

# **Introduction to strategy**

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## Introduction: do smarter strategic choices!

- Competitive advantages are based on
  - product and/or
  - process
- “Sustainable competitive advantages” are challenged due to
  - Globalisation
  - Technology development
  - Deregulation
- Consequence: strategy development is challenged

# 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

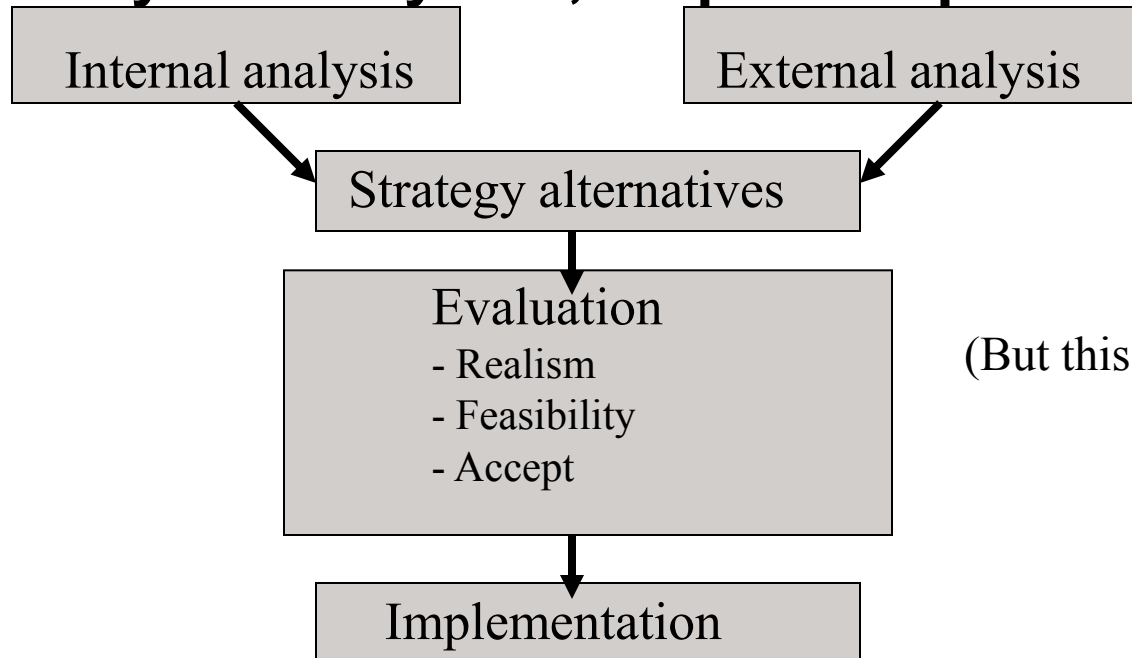


## Different focus in different contexts

- *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. Nokia
  - *Copy of competitors* (reactive) → e.g. Microsoft
- **Ideally an analytical, sequential process:**



(But this is not always the situation!)

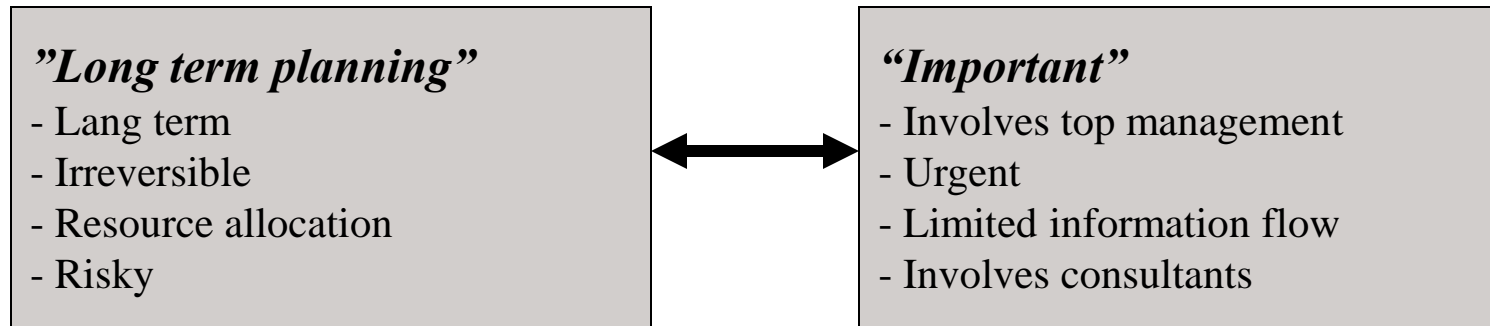
## Task: "strategic"

- What makes a choice "strategic"?
- What are the key success factors for a good strategy process?



