



MASTER IN ENTREPRENEURSHIP
INNOVATION MANAGEMENT
IN COLLABORATION WITH **MIT SLOAN**

IN COLLABORATION WITH
MIT MANAGEMENT
SLOAN SCHOOL



UNIVERSITÀ DEGLI STUDI DI NAPOLI
PARTHENOPE

Strategy disruption and realignment

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Professor profile



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- Senior professional with 30 years of experience.
- Has worked in large organizations such as Deloitte, Trenitalia - Italian railways, small start-ups, and family owned businesses.
- Has worked in different industries: hospitality, tourism, spa & wellness, travel, transport, ICT, management consulting.
- Skilled in strategic management and business planning, service marketing, business development, sustainability, organizational design, capacity building, asset management, corporate governance.
- Lectures at different educational institutions.
- Geographical areas of work: Italy, West Europe, Africa, Asia.

Education

- Senior Managers Program - HEC, Paris.
- Master of Science in Tourism & Hotel Management, diploma with Distinction - School of Management - University of Surrey, UK.
- Doctoral degree in Economics and Business (with honours)

Solve this problem

Duncker's candle problem

- Task: how to fix and light a candle on a wall (a cork board) in a way so the candle wax won't drip onto the table below. To do so, one may only use the following along with the candle:
 - a book of matches
 - a box of thumbtacks



Solve this problem

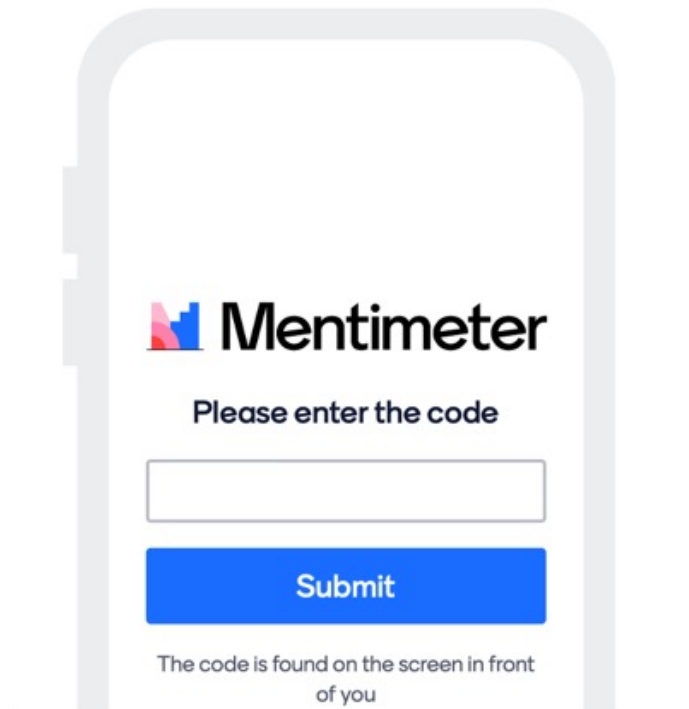
Solution for the he candle problem or candle task, also known as Duncker's candle problem.

The most efficient solution is to empty the box of thumbtacks, use the thumbtacks to nail the box to the wall, put the candle into the box, and light the candle with the match.



Walmart case

Please go on www.menti.com and enter code 1625 4463



Walmart case discussion

What are the internationalisation drivers Walmart International has struggled with?



Walmart case discussion

What might be the dangers for a large Western retailer in staying out of emerging markets?

Mentimeter

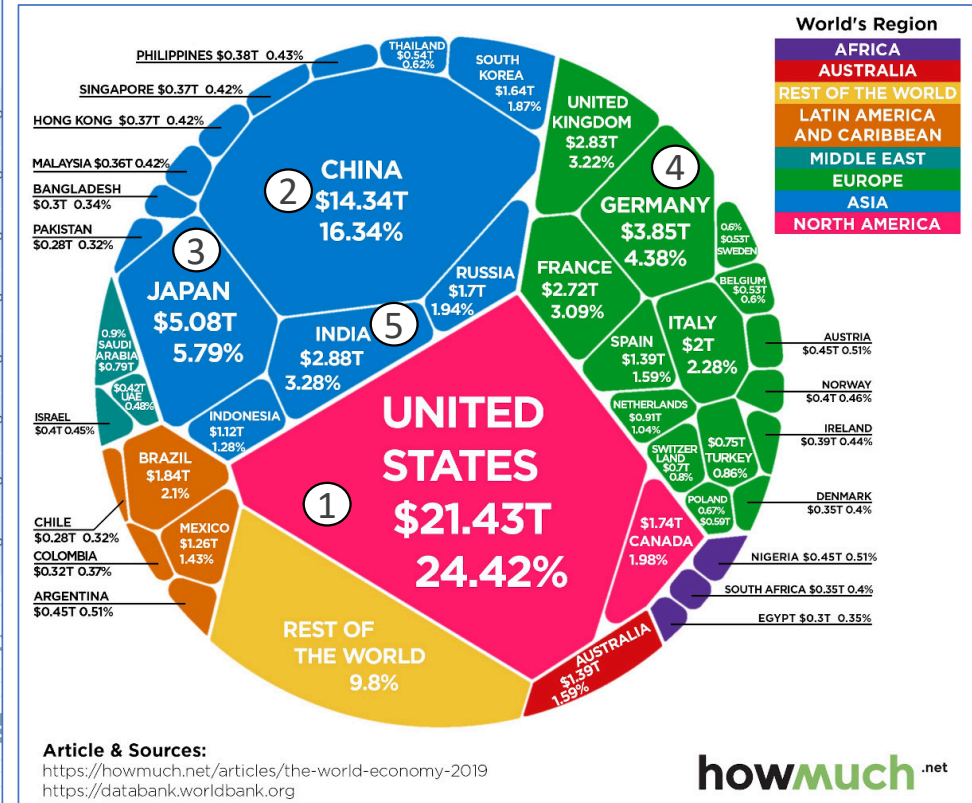
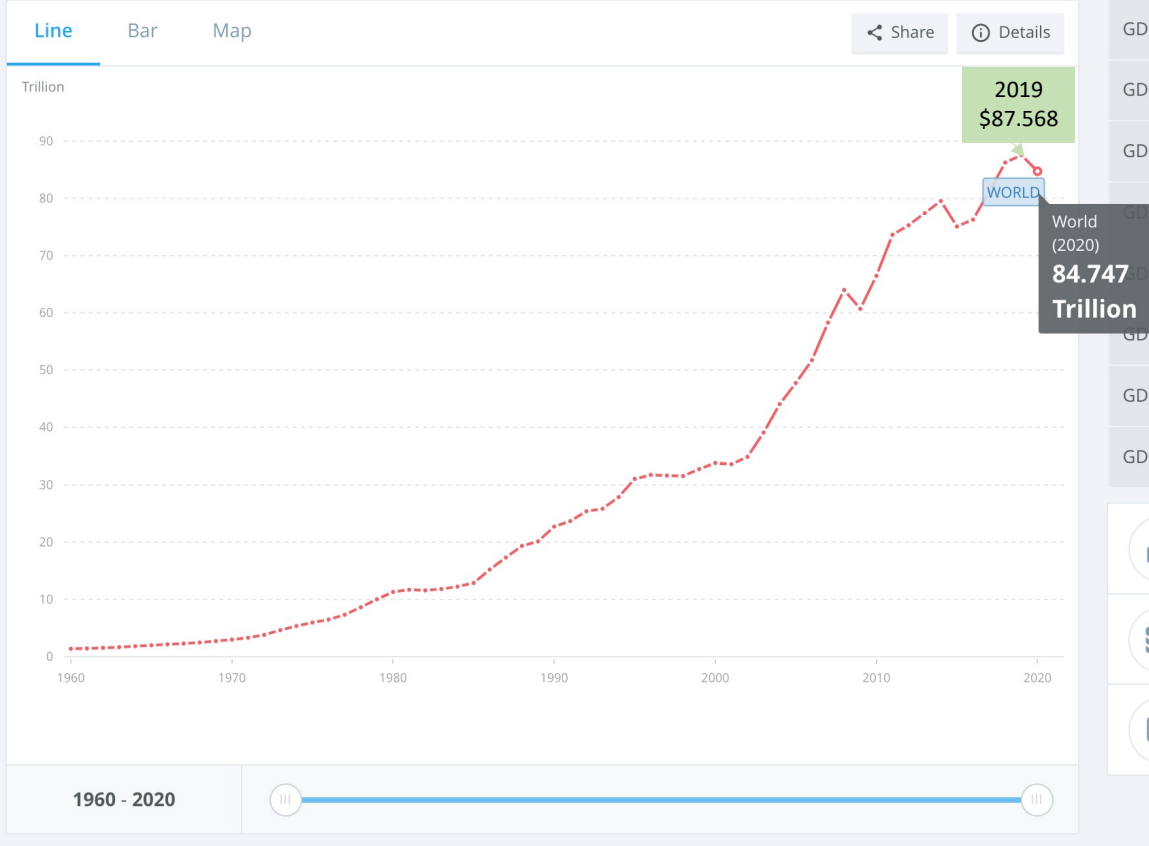
lose growth opportunity
less global connection
missing opportunities
scale lack of skills lose competition
high probability of fail lose brand image
loss of market shares
brand loss in profit competitors step up
loss of revenues
large market size competition doesn't create networks
destructuring
high purchasing power losing scale economy
loss of reliability
loss of its market share lose lot of market share
low diversification
lose profitable investment
less internationalization
to not be competitive
lose competitive position reinforcing competitors

