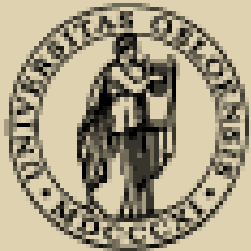


***Master of Science
in Innovation and Entrepreneurship
2008***

ENT 4000

1st meeting

TRONN Å. SKJERSTAD



**UNIVERSITETET
I OSLO**

Tel. + 47 990 80 000
Mail: tronn@skjerstad.net

Overview

- 1st meeting:
strategy – fundamentals and framework
- 2nd meeting:
strategic choices – content and process
- 3rd meeting:
extreme strategic choices – the rise and fall of businesses via M&A



Agenda for 1st meeting

● Introduction

- The strategy process
- What is really strategic?
- Fundamental elements in strategy

● Strategic choice – content and process

- Strategic analysis
- Strategy alternatives

● Recommended reading:

- Technology ventures: chapter 4,13



Introduction: do smarter strategic choices!

- Competitive advantages are based on
 - Product and/or
 - Process leadership
- “Sustainable competitive advantages” are challenged due to
 - Globalisation
 - Technology development
 - Deregulation
- Consequence: strategy development has changed



Implications

«Unless today's established corporations learn to reinvent themselves and their industries, much of the new wealth will be created by newcomers.»

Gary Hamel (1997)

Strategy for the incumbents

- stay on track or turn before it's too late



© 2003 United Feature Syndicate, Inc.

Strategy for the entrepreneurs

- new customers, new needs and new solutions



Different focus in different contexts

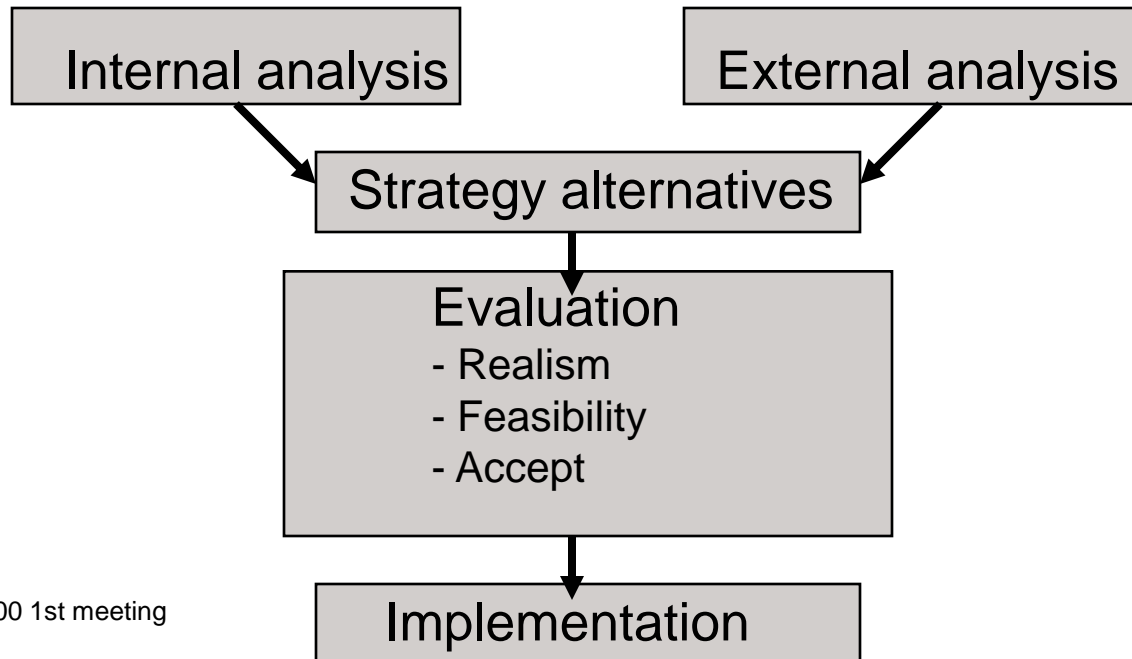
- *SMB*: growth
- *Large, multinational*: complexity
- *Professional partnership*: individualism
- *Non governmental organisation*: strong values
- *Public sector*: the political dimension

