

Entrepreneurial Strategy

Session 7

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Agenda

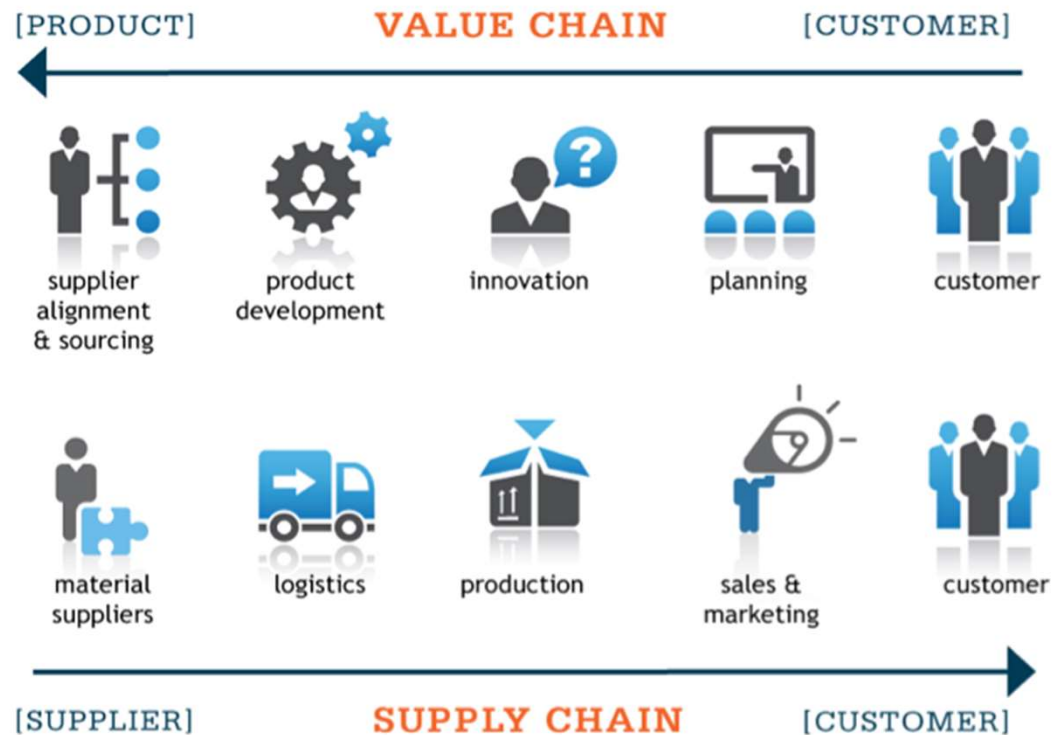


- Strategic management of the supply chain
 - Value Chain
 - Lean supply chain
- Competitive dynamics: The Value Net
- Alliances, Mergers & Acquisitions (M&A)

