

BUS359

Contemporary Strategic Analysis

Lecture 8: Industry Evolution and Strategic Change

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Recap: Competitive advantage and competitive process

Think-pair-share (5 minutes):

- What are the three key questions for the creation of competitive advantage?
- What are the four requirements for imitation?
- How do isolating mechanisms help sustain your competitive advantage?
- What is a blue ocean strategy?
- What is the BCG matrix?

Recap: Competitive advantage and competitive process

Think-pair-share (5 minutes):

- What are the three key questions for the creation of competitive advantage?

Benefit, Target market, Competition

- What are the four requirements for imitation?

Identification; Incentives for imitation; Diagnosis; Resource acquisition

- How do isolating mechanisms help sustain your competitive advantage?

Obscure; Deterrence/Pre-emption; multiple sources of competitive advantages; base competitive advantage → difficult to imitate

- What is a blue ocean strategy?

Create your own 'uncontested market space' – “Blue oceans” → Competition becomes irrelevant

- What is the BCG matrix?

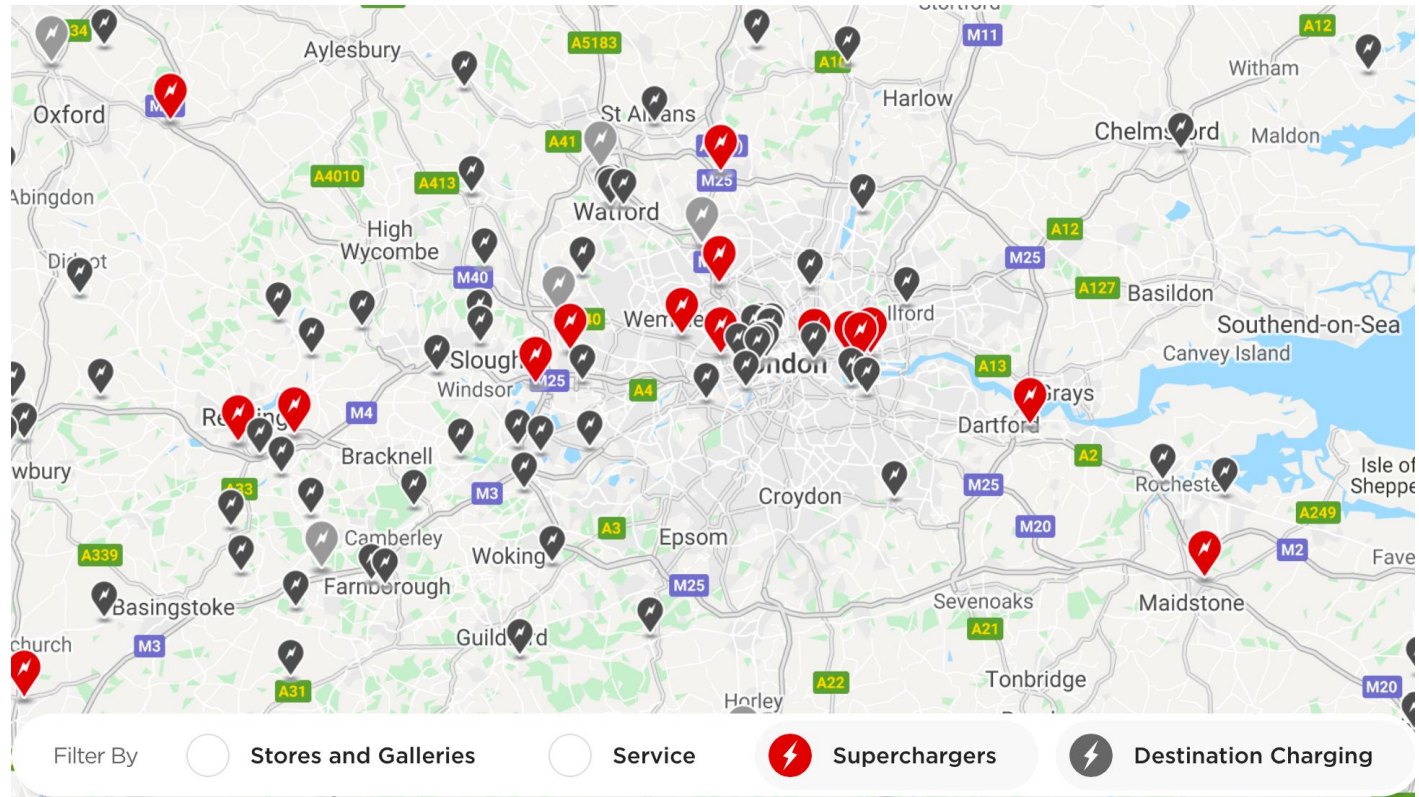
The matrix reveals two factors that companies should consider when deciding where to invest—company competitiveness, and market attractiveness—with relative market share and growth rate as the underlying drivers of these factors.

