

***Master of Science
in Innovation and Entrepreneurship
2007/2008***

***ENT 4400:
Innovation Strategy and Management***

1st meeting

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Overview

- 1st meeting: strategic choice – content and process
- 2nd meeting: evaluation of strategic alternatives and criteria for choice
- 3rd meeting: growth alternatives and the M&A process
- 4th meeting: 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

- **Case part 1:**

”Strategic analysis of Aker Biomarine ASA”

- **Recommended reading:**

- Johnson & Scholes (2004): chap. 2-4, ”The Strategic Position”
Case eksempel: Manchester United (pp. 217)
- Hambrick & Fredrickson (2001): ”Are you sure you have a strategy”
- Molnight (2004):”Must win battles”



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 is 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



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Strategy for the entrepreneurs

- new customers, new needs and new solutions

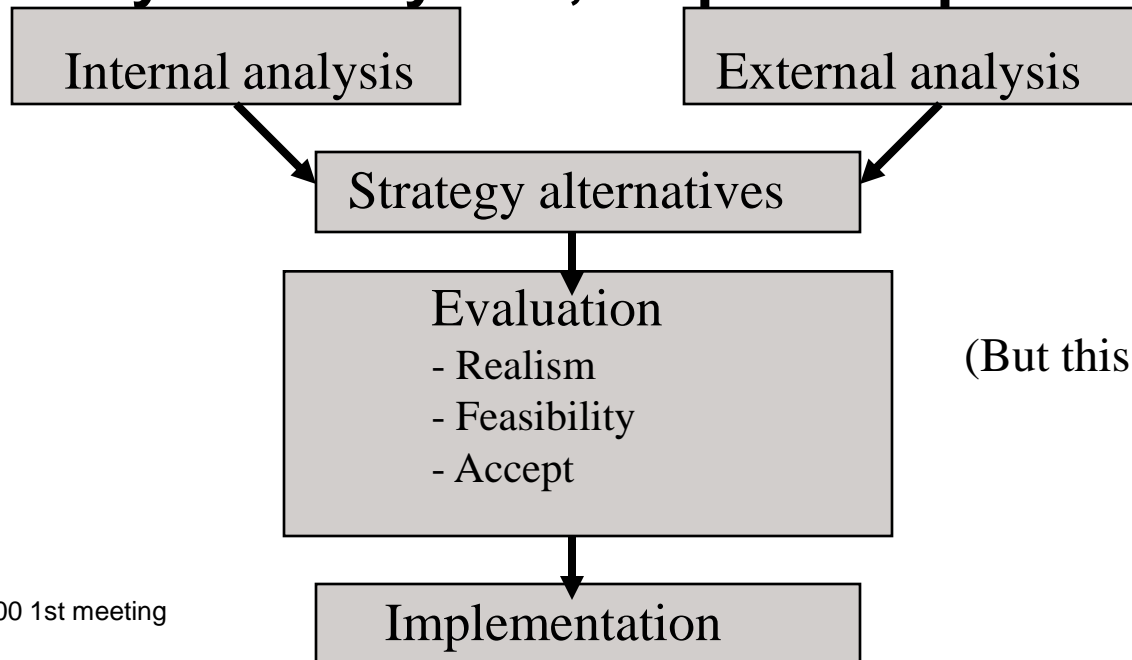


Different focus in different contexts

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

Introduction – focus and process

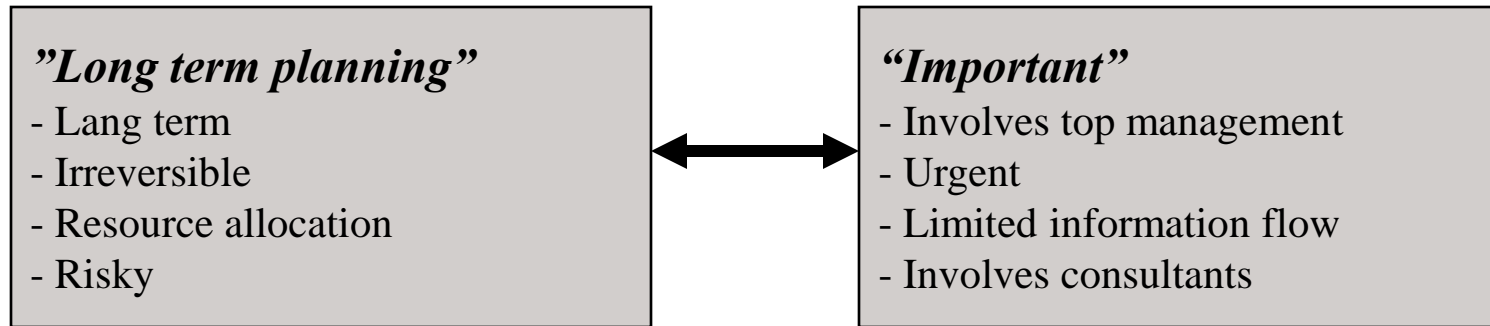
- **Two typical starting points for strategic choice**
 - *Visionary front runner* (proactive) → e.g. Mobile
 - *Copy of competitors* (reactive) → e.g. Voice over IP
- **Ideally an analytical, sequential process:**



(But this is not always the situation!)

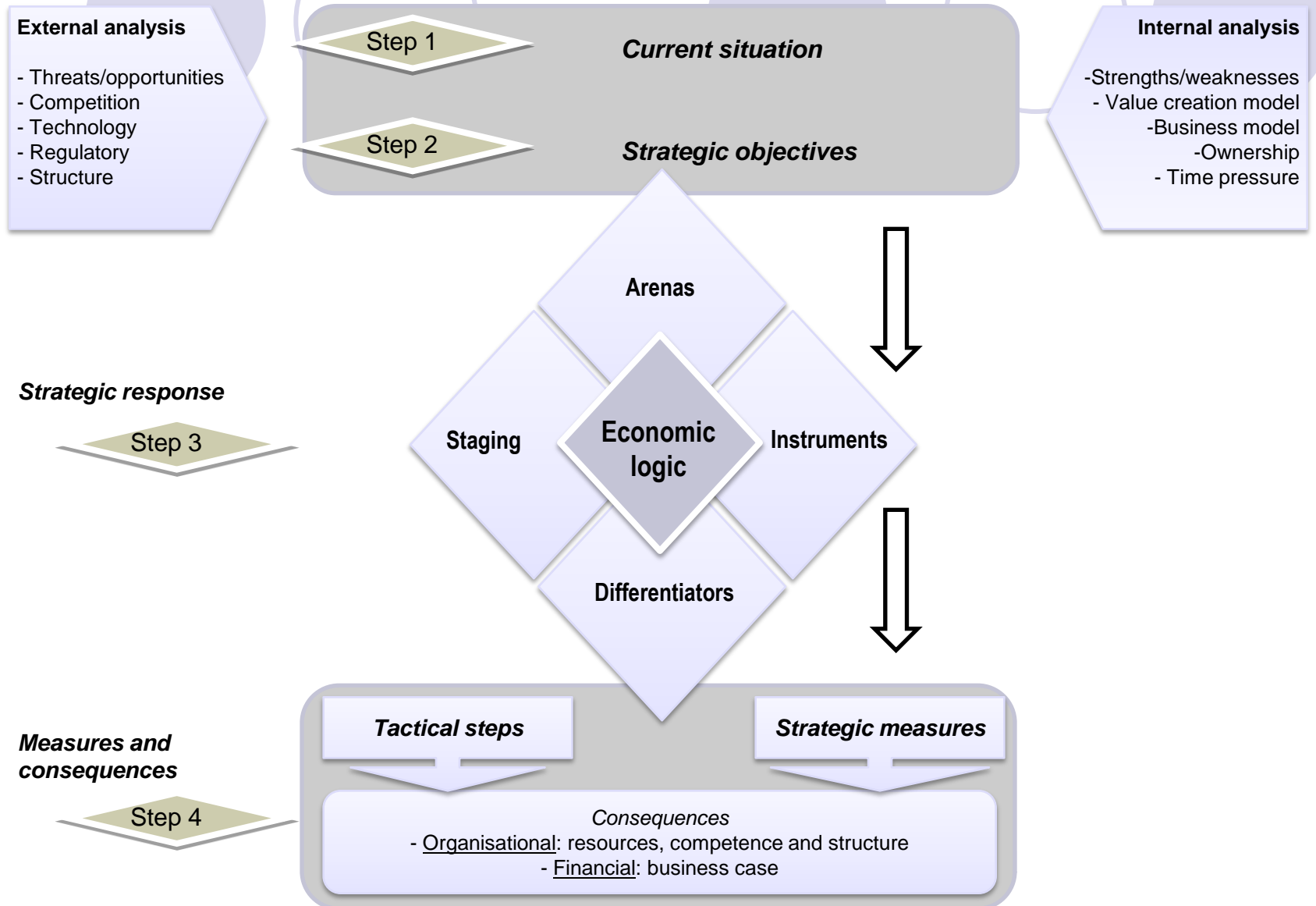
Introduction (ctd.)