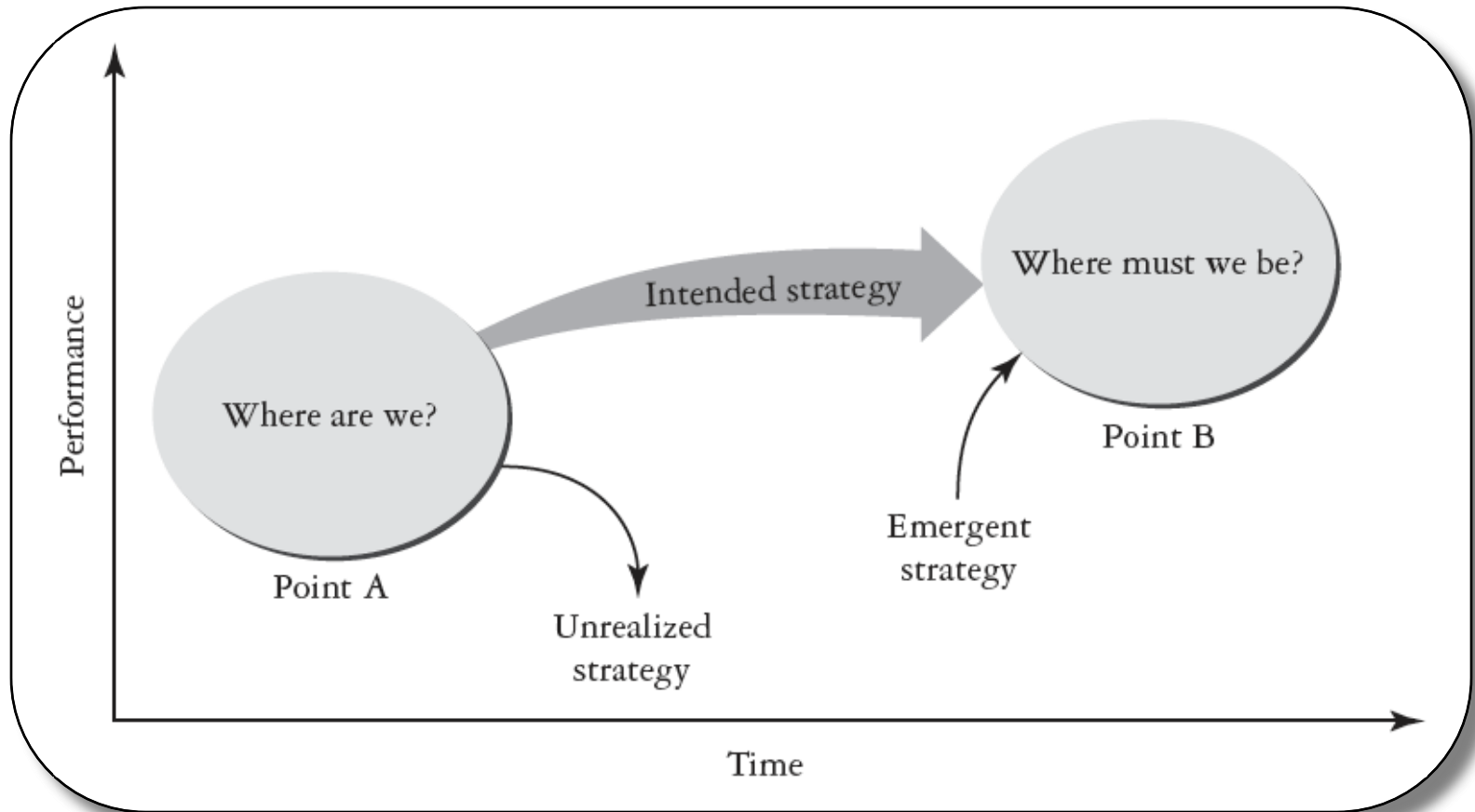
## Introduction (ctd.)

- What choices are really "strategic"?



