

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

2009

ENT 4000

1st meeting



**UNIVERSITETET
I OSLO**

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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

A decorative graphic consisting of two rows of circles. The top row has a solid light purple circle on the left and an outlined light purple circle on the right. The bottom row has a solid light purple circle on the left, an outlined light purple circle in the middle, and a solid light purple circle on the right. The word "Implications" is written in a large, bold, black sans-serif font, with the first two circles of the top row overlapping the text.

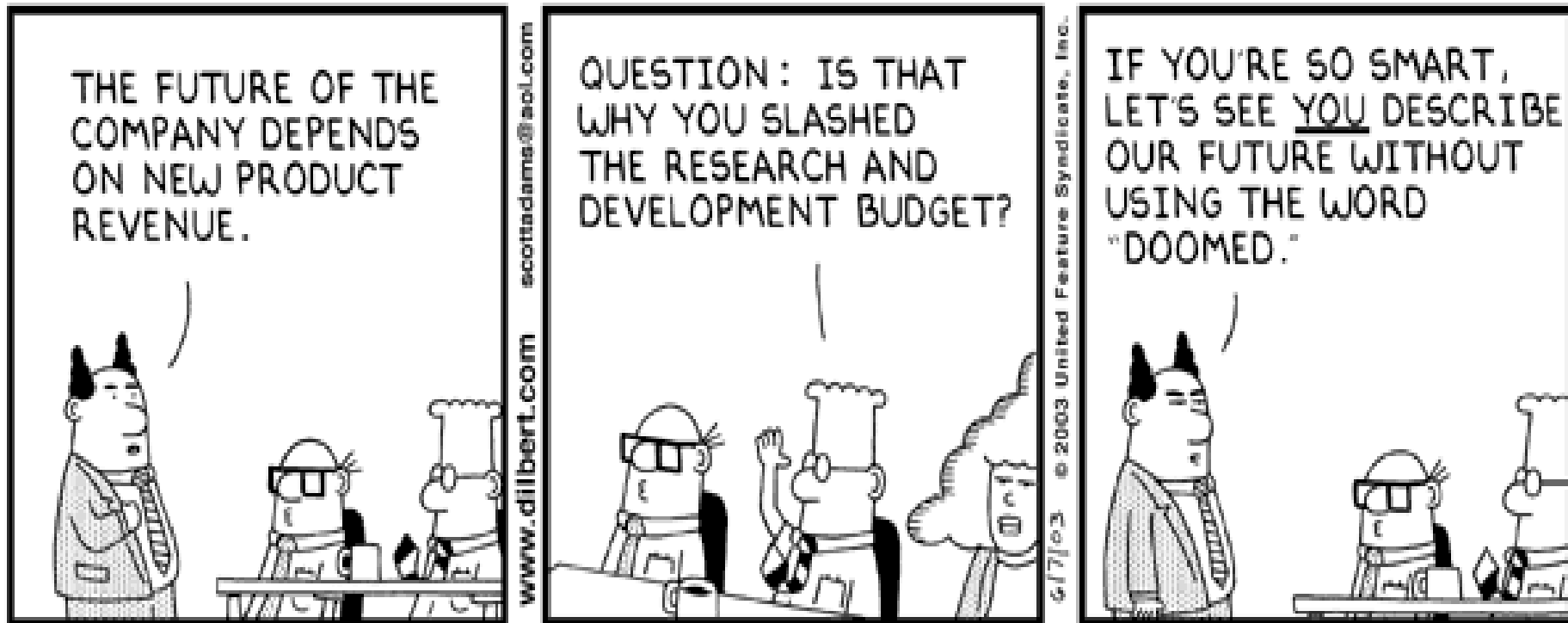
Implications

«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



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Strategy for the entrepreneurs