Top Countries by GDP

GDP (current US\$)

World Bank national accounts data, and OECD National Accounts data files.

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World Economic Outlook, October 2021

The global economy
is **recovering...**



Video link: <https://www.youtube.com/watch?v=yak1L2guWHk>

World Economic Outlook, January 2022

Global growth is ...

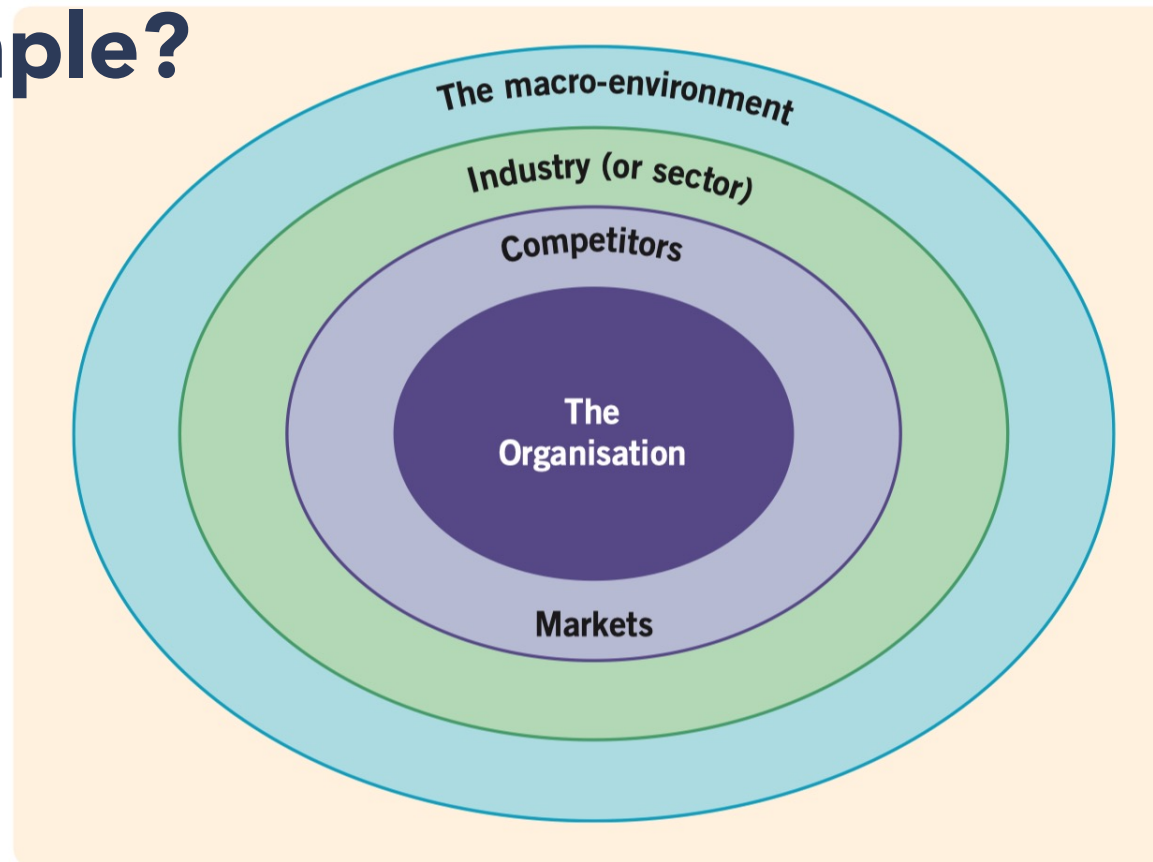
Video link: <https://www.youtube.com/watch?v=RYertZBf2S0>

What's disrupting the global recovery?



Where is disruption happening?

Any example?



A dramatic sky with dark, heavy clouds over a body of water at sunset or sunrise. The text "DISRUPTION IS UNAVOIDABLE" is overlaid in blue, bold, sans-serif font.

**DISRUPTION
IS UNAVOIDABLE**

Disruption is possible in many areas

Here are some categories to consider for potential disruptive events:

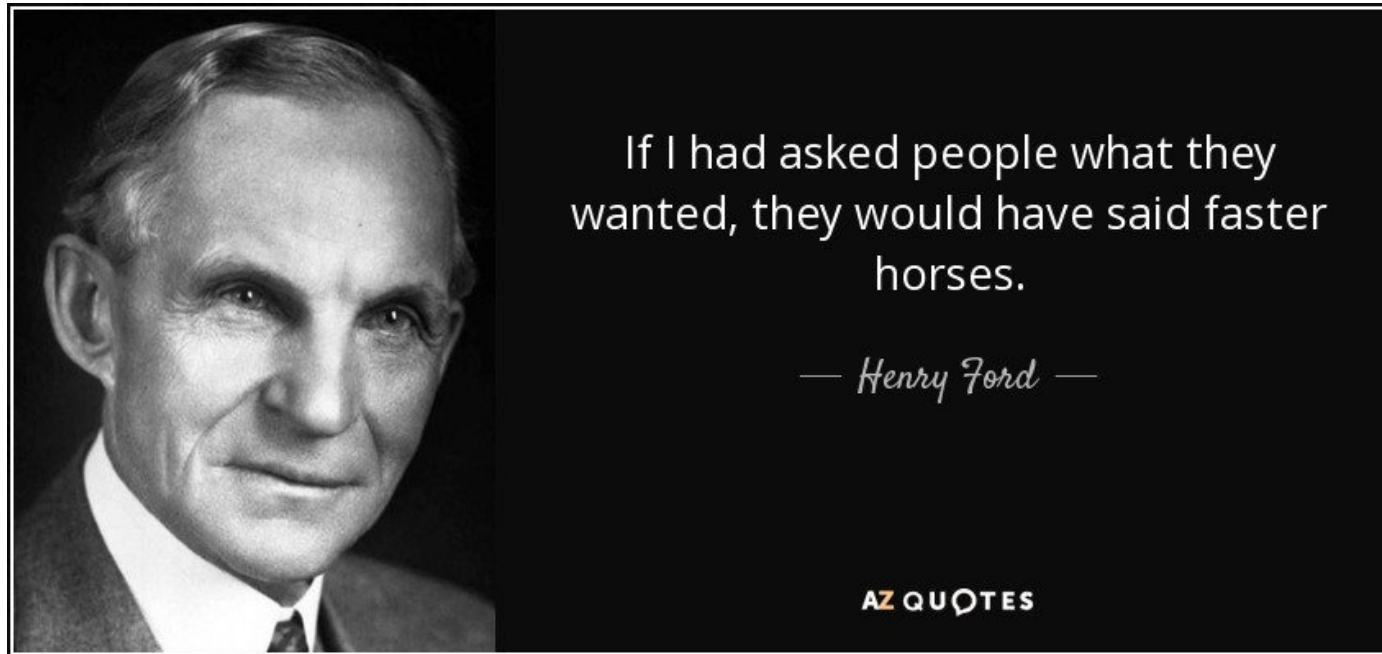
- Extreme Weather and Natural Disasters
- Manmade Disaster or Disruptions
- Human Health & Social Factors
- Significant Economic Events
- Disruptive Governmental or Political Changes
- International Geo-Political Changes
- New Technology – Technological Development
- Industry or Market Changes or Disruptions
- Legal & Regulatory Changes