- 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

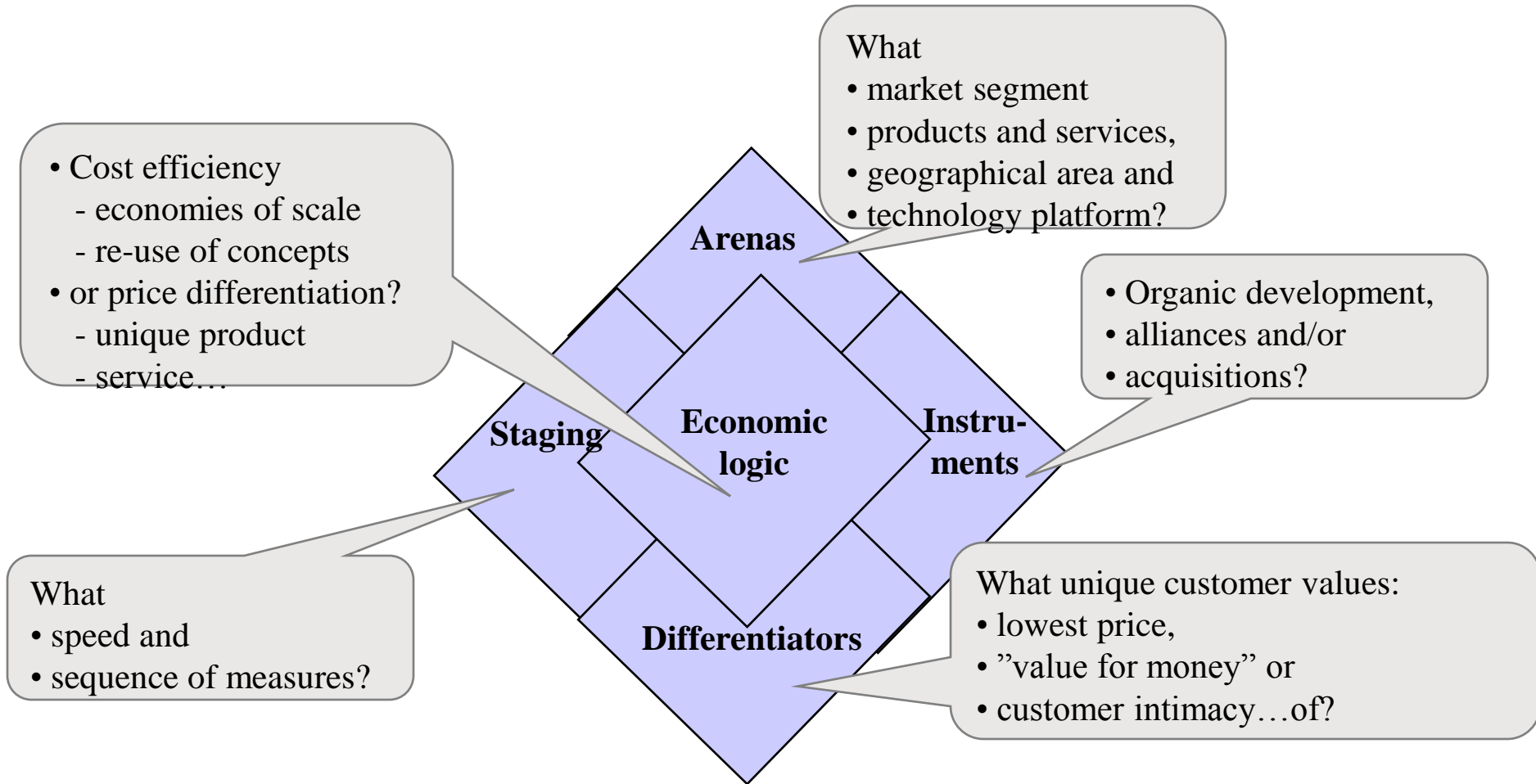
- **Analysis of the company and its surroundings**
 - Overall trends
 - Market
 - Technology
 - Structure
 - Regulatory
 - Summary of external threats and opportunities
 - Internal strengths and weaknesses

