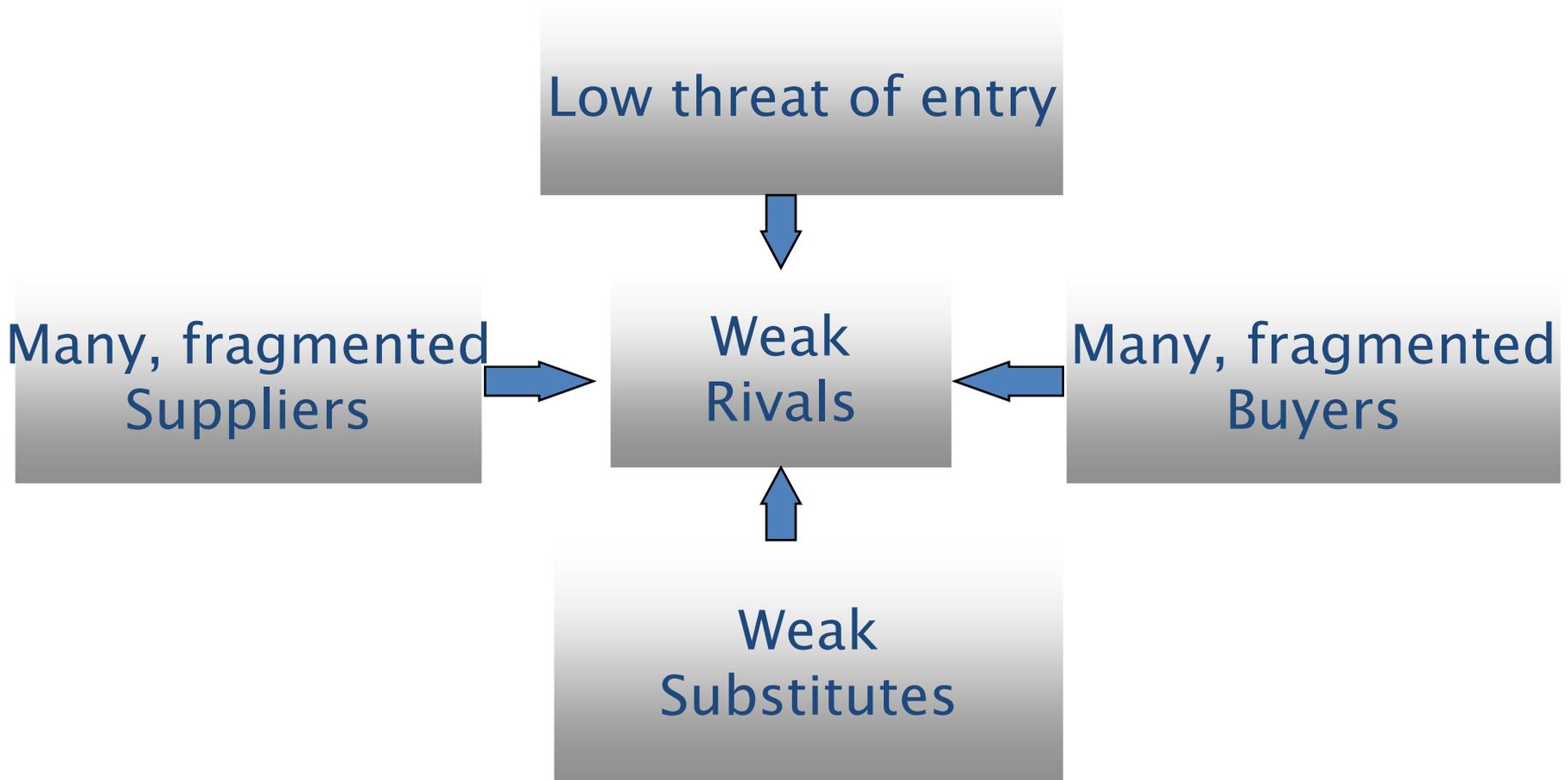
Strategy fundamentals



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