Strategic management of the supply chain

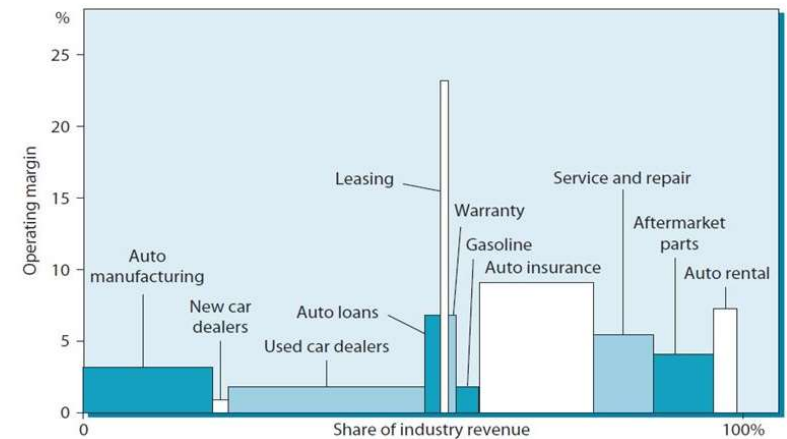


Value chain & Supply chain



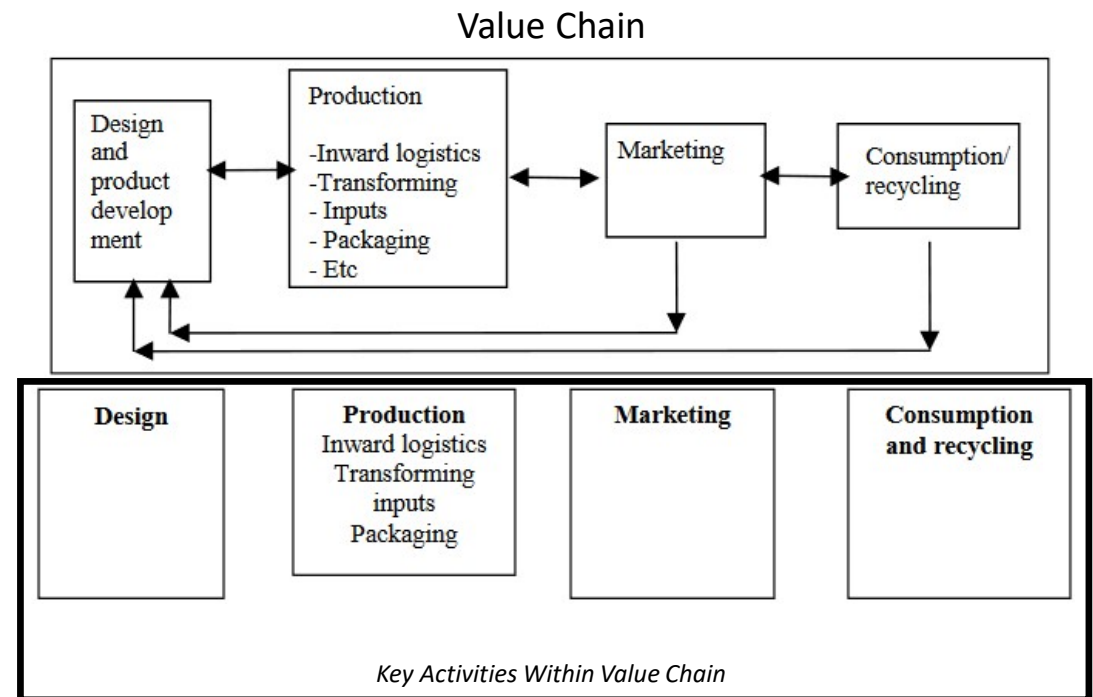
Vertical Segmentation & Industry Profits - US Auto Industry

- The value chain describes the **full range of activities** which are required to bring a product or service from conception to the end customer.
- Example: US Auto Industry

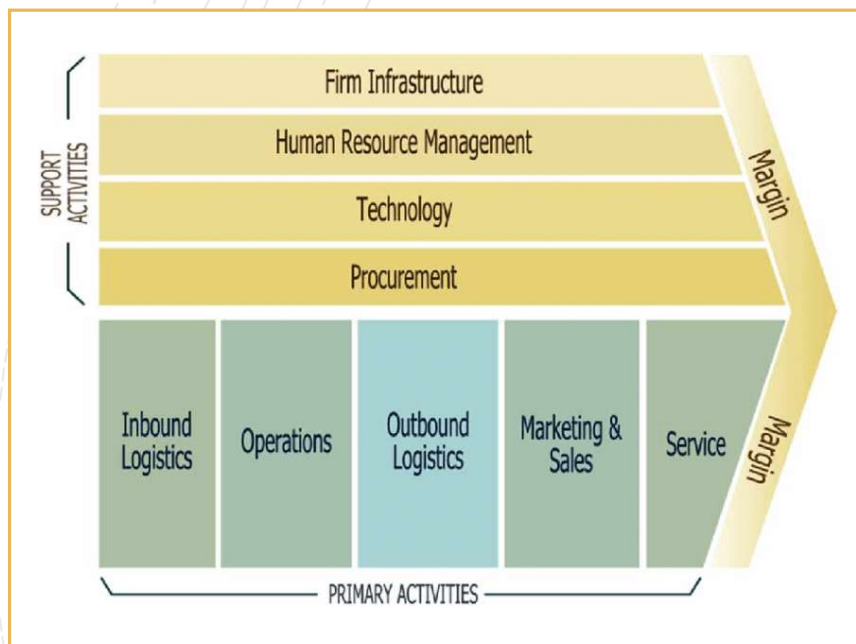


The simple value chain

- The value chain describes the **full range of activities** which are required to bring a product or service from conception, through the different phases of:
 - Production (involving a combination of physical transformation and the input of various producer services)
 - Delivery to final consumers
 - Final disposal after use.
- Intra-chain linkages are most often two-way.
 - Example: Specialized design agencies not only influence the production process and marketing but are also influenced by the constraints in these downstream links in the chain.