Introduction – focus and process

- **Two typical starting points for strategic choice**

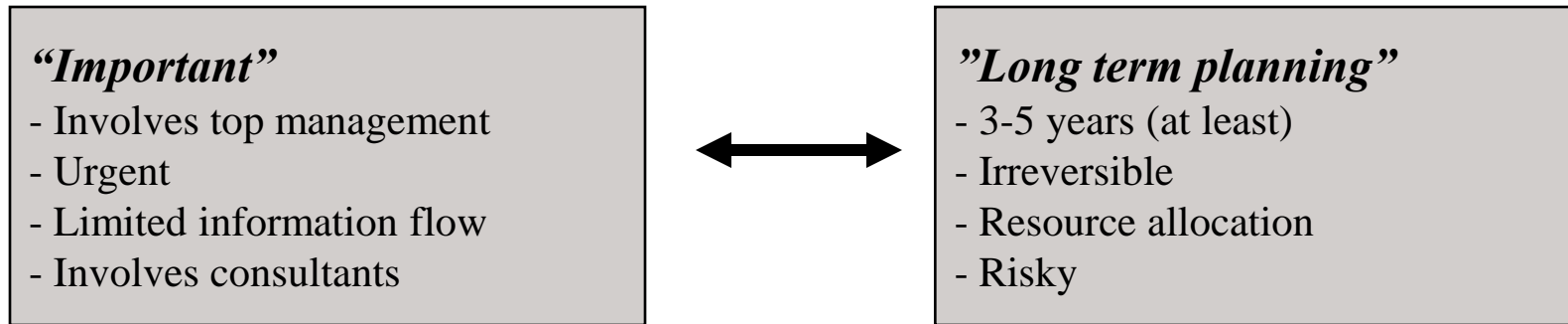
- *Visionary front runner* (proactive)
→ e.g. from rubber boots to mobile
- *Copy of competitors* (reactive)
→ e.g. from fixed telephony to voice over IP

- **Ideally an analytical, sequential process:**



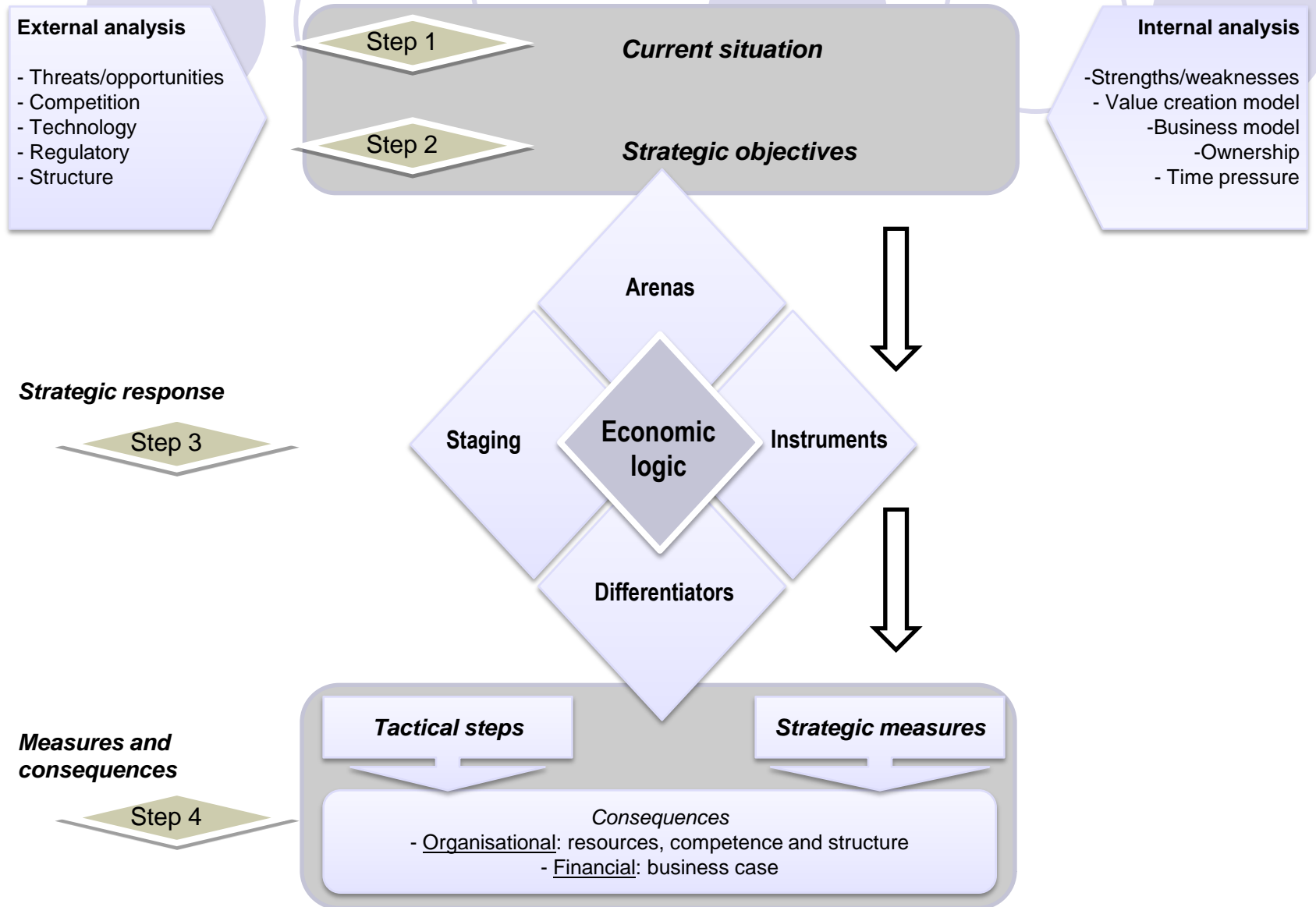
Introduction (ctd.)