Step 2 – strategic objectives

- **Strategic objectives – examples**

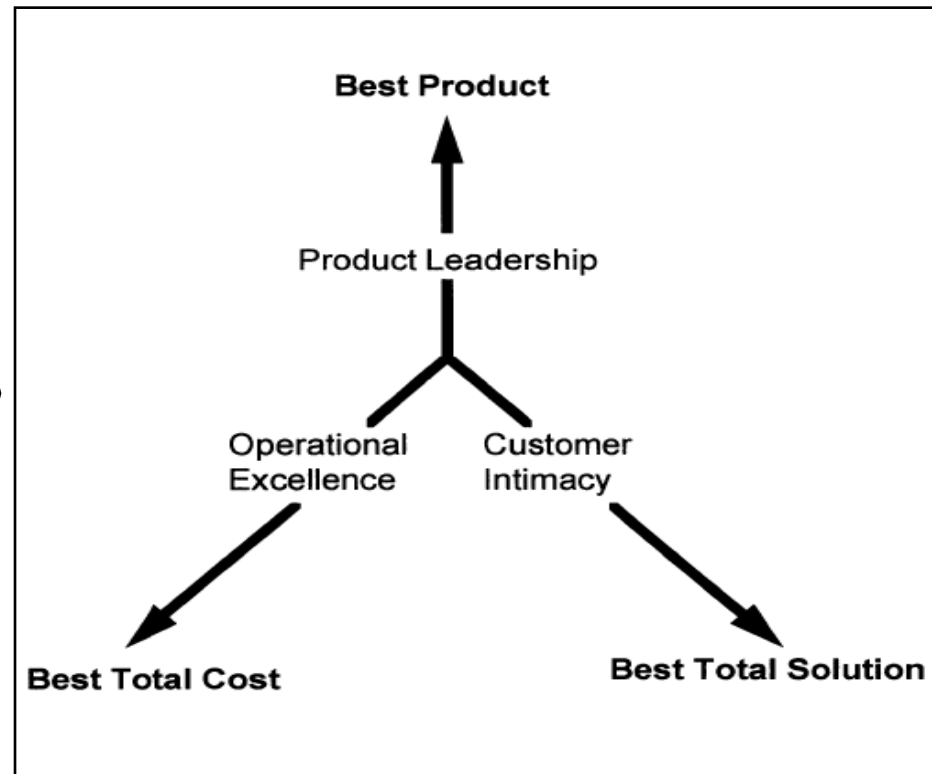
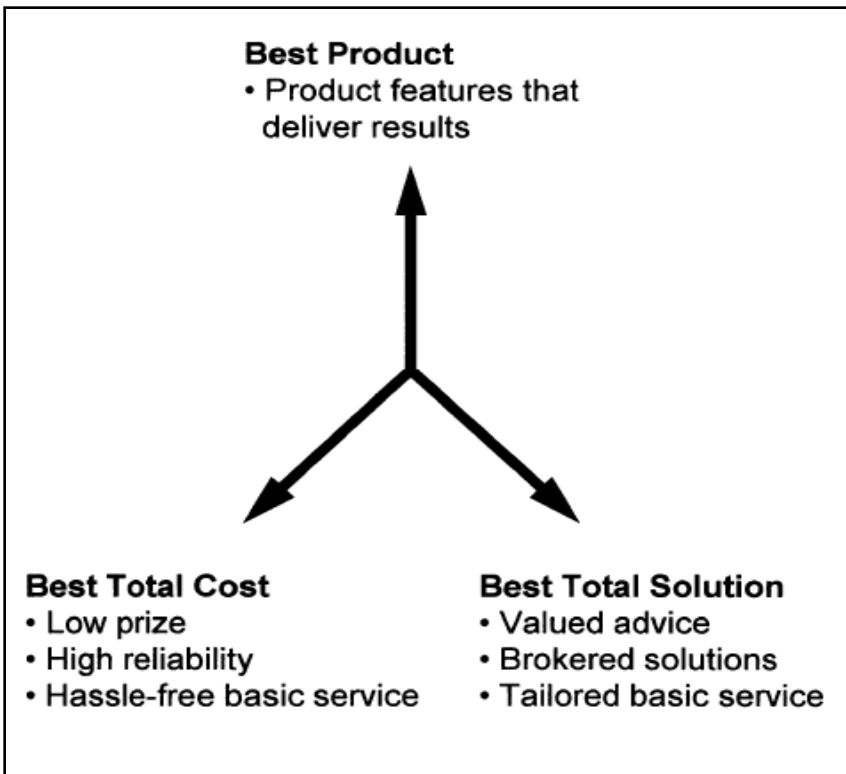
- "Win 50 % market share in Norway in 2 years"?
- "Leading market position in Sweden before 200X"?
- "Launch product X in Y years"?
- "Market share in product X in Europe of Z% before 200X"?