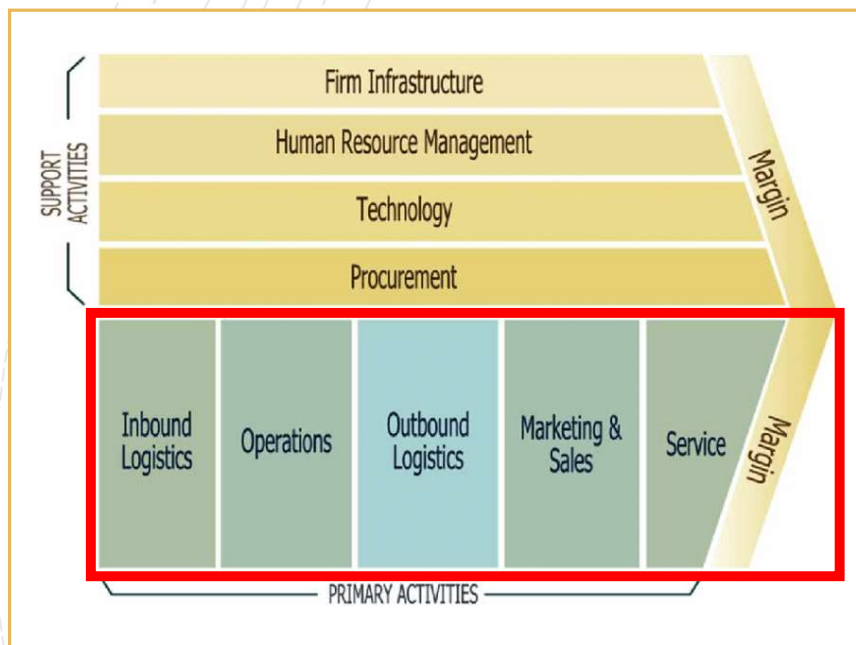


Why Value Chain Analysis is Important?



- Systemic competitiveness to be globally competitive.
- Efficiency in production.
- Be aware of the dynamic factors within the whole value chain.

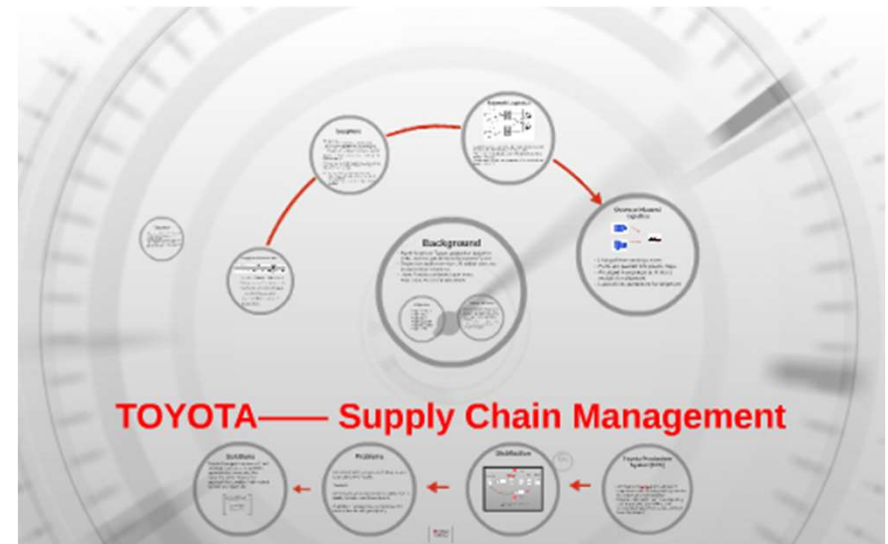
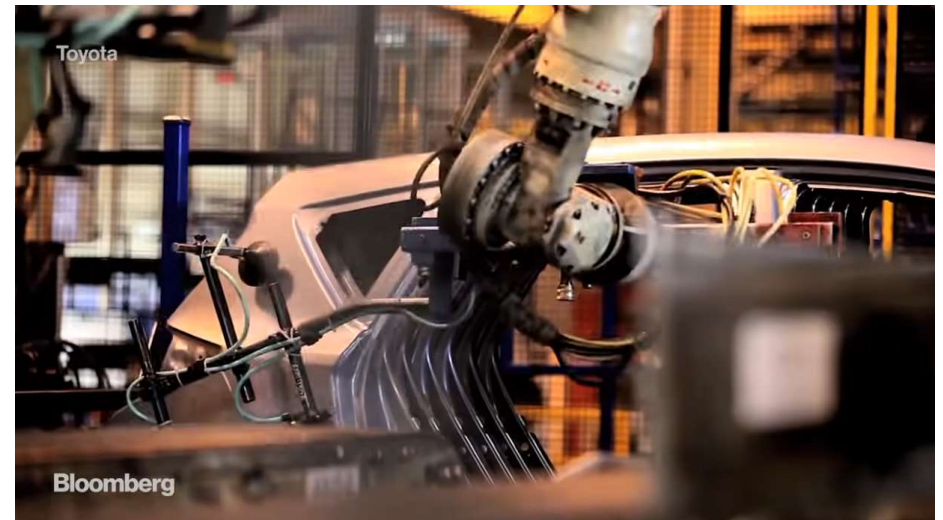
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Toyota's manufacturing process