- What choices are really "strategic"?



- What are the threats against a good strategy process?
 - *External*: complexity and information access
 - *Internal*: guts and time pressure

Framework – from analysis to measures and consequences

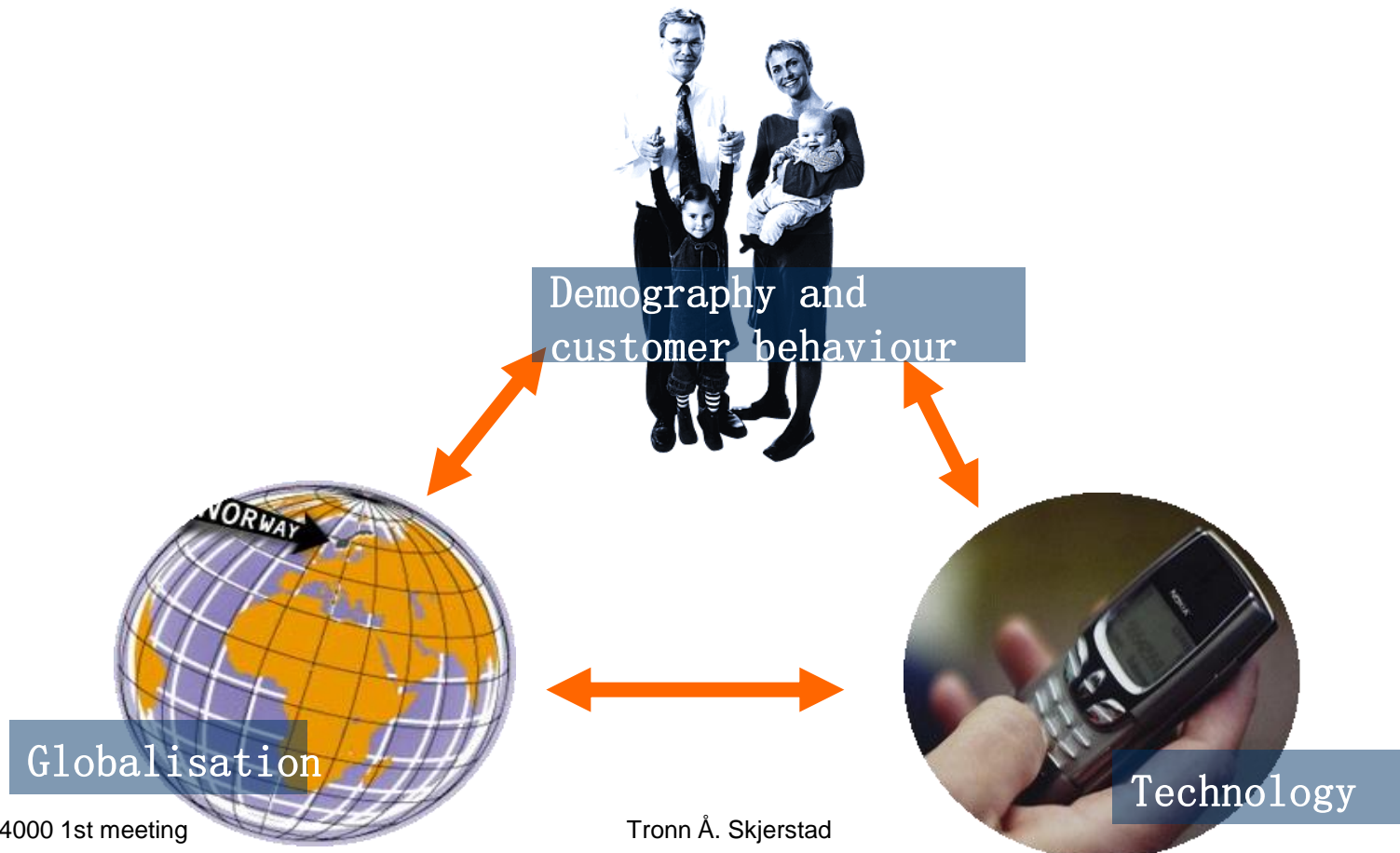




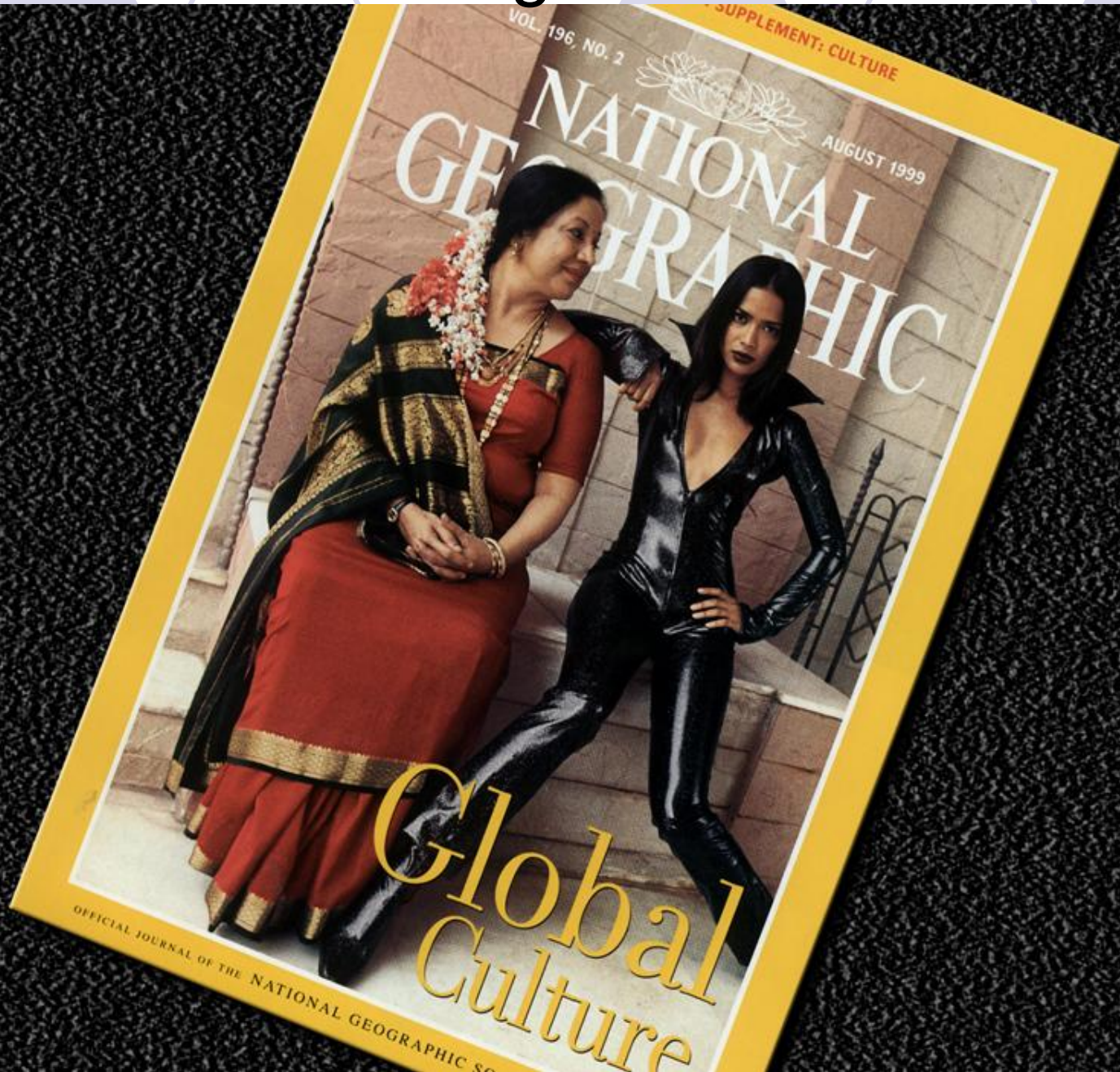
Step 1 – current situation

- **Analysis of the company and its surroundings**
 - Overall trends
 - Market
 - Technology
 - Structure
 - Regulatory
 - Summary of external threats and opportunities
 - Internal strengths and weaknesses

The general drivers for change



Globalisation challenges us...



It is hard to predict the future...