- new customers, new needs, and new solutions

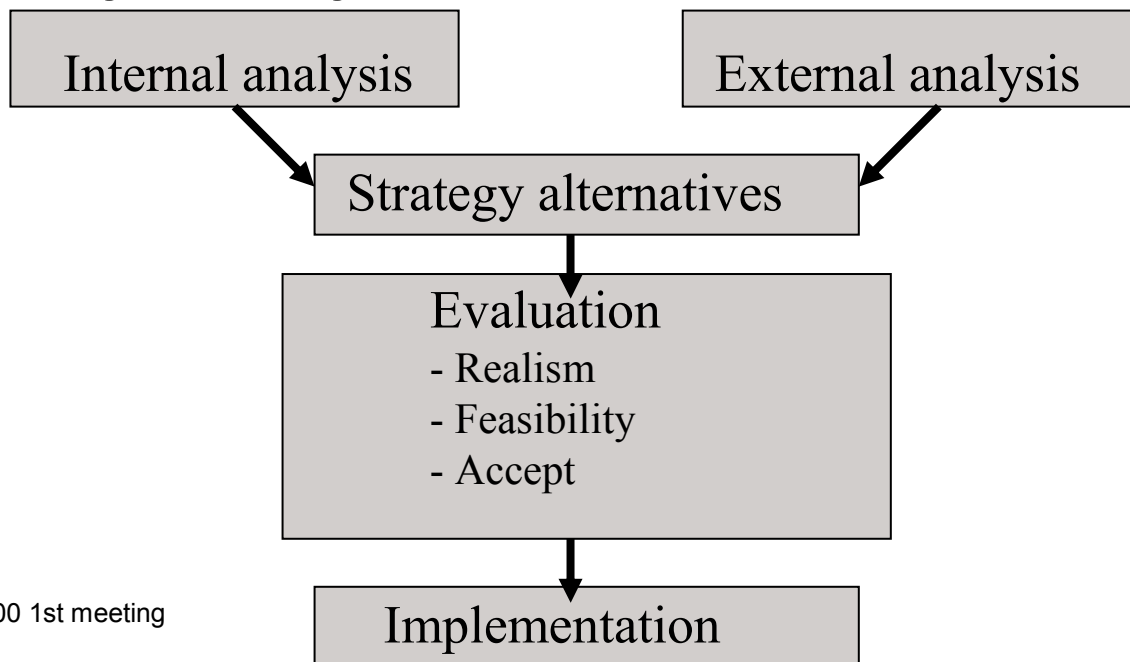


Different focus in different contexts

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

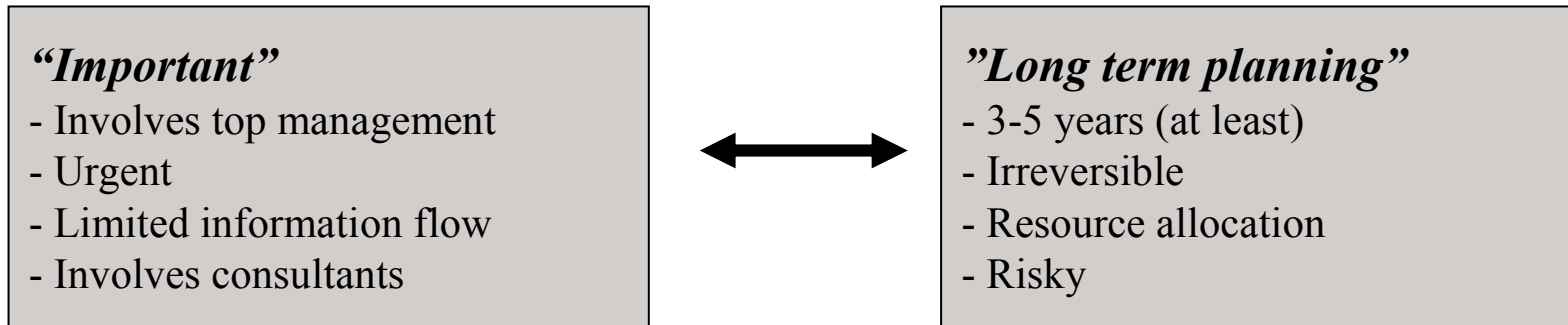
Introduction – focus and process

- **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:**



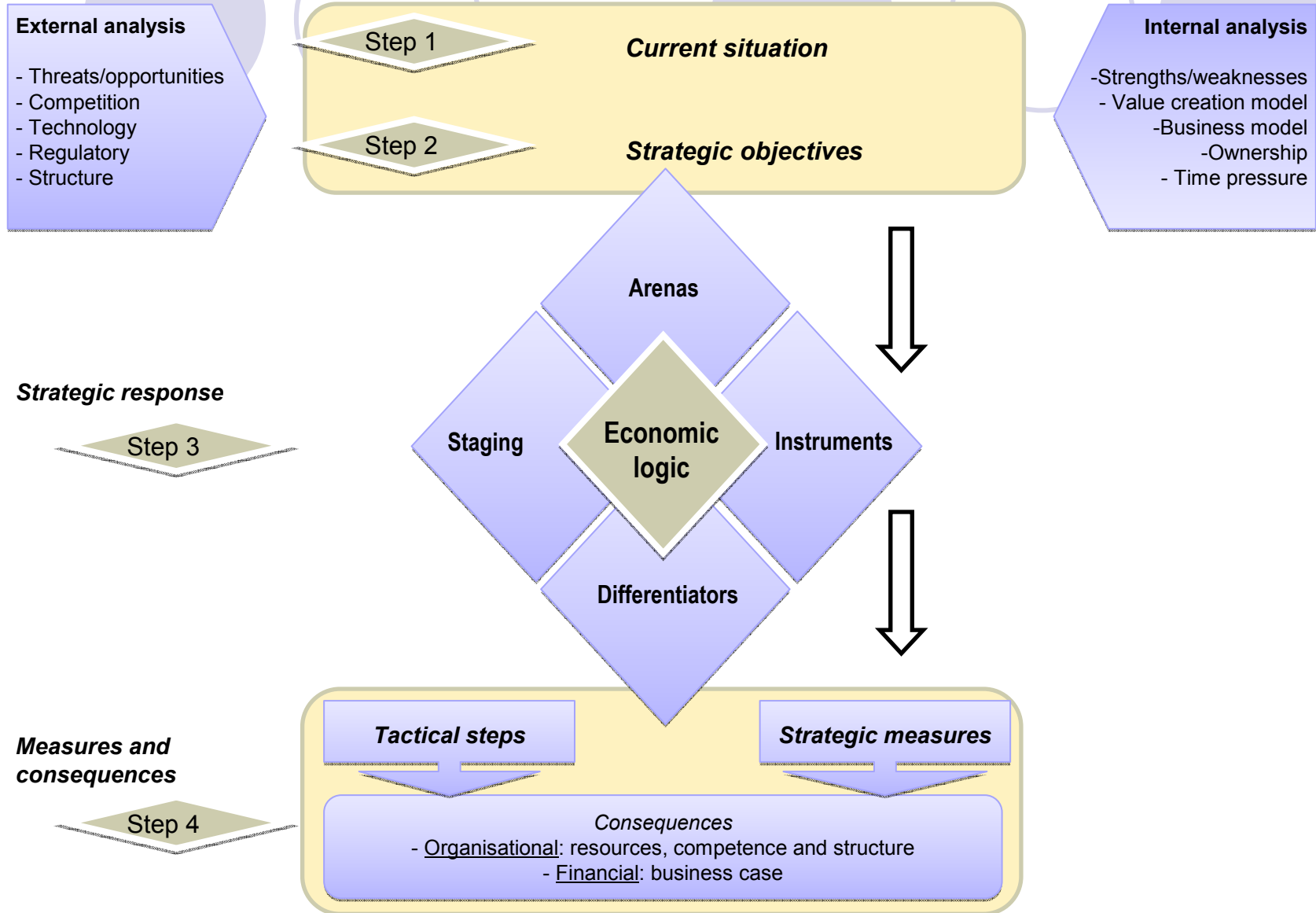
Introduction (ctd.)