<https://www.youtube.com/watch?v=F5vtCRFRAK0>
<https://drive.google.com/file/d/1-66uXkrO8KpCD1FBJWMonuDe8m2eYb6V>

What features do you think IKEA's and Toyota's manufacturing process might have in common?

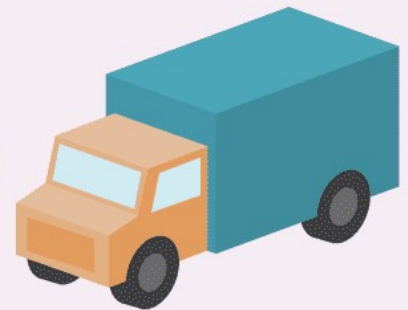


Lean production

- Lean Production (or World Class Manufacturing) includes three sets of linked organizational innovations which were first developed in Japan:
 - Just in time production (JIT)
 - Total Quality Management (TQM)
 - Continuous Improvement (CI)
- These organizational innovations have limited impact unless reorganizing production plant and the relationships between different links in the value chain.



Creating a leaner supply chain



Procurement

Avoid duplicate procedures in different departments.

Manufacturing

Improving quality and precision prevents defects and returned goods.

Warehousing

Keep inventory levels as low as is reasonable.

Transportation

Consolidate multiple products into a single shipment.

Agenda



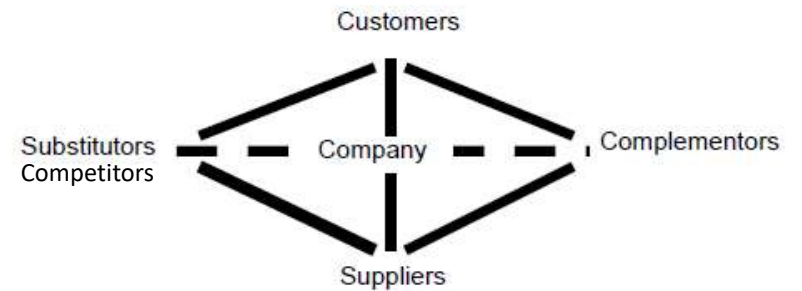
- Strategic management of the supply chain
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- **Competitive dynamics: The Value Net**
- Alliances, Mergers & Acquisitions (M&A)

The Value Net



The Value Net

- Introduced by Adam M. Brandenburger & Barry J. Nalebuff, Value Net Model Co-opetition combines the advantages of both competition and cooperation into a dynamic model that is an elaboration of Porter's Five Forces Model.
- For competitors it's better to work together rather than go up against each other in contest.



Customers

- Customers can be end-consumers or other companies that will eventually take the products to the consumer market.
- In Porter's Five Forces this category is labeled as 'Buyers'.



