

These Choices Matter Together:



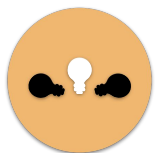
Intellectual Property Strategy



Architectural Strategy



Value Chain Strategy



Disruption Strategy

The two dimensions to the choice of competition - with whom to compete and how to compete - give rise to four classes of strategy that can, in turn, be used to guide you in your other choice domains.

Start with the choice of competition and use it as an anchor to formulate an Entrepreneurial Strategy. As you construct alternative strategies, continue to leverage the strategic alternatives identified in the choice exercises.



INTELLECTUAL PROPERTY STRATEGY



THE THINKERS

"Ideas Factory"



DELIVER value for **EXISTING** users



Develop **GENERAL COMPONENT** innovations



Orientation towards **COLLABORATION** and investment in **CONTROL**



Leverage **FUNCTIONAL RESOURCES**



VENTURE CREATES VALUE because its **COMPONENT INNOVATIONS** deliver value for **EXISTING** users



VENTURE CAPTURES VALUE because it **CONTROLS** a key **FUNCTIONAL RESOURCE**

CONTROL

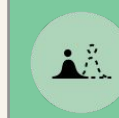


ARCHITECTURAL STRATEGY



THE BUILDERS

"Zero to One"



DELIVER value for **NEW** users



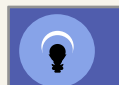
Develop **GENERAL SYSTEM** innovations



Orientation towards **COMPETITION** and investment in **CONTROL**



Leverage **INTEGRATED RESOURCES**



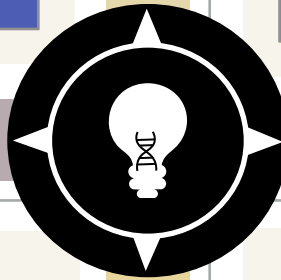
VENTURE CREATES VALUE because its **SYSTEM INNOVATIONS** deliver value for **NEW** users



VENTURE CAPTURES VALUE because it **CONTROLS** a key **INTEGRATED RESOURCE**

COLLABORATE

COMPETE



ORIENTATION



VALUE CHAIN STRATEGY



THE PARTNERS

"Core Competency"



DISCOVER value for **EXISTING** users



Develop **SPECIALIZED COMPONENT** innovations



Orientation towards **COLLABORATION** and investment in **EXECUTION**



Build **FUNCTIONAL CAPABILITIES**



VENTURE CREATES VALUE because its **COMPONENT INNOVATIONS** discover value for **EXISTING** users



VENTURE CAPTURES VALUE because it **EXECUTES** on key **FUNCTIONAL CAPABILITIES**

INVESTMENT

EXECUTION

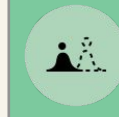


DISRUPTION STRATEGY



THE HUSTLERS

"Creative Destruction"



DISCOVER value for **NEW** users



Develop **SPECIALIZED SYSTEM** innovations



Orientation towards **COMPETITION** and investment in **EXECUTION**



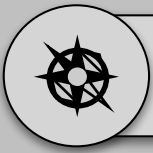
Build **INTEGRATED CAPABILITIES**



VENTURE CREATES VALUE because its **SYSTEM INNOVATIONS** discover value for **NEW** users



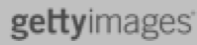
VENTURE CAPTURES VALUE because it **EXECUTES** on key **INTEGRATED CAPABILITIES**



INTELLECTUAL PROPERTY STRATEGY

THE THINKERS

"Ideas Factory"



CUSTOMER

DELIVER value for EXISTING users:

Enhance value in a known way for existing players and their end users.

E.g. Dolby's technology would be licensed to KLH and ultimately reach KLH's end consumers through KLH's finished products.

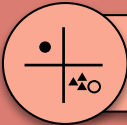


TECHNOLOGY

Develop GENERAL COMPONENT innovations:

Leverage a modular technology with generalizable components that can be easily transferred and integrated into existing value chains.

E.g. Dolby invented a generalizable technology that could reduce background noise in audio recordings without quality reduction.



COMPETITION

Orientation towards COLLABORATION and Investment in CONTROL:

Partner with incumbents or integrate into an existing value chain while maintaining control over the idea. Gain control through patents, trademarks, copyrights or trade secrets of a novel invention.

E.g. Dolby partnered with KLH and maintained control over the unique background noise reduction technology with patents.



RESOURCES & CAPABILITIES

Leverage FUNCTIONAL RESOURCES:

Become the source of new inventions by building a team with talent in innovation, commercialization and IP management. Create an environment that will retain these team members. Occupy a position on the technology frontier and become a supplier of innovation and new standard.

E.g. Dolby was a PhD physicist and his skillset and insights led him to create Dolby Laboratories, an "idea factory" that could churn out new innovations in audio technology as the industry evolved.



