

# Building an Adaptive Business Strategy

**David Ing**

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Business Strategist, IBM Global Net Generation Business*





# Agenda

- Strategy in the Unknown & the Known
- Sensing Customer Value
- Responding with Capabilities
- Where to Start?



# Agenda

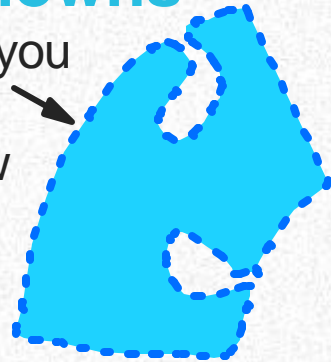
- **Strategy in the Unknown & the Known**
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# What Do You Know -- About What You Don't Know?

## Known Unknowns

All the things you  
know you  
don't know



## Errors

All the things you think  
you know but don't

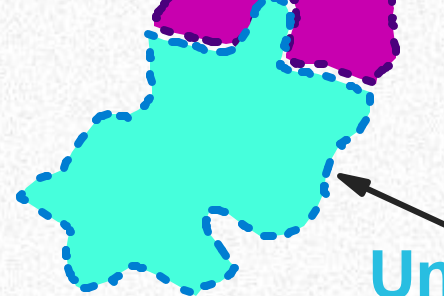


## Ignorance Map

Marlys H. Witte,  
Ann Kerwin, and  
Charles L. Witte,  
*The University of Arizona College of  
Medicine*

## Unknown Knowns

All the things you don't know  
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"Curriculum on Medical and Other  
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## Unknown Knowns

All the things you don't know  
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## Taboos

Dangerous, polluting or  
forbidden knowledge

## Denials

All the things too painful to  
know, so you don't



# Industrial Age Strategy is Based on the Known and Predictable

## *Industrial Age Strategy*

- Predict and Plan
- Make, then Sell
- Command and Control
- Anchor and Adjust by Fiscal Period



**Efficiency**



# Network Economy Strategy Must Handle Unknowns + Unpredicted

## *Industrial Age Strategy*

- Predict and Plan
- Make, then Sell
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**Efficiency**

## *Network Economy Strategy*

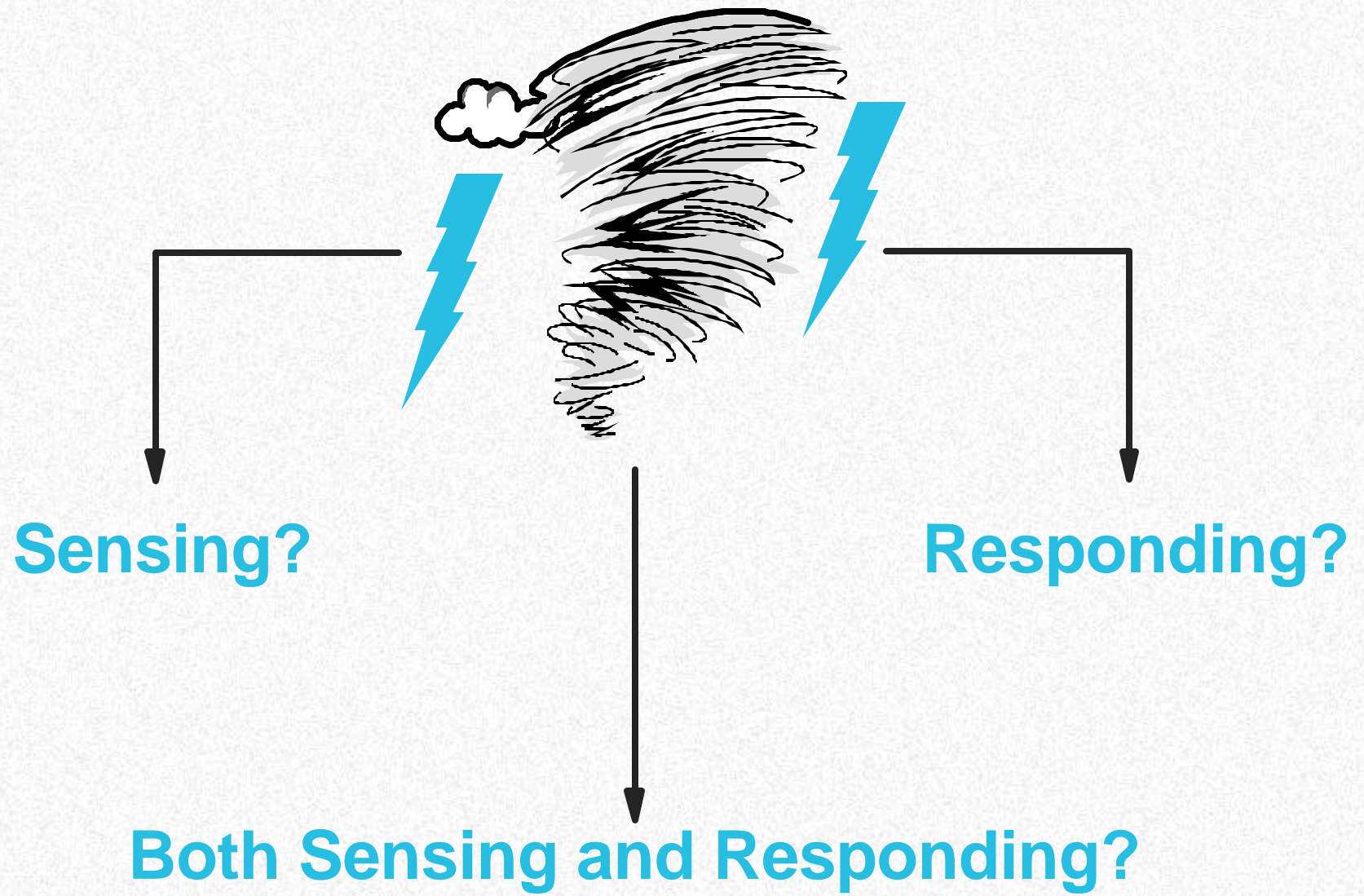
- Sense and Respond
- Understand Value 1-to-1, then Deploy Capabilities
- Bounded Empowerment with (Re-)Negotiation
- Mid-Course Correction through Real-Time Intelligence