Suppliers

- Parties that provide your company with the resources needed to produce or sell your final products.
- They are important external factors to consider since suppliers have the potential to raise prices and/or reduce the quality of the purchased inputs.
- It is therefore key to keep good ties with suppliers or spread risk by having multiple suppliers to choose from.



Competitors

- Parties that fight over the same pieces of market share as your company by targeting similar customers with similar products or services.
- Companies often view competition way too narrowly thereby failing to foresee upcoming threats.



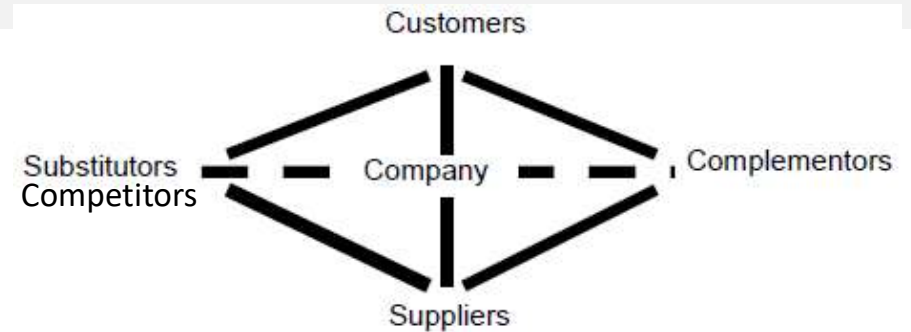
Complementors

- Organizations that offer (complementary) products or services that could work well together with your own products to make the end result more attractive to consumers.



The value net

- Porter's Five Forces focused almost entirely on competition and doesn't include the collaborative potential in an industry.
- When companies work together, they can create a much larger and more valuable market than they ever could by working individually.
- The Value Net identifies four types of players that every company faces and could directly influence your company:
 - *Customers*
 - *Suppliers*
 - *Competitors*
 - *Complementors*



Agenda



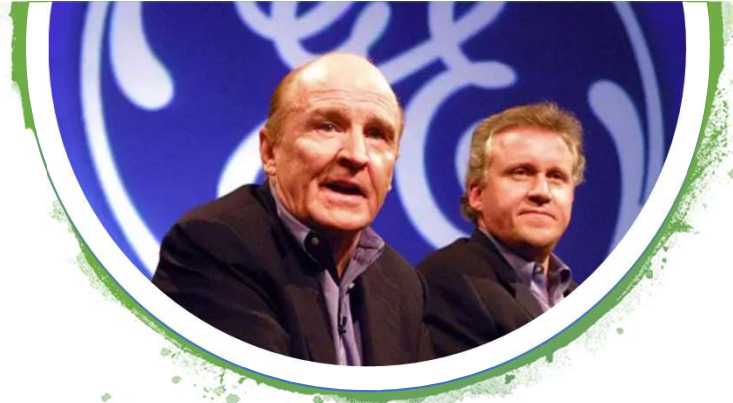
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Alliances and M&As



Introduction

- **“If you think you can do it alone in today’s global economy, you are highly mistaken”** (Jack Welch, CEO of GE)
- **“Microsoft can’t make it alone, but together anything is possible.”** (Bill Gates, Chairman of Microsoft)



What are the benefits for the airlines from joining an alliance?



Alliance: definition

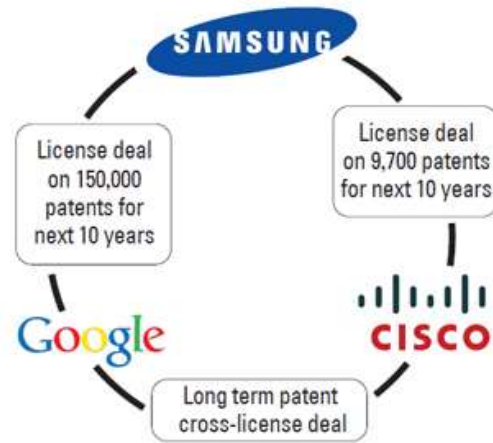
- “A close, collaborative relationship between two, or more, firms with the intent of accomplishing mutually compatible goals that would be difficult for each to accomplish alone”.