- 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

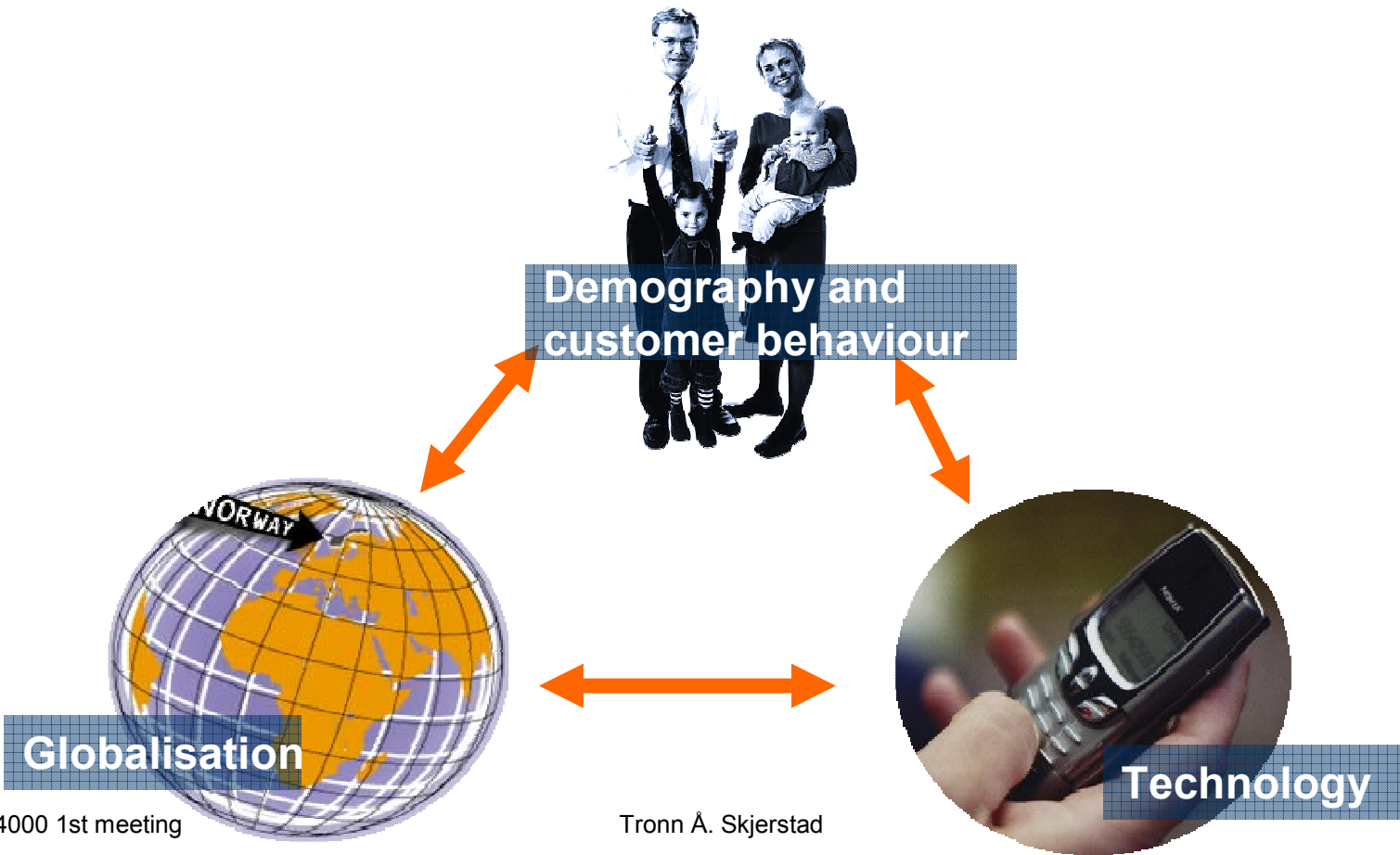




Step 1 – current situation

- **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...