**Adaptiveness**



# Which is the Greater Challenge As You Are Going Global?





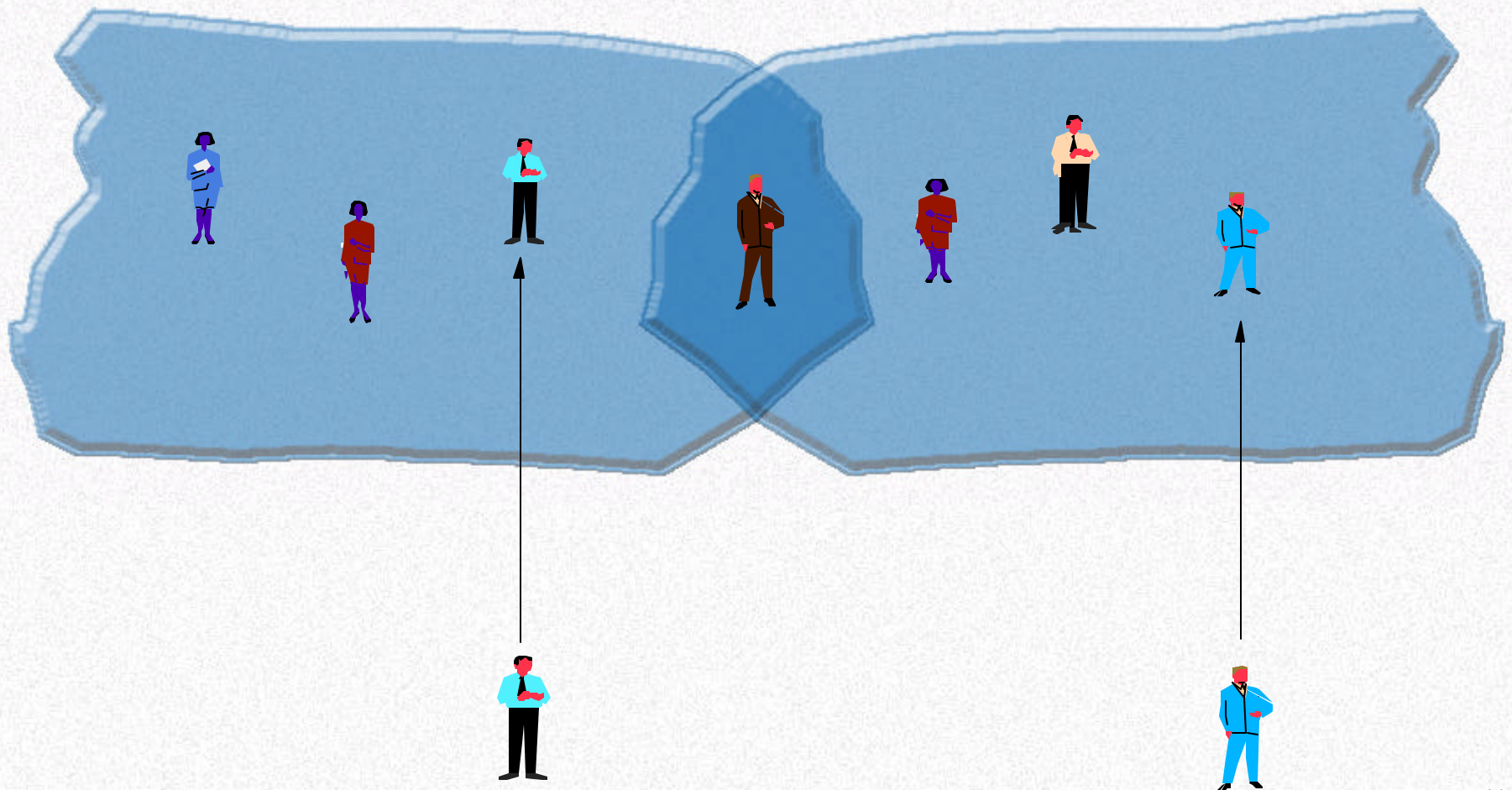
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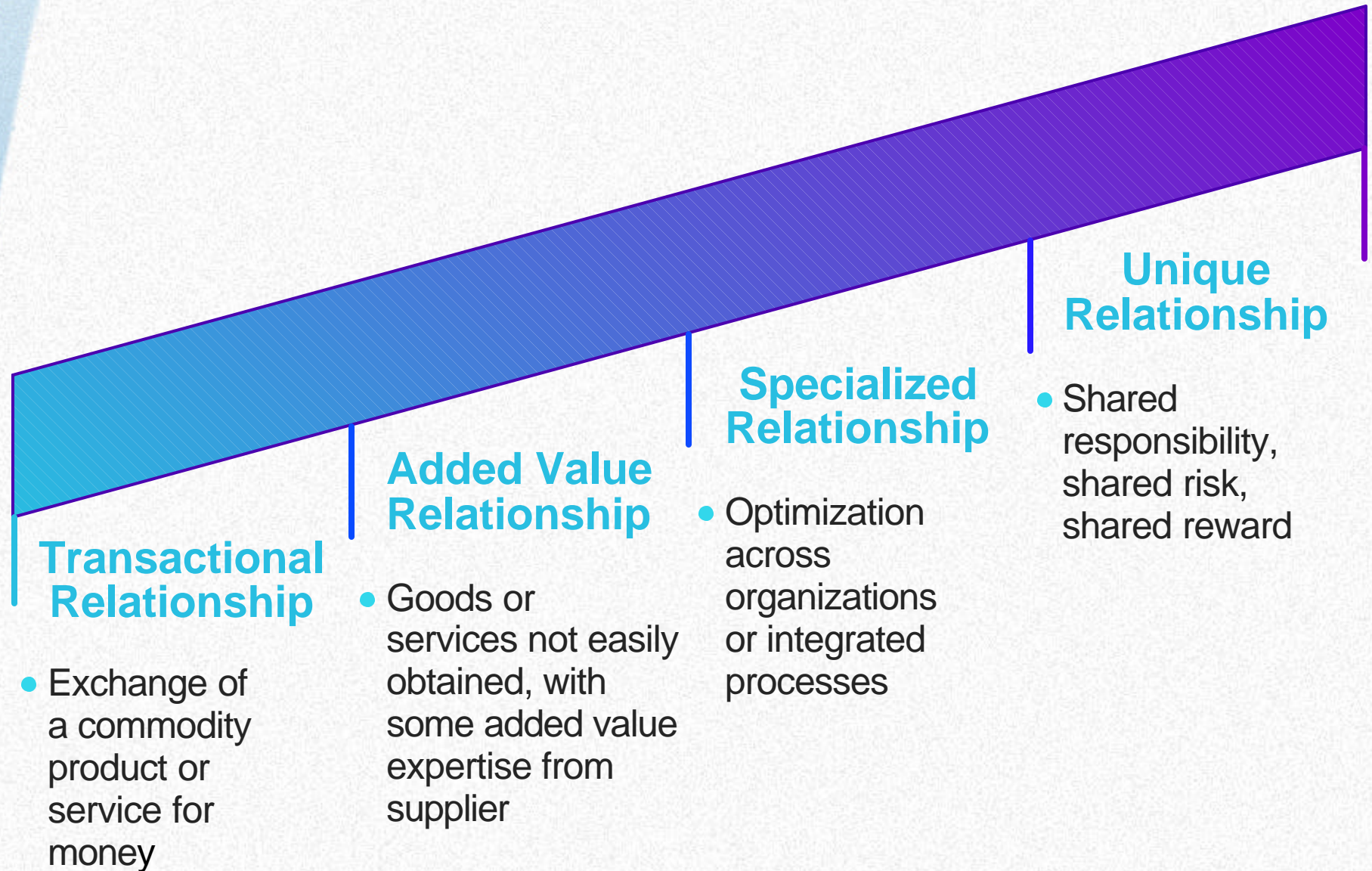
# Which is Harder? Finding Customers or Finding Products?