(Spekman, Isabella, and MacAvoy 2000)



Traditional contracts

- Arm's-length Buy/Sell Contracts
- Franchising
- Licensing
- Cross-licensing



Source: Samsung Electronics



Non-Traditional contracts

- Joint Research
- Joint Product Development
- Long-term Sourcing Agreements
- Joint Manufacturing
- Joint Marketing
- Shared Distribution/Service
- Standard Setting / Research Consortia

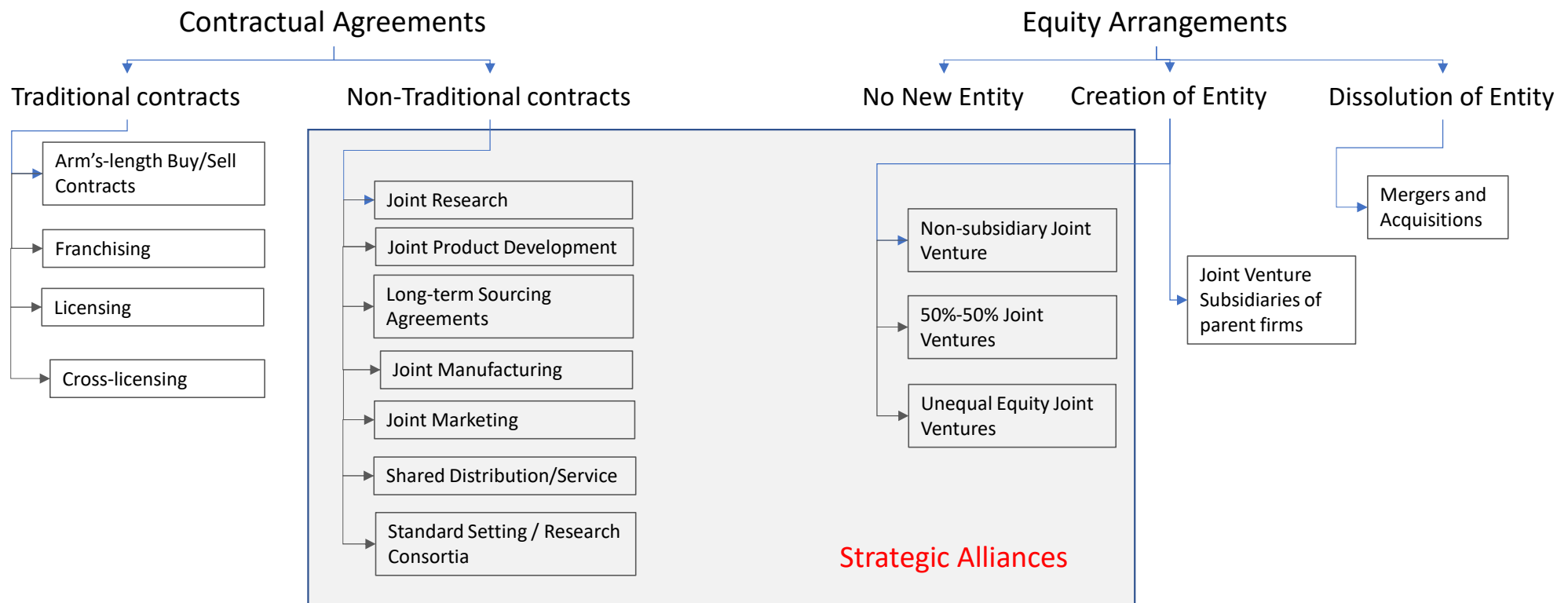


Equity Arrangements

- Non-subsidiary Joint Venture
- 50%-50% Joint Ventures
- Unequal Equity Joint Ventures



The Scope of Inter-firm Relationships



The big tech and car manufacturers case



<https://www.youtube.com/watch?v=ox1T7kkQYOA>
<https://drive.google.com/file/d/1RjYo8ZKNFx0HVSuUArZx455ciw8J5AVj>

Why big tech companies are trying to get inside our cars?



What are the benefits and threats for the automotive manufacturers and the drivers?



Why form an alliance?