Disruption from technology

- Technology has long been a disruptive force, radically changing the nature of work and society. In the 19th century, the Industrial Revolution altered our world profoundly and permanently. Electrification, the automobile and mass production, just to name a few massive technological changes, reshaped the 20th century. Today, powerful digital technologies and ubiquitous connectivity have created a knowledge economy that promises to spark the greatest changes in human history.
- Each period of technology-driven disruption has seen business models go extinct and be replaced by ones never before considered. Some companies couldn't evolve and went out of business, while others adapted, seized opportunities and continued to thrive by taking advantage of the new environment. What's different today is that technology is advancing at a pace we have never experienced before in human history – and the pace of change will only increase.





Disruption from technology

- Consider this: In 20 years, we've gone from early electronic mail, hand-coded HTML pages and PCs running DOS to social media, the mobile web and incredibly powerful smartphones, tablets and wearables. How we interact with each other, and our world, has evolved in ways we couldn't have imagined a few years go. These same technologies are changing the nature of work as well, forcing companies and workers alike to rethink where, when and how work gets done.
- A vast range of ever-improving advanced technologies are driving the disruptive innovation that will soon change our world and define the century to come. "Disruptive innovation", a term coined by Harvard professor Clayton Christensen in his book, describes "a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors."

"Disruptive Innovation," Clayton Christensen, www.claytonchristensen.com/keyconcepts/.

Disruption will hit every business

- Disruptive innovation has the potential to impact each and every business, no matter its size, sector or location. No business is immune.
- The development and application of advanced technology is accelerating at such an exponential rate that people have difficulty coming to grips with the pace of change.
- Among the key factors propelling these advanced technologies is the exponential growth in computer processing power – and the staggering drop in the price of computer chips. In 1992, you'd pay \$222 for a million transistors; today you'd pay \$0.06.

Some examples of disruptive innovation include:

Disruptor	Disruptee
Personal computers	Mainframe and mini computers
Mini mills	Integrated steel mills
Cellular phones	Fixed line telephony
Community colleges	Four-year colleges
Discount retailers	Full-service department stores
Retail medical clinics	Traditional doctor's offices

Source: www.claytonchristensen.com/keyconcepts

FIGURE 1

Cost of one million transistors from 1992 to 2012¹²

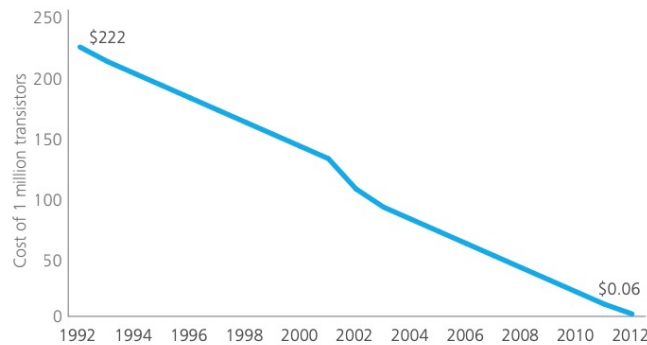


FIGURE 3

Average company lifespan on the S&P Index from 1960 to 2014¹⁴

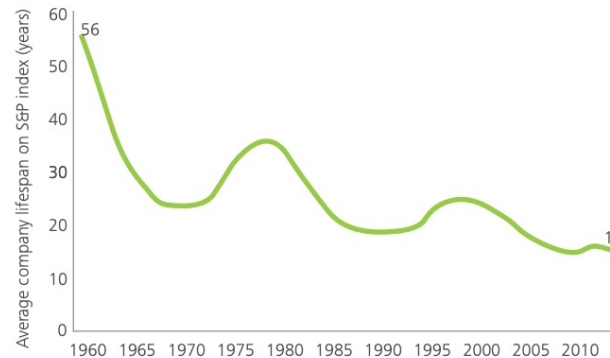


FIGURE 2

Number of years to reach \$1-billion valuation from date founded¹³

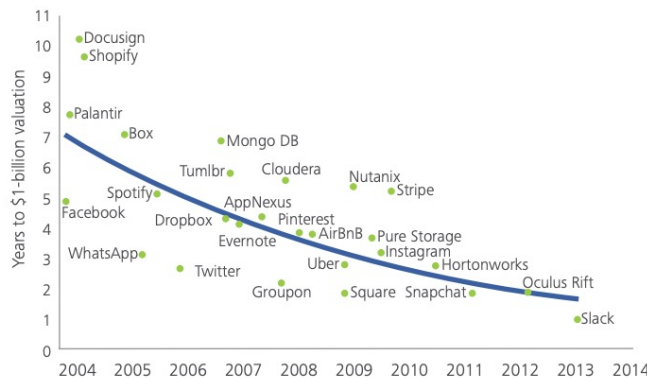
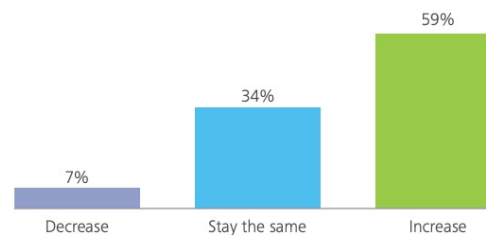


FIGURE 4

Thinking about things such as firm turnover, economic growth and new business models, do you think the pace of change in your industry will increase, decrease or stay the same when compared to the past five to 10 years?



To better put this in perspective, Apple sold 25 times more CPU transistors during the iPhone 6 launch weekend (September 19–21, 2014) than existed in all the PCs on Earth in 1995.

Advances in technology have also increased the rate of business growth – and business failure. Since 2003, a new company has reached a \$1-billion valuation every three months in the United States.⁸ Yet the time it takes to reach that valuation has shrunk considerably: Shopify took nine years; Slack took one (see Figure 2).

If businesses are growing faster, they're also exiting much more quickly. In 1960, the average lifespan of an S&P 500 company was around 56 years; by 2014, it had dropped to nearly 15 years (see Figure 3). Some even suggest that in just 10 years, 40% – nearly half – of today's Fortune 500 companies will no longer exist.

Snapshot on Canada: this dramatic increase in the pace of change has not gone unnoticed by Canadian firms. In fact, nearly 60% of respondents to our survey think the pace of change will increase over the next five to 10 years (see Figure 4). As it does, the likelihood of technology-driven disruption will grow too – and Canada's economic well-being will depend, more than ever, on how well our companies are prepared for what's to come. However, the question remains: If the majority of firms admit that the pace of change is increasing, then why are so few doing anything to prepare for the new economy in which they'll find themselves?