In the "attention economy", start from 1-to-1, and build up clusters





# Customers Do Not Always Expect to Be Treated Equally





# Product-Service Specs Are Less Durable Than Value Attributes

Peace of  
Mind

Freedom

Caring

Belonging

Pioneering

Integrity

Fun

Empowerment



Size



Speed



Weight



Delivery



Availability



Reliability



# Product-Service Specs Are Less Durable Than Value Attributes



**Increasing  
Predictability**  
(of customer value)

**Increasing  
Measurability**  
(of attributes)



Size



Speed



Weight



Delivery



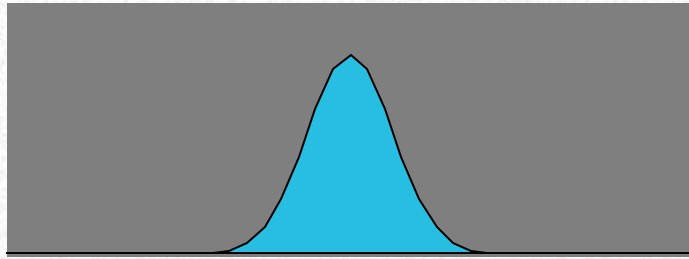
Availability



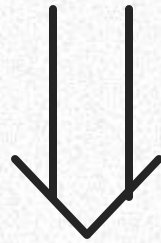
Reliability



# Is the Value Across Customers Predictable? Or Should You Ask?



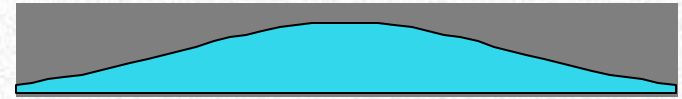
**Narrow Range of Values  
Across Customers**