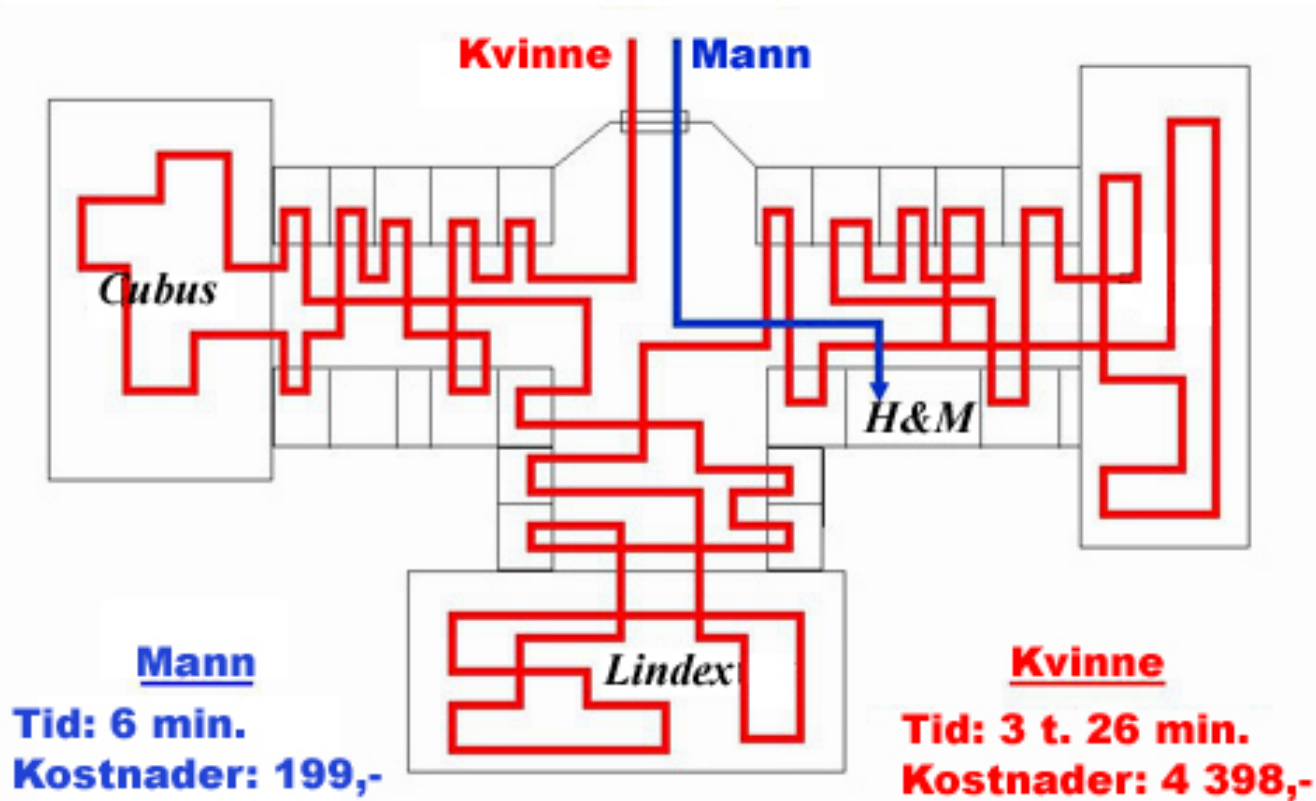
There will never be a big market for cars. In Europe you can sell maybe 1.000 cars - more private drivers are not available.



