

Strategy and structure in the 21st century

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Competitive advantage is rooted in information superiority



- **Because of the growing importance of data and information in competition an increasing number of organizations implement strategies to attain information superiority**
 - This holds not only for born digitals but also for incumbent organizations that build digital services on top of their existing services or products
 - E.g. John Deere, Philips, Signify, ING
- **Information superiority occurs when an organization possesses an information lead over its competitors which enables it to continuously create distinctive value propositions for its ecosystem.**
 - Speed of change and complexity require an agile strategy
- **The strategy of information superiority requires a matching organizational structure in which agility, platforms and ecosystems strengthen each other**

Is it still possible to formulate a strategy?

	Planning	Emergence	Agile
Strategy is	A five year plan	A pattern that emerges	A structured process
Strategy is based on	Analysis of facts (ex ante)	Incremental learning based on experience (ex post)	Conscious experiments to fill in gaps in knowledge and information (during)
Assumptions	• Information is known • Top and experts have the right information and the ability to process it • Stable environment	• Information is unknown • Top has limited information and information is expensive to gather • Unpredictable environment	• Information is knowable (over time) • Top does not have all information and limited information processing capacity • Cost of information acquisition is low • Unpredictable environment

Source: based upon Ansoff (1991), Mintzberg (1990, 1991), De Man et al. (2022)



An agile strategy defines a fixed long-term perspective, but allows for strategy realization to be a continuous search that enables the strategy to adapt to changing circumstances.

A long-term perspective remains necessary

	ABN AMRO	VGZ
Purpose	Banking for better, for generations to come	Collaborating for a healthier Netherlands with futureproof care for everybody
Strategic themes	• Customer experience • Sustainability • Future-proof bank	• Ultimate involvement of members • Always a sharp premium • Healthier members • Healthiest organization • Boost futureproof care
Values	• Care • Courage • Collaboration	• Human • Resourceful • Attentive • Reliable

Source: De Man et al. (2022)

The strategy (un)certainty matrix

The strategic issue requires an answer in the	Long term	1. Setting direction <i>How do I develop long term direction in a dynamic context?</i>	2. Searching direction <i>How do I prepare for the unknown?</i>
	Short term	4. Executing direction <i>How do I realize strategy today?</i>	3. Discovering direction <i>How do I unlock missing information?</i>
		Known	Unknown
The required information is known/unknown to the decision maker			