Disruptive Innovation Explained



Video: <https://www.youtube.com/watch?v=qDrMAzCHFUU>

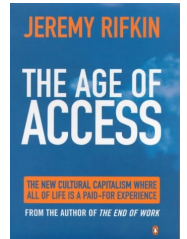


Video: <https://www.youtube.com/watch?v=yUAAtIQDllo8>

Introducing disruption

- The business environment feels more threatening today than it did in the past.
- Business leaders increasingly find themselves at the mercy of disruptors that cast doubt on the stability of all firms, industries and economies.
- The Kodak and Blockbuster case studies clearly exemplify what may happen.
- Disruption seems to be amplified by the speed of technological change, the rapid adoption of new products and compressed product life cycles.
- Traditional barriers to entry are low and dropping; upfront investments are being replaced by purchases as a service and capital for other purchases is easier to find, while social media and cheap shipping are slashing the cost of operating globally.
- There's also the risk that a firm from outside the industry might turn it upside down, as Apple did for smartphones, or Tesla for cars, or Airbnb for distribution of accommodation.
- When we encounter disruption, our efforts to mitigate damage and maximise opportunity are hampered as we are unable to obtain key skills in time.

Disruption is not a new phenomenon. It is, more explicitly, the accelerating frequency of disruption that poses a new challenge for organisations



- Disruption can be viewed at various levels of abstraction. At the highest level are the long-term shifts which are reshaping the nature of the economy. These disruptions are more endemic as they operate on the whole economy, rather than sectors or industries.
- The shift from knowledge stocks to flows, which we might pithily describe as “why remember what you can google?” is a prime example, with one consequence that the balance of power has tipped from merchant to consumer. In the past, merchants had the upper hand as they had all the information on product availability and pricing, while customers knew little. Now, with the consumer Internet, modern smartphones and so on, the consumer has the upper hand and often knows more than the merchant.
- The immediate effect of this disruption is the elimination of the mid-market as customers search the globe for the cheapest or the best (at the best price) rather than compromising based on what they can find from local merchants.

Source: Deloitte, Your next future

Disruption is strongly linked to technology

- The First Industrial Revolution (1760-1840) used water and steam power to mechanize production.
- The Second used electric power to create mass production.
- The Third used electronics and information technology to automate production (in 1957 Olivetti and IBM introduced their first personal computers).
- Now a Fourth Industrial Revolution (4IR) is building on the Third, the digital revolution that has been occurring since the middle of the last century. It is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres.
- There are three reasons why today's transformations represent not merely a prolongation of the Third Industrial Revolution but rather the arrival of a Fourth and distinct one: velocity, scope, and systems impact.
- The speed of current breakthroughs has no historical precedent. When compared with previous industrial revolutions, the Fourth is evolving at an exponential rather than a linear pace. Moreover, it is disrupting almost every industry in every country. And the breadth and depth of these changes herald the transformation of entire systems of production, management, and governance.

Disruption is strongly linked to technology

- The Fourth Industrial Revolution is a way of describing the blurring of boundaries between the physical, digital, and biological worlds. It's a fusion of advances in artificial intelligence (AI), robotics, the Internet of Things (IoT), 3D printing, genetic engineering, quantum computing, and other technologies.
- It's the collective force behind many products and services that are fast becoming indispensable to modern life. Think GPS systems that suggest the fastest route to a destination, voice-activated virtual assistants such as Apple's Siri, personalized Netflix or Amazon recommendations, and Facebook's ability to recognize your face and tag you in a friend's photo.
- As a result of this perfect storm of technologies, the Fourth Industrial Revolution is paving the way for transformative changes in the way we live and radically disrupting almost every business sector. It's all happening at an unprecedented, whirlwind pace.
- The 4IR brings a particularly pronounced shortage of IT talent*. Bridging the skills gap is all about increasing capacity to solve problems by bringing in groups who previously would not have been able to contribute. Today the skills people require are different from the past.

* Salesforce <https://www.salesforce.com/news/stories/filling-the-skills-gap-in-the-fourth-industrial-revolution/>

Disruption challenges and opportunities

- Like the revolutions that preceded it, the Fourth Industrial Revolution has the potential to raise global income levels and improve the quality of life for populations around the world.
- To date, those who have gained the most from it have been consumers able to afford and access the digital world; technology has made possible new products and services that increase the efficiency and pleasure of our personal lives.
- Today many activities can be done remotely by anyone with a device: ordering a cab, booking a flight, buying a product, making a payment, listening to music, watching a film, get delivery, or playing a game.
- In the future, technological innovation will also lead to a supply-side miracle, with long-term gains in efficiency and productivity. Transportation and communication costs will drop, logistics and global supply chains will become more effective, and the cost of trade will diminish, all of which will open new markets and drive economic growth.
- Major shifts on the demand side are also occurring, as growing transparency, consumer engagement, and new patterns of consumer behavior (increasingly built upon access to mobile networks and data) force companies to adapt the way they design, market, and deliver products and services.

Disruption and impact on people

- The Fourth Industrial Revolution, finally, will change not only what people do but also who we are. It will affect our identity and all the issues associated with it: our sense of privacy, our notions of ownership, our consumption patterns, the time we devote to work and leisure, and how we develop our careers, cultivate our skills, meet people, and nurture relationships. It is already changing our health and leading to a “quantified” self, and sooner than we think it may lead to human augmentation*. The list is endless and it is bound only by our imagination.
- Enthusiasm about technology and the inexorable integration of technology in our lives could diminish some quintessential human capacities, such as compassion and cooperation.
- People’s relationship with smartphones is a case in point. Constant connection may deprive us of one of life’s most important assets: the time to pause, reflect, and engage in meaningful conversation. This has brought to apps for smartphone use monitoring.
- Privacy is one of the greatest individual challenges posed by new information technologies.

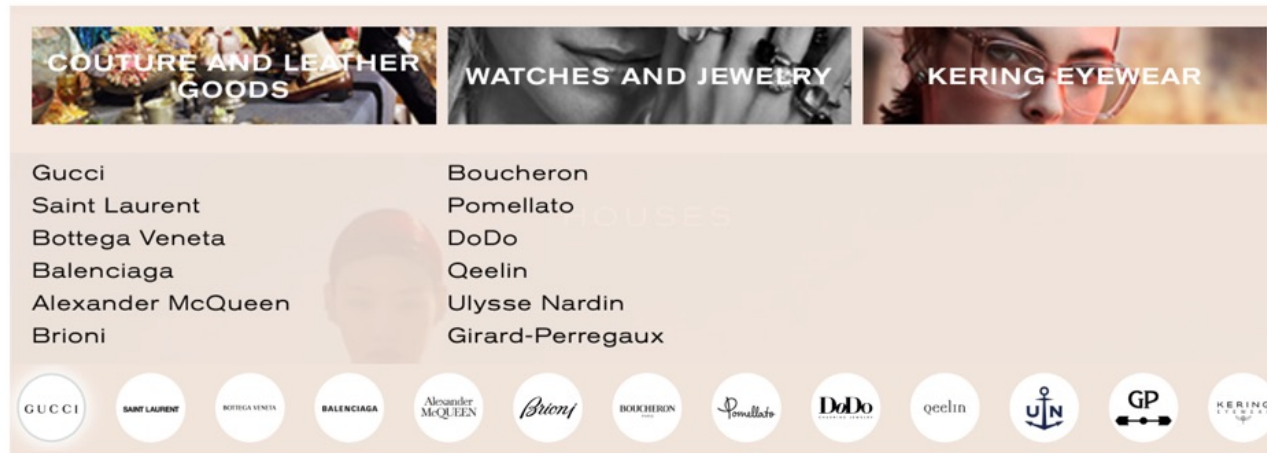
Strategy as roadmap

What is Strategy?

