

MIT OpenCourseWare
<http://ocw.mit.edu>

15.963 Advanced Strategy
Spring 2008

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.



15.963: Reflections on Delta/Song

Rebecca Henderson
Eastman Kodak LFM Professor of Management

The issue....

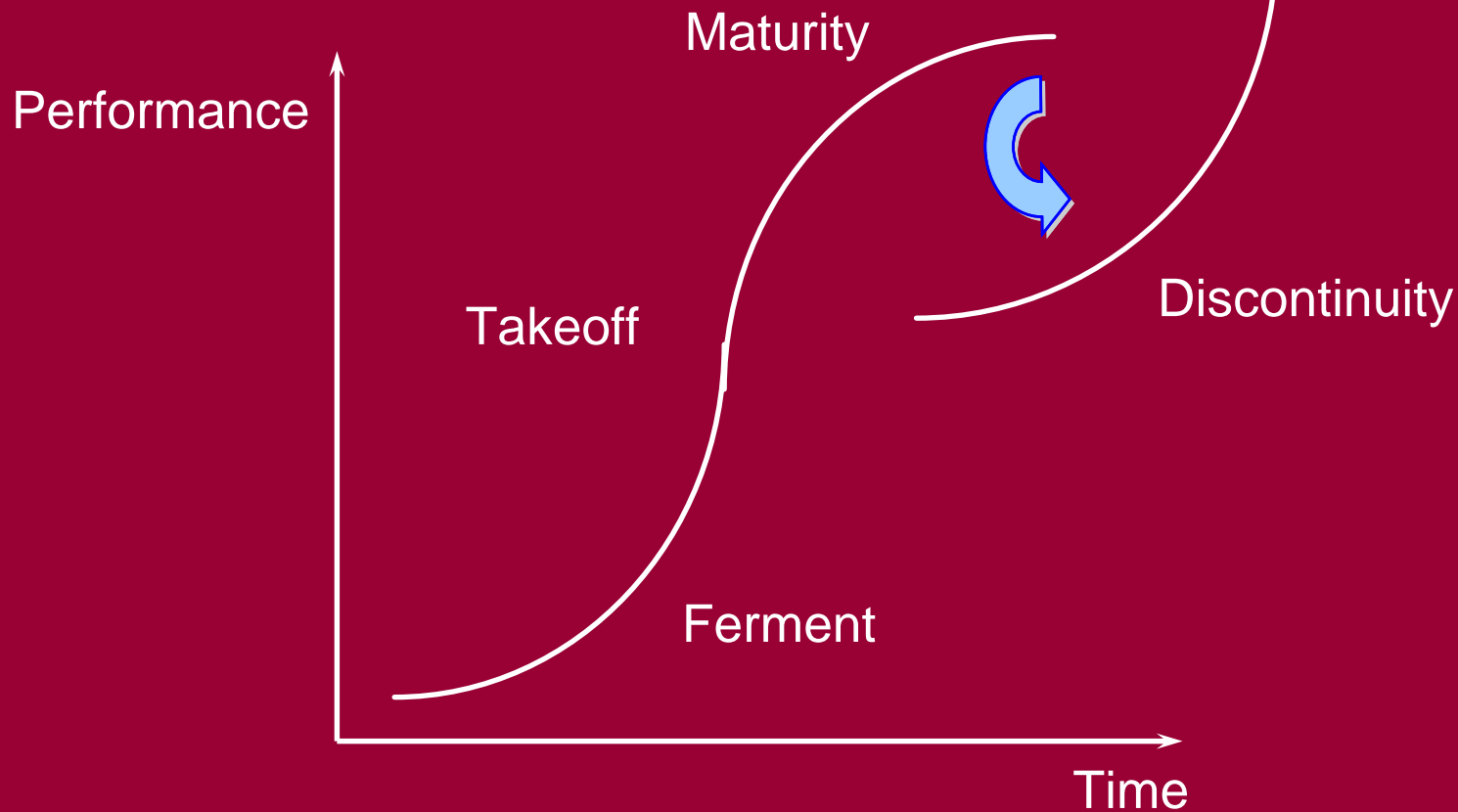
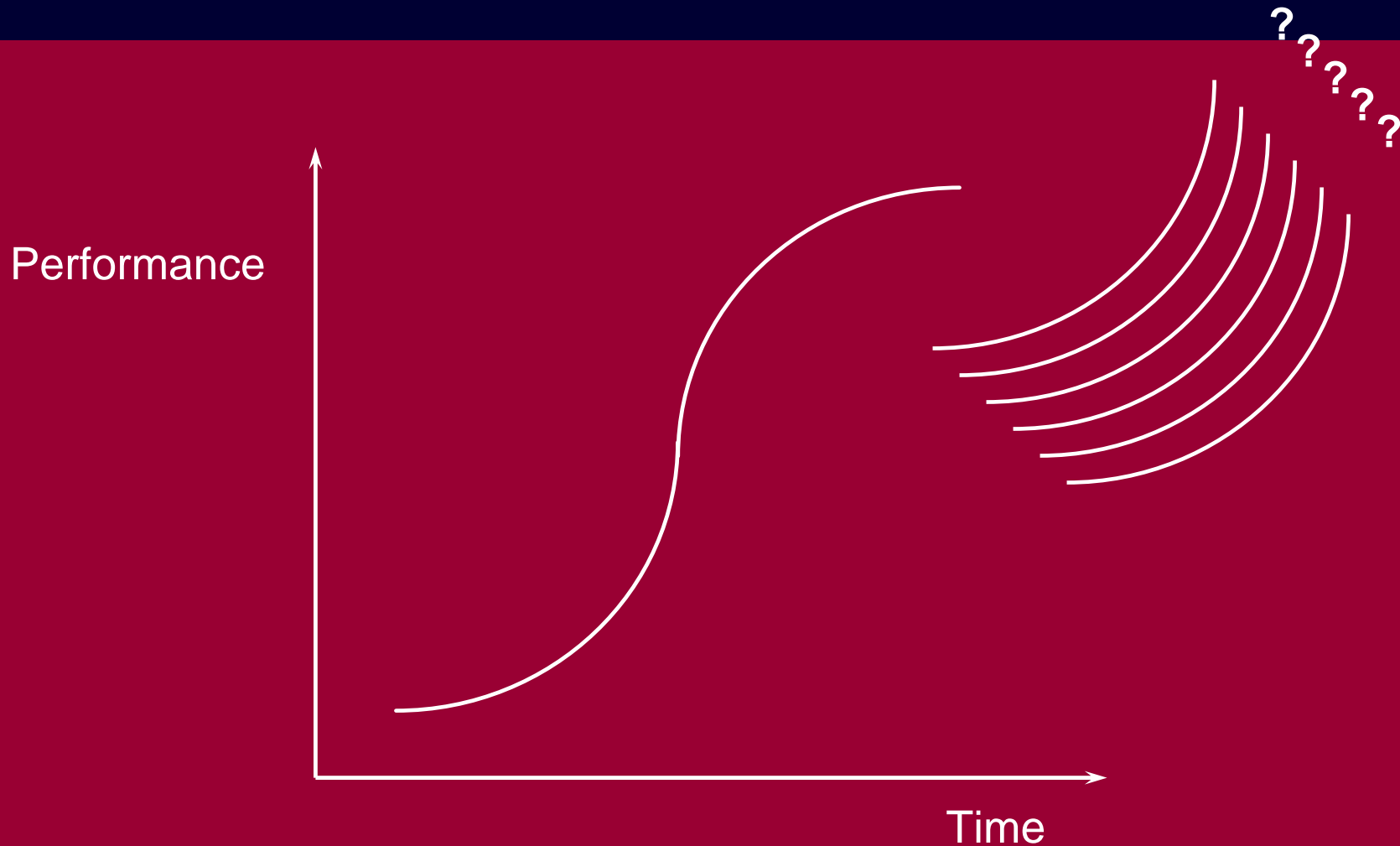