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) |

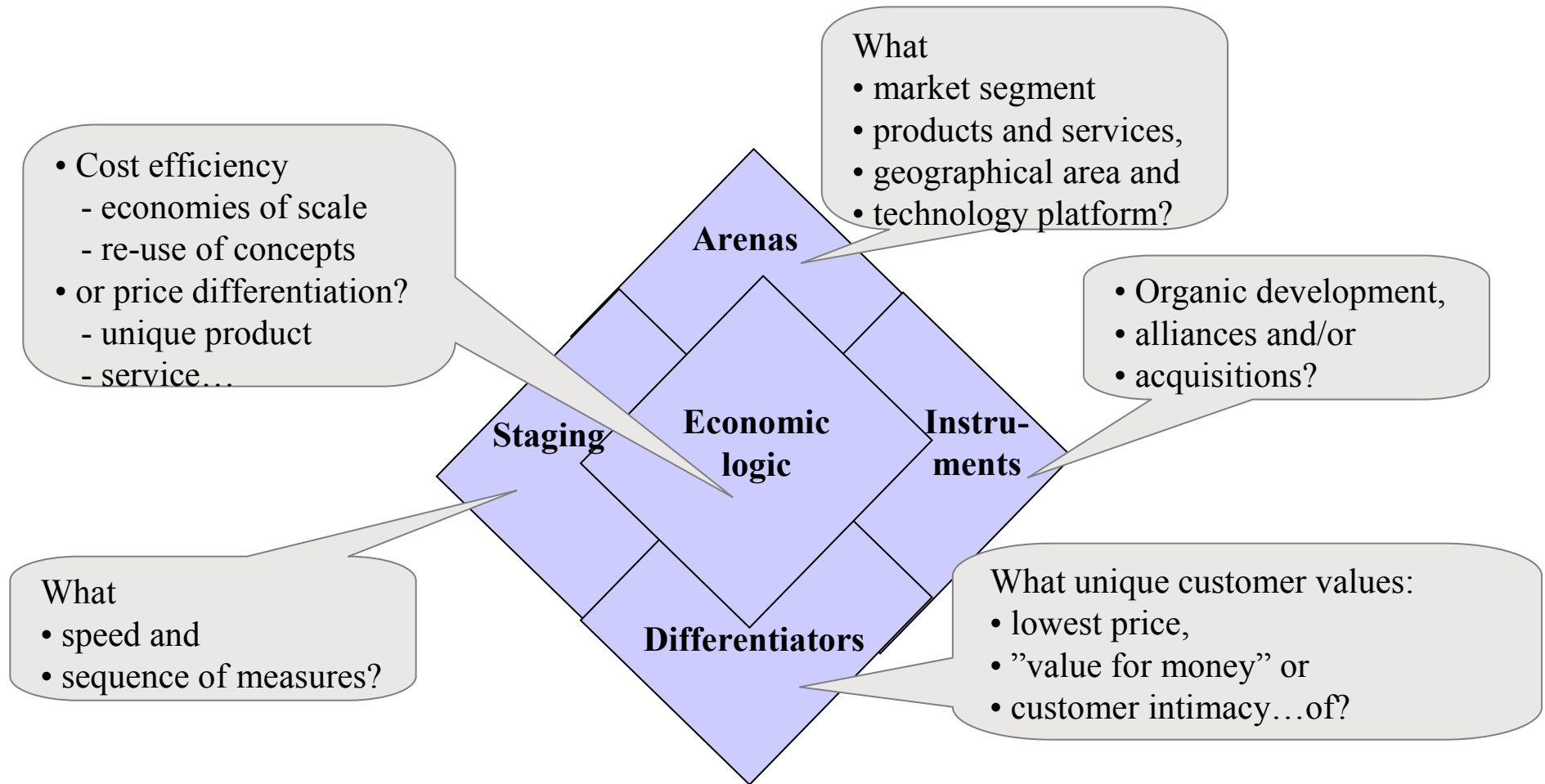


Step 2 – strategic objectives

- **Strategic objectives – examples**

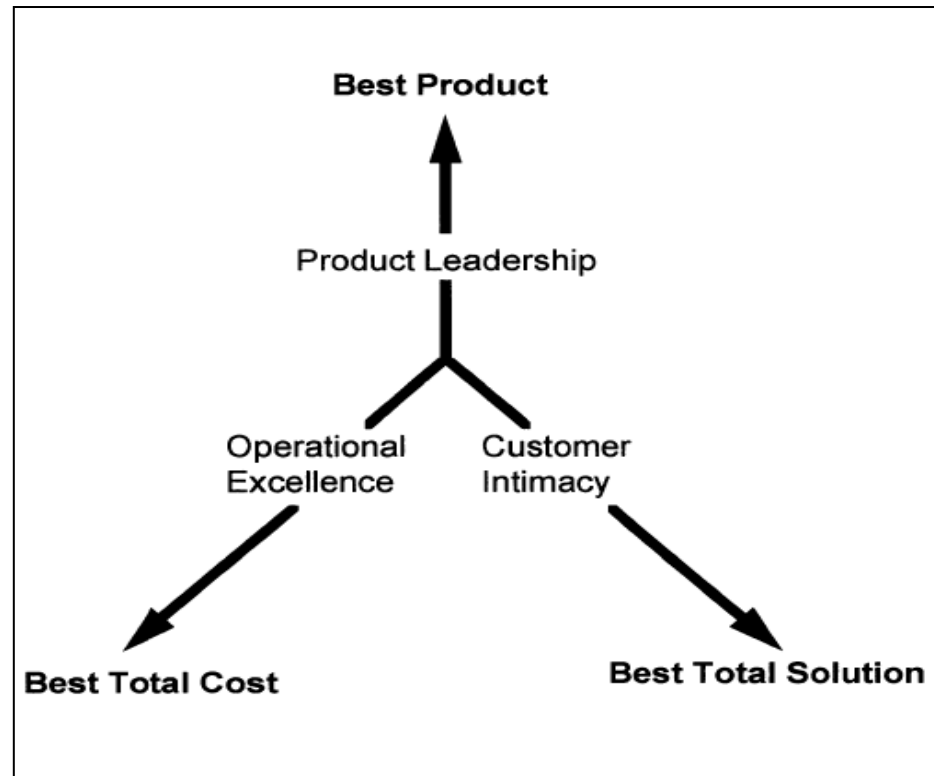
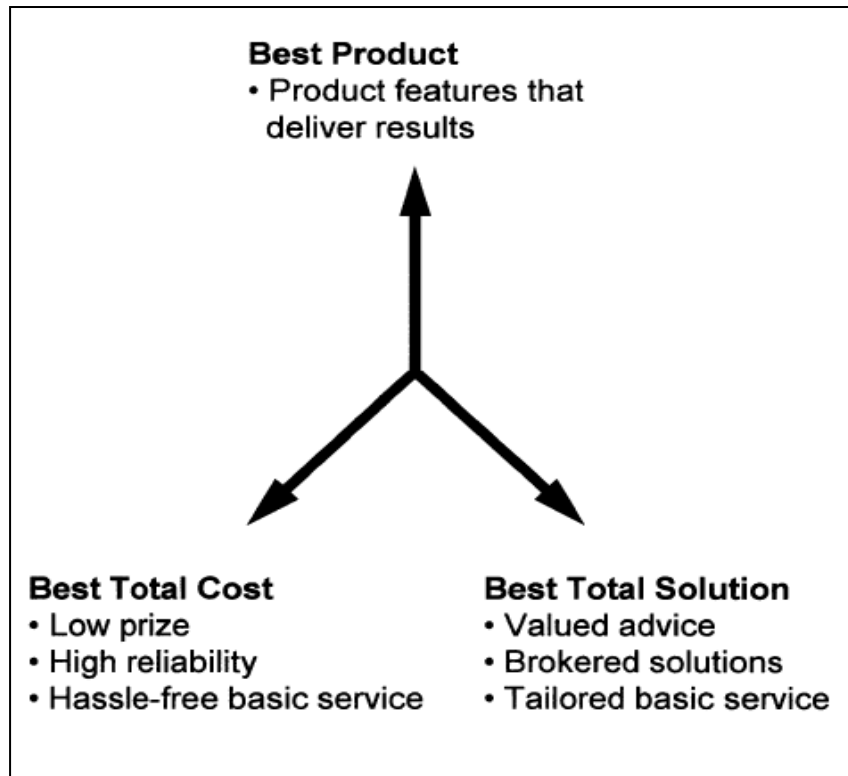
- "Win 50 % market share in Norway in 2 years"?
- "Leading market position in Sweden before 200X"?
- "Launch product X in Y years"?
- "Market share in product X in Europe of Z% before 200X"?