Outline

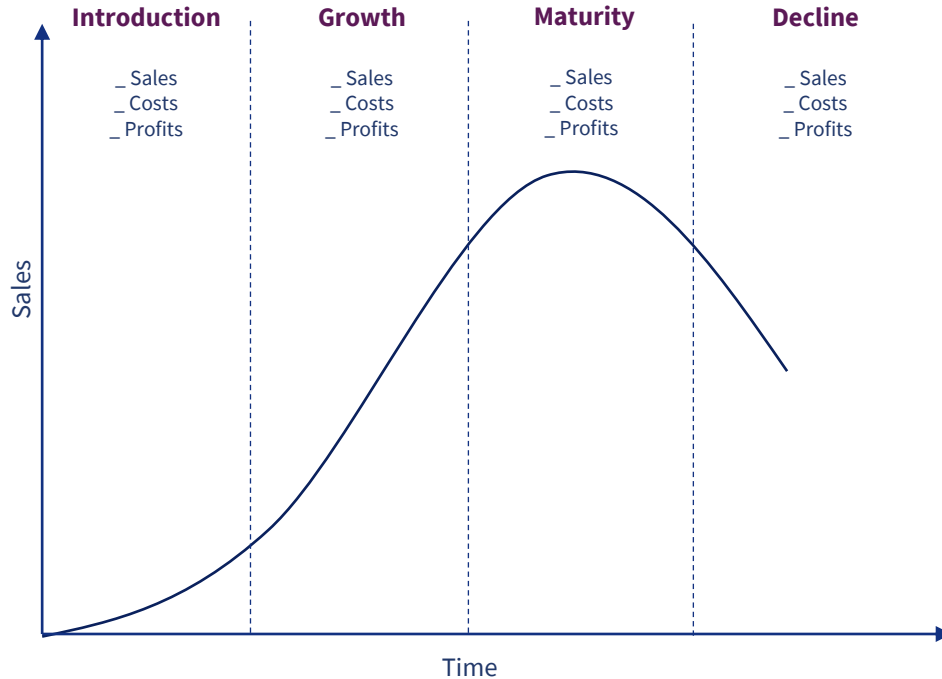
- Industry life cycle
- Organisational inertia & adaptation
- Managing strategic change

Tesla

Tesla and charging infrastructure



Stages of industry life cycle



Low, High No, Increasing (x2), Reducing (x4), Some, Constant (x2)

Drivers of industry evolution:

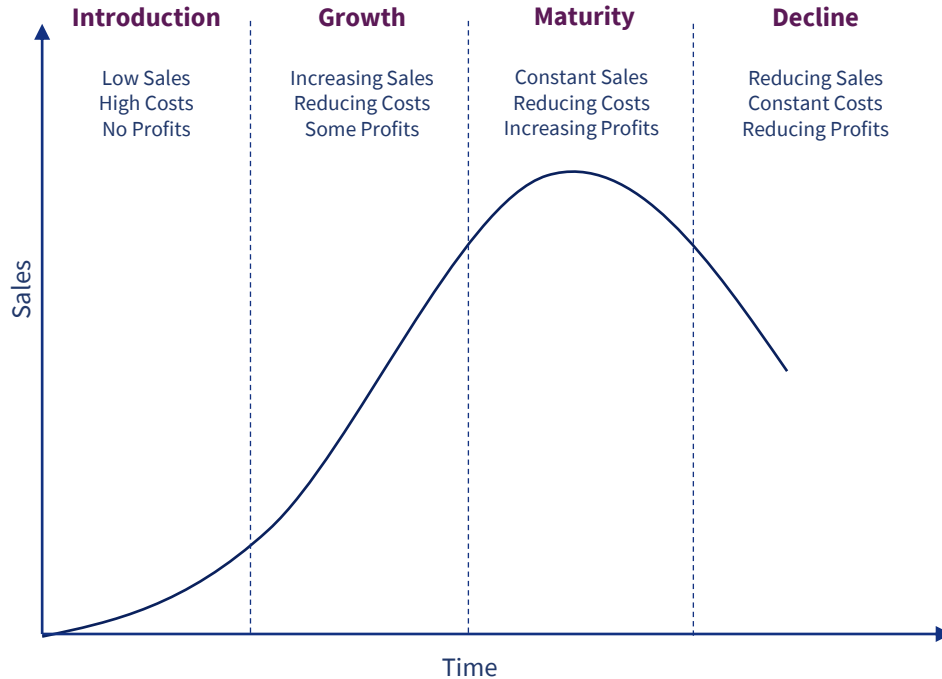
- Demand growth
- Creation and diffusion of knowledge