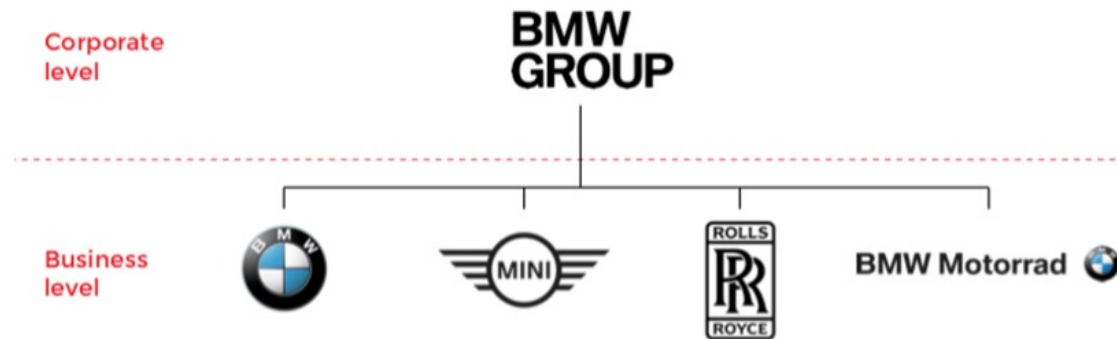
“strategy is the long-term direction of an organisation”

Strategy sets the roadmap to follow for the future growth and development of the organization.

Kering Group



BMW Group



Meta Group

Facebook + Instagram + WhatsApp

What is strategy

‘. . .the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals’

Alfred D. Chandler

‘Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value’

Michael Porter

‘a firm’s theory about how to gain competitive advantages’

Peter Drucker

‘a pattern in a stream of decisions’

Henry Mintzberg

‘the long-term direction of an organisation’

Exploring Strategy

Sources: A.D. Chandler, *Strategy and Structure: Chapters in the History of American Enterprise*, MIT Press, 1963, p. 13; M.E. Porter, ‘What is strategy?’, *Harvard Business Review*, November–December 1996, p. 60; P.F. Drucker, ‘The theory of business’, *Harvard Business Review*, September–October 1994, pp. 95–106; H. Mintzberg, *Tracking Strategies: Towards a General Theory*, Oxford University Press, 2007, p. 3.

What is strategy according to Hax and Majluf

Combining different definitions, it can be argued that strategy is:

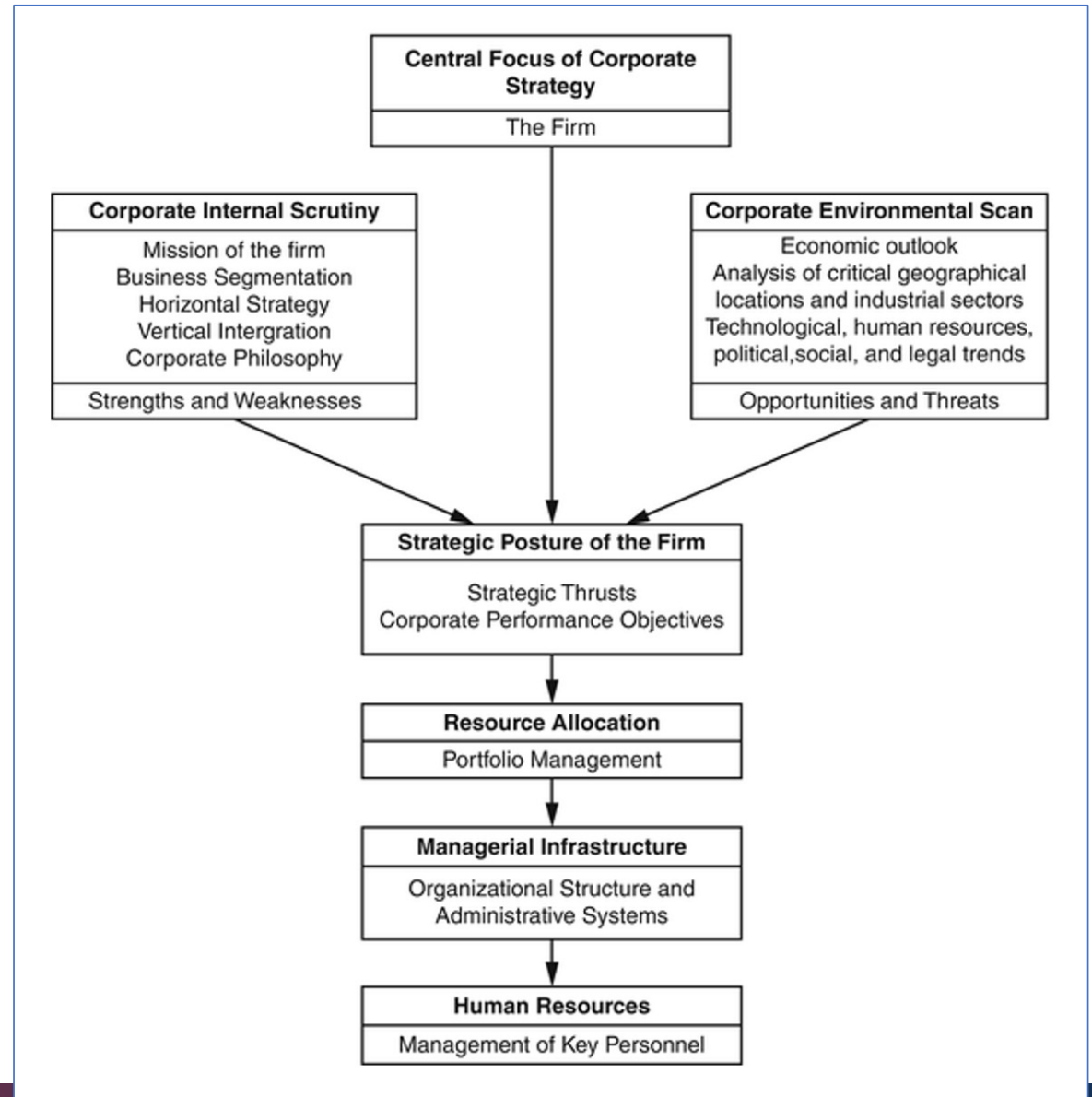
- a coherent, unifying, and integrative pattern of decision,
- that determines and reveals the organizational purpose in terms of long-term objectives, action programs, and resource allocation priorities,
- selects the businesses the organization is in or is to be in,
- defines the kind of economic and human organization the company is or intends to be,
- attempting to achieve a long term sustainable advantage in each of its businesses, by properly responding to the opportunities and threats in the firm's environment, and the strengths and weaknesses of the organization,
- engaging all the hierarchical levels of the firm - corporate, business, functional -
- and defining the nature of the economic and non-economic contributions it intends to make to its stakeholders.