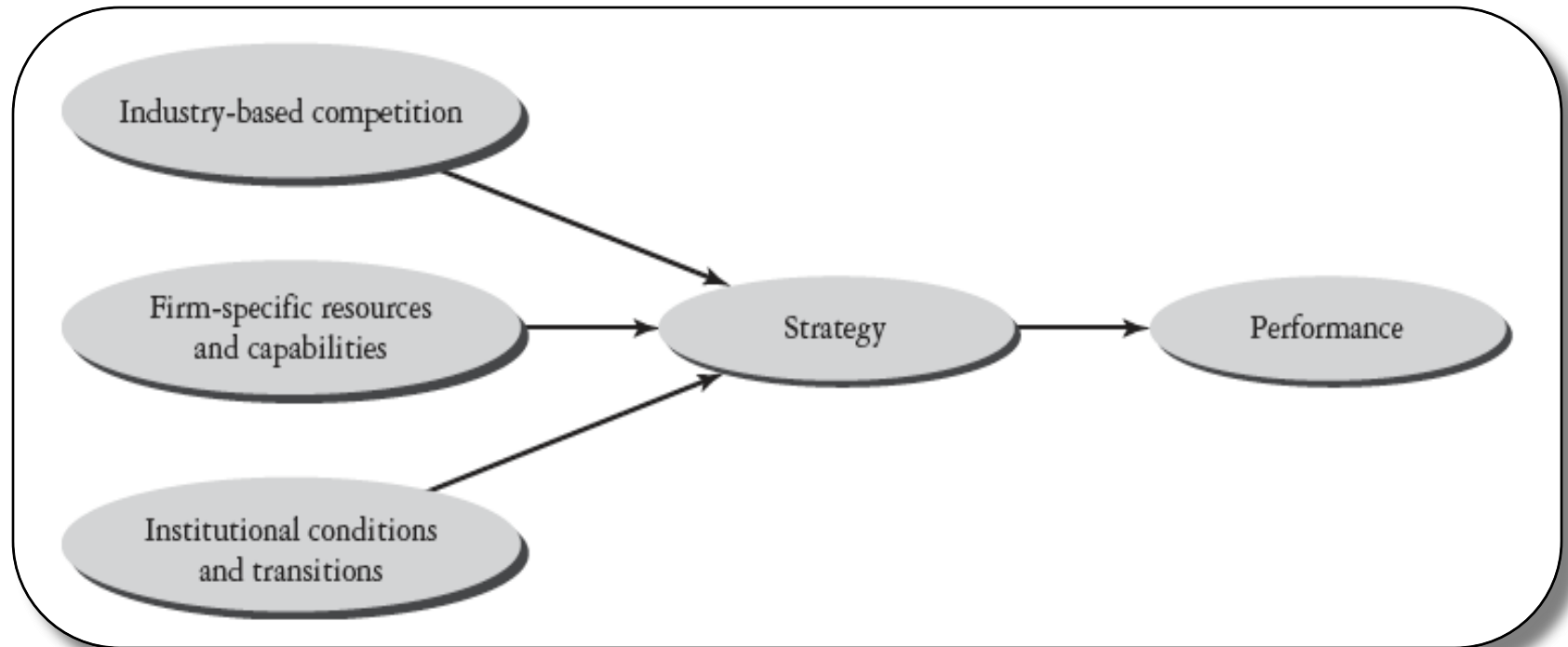
- What are the threats against a good strategy process?
  - *External*: complexity and information access
  - *Internal*: guts and time pressure

# The Essence of Strategy



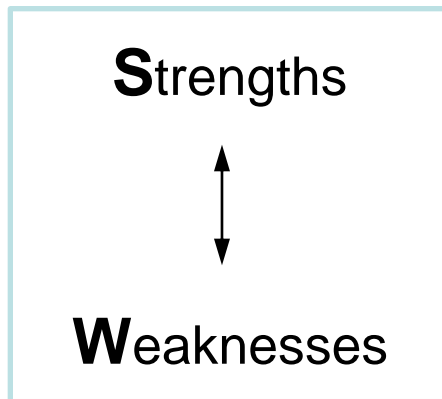
# The “Strategy Tripod”

## Three Leading Perspectives on Strategy



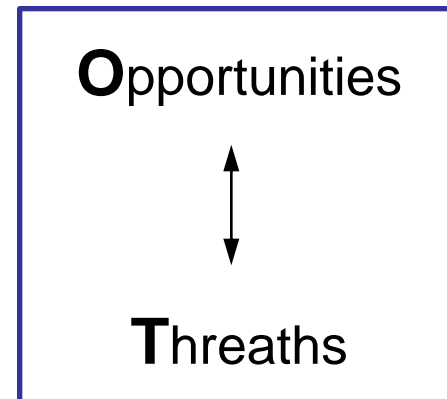
# Starting point: “where are we?” (aka SWOT)