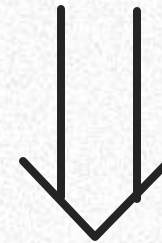
**Predictability**



**Anticipate!**



**Wide Range of Values  
Across Customers**



**Unpredictability**



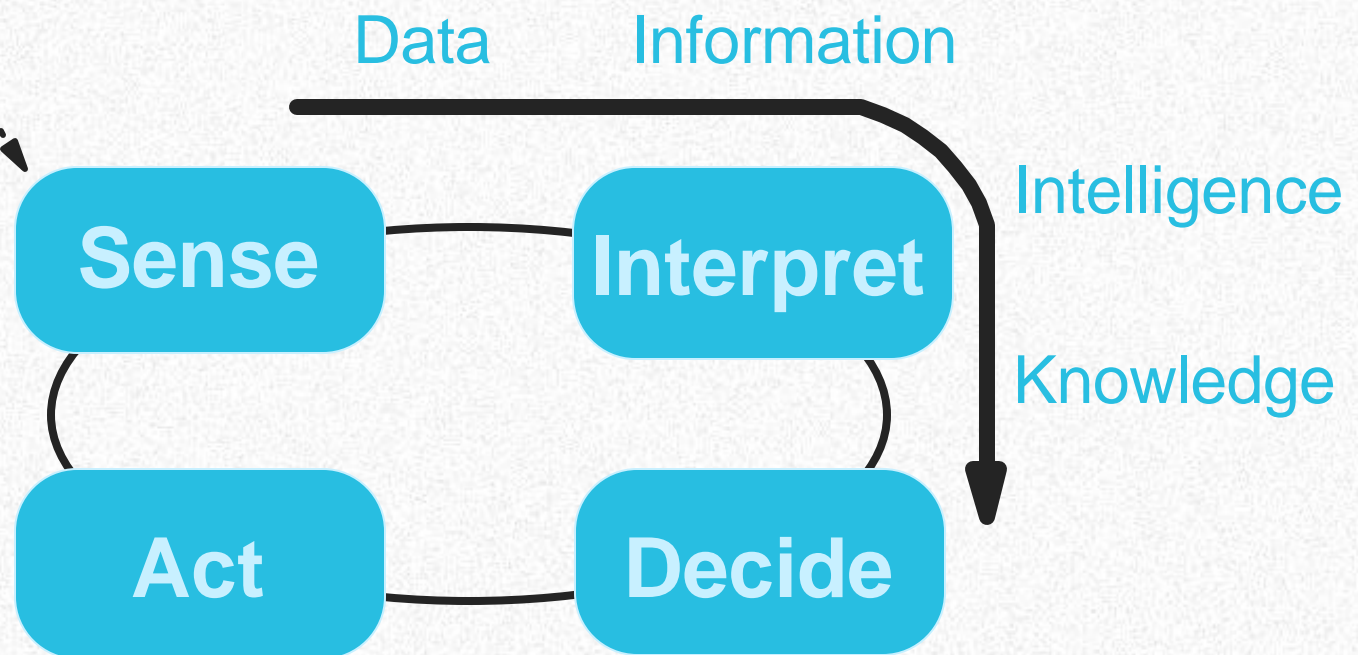
**Ask!**



# Every Customer Interaction is An Opportunity to Sense



Customer





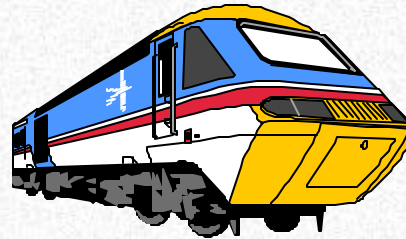
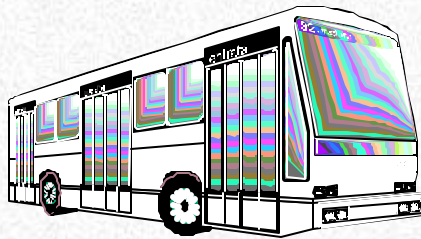
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# Capabilities Can Be Structured Through Scheduling ...