Source: Hax, Majluf, The Strategy Concept and Process, 1996

The strategic planning process

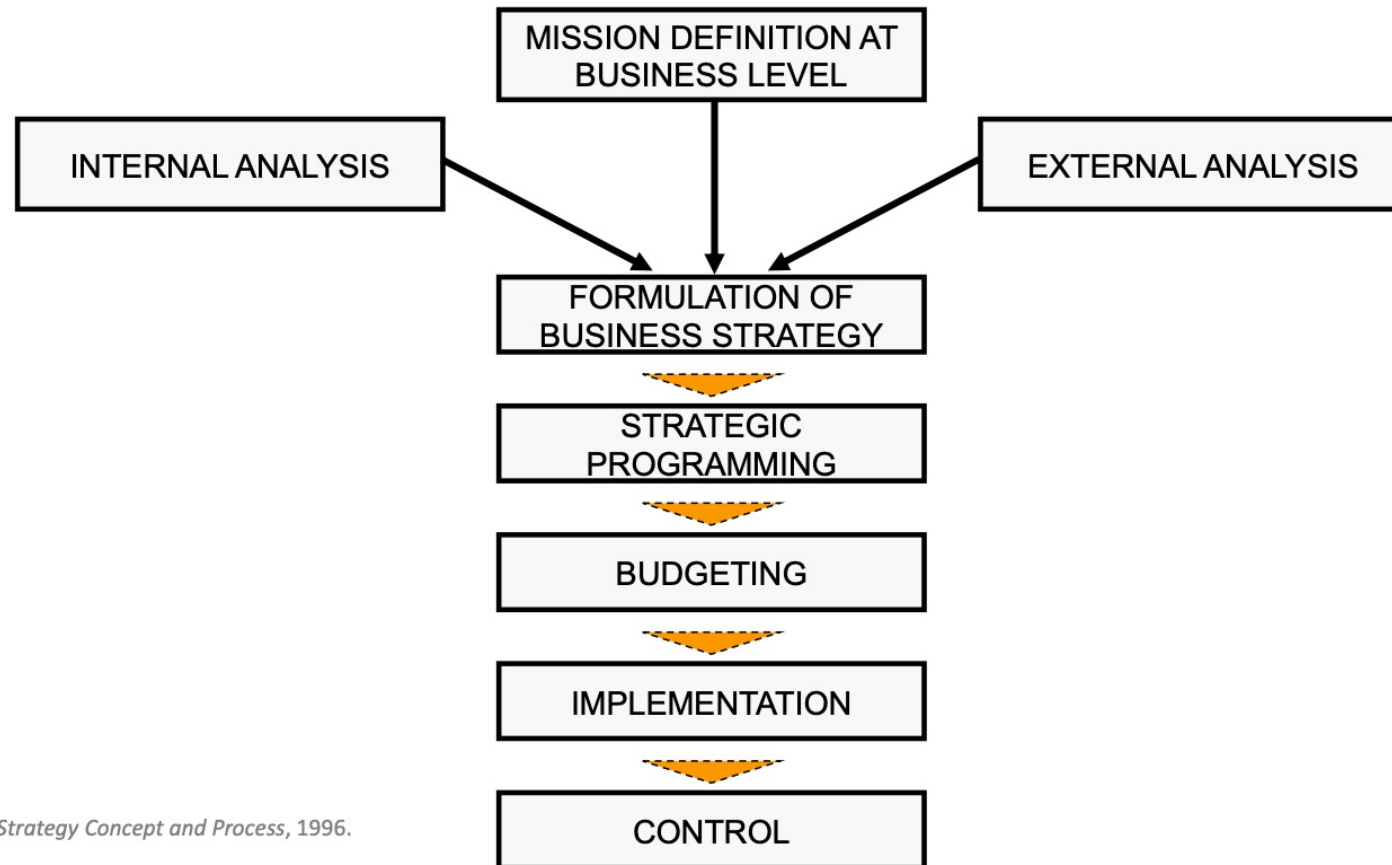
- A formal strategic planning process distinguishes three perspectives:
 - Corporate,
 - Business,
 - Functional.

Corporate strategy



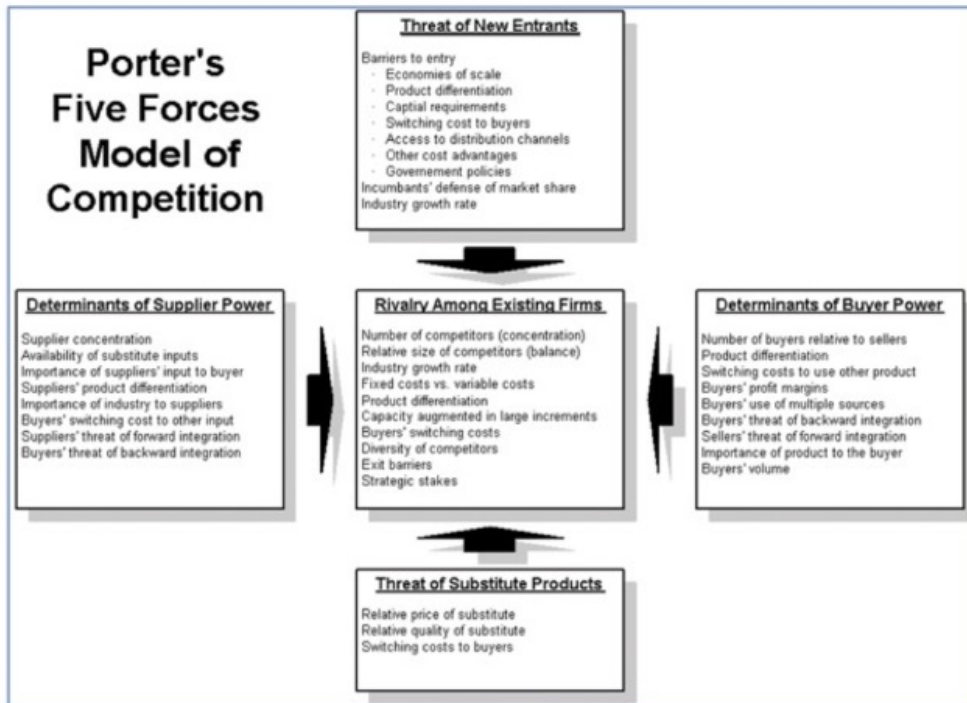
Source: Hax, Majluf, The Strategy Concept and Process, 1996

Business Strategy

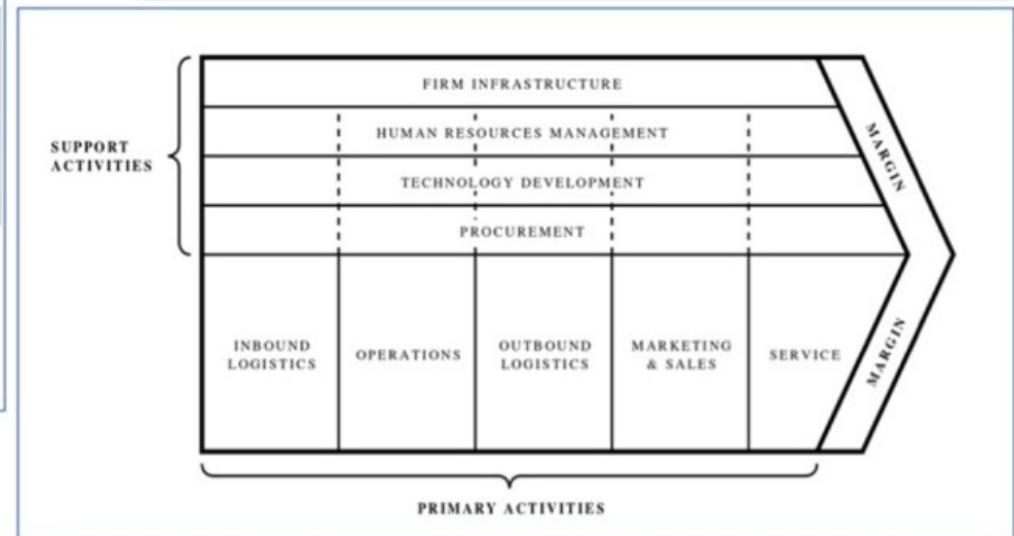
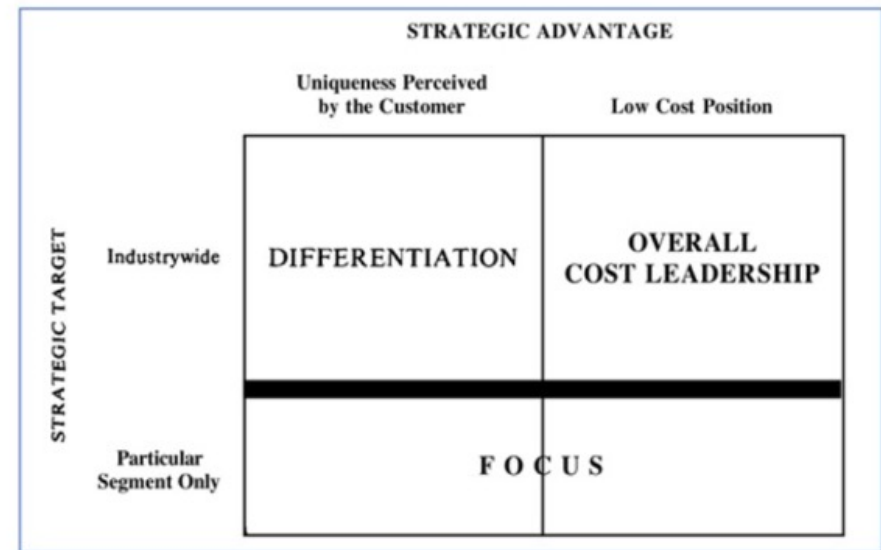


Source: Hax, Majluf, *The Strategy Concept and Process*, 1996.