Figure by MIT OpenCourseWare.

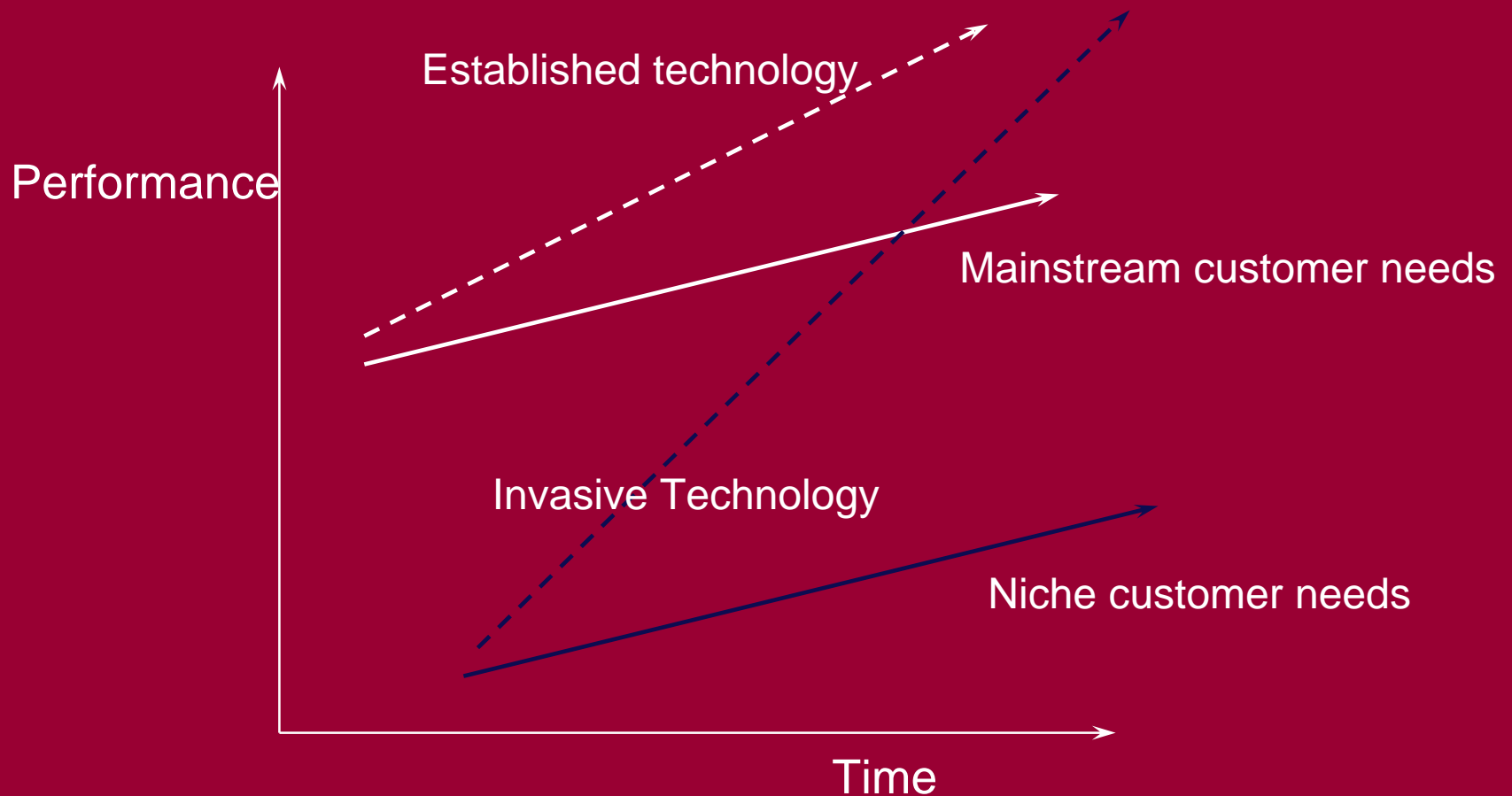
Discontinuities are challenging because:

- They challenge the way the firm creates value:
 - New technologies/offerings
 - New customers & new markets
- They challenge the way the firm captures value:
 - New business models, new complementary assets
- They require the ability to balance the tension between “entrepreneurial energy” and “coordination”
- And everyone is very, very busy
- And unable to deal with “worse before better”

Which technologies will succeed? What offerings are possible?



What do customers want? Who will we sell to?



How will we make money?