Step 3 – strategic response



Differentiators is where most companies fail

- focus on leadership in one value discipline

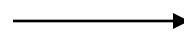


Step 4 – measures and consequences

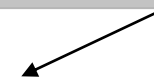
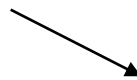
- Establish process for further development of the plan
 - Update and revision of:
 - External and internal analysis
 - Strategic objectives
 - Strategic response
 - Milestones
 - Long term organisational consequences
 - Coordinated with on-going strategic projects
- Adjust organisational design
 - Organisational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

Framework for strategic choice

Strategic analysis



Strategic alternatives



Evaluation (of suitability)



Filtering

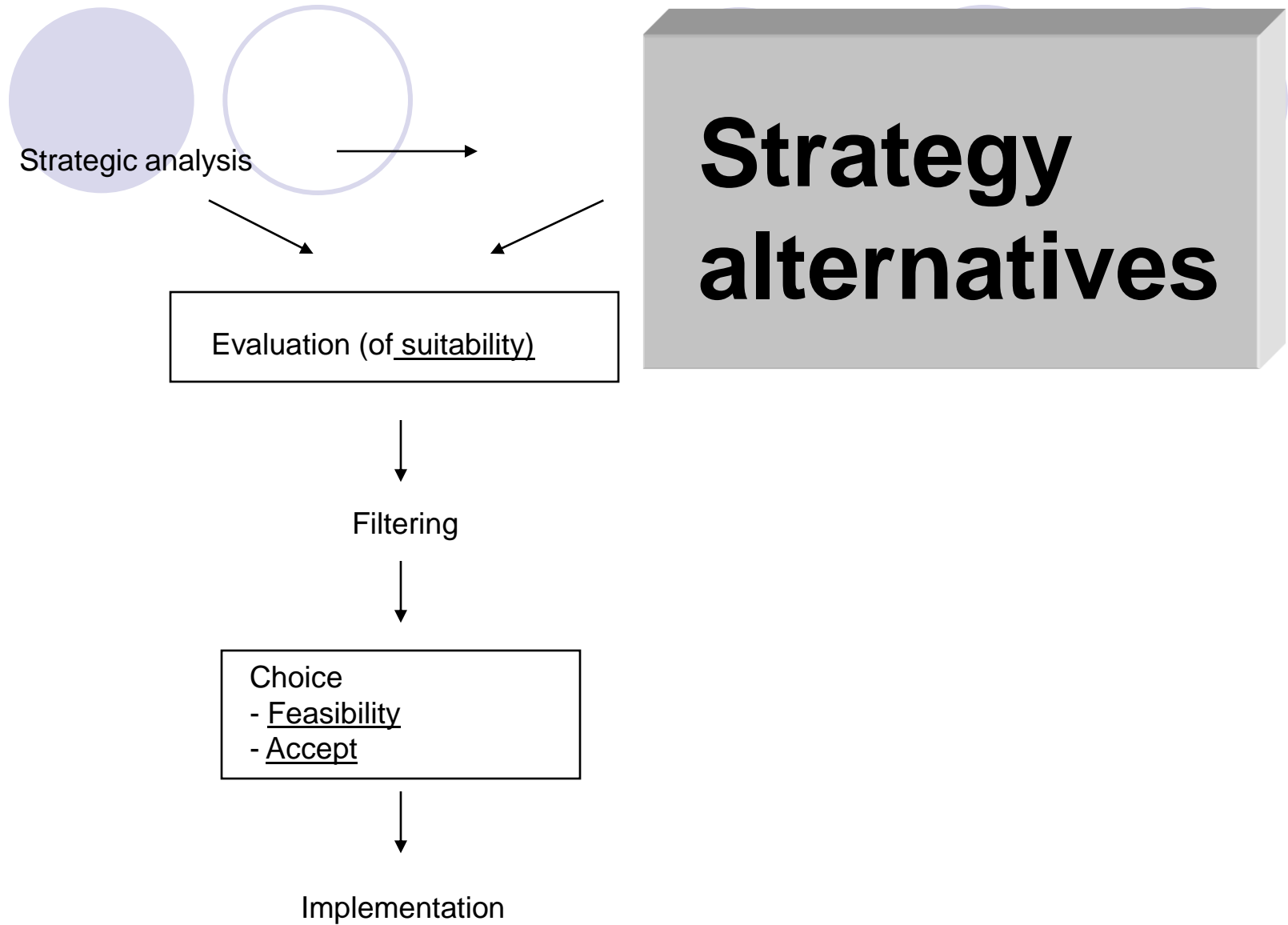


Choice

- 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"

(a) *Basis* for strategy alternatives

- Starting point:

To achieve a sustainable competitive position on the competitive arena

- Generic strategies (according to Porter)

- *Cost leadership*
(lowest cost)

- *Differentiation*
(uniqueness to defend a higher price)

- *Focus*
(niches based on low cost/differentiation)

- ...and «stuck in the middle» is for losers

(b) *Development directions*

Ansoff's (1968) product-/market matrix

		PRODUCT	
		Current	New
MARKET	Current	<ul style="list-style-type: none">- Withdrawal- Consolidation- Market penetration	Product development
	New	Market development	Diversification (related/unrelated)

Market development



- In new segments (branches)
- New applications of the same product
- New geographical areas
 - export
 - production/distribution/sales organisation abroad

Market development (ctd.)

- In capital intensive businesses with heavy investments in product and technology
(e.g. from Fiat via Polski Fiat to Lada)
- In R&D-intensive businesses
(e.g. IT and telecommunication)
- In service industries where customers are abroad
(e.g. insurance and banking)

Product development



- Takes several forms
 - Inventions (such as the first car)
 - New categories (like P&G's 1st shampoo)
 - Additions to product lines (e.g. light beer)
 - Product improvements (as Windows 2003→XP)
- Demands both innovation and market orientation

A question of life and death(!?)