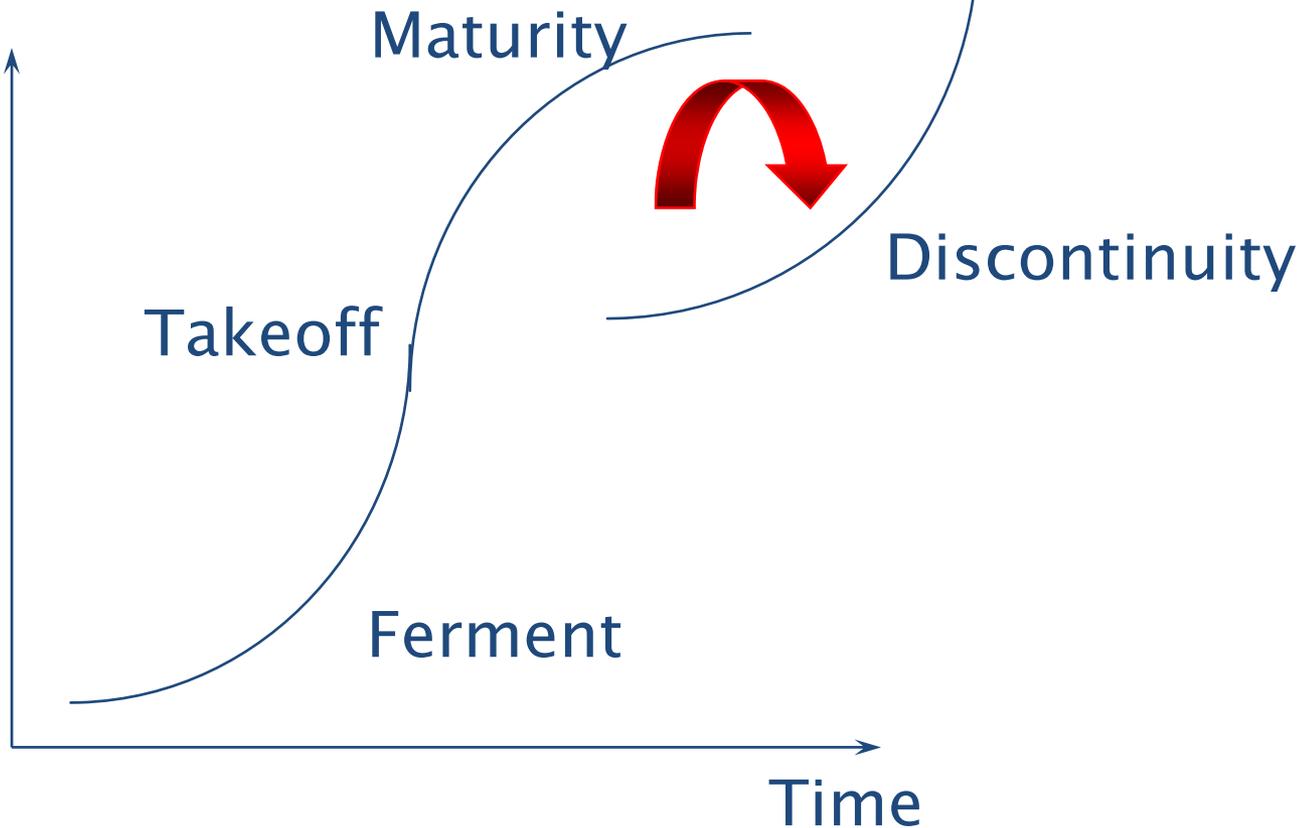
“Choose” an industry with a “favorable” industry structure