Strategy tools



Source: M. Porter, *Competitive Strategy*, 1980.



Strategy checklist

Sixteen fundamental questions in strategy		
Strategic position	Strategic choices	Strategy in action
<ul style="list-style-type: none"> • What are the macro-environmental opportunities and threats? • How can the organisation manage industry forces? • How are stakeholders aligned to the organisational purpose? • What resources and capabilities support the strategy? • How does culture fit the strategy? 	<ul style="list-style-type: none"> • How should business units compete? • Which businesses to include in a portfolio? • Where should the organisation compete internationally? • Is the organisation innovating appropriately? • Should the organisation buy other companies, ally or go it alone? 	<ul style="list-style-type: none"> • Are strategies suitable, acceptable and feasible? • What kind of strategy-making process is needed? • What are the required organisation structures and systems? • How should the organisation manage necessary changes? • Who should do what in the strategy process?

What do you think?

Business A

A1 = 10%

A2 = 10%

A3 = 10%

A4 = 10%

A5 = 10%

A6 = 10%

A7 = 10%

A8 = 10%

A9 = 10%

A10 = 10%

Business B

B1 = 60%

B2 = 30%

B3 = 10%

Class discussion

Class discussion

Example

- In 2007 Apple introduced the smartphone to the market*.
- In 2008, Google announced its intention to offer its Android operating system at no cost to handset makers.
- In response, in mid 2008, Nokia announced its intention to acquire Symbian, its supplier of smartphone operating system software, and to provide it for free as well to other handset makers in the hope to facilitate the introduction on innovative handheld products that relied on Symbian software. At that time Symbian supplied almost 60% of the operating system software worldwide. And Nokia wanted to slow down the growth of Apple's proprietary system and Google open source Android system.
- In 2010, only three years after the introduction of Apple's iPhone, the US market of operating systems for mobile phones was divided in:
 - Research in Motion (RIM) Blackberry (proprietary): 33%
 - Google Android software (open source): 27%
 - Apple IOS (proprietary): 24%
 - Others 16%

*Steve Jobs, 2007 iPhone presentation video: <https://www.youtube.com/watch?v=MnrJzXM7a6o>

Business transformation

- Company executives face the need for constantly updating their businesses.
- New technological breakthroughs, shifting market demands, changing competitive strategies, new regulatory requirements, and more activist investors are just some of the forces continuously impacting businesses today.
- New challenges, technologies, and competitors mean that disruption is happening faster than ever and businesses need to keep pace with— or ideally get ahead of— the changing environment to remain viable and profitable.
- Organizations need to rethink, redesign, and move forward with fundamental changes to their business and operating models that can help reduce expenses, embark on a new strategic direction, and maximize value amid disruption.
- A strong effort is needed in designing, implementing, and following a comprehensive approach to business transformation to let organizations make the most of the opportunities created by disruption.

Business transformation

- A strong effort is needed in designing, implementing, and following a comprehensive approach to business transformation to let organizations make the most of the opportunities created by disruption.
- Disruptions are happening constantly, changing the manner and competitive landscape in which businesses are operating. Keeping up isn't easy, which means organizations need to be agile and responsive, with a culture that understands, accepts, and even embraces business transformation.
- Business transformations don't take place in a vacuum. Leading global organizations rely on their internal resources and on external consultants.
- On the market exist industry leaders in solutions such as Apple, SAP, Salesforce, Oracle, HPE, Google, IBM, and others that provide tools to create comprehensive ecosystems that address every aspect of an organization's transformation needs.

Kodak case

Please read the Kodak case individually. Class discussion will follow.

Kodak case discussion

Questions

1. Which are the reasons for Kodak strategic mistakes?
2. How might Kodak's problems have been avoided?

Disruptive business models

- Especially in tough times, it is necessary to have an understanding of where the business could develop. Looking at business models is crucial to understand how to newly position your company and how to generate extra income. New business models can also help companies to be more resilient to market dynamics and also diversify their portfolio.
- The quote “Disrupt or be disrupted” is being said a lot in Silicon Valley. Everybody there is constantly looking for an opportunity or niche to disrupt industries with new innovative business models. So it’s no wonder, that there is a lot of talking going on in this field.
- Many successful companies also combine these business models and use different models for different parts of their companies. The right combination of innovative products and innovative business models can play a major role in success

Source: <https://morehandigital.info/en/9-disruptive-business-models-new-opportunities-for-companies/>

9 disruptive business models

Freemium Model	Especially for low marginal cost products. Offer a free version that is not perfectly satisfying but already is attractive for customers and try to upsell with more services.
Subscription Model	It aims to bind a customer for a long term by splitting the offered service into a monthly recurring payment. Well known from Netflix.
Free Offerings	Google and Facebook are the best examples. For the user it is completely free to use and the company is trying to generate revenues based on other factors like advertising.
Marketplace Model	One- or two-sided marketplaces are a very popular internet business model. Either the market place sells a set variety of products (e.g. Product Webshops) or it offers a two sided platform like Amazon Partner or Ebay.
Sharing Economy / Access-over-Ownership	Selling limited access-over-ownership rights got famous and popular with Airbnb. It can be used to share goods which are physical assets (houses, cars, etc.) but also intangible assets (software, licenses, etc.)
User Experience Premium	One trend that can be observed with brands like Apple, Tesla, etc. which focuses on realizing higher prices by offering better user experiences.
Pyramid Model	On the internet there are a lot of pyramid models, which mostly are built around affiliate systems. Dropbox, Amazon Affiliate and also Microsoft use this model often.
(Digital) Ecosystem	The most successful business model of our time currently. It locks the customer into a own ecosystem of services and offerings so he does not need to leave. Companies earn along multiple points in the customer journey – Example for this would be Amazon or Alibaba.
On-demand Model	Uber, Cloud Computing or even Services can be bought on demand. This way a “premium access” over time and resources can be monetized according to customer needs.

Source: <https://morehandigital.info/en/9-disruptive-business-models-new-opportunities-for-companies/>

9 disruptive business models

1. Freemium Model

One of the most frequently used business models. The consumer receives a product or service free of charge. Either only basic functions are offered and for premium functions, no branding or extension of the services, the customer must then pay. This way you can quickly reach a broad customer base, scale your business into new markets, and generate income when converting customers into paying ones.

This model is especially applicable for products or services that have low marginal costs (additional costs per additional customer) or where marketing and customer information has a higher value than the operating costs. The key for such models is also the conversion. You need to find a free solution that is attractive to a customer, but also not perfectly satisfying, so they are willing to pay for the premium.

Typical examples: Spotify, LinkedIn, Xing, Canva.com, MailChimp

2. Subscription Model

Products and services can usually also be offered as subscriptions. An amount that would normally only occur once is split or a new service is created that is billed periodically. The aim is to bind the customer in the long term. In contrast to the one-time purchase, the customer benefits from improvements and extensions of the service.

Non-divisible products can also be converted into a subscription here. Amazon has already provided an example with this system how products such as detergents, cosmetics, etc. can also be delivered automatically regularly. Subscription is very powerful as this allows you to generate income over time and grow your company without too much “highs and lows”.

Typical examples: Amazon, Netflix, Internet Provider, Nespresso

9 disruptive business models

3. Free offerings

A model that has gained in popularity, especially through Google. For many entrepreneurs, this is also the most incomprehensible business models, but it has great potential for some services. Since such business models usually evaluate customer data for advertising or personalized offers, it is interesting to use a lot of information about customers.