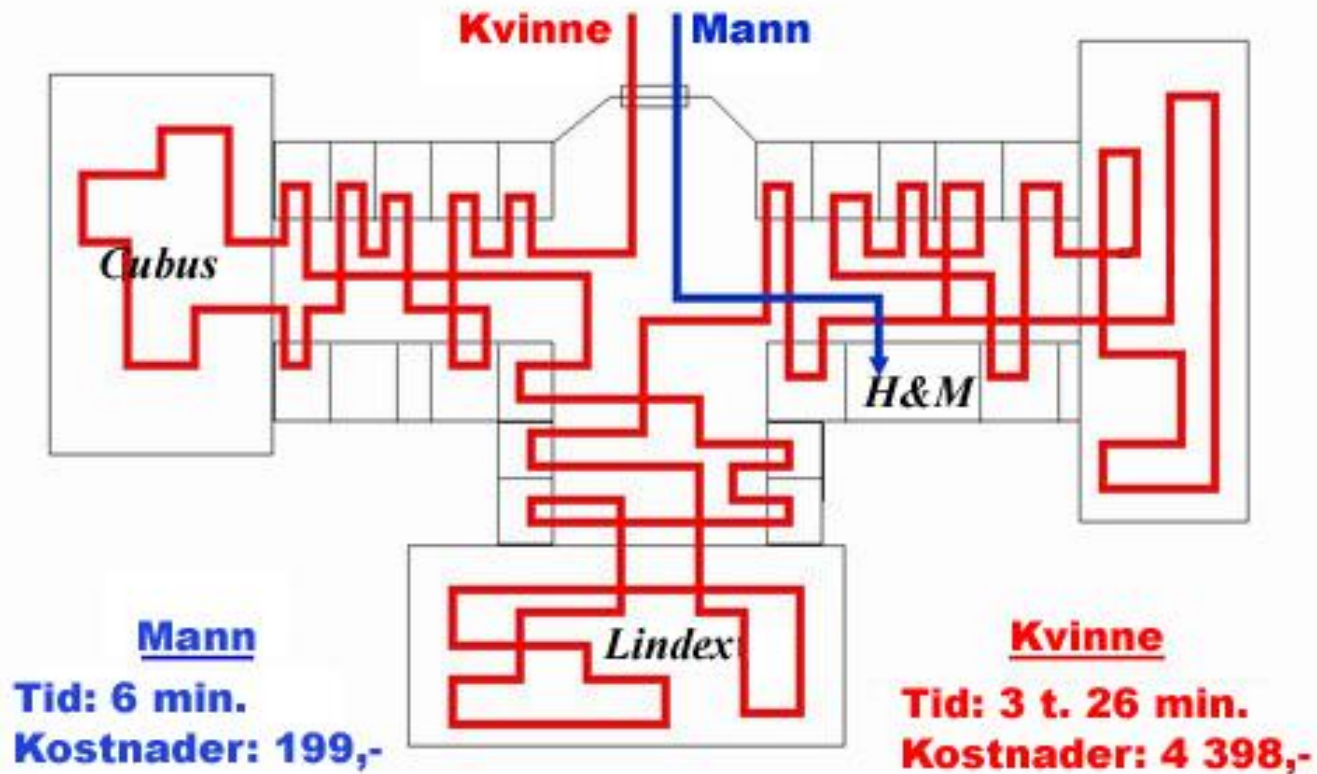
There will never be a big market for cars.
In Europe you can sell maybe 1.000 cars
– more private drivers are not available.



Spokesman from
Daimler in the late 1800s

And customers needs and behaviour are different

Oppdrag: Gå til H&M og kjøp en bukse



But some things are also stable...

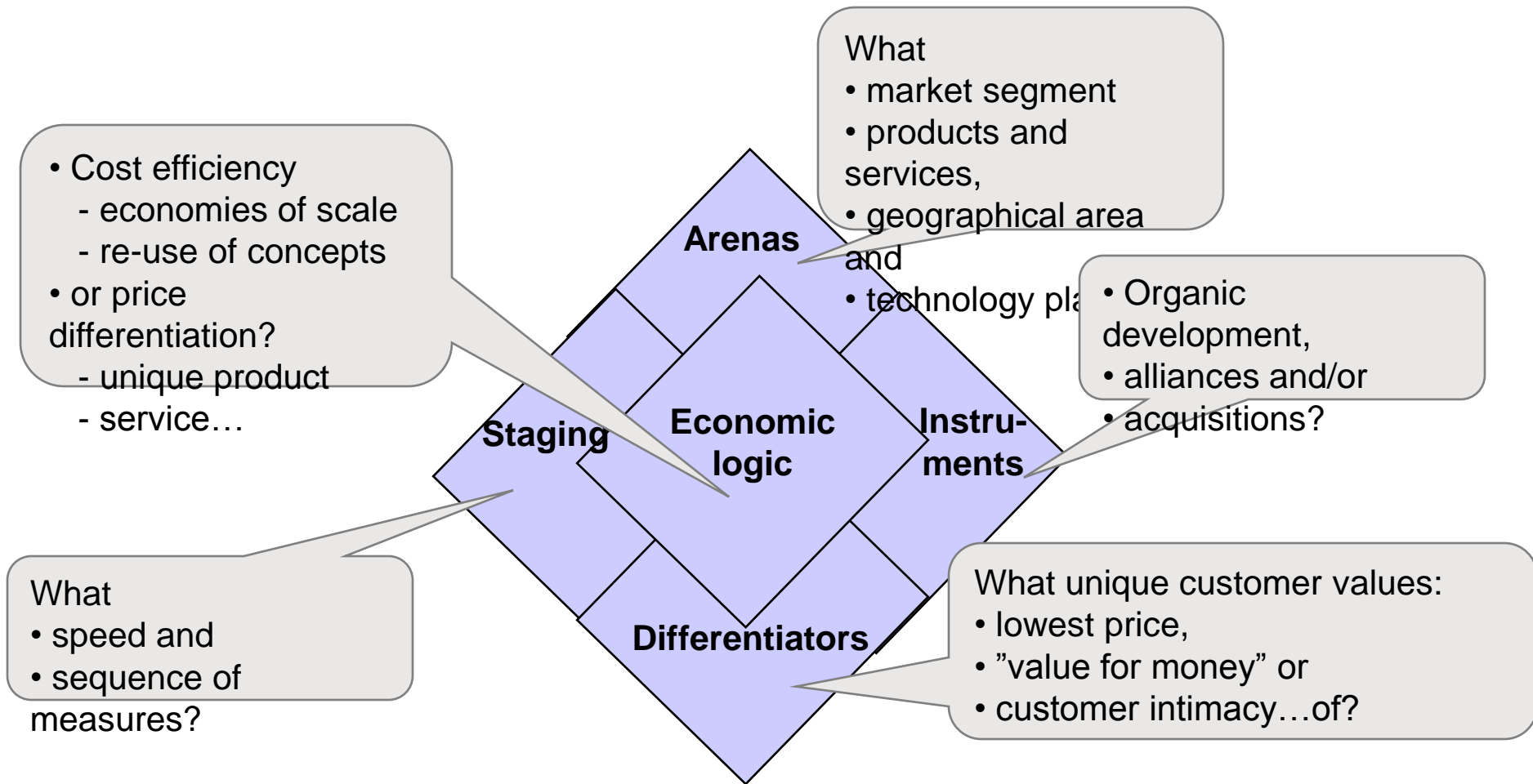
Education	NTNU (1910) NHH (1936) UiO (1811)
Chocolate	Freia Melk (1906) KvikkLunsj (1937) Stratos (1936) Firkløver (1926)
Bank	DnB NOR (1822) Nordea (1848) Fokus Bank (1859)