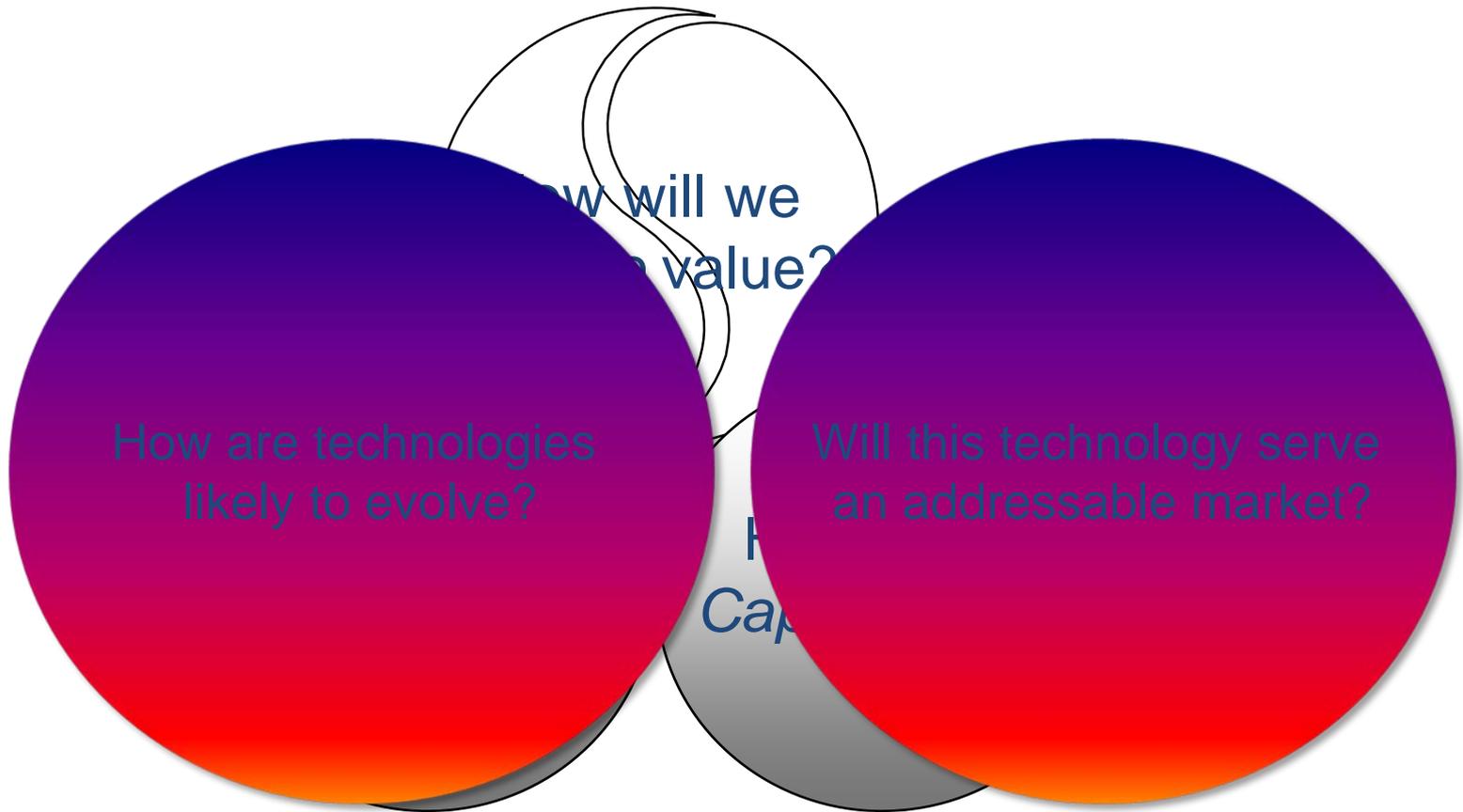
Technology Strategy: What's new?

Thinking explicitly, about dynamics: S-curves, industry lifecycle, chasm, innovators dilemma, effective organization processes

Performance



Taking value creation for granted...