How typical is this pattern?

- Life cycle duration varies by industry
 - Technology intensive industries may retain features of emerging industries
 - Basic or key service providing industries may not decline
- Life cycle varies by country
- Industries can experience life cycle regeneration
 - e.g., TVs – colour to portable to flat screen to HD

Helpful to anticipate industry evolution, but not a given

Stages of industry life cycle



Drivers of industry evolution:

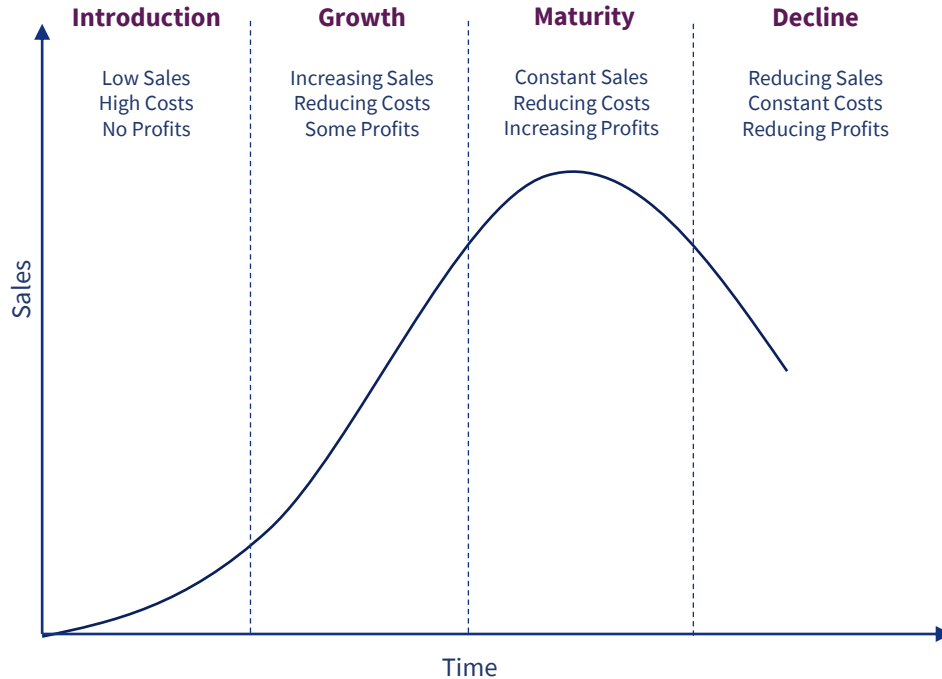
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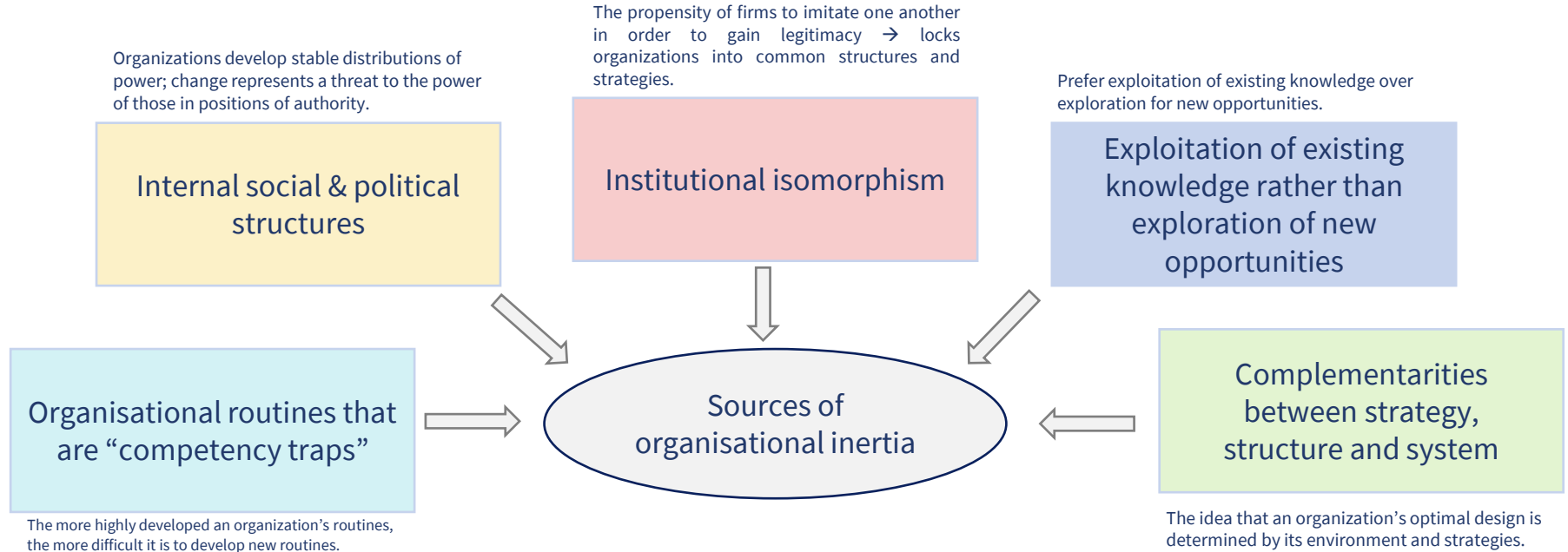
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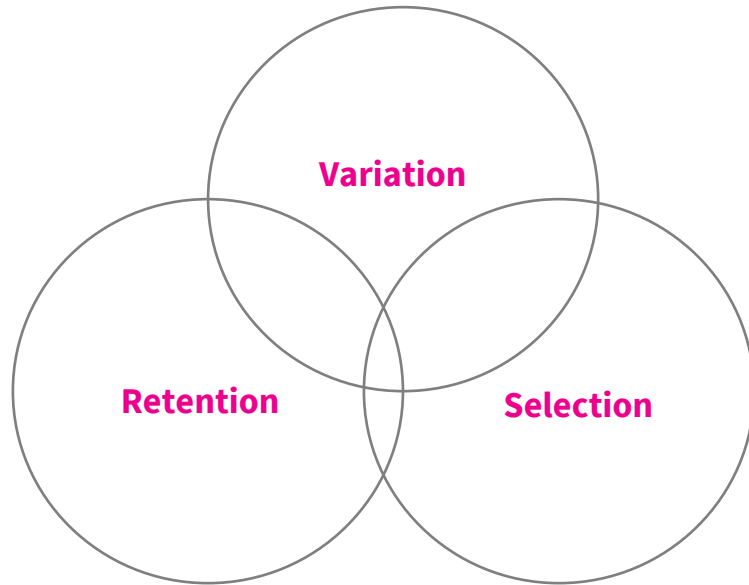
Barriers to change

Organisational inertia – an organisation stays rigid in thinking and action, not open to changing industry and organisational dynamics



Sources of change: Evolutionary

Organisational inertia – an organisation stays rigid in thinking and action, not open to changing industry and organisational dynamics



Level of evolution

- Industry evolution – develop and grow, competition and ‘*selection mechanism*’ determine which firms’ remain
- Organisational adaptation of organisational routines – unsuccessful routines are abandoned; successful routines are retained and replicated

Sources of change: Technological

Class activity (3 minutes): Can you think of examples of technological changes in an industry? Why were these significant?

New technology is challenging for market leader when...