VALUE CREATION HYPOTHESIS

VENTURE CREATES VALUE because its COMPONENT INNOVATIONS deliver value for EXISTING users:

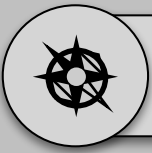
The venture will create value for existing end users by inventing and integrating innovations into preexisting value chains.



VALUE CAPTURE HYPOTHESIS

VENTURE CAPTURES VALUE because it CONTROLS a key FUNCTIONAL RESOURCE:

The venture will capture value by developing a reputation for enforcing control over key functional resources and rationing access to secure bargaining power.



INTELLECTUAL PROPERTY STRATEGY

THE THINKERS

"Ideas Factory"



Harry Potter

gettyimages

xerox

DOLBY

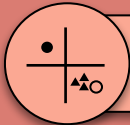
Genentech
A Member of the Roche Group



CUSTOMER



TECHNOLOGY



COMPETITION



RESOURCES &
CAPABILITIES



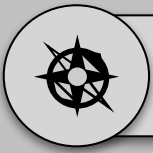
VALUE CREATION
HYPOTHESIS

[Empty box for Value Creation Hypothesis]



VALUE CAPTURE
HYPOTHESIS

[Empty box for Value Capture Hypothesis]



ARCHITECTURAL STRATEGY

THE BUILDERS

"Zero to One"



facebook.



airbnb



Bloomberg



CUSTOMER

DELIVER value for NEW users:

Understand how to match specific stakeholders together to create and deliver value for all sides.

E.g. Bloomberg's new idea of computer terminals with proprietary software essential to trading and investing delivered value to traders, investors, brokers, and more financial market participants.

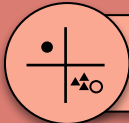


TECHNOLOGY

Develop GENERAL SYSTEM innovations:

Develop either (1) a platform upon which others can build products or (2) a market intermediary.

E.g. Bloomberg computer terminals were a general system innovation that gave financial professionals access to news, analytics, secure messaging, and more.



COMPETITION

Orientation towards COMPETITION and Investment in CONTROL:

Focus on architecting a new value chain that creates distinct value not currently provided in the economy. Leverage this value chain to compete. Control the unique, new value chain to ultimately lead and shape an emerging ecosystem.

E.g. Bloomberg created, controlled, and leveraged a new value chain to compete with traditional financial advisors and media providers.



RESOURCES & CAPABILITIES

Leverage INTEGRATED RESOURCES:

Monitor the needs of key stakeholders who create value and provide investments complementary to those of others. Work to ultimately position the venture as a market hub.

E.g. Bloomberg's founding team was composed of former Wall Street traders who were familiar with the relevant stakeholders and their needs. The founding team leveraged these insights to create a platform for the investing community.



VALUE CREATION HYPOTHESIS

VENTURE CREATES VALUE because its **SYSTEM INNOVATIONS** deliver value for **NEW users:**

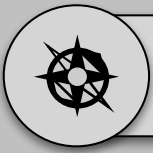
The venture will create value for new users by architecting a value chain that leverages interactions between complementary stakeholders.



VALUE CAPTURE HYPOTHESIS

VENTURE CAPTURES VALUE because it **CONTROLS** a key **INTEGRATED RESOURCE:**

The venture will capture value by developing sustainable control over the value created by different stakeholders.



ARCHITECTURAL STRATEGY

THE BUILDERS

"Zero to One"



facebook.



airbnb



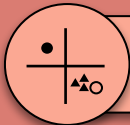
Bloomberg



CUSTOMER



TECHNOLOGY



COMPETITION



RESOURCES &
CAPABILITIES



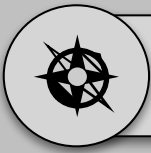
VALUE CREATION
HYPOTHESIS

Empty rectangular box for notes related to Value Creation Hypothesis.



VALUE CAPTURE
HYPOTHESIS

Empty rectangular box for notes related to Value Capture Hypothesis.



VALUE CHAIN STRATEGY

THE PARTNERS

“Core Competency”



FOXCONN®

PayPal

madaket



STRATACOM



CUSTOMER

DISCOVER value for EXISTING users:

Choose partners for whom you can enhance their value propositions and market power.

E.g. Foxconn focused on the development of capabilities in precision, low cost electronics manufacturing. This made Foxconn attractive for partnerships with companies like Atari in the early days. Low cost manufacturing capabilities made electronics more affordable and more appealing to Atari’s customers.

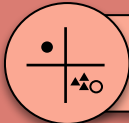


TECHNOLOGY

Develop SPECIALIZED COMPONENT innovations:

Facilitate the integration of new technology into established technology systems.

E.g. Foxconn developed a specialized, precise, and dependable manufacturing process that could consistently supply electronic producers with essential components at low costs.