Step 2 – strategic objectives

- **Strategic objectives – examples**

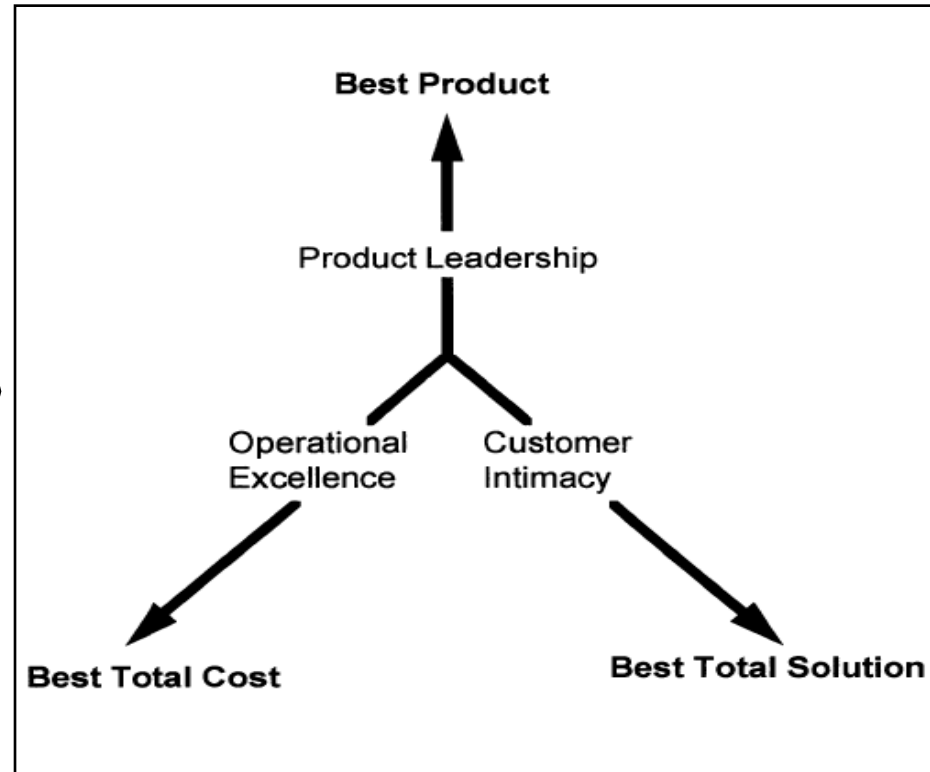
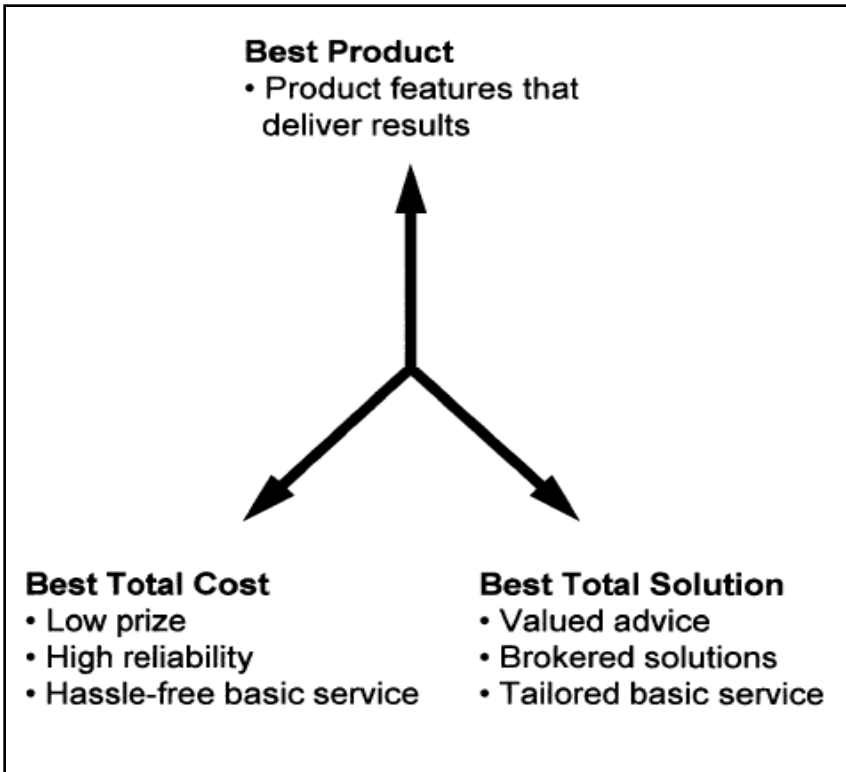
- "Win 50 % market share in Norway in 2 years"?
- "Leading market position in Sweden before 200X"?
- "Launch product X in Y years"?
- "Market share in product X in Europe of Z% before 200X"?