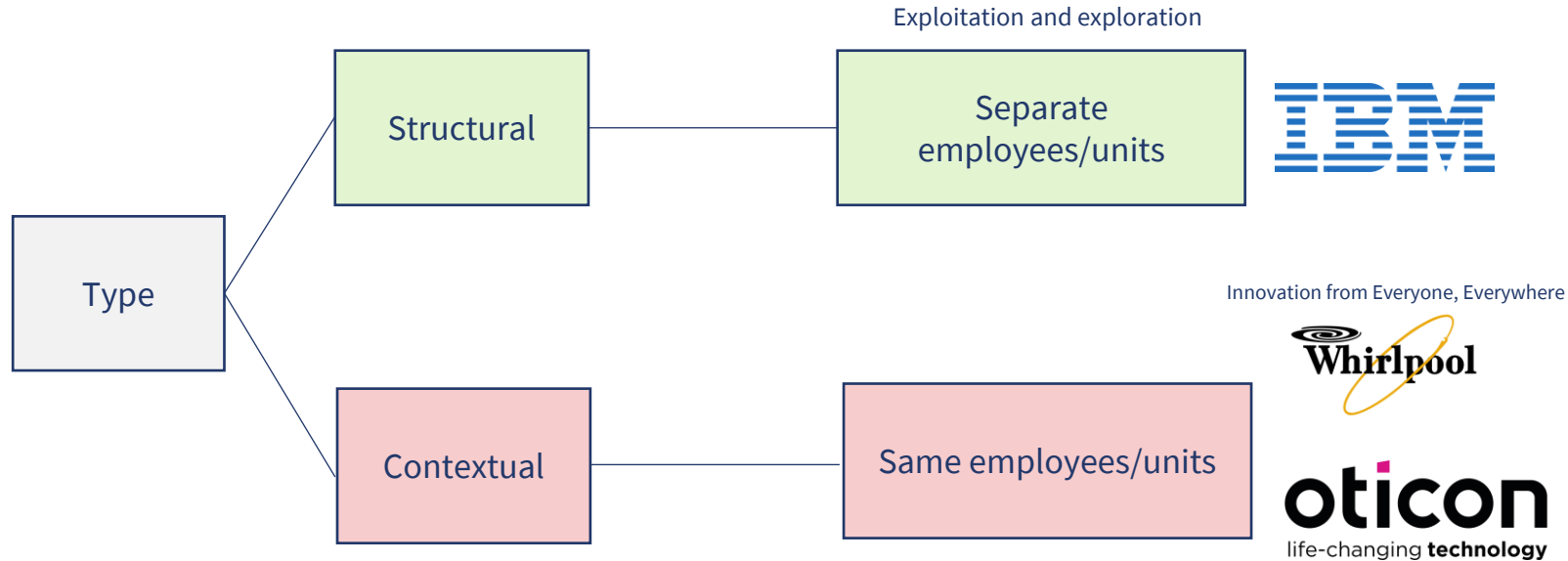
- ...it is **competence destroying** – undermines the strategic importance of resources and capabilities possessed by the firm
E.g., quartz watch undermined the competence base of mechanical watchmakers
- ...it is **architectural** – change to the overall structure of a product or service requires major reconfigurations by the firm
E.g., hybrid car versus battery-powered electric car
- ...it is **disruptive** – significantly alters the way that customers, industries or businesses operate
E.g., smartphone apps disrupted laptops as primary way to use the internet

Managing strategic change (1/3)

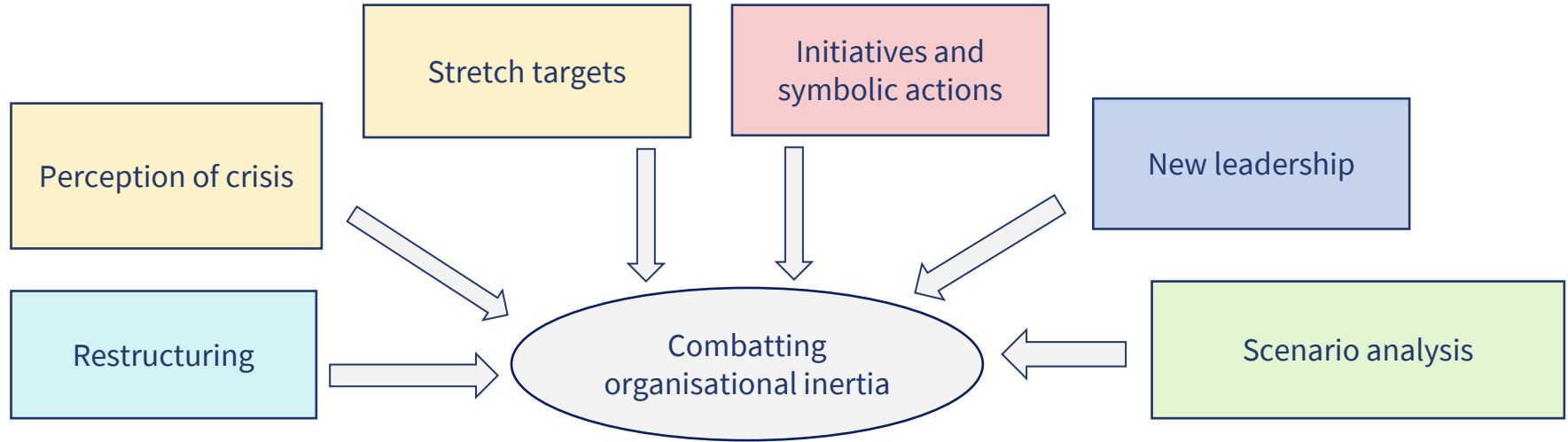
Organisational ambidexterity – competing for today and preparing for tomorrow.