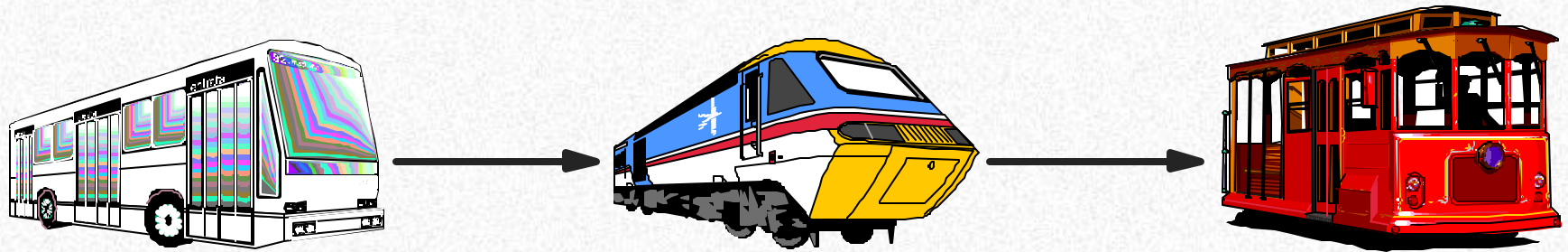
## Scheduling: Make, then Sell



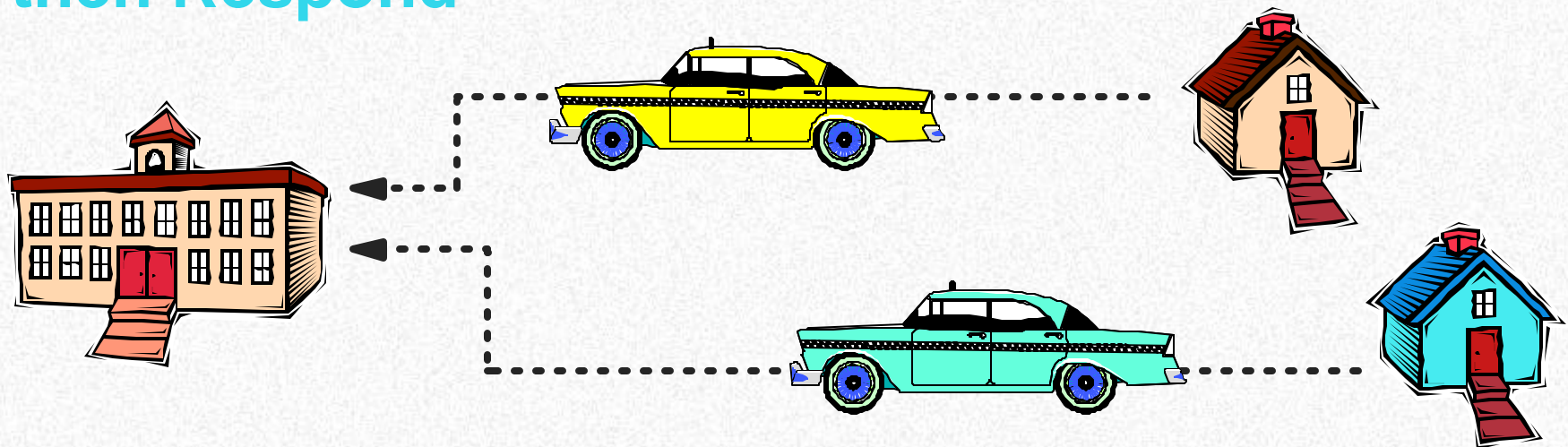


# ... or Capabilities Can be Structured by Dispatching

## Scheduling: Make, then Sell

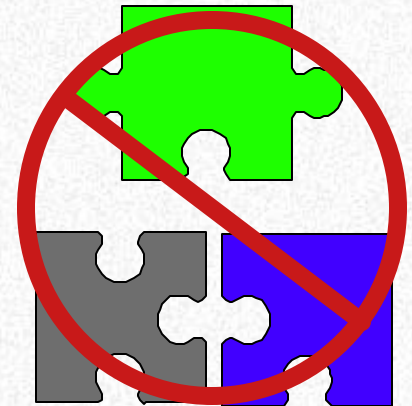
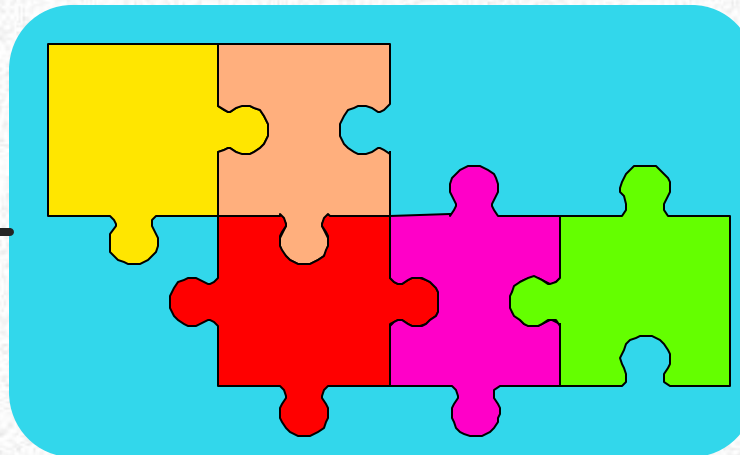
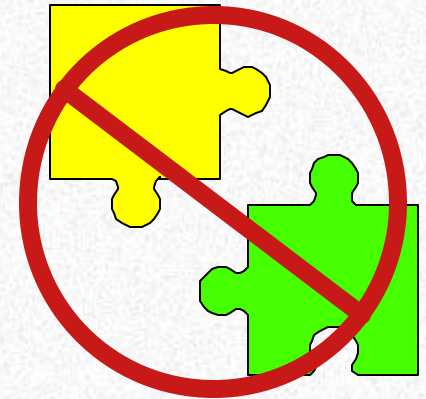
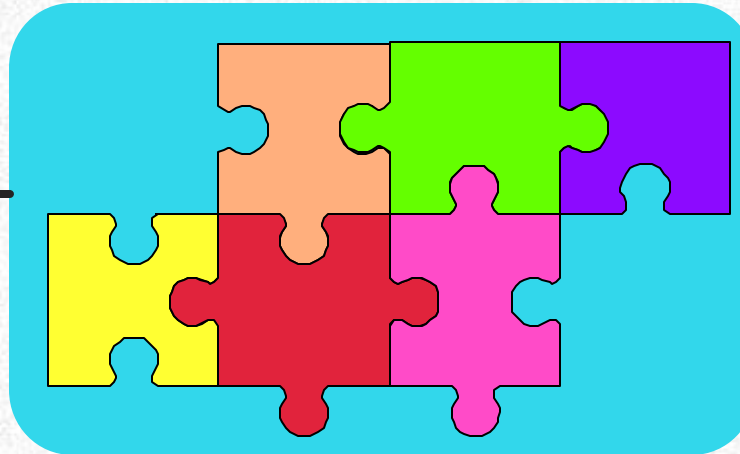