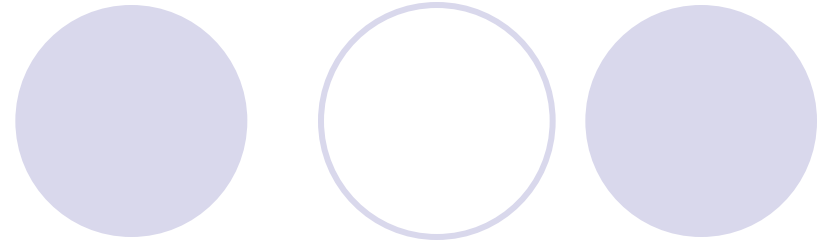
- *“Get innovative or get dead”*

- Tom Peters (1990)

- Survival via:

- Find and exploit new opportunities
- See and protect against threats

Do it in-house?



- Change standards
- Ensure effects from heavy investments
 - Production equipment for cost efficiency
 - Distribution
 - Top management
- Avoid “everyone waiting for everyone else”
- Example: mobile telecommunication to the people

...or teaming up with others?

- Innovations that complement the existing
- Need to combine resources
 - Vertical and horizontal relations
 - Coupling to related and supporting technology
- **Example:** IBM's change of focus to launching PCs via cooperation with Intel (micro processor) and Microsoft (operating system) to establish open solutions



(c) *Development methods*

- Organic growth (internal development)
- Mergers and acquisitions (M&A)
- Alliances

Organic growth



Typically preferred by:

- Players in a market that is characterised by high uncertainty and need for standards
- Strong players who can choose between partners that can help him harvesting scale, synergy, and competence advantages
- Small players that do not have the resources to do acquisitions or are not attractive for alliances (“beggars can’t choose”)



Mergers and acquisitions

- Tend to vary in "popularity"
 - Over time
 - Between branches
- Preferred because of the potential to achieve
 - Speed
 - Competitive advantages
 - Financial profit

Alliances



- Increased «popularity» because of
 - Scarcity of internal resources
 - More and more complex business environment
- Vulnerable method
 - How real is the need to share resources
 - Whether or not resources can be shared
 - Protection of resources from exploitation

Case: Aker Biomarine ASA

- background

- Background for the case
 - You are now a firm of strategy advisors who intends to be positioned for strategy projects related to an expected wave of mergers and acquisitions in the marine oil market
 - Aker Biomarine ASA is expected to be among the key players in M&A activity in the near future
 - You aim at being positioned both as an advisor for Aker Biomarine in their search for partners (buy side mandate), and in a process where Aker Biomarine is considered sold by its owners (sell side mandate)
- Information sources
 - Aker Biomarine ASA (www.akerbiomarine.com) is listed on the Oslo Stock Exchange, and all information about the case should be found using open sources via the internet
 - You will not be in direct contact with the company
- Documentation
 - You should document each part of the case for each meeting
 - A full report shall be presented based on the different parts of the case
 - Documentation can be made in powerpoint or word

Case (forts.)

- part 1: strategic analysis (to be started today)

1. Give a short description of Aker Biomarine's near history and emphasise critical milestones in the company in the past year.
2. Analyse the main internal conditions for Aker Biomarine's further growth and development, including its strengths and weaknesses
3. Analyse the main external conditions for Aker Biomarine's further development, including major threats and opportunities in general and competition in particular

Case Aker Biomarine part 2 (to 2nd meeting)

- strategic choice

1. Discuss what major strategic choices Aker Biomarine faces in order to meet the threats and opportunities in the market.
2. Assess what players are the most likely partners for Aker Biomarine in a non-organic growth perspective. Make a “long-list” and argue who are the 3-5 most suitable from the list.
3. Discuss how and to what extent Aker Biomarine can combine non-organic and organic growth to meet its growth targets.
4. Analyse to what extent Aker Biomarine has the internal resources necessary to integrate an acquired company effectively.