Internal analysis



↓  
Resource based  
models of competitive  
advantage

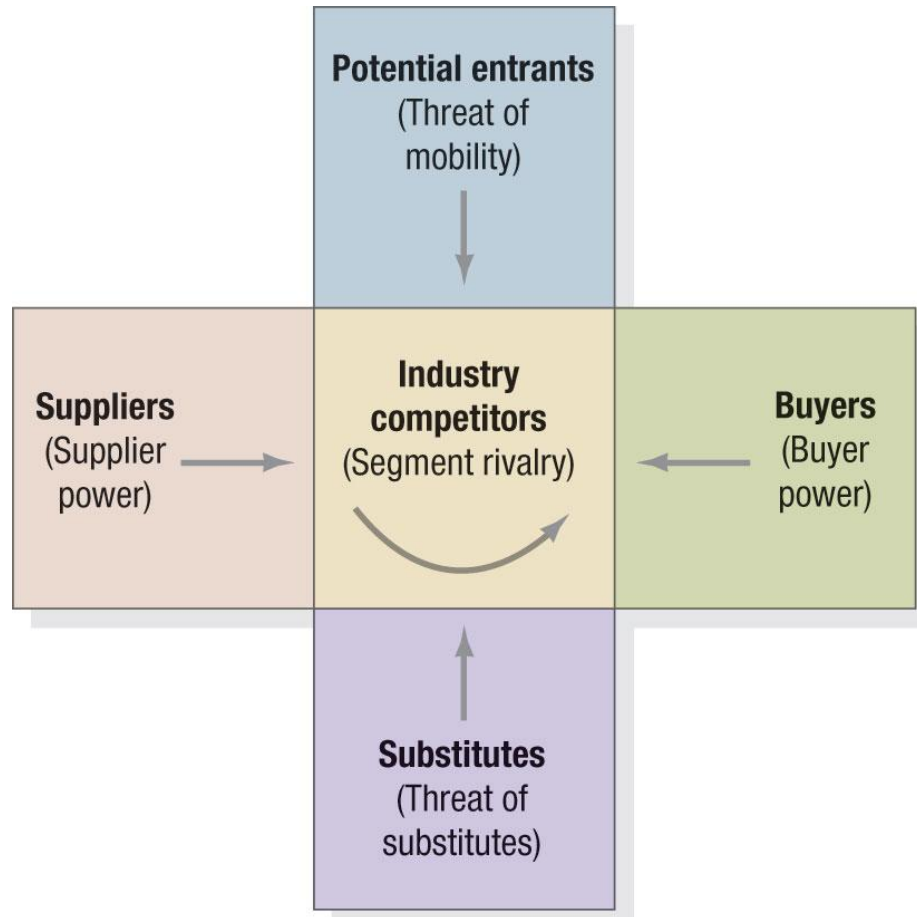
External analysis



↓  
Environmental models  
of competitive  
advantage

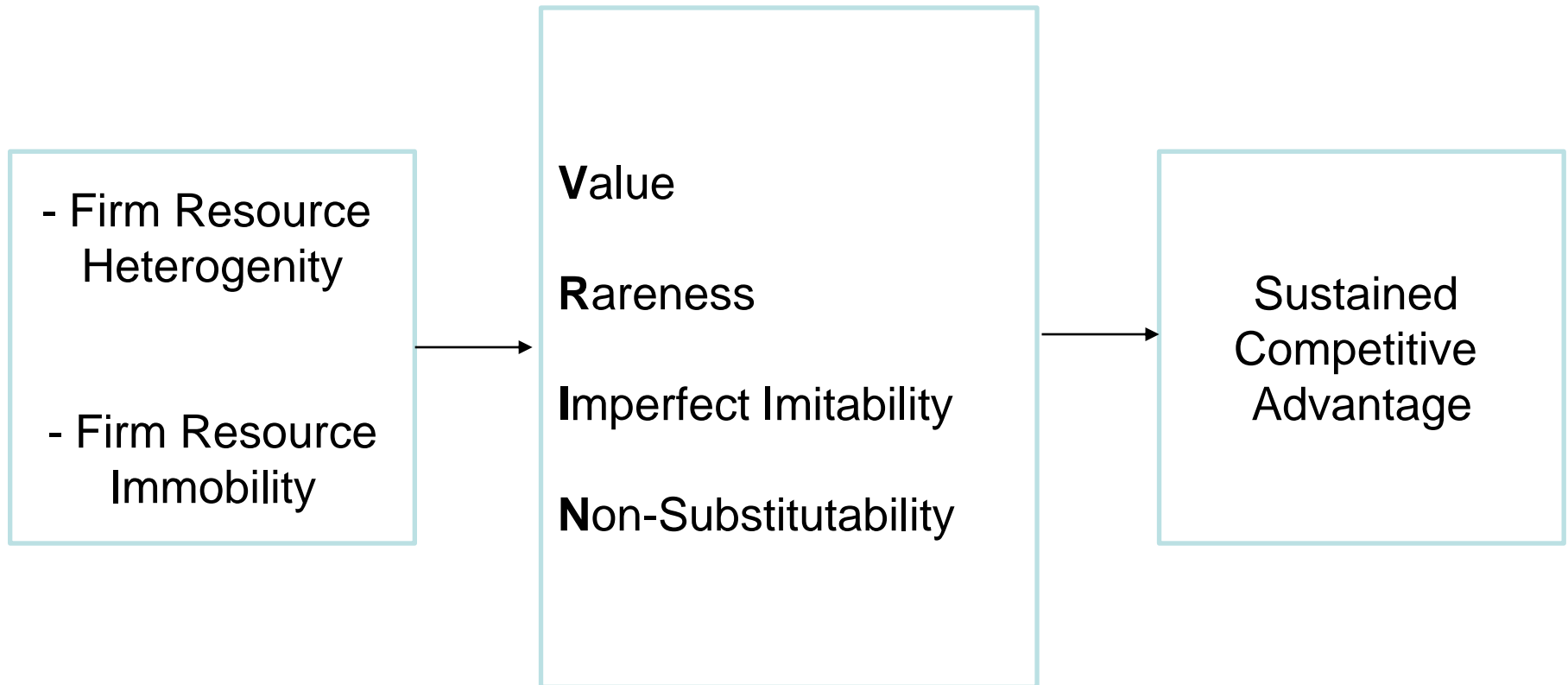


## Environmental model...



Michael Porter's five forces give us an idea of how to analyze competition...

## Resource-based model...



## Institution based Considerations

In additon to the resource based and industry based considerations, we need to address both the **formal** and **informal** institutions...

## Institution based considerations

- Institutions affect business decisions by signalling what behaviour that is acceptable (Peng 2009)