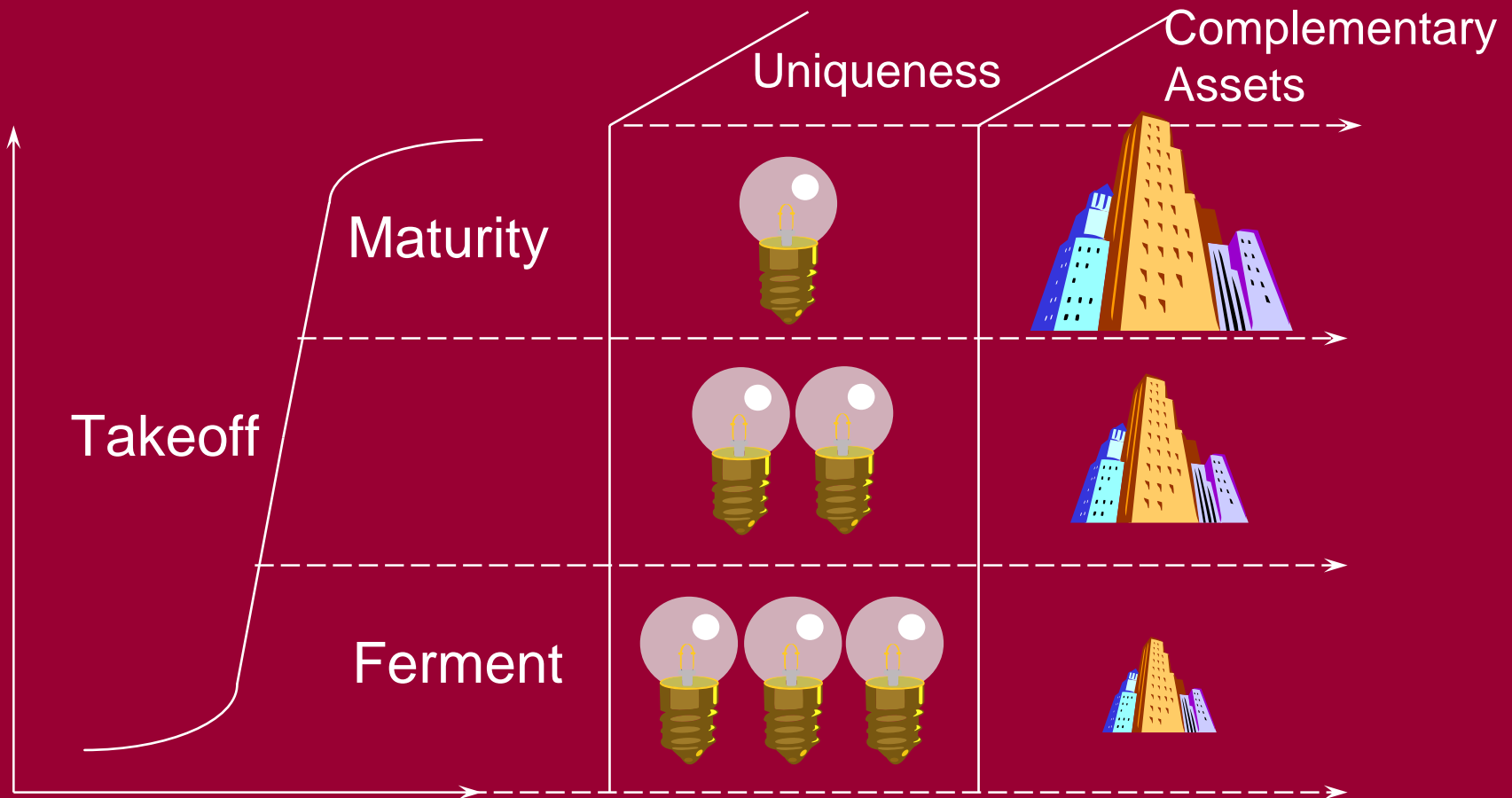