Short-term focus versus long-term focus (exploitation over exploration).

The ambidextrous firm is “capable of simultaneously exploiting existing competences and exploring new opportunities” (O’Reilly and Tushman, 2004)



Managing strategic change (2/3)



Managing strategic change (3/3)

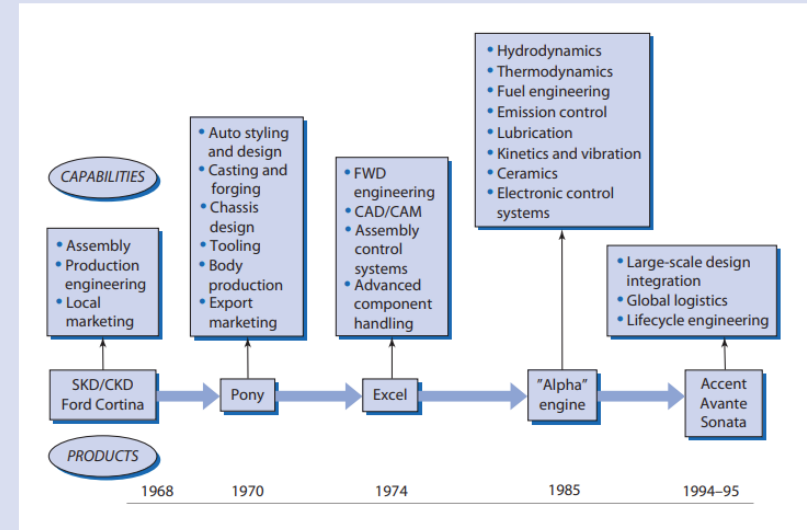


Dynamic capabilities – a “firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece et al., 1997)

What matters for business is corporate agility, the capacity to...

- ... sense and shape opportunities & threats
- ... seize opportunities
- ... maintain competitiveness through enhancing, combining, protecting and reconfiguring tangible and intangible assets

FIGURE 8.5 Phased development at Hyundai Motor, 1968–1995



Source: Draws upon L. Kim, "Crisis construction and organizational learning: Capability building and catching up at Hyundai Motor," *Organizational Science* 9 (1998): 506–21.

Using knowledge management to develop organisational capability

Knowledge processes	Contributing activities	Explanation
Knowledge identification	<ul style="list-style-type: none">Intellectual property managementCorporate yellow pages	<ul style="list-style-type: none">PatentsAllows employees to identify skills and experience across the firm
Knowledge measurement	Intellectual capital accounting	Measure and value internal knowledge
Knowledge retention	Lessons learned	Capture knowledge gained from actions
Knowledge transfer and sharing	<ul style="list-style-type: none">DatabasesCommunities of practiceBest practice transfer	<ul style="list-style-type: none">Store knowledge in searchable formatSelf-organising transfer of experiential knowledgeIdentify and transfer superior practices
Data analysis	Big data	Collection and analysis of large datasets

Summary and next week



Forthcoming:

Lecture 9: Innovation & business models

- Innovation dilemmas & diffusion
- Implementing innovation (innovate or imitate)
- Business model patterns

Seminar session 8:

- Required reading: Chapter 7 & 10 from Johnson, Whittington, Scholes & Agwin 2017, Exploring Strategy
- Discussion questions, refer to the QMplus module page

Recap:

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