- The institutional framework consists of
  - The *formal institutions*, e.g. political laws and rules, and economic contracts
  - *The informal institutions* are the social norms for behaviour in a society that are fundamental for cultural and ethical conditions



1877

## Phonograph: The start of recorded music



Thomas Edison

1907 Things are evolving

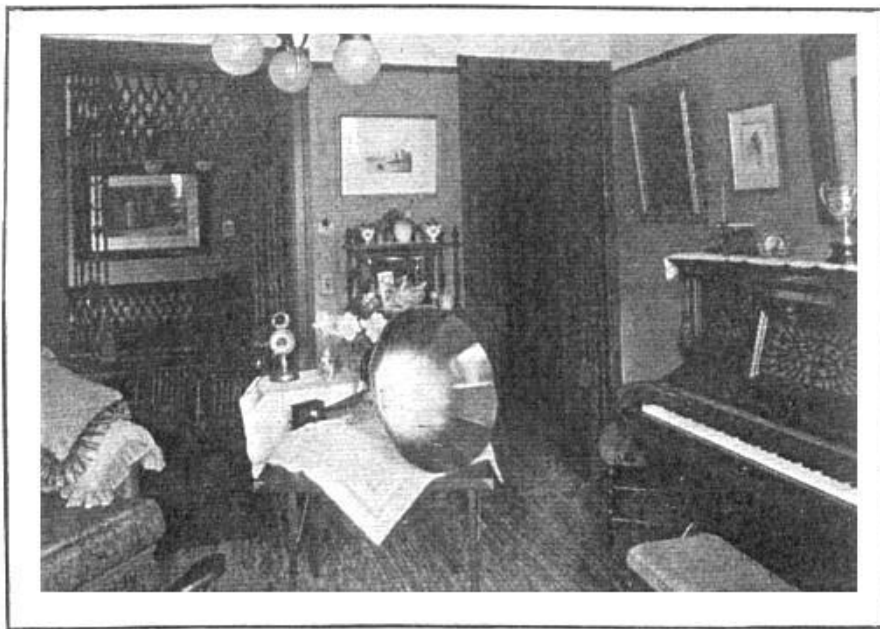


1909

# Tel-Musici launched in Wilmington, Delaware, US

## The first “online” music streaming service

”User App”



Tel-Musici Installation in a Subscriber's Home.