When you are considering only a free service, then you also need to plan for a long ramp-up phase. This means you are investing for a long period of time before you reach the critical mass of users to have a profitable business.

Typical examples: Google, Facebook

4. Marketplace Model

For some industries, marketplaces already had or have great disruptive potential. The business model used here is usually a digital **marketplace that connects the seller and buyer on a common platform**. Money is usually generated via brokerage fees, commissions, or fixed transaction costs. However, it is also possible to use membership fees on the platform or to generate money through advertising/premium positioning services.

5. Sharing Economy – Access-over-Ownership Model – Renting & Leasing

In the classic sense, the sharing economy is referred to as letting. Goods or services that can usually only be purchased or made available to another person for a limited period of time. There is the example of car, scooter, bike sharing. The car is made available for a certain period of time and a number of km for another person against payment. In general, this can be applied to all products, whether from private individuals or companies, real estate, or intangible assets.

Typical examples: Airbnb, Sharoo, Mobility, Lyft

9 disruptive business models

6. User Experience Premium

This is a premium model that can be easily observed using Apple. A good customer experience adds value to an exchangeable product. The service, the brand, and especially the experience of the customer are improved and premium prices are charged.

Typical examples: Tesla, Apple and Premium-Brands

7. Pyramid Model

The model is a typical sales model that has been available for years. Especially due to the easy billing by technical aids, these pyramid models can be quickly built up and easily managed. It is especially interesting for products with high margins and which can be easily explained.

Typical examples: Amazon Affiliate, Microsoft, Dropbox

8. Ecosystem – Create your own ecosystem

To bind customers to an ecosystem in the long term through a “lock-in” process in a service is a dream for every entrepreneur. For example, if you have a mobile phone from Apple or with Android, you are probably included in this ecosystem. You buy the hardware and use software that may only be compatible with the same system. This makes the change difficult and also prevents new competition from gaining a foothold.

Recommended reading: [What is a digital Ecosystem?](#)

Typical examples: Apple, Google

9 disruptive business models

9. On-demand Model

Time is money, that is the structure of this business model. The immediate access is sold or also the premium access to “time”. The delivery, the product, or the service can be called up at a certain point in time. Video-on-demand, taxi (over) on-demand, and many other systems are good examples. Companies or persons goods or time provide their services for persons without goods and time but with money.

Typical examples: Amazon Prime, Uber, Upwork, Cloud Services

Creating Strategic Plans in Times of Uncertainty



Video: <https://www.youtube.com/watch?v=YJYRKqWFeho>

Marchionne Fiat-FCA case discussion

Why strategic alignment matters

- Organizations today face unprecedented degrees of complexity, catalyzed by powerful forces that are reshaping the business environment.
- To successfully execute new strategies, organizations must accelerate the pace of building critical senior-level alignment and ownership around the strategic direction. Only then will organizations achieve strategic agility.
- Regardless of the nature and direction of a strategic change an organization wants to make, senior leaders throughout the organization must be aligned with it.
- Senior leaders are accountable for helping execute the new strategy. They understand what benefits it will bring to the organization. What's more, they know what they must do to put the strategy into action. Strategic alignment delivers important advantages

What strategic alignment looks like

How does strategic alignment work in practice?

- a) **McDonald's** the fast-food giant. McDonald's ensures alignment with its product-centric strategy by focusing leaders' attention on designing and managing scalable processes and routines and selling standardized products around the globe at predictable volumes, quality, and cost. The company builds efficiency into its operations to maximize economies of scale, including establishing a high division of labor and routinizing specialized tasks. For decades, McDonald's has led the market in its sector.
- b) **The Walt Disney Company** is another case in point. The company's strategy centers on "creating happiness" for "people of all ages, everywhere.". To that end, the company has organized itself to offer a wide range of consumer products (including its Disney Store), entertainment (movies), and experiences (at its parks and resorts). It aligns leaders throughout its organization behind this strategy by pursuing high performance in each area and equipping leaders with the required skills and knowledge to support one another.

What are the barriers to strategic alignment

- It is clear that strategic alignment offers significant advantages to organizations. But it doesn't come easily, and enterprises that fail to achieve it pay a high price.
- Some organizations have difficulty executing their new or revised strategies efficiently and effectively. In McKinsey & Co.'s 2015 study, described in "How to Beat the Transformation Odds" (April 2015), only 20-30% of the executives surveyed reported successful completion of transformation initiatives in their companies.
- If companies can't reinvent themselves to adapt to changes in their business environment, they risk falling far behind their nimbler and more flexible rivals.

Potential explanations

leaders are under such intense pressure to produce results in the short term

leaders may not believe strongly in the new strategic direction to inspire their teams

no one in the business feels a sense of ownership of the transformation program

transformation programs that are moving too sluggishly

inconsistent messages across the organization about the transformation at hand

failure to coordinate across units in the organization

Facilitating strategic alignment

Organizations that recognize the competitive advantage afforded by strategic agility and speed are open to innovative approaches to strategic alignment. Experience shows that the most impactful approaches have several defining characteristics:

SAVVY USE OF LEARNING TECHNOLOGIES

Approaches to strategic alignment that make smart use of learning technologies—such as webcasts and large-cohort learning platforms—provide shared, contextualized learning experiences for senior leaders. Such experiences, in turn, encourage them to engage in spirited conversation about the change their organization wants to make and share ideas.

EXPOSURE TO CUTTINGEDGE THINKING FROM EXTERNAL EXPERTS

The best approaches to strategic alignment engage leaders by delivering cutting-edge thinking about topics relevant to their organization's transformation—such as the importance of breaking down silos, taking ownership of change, and readying talent for the organization's desired future state. Organizations may use external experts support.

EXPOSURE TO INSPIRING STORIES FROM INTERNAL EXPERTS

Innovative approaches to strategic alignment may also use internal experts such as functional or operational leaders. These experts can link the learning content to their organization's goals by sharing their own journeys, challenges, and successes related to the topic at hand. Example, a senior vice president and lead counsel explain how adopting an enterprise mindset helped their organization overcome a daunting challenge and save millions of dollars. Leaders taking part in effective strategic alignment programs can be internal teachers on the new direction.

Facilitating strategic alignment

Questions for Your Next Meeting

For C-suite and L&D executives seeking to adopt the above-described approaches to strategic alignment, some careful upfront thought can help determine how best to integrate these approaches and get the most value from them. Exploring questions like the following is a worthwhile first step.

In what ways do we need to shift our strategic direction? Why?

What are the benefits and risks of pursuing this strategy?

What narrative about our new strategy do we want to communicate to the organization?

Who must get on board to make this strategic change successful? What will it take to get them on board?

What barriers to strategic alignment do we face? How might we remove them?

Facilitating strategic alignment

For organizations in all industries today, strategic alignment has never been more essential or more challenging to achieve. By designing the right approaches to forge alignment, learning and development (L&D) professionals can play a vital role to help their organization's leaders move forward their corporate strategies that are crucial for the company's future. L&D professionals can benefit from understanding common barriers to strategic alignment and limitations to traditional approaches. They can use that understanding to capitalize on opportunities to take a fresh approach to alignment in their enterprise.

The most forward-thinking among them will design alignment programs that:

- Make smart use of learning technologies;
- Help program participants tap into the latest thinking from external experts;
- Feature inspiring stories from colleagues;
- Transform participants into teachers who can help their own teams understand and support new strategies defined by their organization.

There's no time to waste. With potent forces reshaping the business landscape at ever-faster speed, organizations can't afford to leave strategic alignment to chance.

SHARED VISION AND
UNDERSTANDING

OWNERSHIP OF
THE STRATEGY

ACCELERATION OF
TRANSFORMATIONAL CHANGE

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Thank you

AND
GOOD LUCK

IT'S BEEN A PLEASURE WORKING WITH YOU TODAY