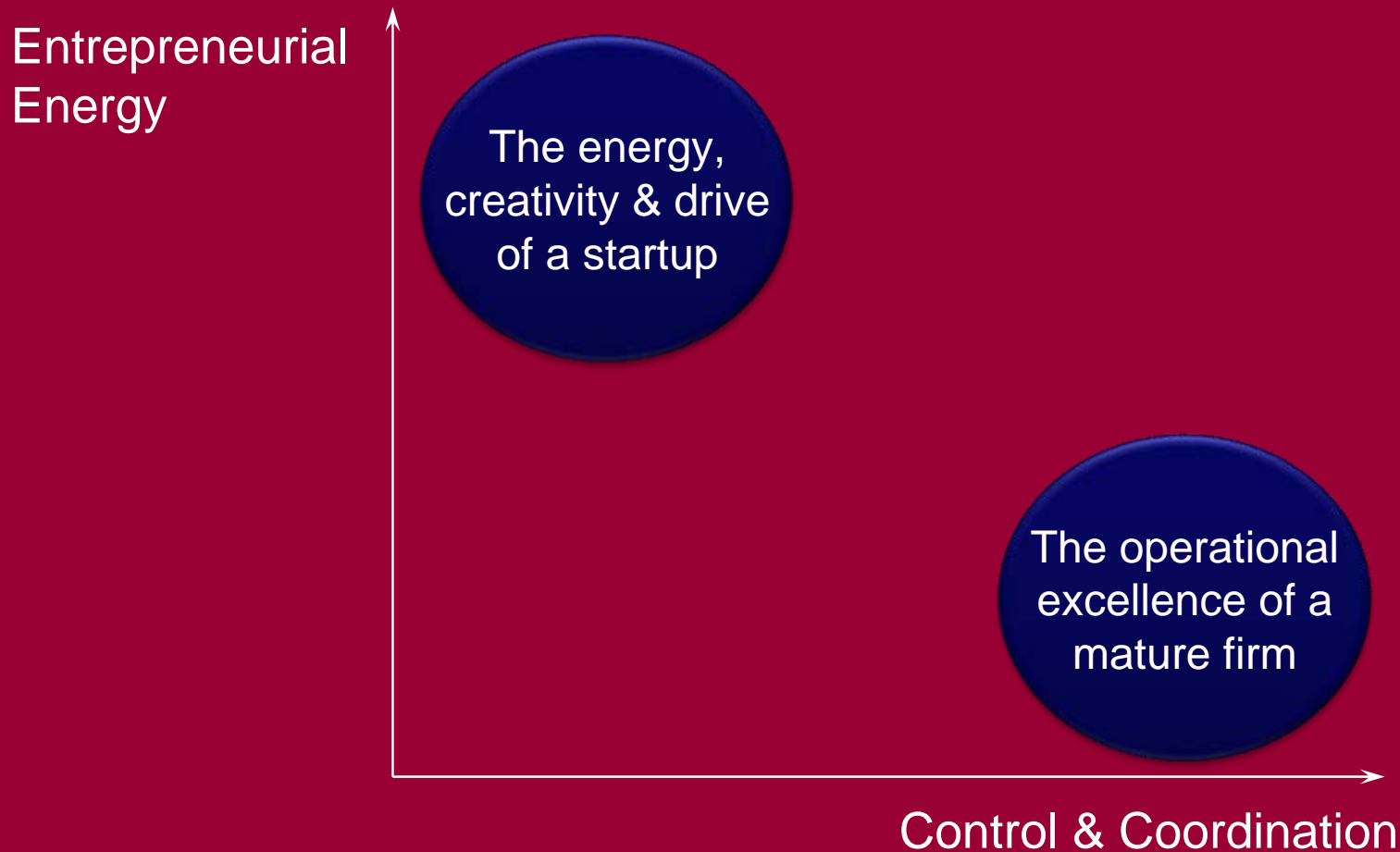