COMPETITION

Orientation Towards COLLABORATION and Investment in EXECUTION:

Integrate into the existing value chain to create new value for existing users. Execute quickly to bring the best solution for a segment through an existing value chain.

E.g. Foxconn integrated its electronics manufacturing into existing electronic product value chains. Their low costs made them an ideal candidate for collaboration amongst value chain players and their quick, efficient production strategy kept the venture ahead of competitors.



RESOURCES & CAPABILITIES

Build FUNCTIONAL CAPABILITIES:

Form tightly knit teams with unique capabilities. Ensure that in competitive selection, you have priority in negotiations with existing value chain players.

E.g. Foxconn’s capabilities in precision electronics manufacturing at low costs gave the venture priority with existing value chain players. Ultimately, Foxconn grew to account for 40% of global electronics manufacturing.



VALUE CREATION HYPOTHESIS

VENTURE CREATES VALUE because its COMPONENT INNOVATIONS deliver value for EXISTING users:

The venture will create value for existing users and other value chain players by becoming a unique, vital link in the value chain.



VALUE CAPTURE HYPOTHESIS

VENTURE CAPTURES VALUE because it EXECUTES on key FUNCTIONAL CAPABILITIES:

The venture will capture value by executing on key functional capabilities that can be leveraged over value chain partners.



VALUE CHAIN STRATEGY

THE PARTNERS

"Core Competency"



FOXCONN®

PayPal

madaket



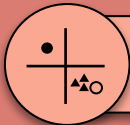
STRATACOM



CUSTOMER



TECHNOLOGY



COMPETITION



RESOURCES &
CAPABILITIES



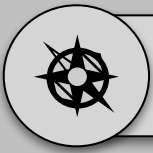
VALUE CREATION
HYPOTHESIS

[Empty box for Value Creation Hypothesis]



VALUE CAPTURE
HYPOTHESIS

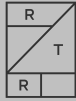
[Empty box for Value Capture Hypothesis]



DISRUPTION STRATEGY

THE HUSTLERS

“Creative Destruction”



NETFLIX

WARBY PARKER



CUSTOMER

DISCOVER value for NEW users:

Focus on customer segments that are currently poorly served due to small size or niche demands.

E.g. Warby Parker targeted hip, socially-conscious yet budget-constrained students and young professionals. This was a customer segment that major eyeglasses retailers neglected.

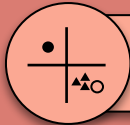


TECHNOLOGY

Develop SPECIALIZED SYSTEM innovations:

Choose nascent technology that requires customer input and iterative improvement.

E.g. Warby Parker leveraged its development of an efficient, low cost global supply chain that produced high quality, yet affordable eyeglasses. Customers could easily select and purchase these products using the venture’s online retail technology.



COMPETITION

Orientation towards COMPETITION and Investment in EXECUTION:

Engage in lean experimentation and leverage the venture’s relatively small size to outrun and outperform incumbents in a specific area. Execute quickly and be fast to market to avoid rapid incumbent response.

E.g. The Warby Parker team’s fast pace, dedication to learning through execution, and focus on serving a neglected market in the eyeglasses industry helped the venture avoid major responses from traditional eyeglasses retailers like Luxottica.



RESOURCES & CAPABILITIES

Build INTEGRATED CAPABILITIES:

Set up information gathering systems that allow for iterative product design changes to obtain continual, fast-paced growth. Leverage local talent with low acquisition costs and employees that can be attracted with minimal upfront cash.

E.g. The team drew on prior experience in the eyeglasses industry to conceptualize and design a new, efficient supply chain that created a more affordable product.



VALUE CREATION HYPOTHESIS

VENTURE CREATES VALUE because its **SYSTEM INNOVATIONS** deliver value for **NEW users:**

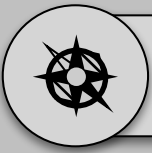
The venture will create value for new users by developing a new value chain with a rate of improvement that likely outperforms existing chains.



VALUE CAPTURE HYPOTHESIS

VENTURE CAPTURES VALUE because it **CONTROLS** a key **INTEGRATED RESOURCE:**

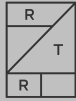
The venture will capture value by achieving customer growth without an active and focused response from incumbents.



DISRUPTION STRATEGY

THE HUSTLERS

"Creative Destruction"



NETFLIX

WARBY PARKER



ZIPCAR



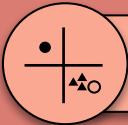
CUSTOMER

Empty green box for customer notes



TECHNOLOGY

Empty orange box for technology notes



COMPETITION

Empty red box for competition notes



RESOURCES & CAPABILITIES

Empty blue box for resources & capabilities notes



VALUE CREATION HYPOTHESIS

Empty blue box for value creation hypothesis notes



VALUE CAPTURE HYPOTHESIS

Empty blue box for value capture hypothesis notes