Reduce Risks

- Size or Uncertainty Associated with Project
- Preempt Competitors
- Flexibility/Option Value

Gain Efficiency

- Economies of Scale and/or Scope
- Speed to Market

Learning

- Acquire New Skills
- Gain Market Knowledge and Experience
- Monitor Competition

Politics

- Sensitive Industries
- Regulations
- Market Access

Strategic Alliances: Pros & Cons

Pros:

- Speed (vs. acquisition or greenfield)
- Access to key complementary assets
- Removal of potential competitor
- Maintain incentives for partner management

Cons:

- Lack of control; must share decision making
- Potential spill-over of knowledge and capabilities
- Organizational clashes may impede ability to collaborate



Costs of collaboration

Coordination Costs

- Management Time
- Redundant Structures
- Communication & Control Systems

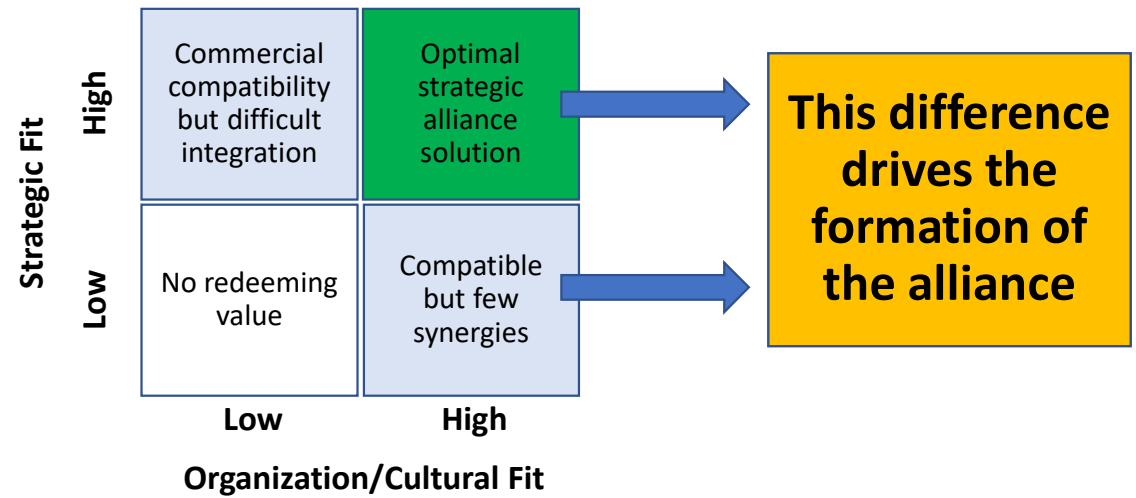
Loss of Competitive Position

- Leakage of Knowledge
- Reduced Flexibility
- Create a Potential Competitor

Exposure

- Loss of Bargaining Power with Others
- Lower Market Valuation due to Loss of Control Premium

Strategic fit



Final Team Assignment Instructions



Final Team Assignment: Strategic plan development by Monday, December 11th, 21:00h

- 1) Your project report (SK application draft);
- 2) A 10 minutes PowerPoint presentation of your project;
- 3) A 2 pages executive summary of your project (following the same structure from PowerPoint presentation);
- 4) A 1-minute video presenting your project;



The 10min PowerPoint Presentation should include:

Slide 1: PROJECT COVER: Include a) project name, b) project description with max 160 characters (One line, what's your project about?), c) team representative name & email.

Slide 2: Describe the problem that the project is intended to solve and provide insights about the **market opportunity** that reflect the size of the indicated problem. Tell about market potential (size, CARG, etc.).

Slide 3: Strategic positioning – describe the existing solutions in the considered market and their limitations. Please list the closest analogues of your solution, and academia research groups working in such direction.

Slide 4: Summarized **Porter's 5 Forces analysis** of the industry you plan to enter.

Slide 5: Talk about your solution and how does the project solve the described problem and why could the approach be considered innovative. Describe how your solution is better vs other solutions.



Content of PowerPoint Final Assignment Presentation

Slide 6: Describe the **technology** you expect to use to justify that a) it's realistic, b) it's feasible. Describe your uniqueness.

Slide 7: Provide a **VRIO assessment** of the key resources that you have that are a source of a competitive advantage.

Slide 8: Provide a **SWOT analysis** linking your Strengths (from VRIO) with the Opportunities (from Porter's 5 Forces analysis) and linking your Weaknesses (from VRIO) with the possible Threats (from Porter's 5 Forces analysis).

Slide 9: Describe key market trends in your industry.