Figure by MIT OpenCourseWare.

How will we execute?



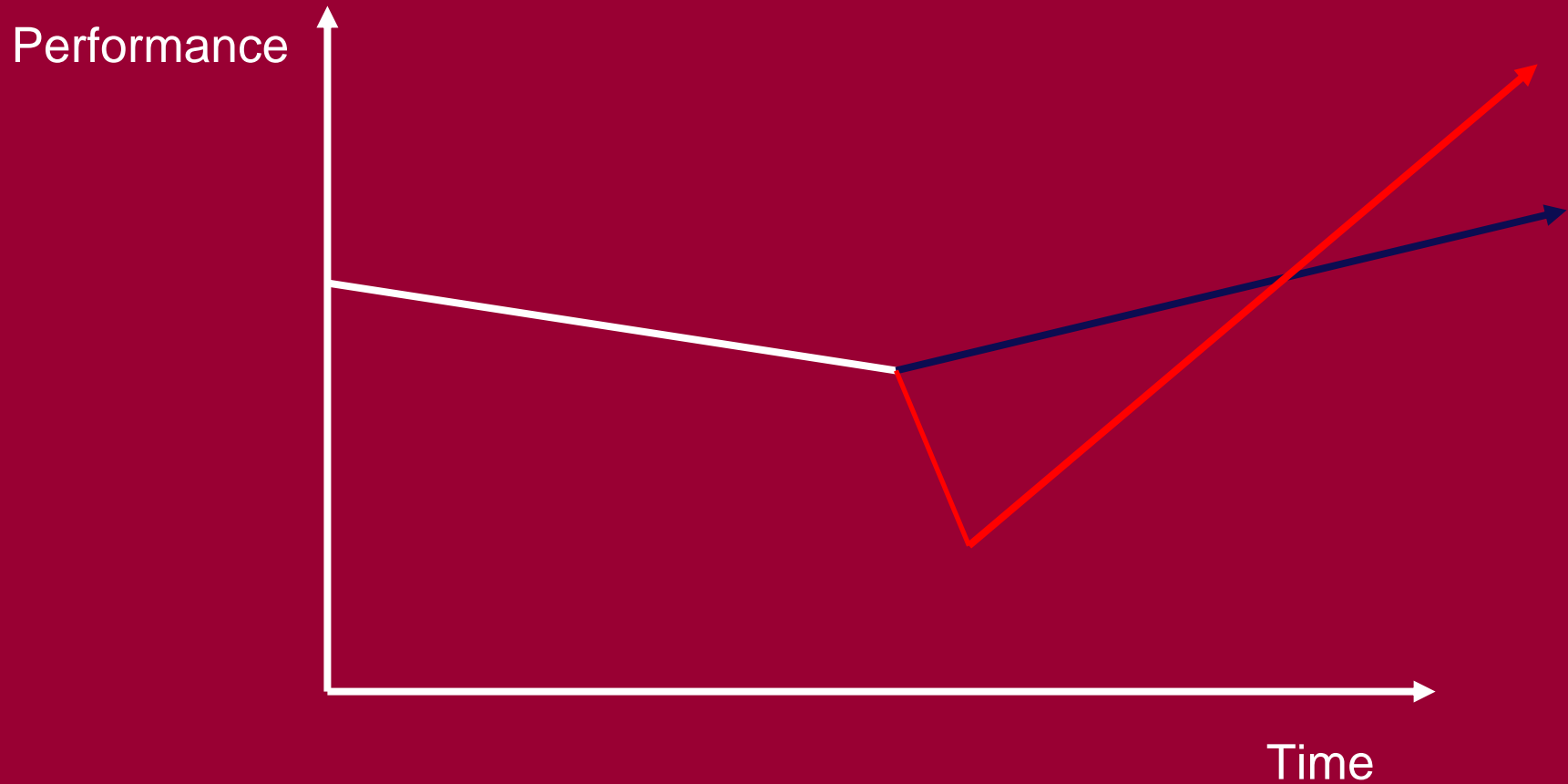
Why is it hard to imitate a successful strategy?

- Ignorance/Blindness (Perception)
 - I don't know that you're doing better
- Agency (Motivation)
 - I'm worried about cannibalizing my existing business
 - It's not in my interest to change behaviors
- Confusion (Inspiration)
 - I don't know why you're doing better
- Complexity/Coordination (Coordination)
 - It's hard to imitate a complex system
 - It takes time to build assets
 - It takes time to build relational contracts
 - And existing assets constrain my behavior

Everyone is very, very busy....

Black and white photograph of river logging removed due to copyright restrictions; in this picture, a few men are surrounded by logs pointing in all directions.

And it's very hard to deal with worse before better



In summary:

- *“I see”, he said, “you’re suggesting that we invest millions of dollars in a market that may or may not exist but that is certainly smaller than our existing market, to develop a product that customers may or may not want, using a business model that will almost certainly give us lower margins than our existing product lines. You’re warning us that we’ll run into serious organizational problems as we make this investment, and our current business is screaming for resources. Tell me again just why we should make this investment?”*
 - *Divisional Manager, Telecommunications Equipment Provider*

For Toyota:

- What are the major strategic threats facing Toyota?
 - Who are its most important competitors?
- What actions should Toyota take in response to these threats?
- What barriers does Toyota need to overcome in order to take these actions?
- How should Toyota overcome them?

For “your” firm:

- What are the major strategic threats facing your firm?
 - Who are its most important competitors?
- What actions should your firm take in response to these threats?
- What barriers does the firm need to overcome in order to take these actions?
- How should the firm overcome them?

- Please send me no more than four slides answering these questions by midnight, Monday April 7th.