## Dispatching: Sense Customer Value, then Respond





# Modularized Capabilities Enable Deployment of Unique Responses





# Internationalize, Then Localize Business Capabilities

## *Example: Personalization / Customer Relationship Management*

### ***International*** *enablement*

- Customer profile database
- Relationship/ contact management
- Customer retention/ frequency
- Customer service

### ***Local*** *enablement*

- Personalized industry/ interests / catalogs
- Coverage: territory rep / telesales / web
- Loyalty programs/ satisfaction surveys
- Toll-free telephone, instant messaging



# Internationalize, Then Localize Business Capabilities

*Example: Ubiquitous Access --  
Pervasive / Wireless*

## ***International*** *enablement*

- Protocols (middleware)
- Security/authentication
- Provisioning (single subscription over multiple devices)



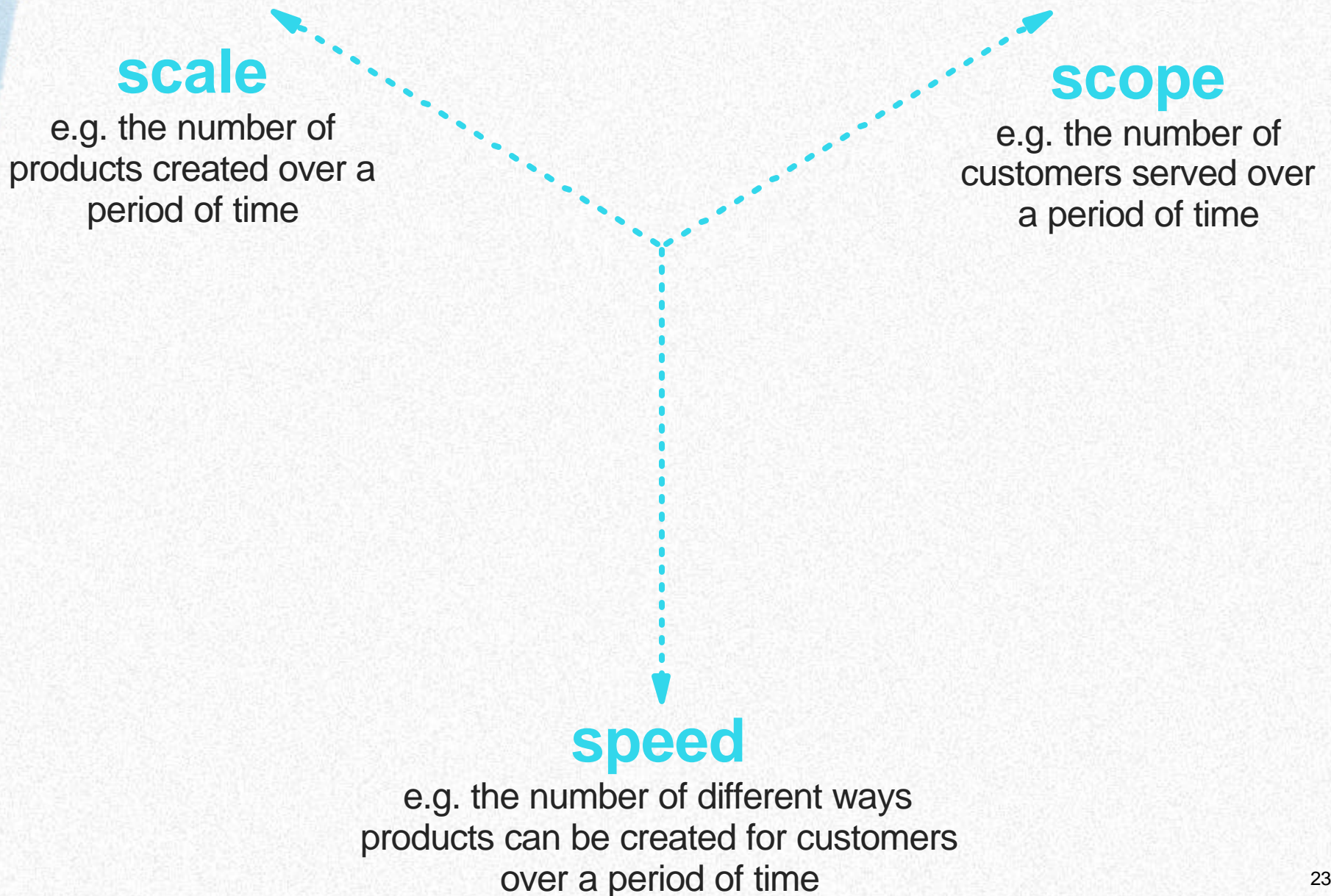
## ***Local*** *enablement*

- GSM, CDMA, 2.5G, 3G
- Privacy legislation
- User preferences, supported devices