Slide 10: Tell about your **commercialization plan (product/service you will offer), and your generic strategy:** "Focus", a "Cost leadership" or a "Differentiation"? Which market segment and how to reach them? How that links with market trends?



Content of PowerPoint Final Assignment Presentation

Slide 11: Draw and describe your platform architecture strategy. What part of your project would be the core, and what would be its modules?

Slide 12: Indicate specifically what type and who would you form your **strategic alliances** with (and why)? (build on your VRIO analysis for that).


Slide 13: What would be your **roadmap for the next 36 months**? Include goals and KPIs to achieve.

Slide 14: Key project team members (brief team members CV / key expertise)

Slide 15: What do you need to move forward your project: a) how much funds; b) What contacts/expertise; c) any other resources.



Assignment:
prepare and
submit your
team project
proposal by
Wednesday,
November the
8th, 21:00h



- Form a team between 2 and 6 people
- Create nice team/project cover
- Next, prepare a 5-pages project proposal answering the following key questions:
 - **Page 1:** describe the problem you are willing to solve (provide at least 3 links confirming that the problem exists).
 - **Page 2:** explain how does the project solve the described problem, and what is the innovativeness of the approach.
 - **Page 3:** write an introduction describing main technological and market trends in the industry you are willing to enter (provide at least 3 links confirming that the trend exists)
 - **Page 4:** for the industry you plan to enter, perform an industry competitive analysis using Porter's 5 Forces. Write at least one paragraph for each force arguing why it's "low, medium or high", and assess the rivalry among existing competitors.
 - **Page 5:** Include all team members (Name, Surname, email, photo, role inside the team).

Teamwork time!

Assignment:

Which resources
provide you with a
competitive advantage

by Wednesday,
November the
15th, 21:00h

- Add 4-pages to your project proposal answering the following key questions:
 - **Page 1-2:** Provide a description of the underlying technology, describing closely the high-tech involved that makes it potentially suitable for patenting or copyrighting. Provide examples how this technology will help customers to solve their need. Provide technical, performance, and economical specifications of your technology (e.g. cost to produce). Include illustrations.
 - **Page 3:** Describe the expected main directions of commercialization of your project (in the near future and (or) in the future): Define the products/services you expect to commercialize, pricing, possible product/service specifications.
 - **Page 4:** Elaborate, what resources you have within your team (or immediate environment/network) that are valuable, rare, costly to imitate, and the expertise you have within your team that allow you to utilize these resources effectively and outperform potential competitors.

Teamwork time!

Assignment:

Which resources
provide you with a
competitive advantage

by Wednesday,
November the
29th, 23:59h

- Add 3 more sections (~2 pages each) to your project proposal answering the following key questions:
 - **Section 1:** Strategic positioning (industry): List the closest analogues of your solution and describe what your advantage is. In text include: 1) Name of the company; 2) Key attributes of the company (e.g. where they are, when they were created, revenue, etc.); 3) The specific product/service that they offer that is similar to yours (describe its key features and its limitations) 4) Describe how your solution is better. At the end, provide a summary table – product/service names horizontally, key features you compare vertically. Include links to the sources.
 - **Section 2:** Strategic positioning (academia). List at least 3 scientific groups, institutes, or companies conducting similar developments/research and describe what your advantage is.
 - **Section 3:** Market opportunity. Indicate the markets in which the project could potentially be implemented: list countries, regions, indicate the main customers (e.g. companies, organizations), estimate the approximate size of the market, its dynamics (e.g. market growth rate (CARG), and your future positioning on it (explaining about your key features that will convince customers).

A torn piece of a calendar is shown on the left side of the slide. It features a grid with days of the week (Tue, Wed, Thu) and dates (1, 2, 8, 9, 15, 22, 23, 29, 30). A wooden pencil is resting diagonally across the calendar, pointing towards the bottom right.

Upcoming sessions

- November 20: Session 5
- November 22: Session 6
- November 27: Session 7
- November 29: Final project teamwork
- December 4: Session 8
- December 6: Recap session
- December 11: Final project feedback sessions
- December 13: Final presentations + Course photo

Team final project deadline: **Monday, December 11th, 23:59h**

Individual final report deadline: **Monday, December 18th, 23:59h**

*More info will be provided in the upcoming sessions

Teamwork
time!