”System Back-end”



Left-Hand Side of "Music Room" in the Telephone Exchange at Wilmington, Delaware.

Pricing:

3 Cents for each ordinary piece

7 Cents for grand opera

The subscriber must guarantee \$18 per year.

1930

Music becomes «portable» – 78 rpm



1963

Philips launches the first cassette



1979

## The start of digital music Philips launches Compact Disc



1979

## Sony introduces the Walkman - a first true mobile music experience



1984

Then Sony gives us the Discman  
- the first portable digital player





1998

..then Rio gives us the MP3-player



1998

## Moving into the mobile phone business



PS! Aspiro is born



2001

iTunes is launched



2003



The Pirate Bay

2008

The Spotify logo is centered on a green rounded rectangle. It features the word "Spotify" in a white, rounded, sans-serif font with a green outline. Above the letter "o" are three curved lines representing a radio signal. A small "TM" trademark symbol is located at the end of the word.

Spotify™

# 2010 WiMP is launched



## Task

How do you predict the music industry to develop in the next three to five years?

## En musikkbransje i fritt fall eller står vi foran et paradigmeskifte med solid opptur?

<b>FYSISK</b>	<b>2011</b>	<b>2010</b>
ALBUM FYSISK	19 191	39 608
SINGEL FYSISK	52	42
DVD-MUSIKK	547	995
<b>TOTAL</b>	<b>19 790</b>	<b>40 645</b>
<b>NEDLASTING/STREAMS</b>	<b>2011</b>	<b>2010</b>
NEDLASTING	5 394	4 980
STREAMS	8 041	2 752
ABONNEMENT/OTHER	6 894	1 180
<b>TOTAL</b>	<b>20 329</b>	<b>8 912</b>
<b>TOTALMARKED JUNI</b>	<b>40 119</b>	<b>49 557</b>
<b>TOTALMARKED YTD</b>	<b>203 015</b>	<b>202 417</b>

Fysisk har halvert seg siste året

Digital salg er nå større enn fysisk

Totalmarkedet er stabilt  
(2011 vs 2010) !!!



## Music streaming is the future It creates an optimal user experience – a fun one!

- Access to a library of **ALL music** in the world – ever recorded
- Fixed-fee **rental model** - no need to own music
- Users **explores new music** in a totally different way – no need to decide to buy a track or album
- **Accessible** from all connected devices – PC, mobile, TV, home stereos,++
- **Offline-mode** – play music when not online
- **Sharing** of music online gets a new dimension



**More people will play more music than ever before**

## Music will become interactive and multimedia

When music meets the interactive screens, music will become an interactive multimedia experience:

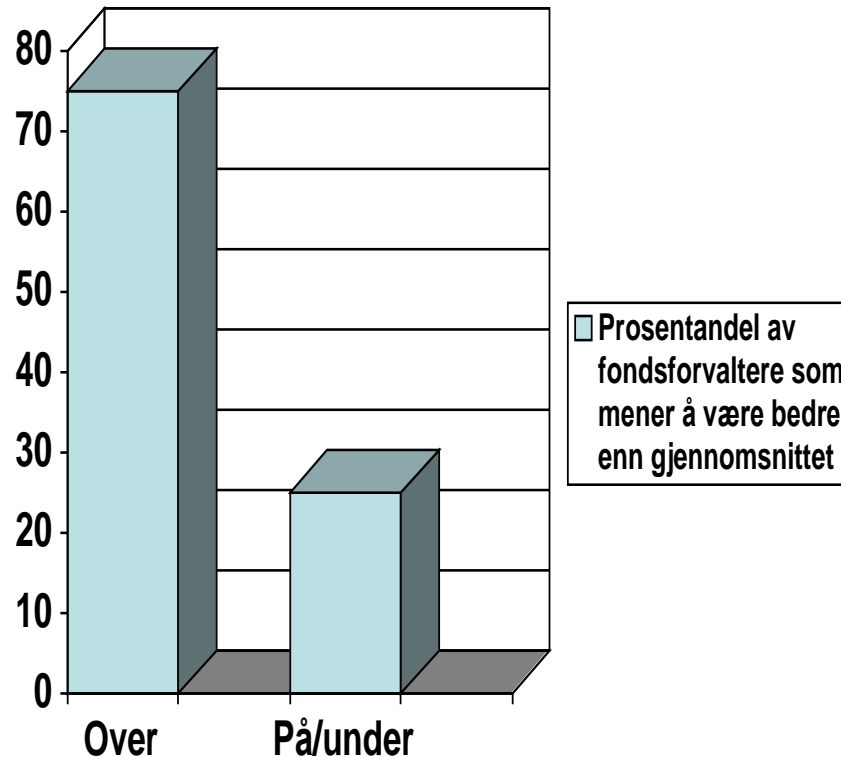
- Music videos
- More multimedia content; images, interactive presentations,++
- Background info: bios, lyrics, etc
- Interaction between artist and their fans
- Live concerts and simultaneous music listening
- Ticketing

## Task

Assume that you are strategic advisors to Premier League (PL), who is about to sell the national and international media rights for the next three seasons. Who do you expect to be interested in buying the media rights, and why?

# Final comments about the “experts” you will meet: they tend to be wrong

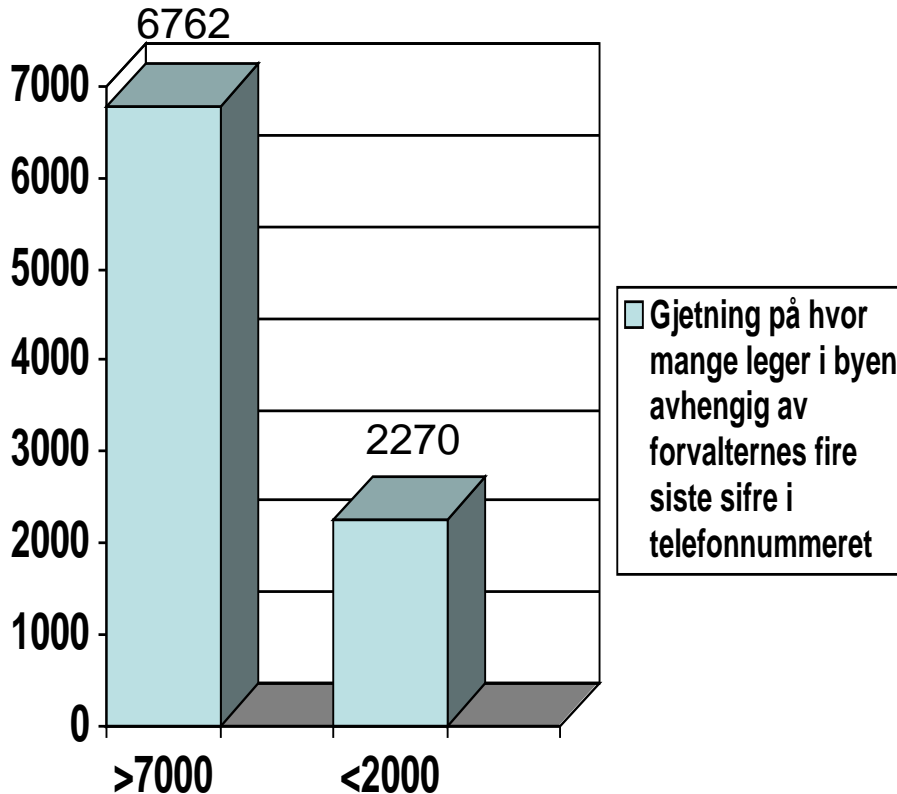
- Momentum driven
  - Over-optimism in bull times
  - Over pessimism in bear times
- Too self confident
  - “I know that everybody think they are above average, but I know that I am.”
  - Experts (especially economists!) over estimate their competence more often than non-experts



Kilde: DrKW/Macro Research/Finansavisen

## So why do we trust estimates after all?

- The hope of "beating" efficient markets via information no one else has
- Anchoring: under uncertainty, you stick to what you have at hand, even if it is not relevant
- So: what is the alternative?



Kilde: DrKW/Macro Research/Finansavisen