Step 3 – strategic response



The concept of “differentiators” is where most companies fail

- focus on leadership in one value discipline



Step 4 – measures and consequences

- Establish process for further development of the plan
 - Update and revision of:
 - External and internal analysis
 - Strategic objectives
 - Strategic response
 - Milestones
 - Long term organisational consequences
 - Coordinated with on-going strategic projects
- Adjust organisational design
 - Organisational structure, people, processes and incentives
 - Roles and responsibility
- NB! consistence
 - Budget
 - Business plan
 - Strategic projects

Example: new growth for the energy companies?

● External analysis

- Electricity becomes more and more of a "cost-plus game"
- Necessary to build barriers of entry for electricity
- Other utility markets such as telecom grow

● Internal analysis

- Brand power (especially locally)
- Customer information (90 % market share)
- Competence and resources related to infrastructure (100 years of history)

Energy companies (ctd.) – strategic response

- New arena: from supplier of electricity to "multi-service-provider"
 - *Energy*: gas
 - *Telecom*: broadband (triple play) and mobile
 - Next: alarm, insurance, financing...
- Instruments: long term organic growth combined with acquisitions
- Differentiators: clear and unique customer values
 - *Local*
 - Lower price
 - *Simpler*: one bill etc.
 - Addresses the family segment (1/3 of the market)
- Consequences of new economic logic by establishing separate units
- Conscious staging: signs up customers before building infrastructure

Energy companies (ctd.) – success factors

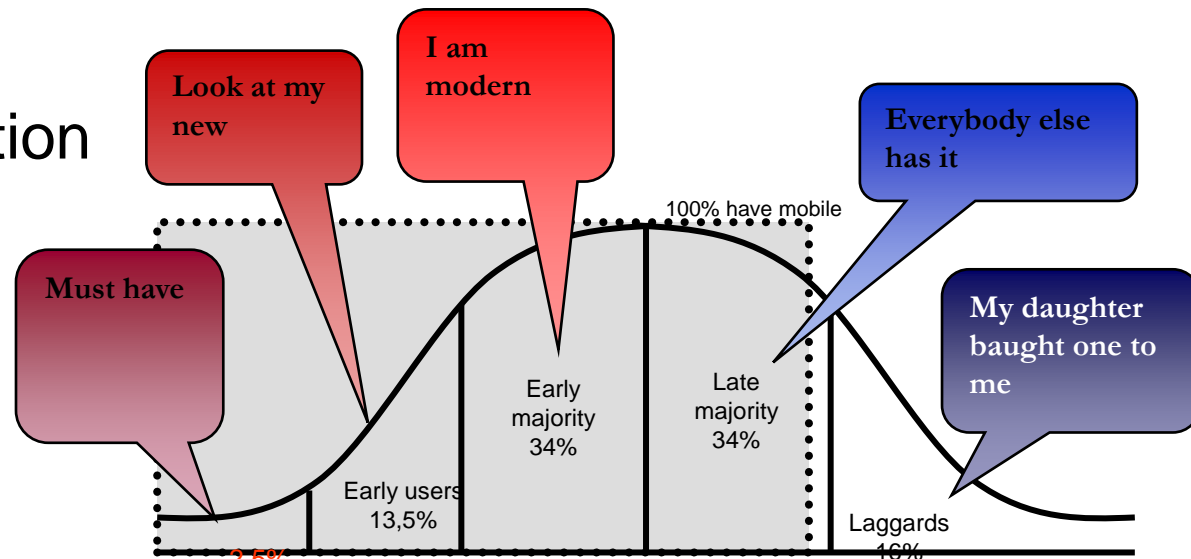
- Clear value proposition

- Low price
- Local
- Simple

Lyse 10000
bare lave priser

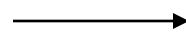
- Careful segmentation

- Young families
- With kids

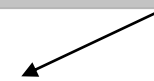
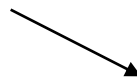