Two key ideas:

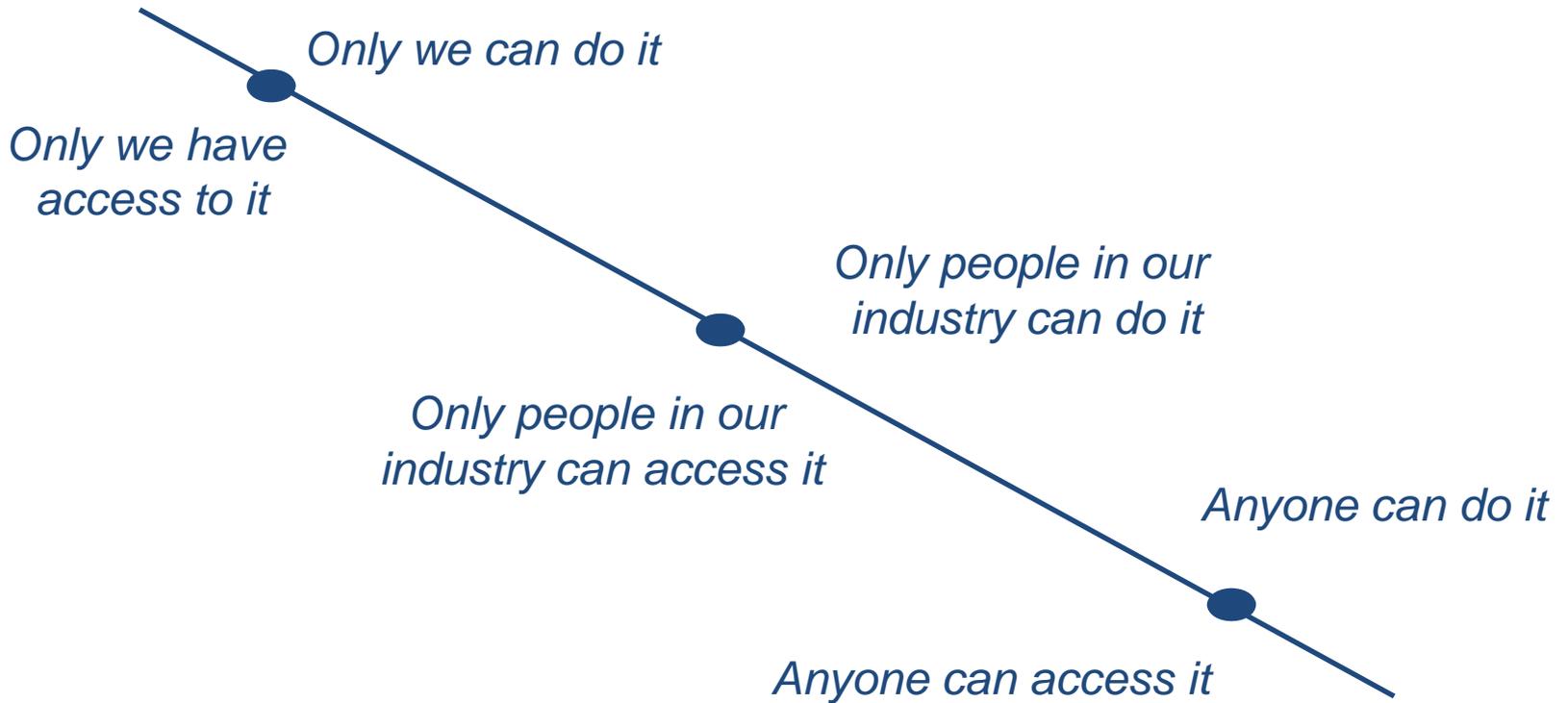
- Uniqueness
 - *Controlling the knowledge generated by an innovation*
- Complementary assets
 - *Controlling the assets that maximize the profits from innovating*

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*

Tightly held



Freely available

The sources of advantage usually change over time...

Complementary assets are:

Available

Tightly
held

Possible

\$

Uniqueness is:

Very
Difficult

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