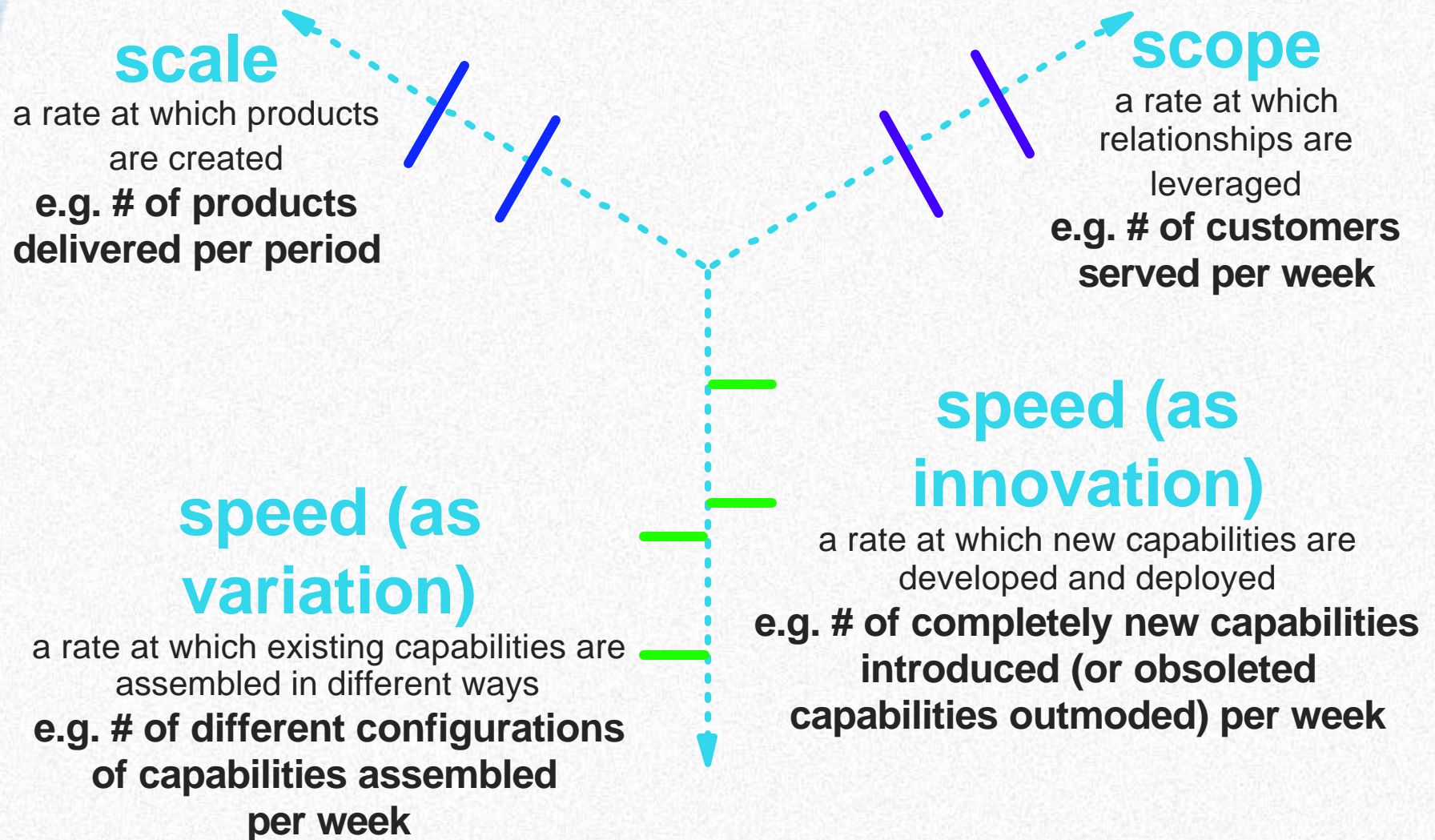


# Capacity Must be Established to Support Scale, Scope and Speed



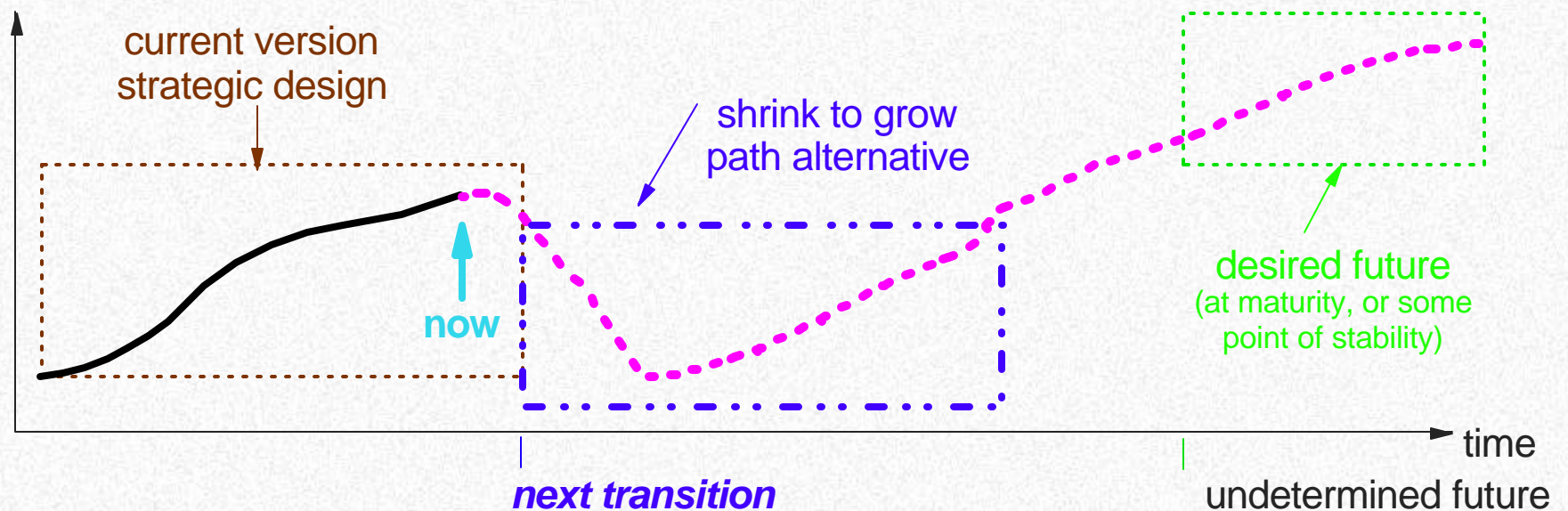
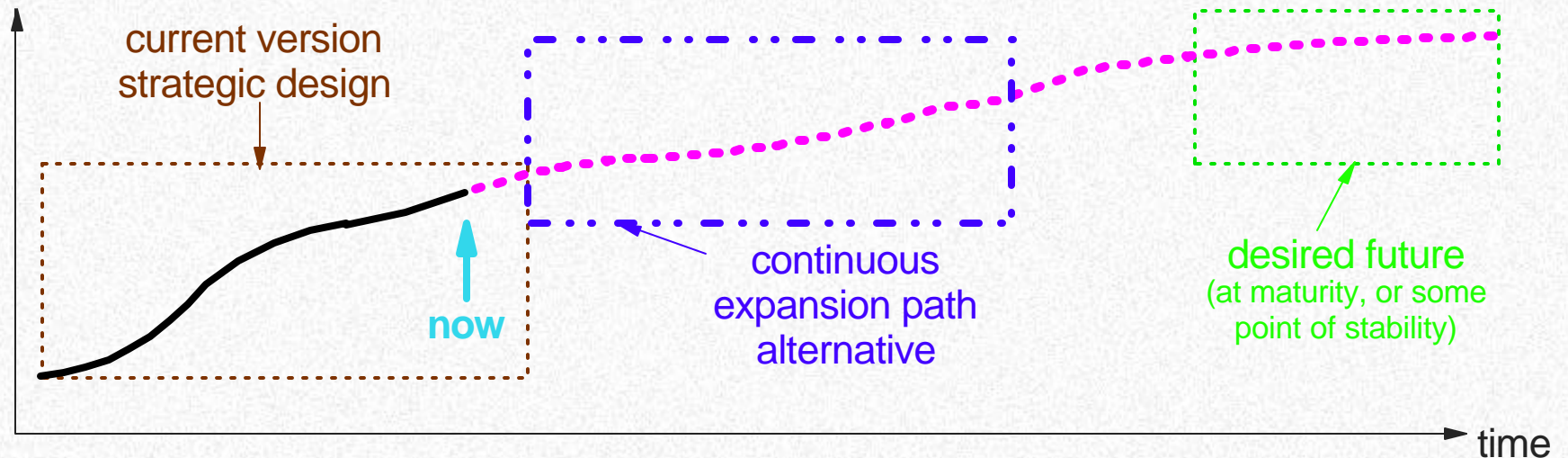


# Designing for Ranges of Scale, Scope and Speed ==> Trade-offs





# The Path to a Desired Future May Require Discontinuous Change





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# Where to Start?

## Understanding Customer Value

Does your strategy to Go Global...  
sense what each individual (new)  
customer values?



# Where to Start?

## Understanding Customer Value

Does your strategy to Go Global...  
sense what each individual (new)  
customer values?

- Start from a single customer view, in each locale
- Recognize deep local cultural values
- Focus on intense relationships
- Use every one-to-one customer interaction as an opportunity for learning





# Where to Start?

## Understanding Capabilities

Does your strategy to Go Global...  
respond rapidly with capabilities  
to fulfill each unique request?



# Where to Start?

## Understanding Capabilities

Does your strategy to Go Global...  
respond rapidly with capabilities  
to fulfill each unique request?

- First internationalize your business capabilities; then localize
- Dispatch on local unpredictabilities; schedule on global certainties
- Modularize business capabilities -- in- country **and** cross-country
- Architect anticipating global scale, scope and speed





# Where to Start?

## Accepting the Unknown

Does your strategy to Go Global...  
recognize that some elements of  
your strategy will be unknown?



# Where to Start?

## Accepting the Unknown

Does your strategy to Go Global...  
recognize that some elements of  
your strategy will be unknown?

- Determine where efficiency or adaptiveness is appropriate
- Reward learning, seize opportunities or exit quickly
- Seek partners that will dialogue



## For More Information ...



Stephan H. Haeckel,  
*Adaptive Enterprise: Creating and Leading  
Sense-and-Respond Organizations*,  
Harvard Business School Press, 1999

### IBM Advanced Business Institute

at Palisades, New York

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