Framework for strategic choice

Strategic analysis



Strategic alternatives



Evaluation (of suitability)



Filtering

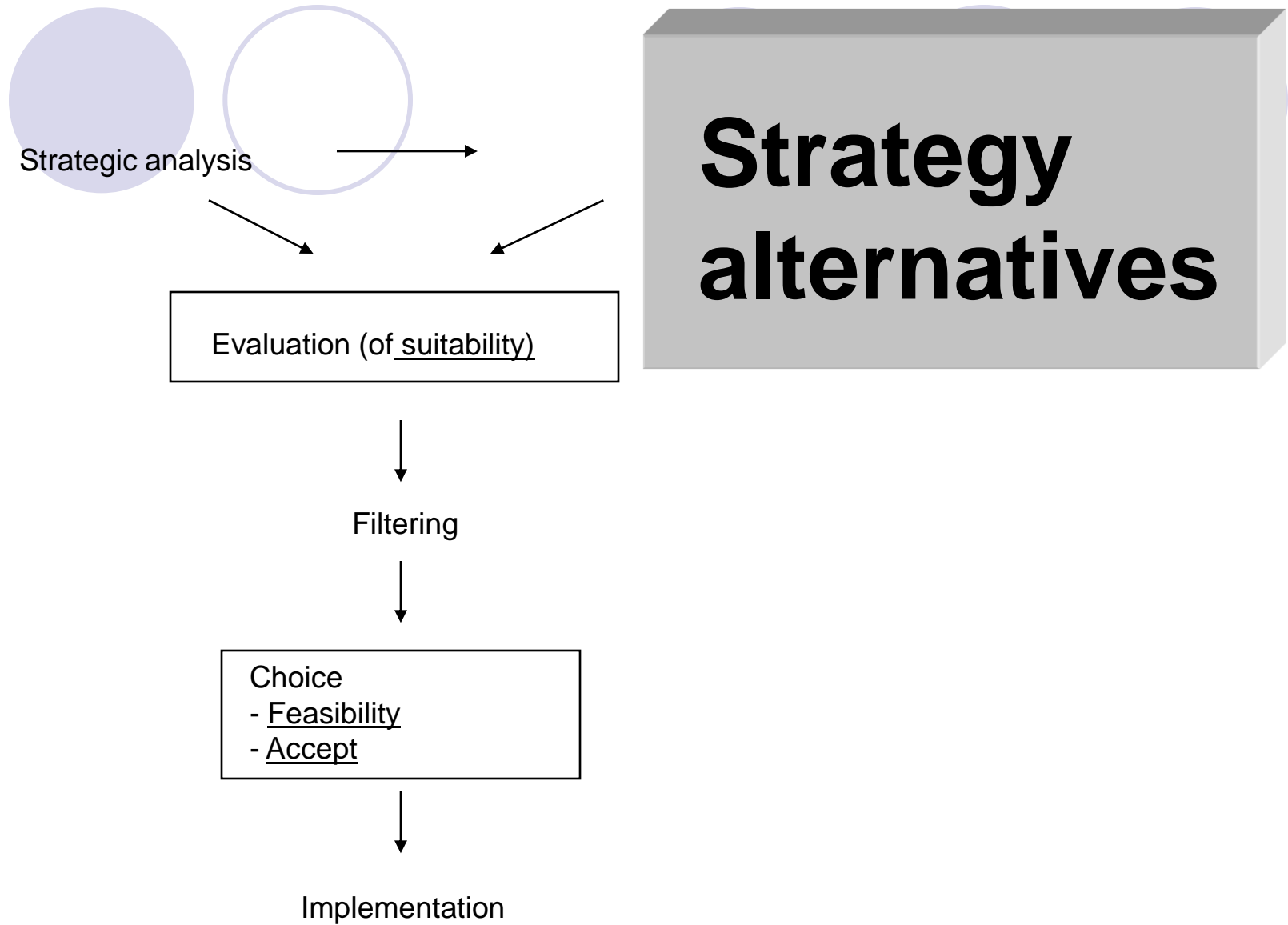


Choice

- Feasibility
- Accept



Implementation



STRATEGY ALTERNATIVES



(a) What basis?
(generic strategies)

(b) What direction
(development directions)

(c) How
(development methods)

What about the alternative "no strategy"?

- Too hard to formulate?
- Avoid internal politics?
- Secrecy vis á vis competitors?

IDENTIFICATION OF ALTERNATIVES

- Creativity vs. structure
- Timed vs. completeness

Identification (ctd.).



● Basis

- Open minds
- Internal evaluation
- Ability to play with ideas and concepts

● Hard stoppers

- Experience
- Motivation
- Culture

Hard stoppers in practise

- "We have tried this before"
- "This is too new"
- "NIH-syndrome"
- "You are five years too ealy"
- "It's too late"
- "We have managed well without"
- "It's impossible in practical life"
- "We haven't got the time"