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

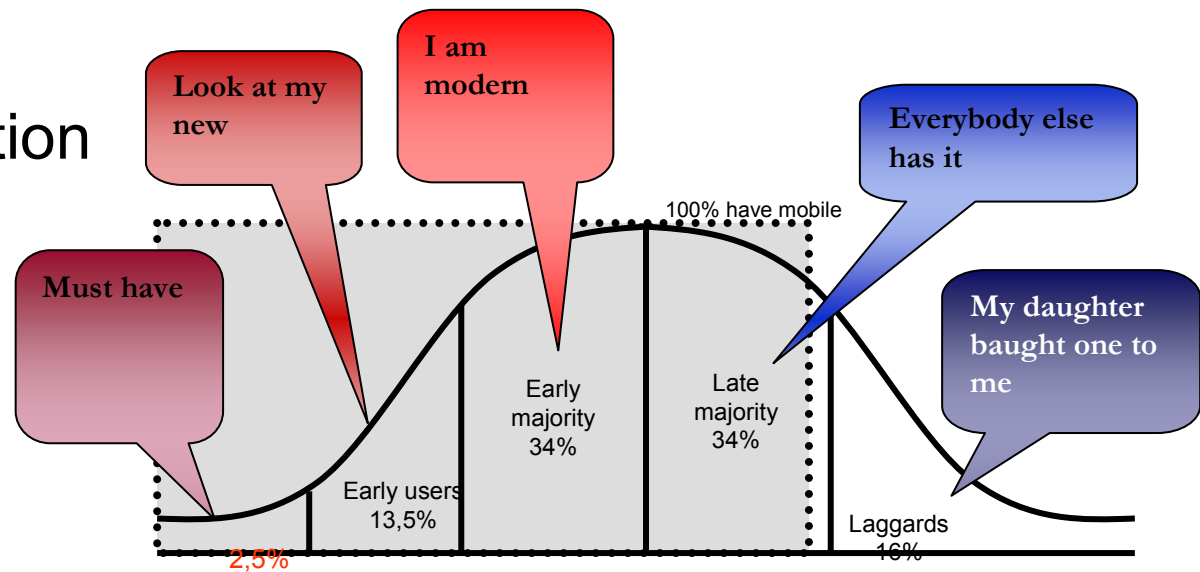
- Clear value proposition

- Low price
- Local
- Simple

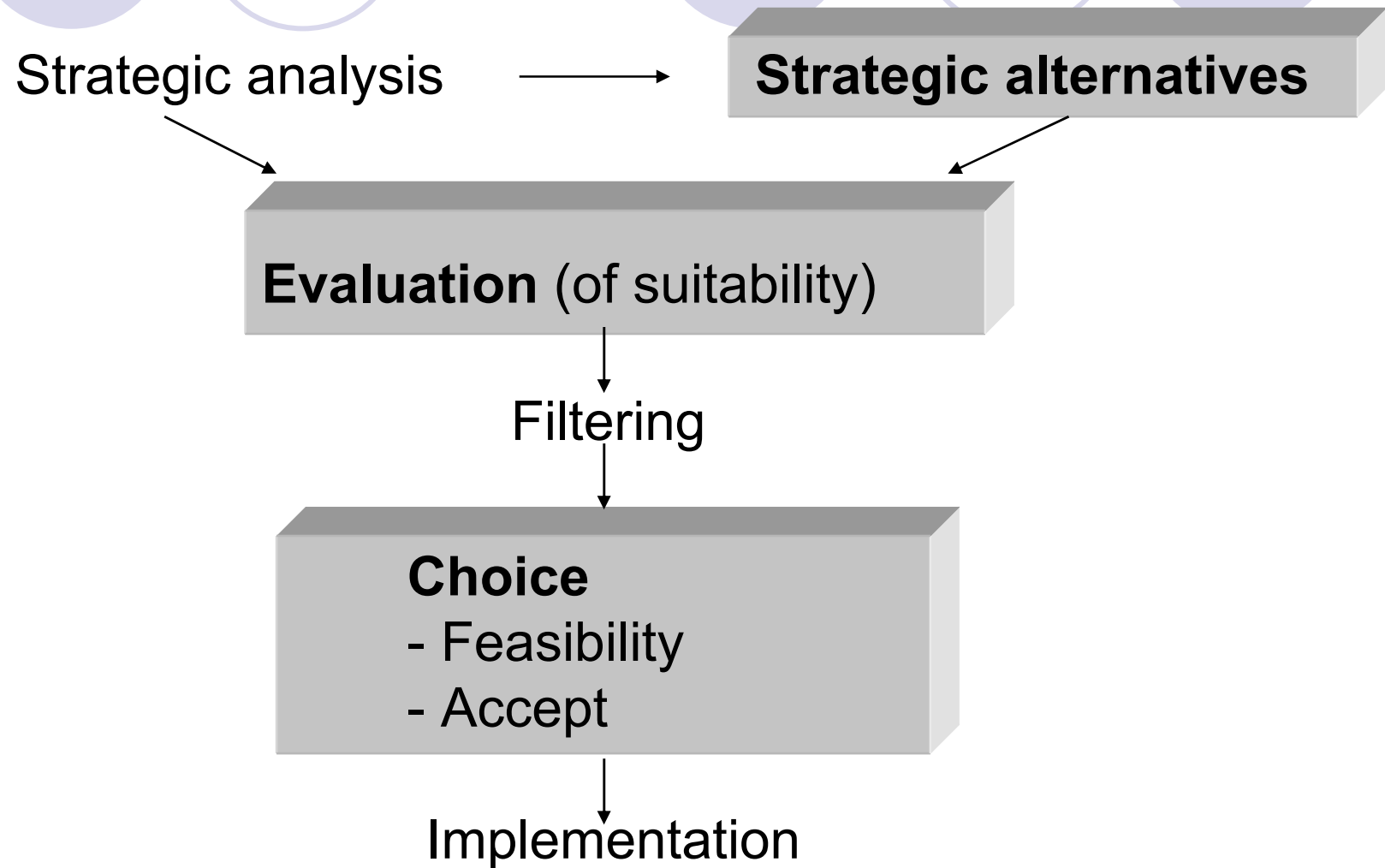


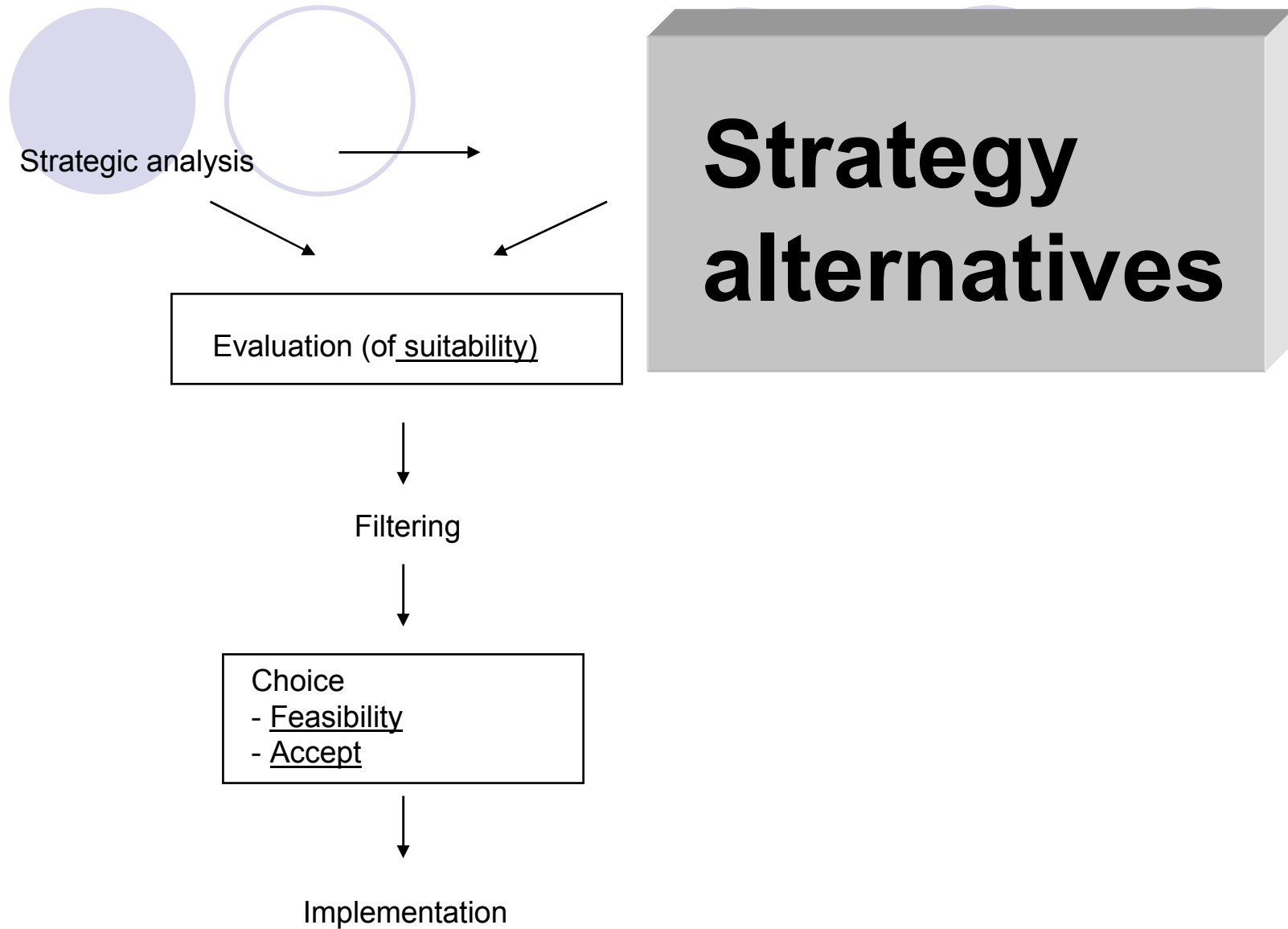
- Careful segmentation

- Young families
- With kids

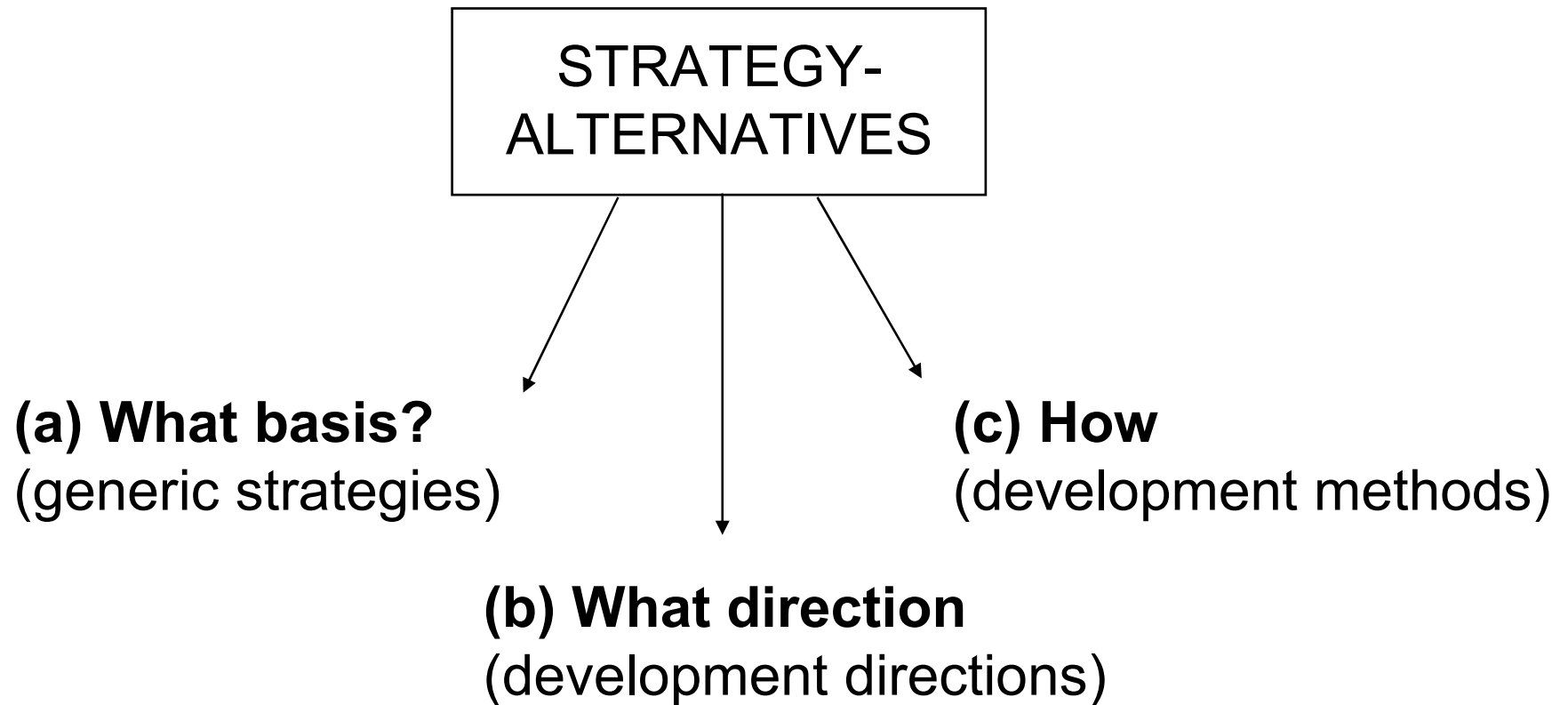


Framework for strategic choice





STRATEGY ALTERNATIVES





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"



Task to 2nd meeting

Go together in groups of five. Find a technology company that is listed on the Oslo Stock Exchange to concentrate on in your group. Use available information from open, secondary sources to analyse the company.

To our 2nd meeting you will prepare a 10 minutes presentation from the group to the rest of us based on the following structure:

- Introduction: presentation of the company's history, current turnover, management, customers etc.
- The role of technology and the entrepreneur(s): what kind of technology, developed by who, and with what strategy
- Current challenges: growth strategy, including further technology development, marketing, partnerships etc.

After each presentation there will be app. five minutes Q & A per group.