**The more dynamic the environment,
the further ahead you have to look**

**How can procurement
contribute to strategy?**

An informational society requires different forms of organizing

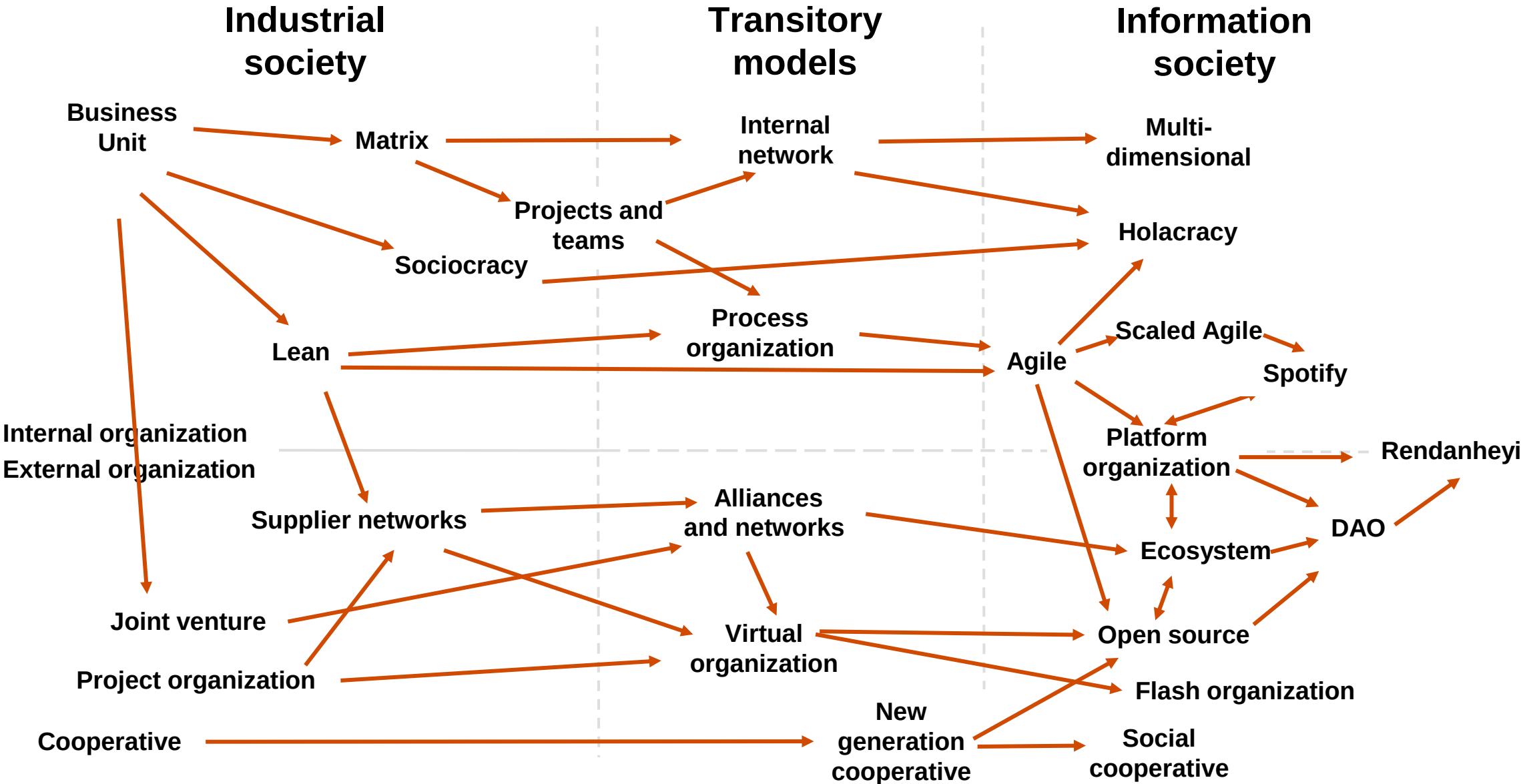


**Hierarchical
Silos
Internally oriented**

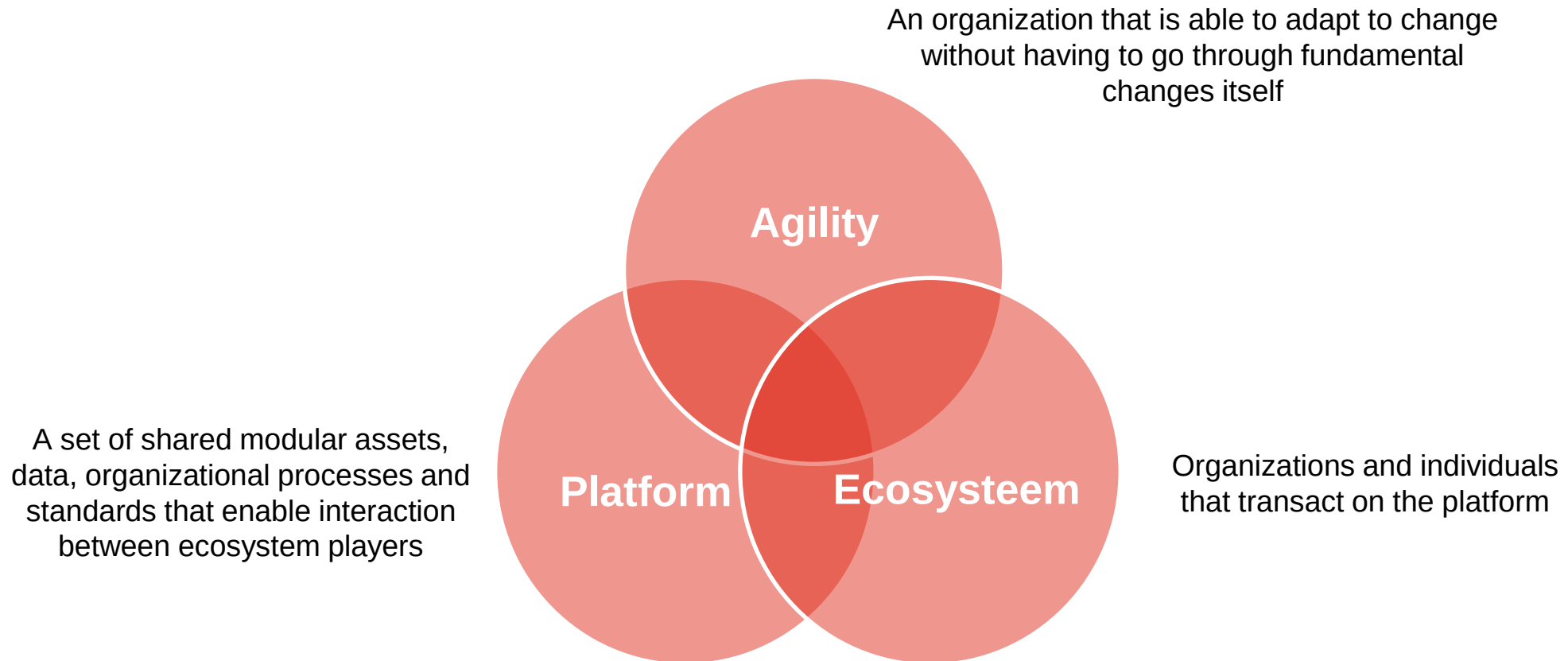


**Self-organization
Collaboration
Externally oriented**

The family tree of organizational forms

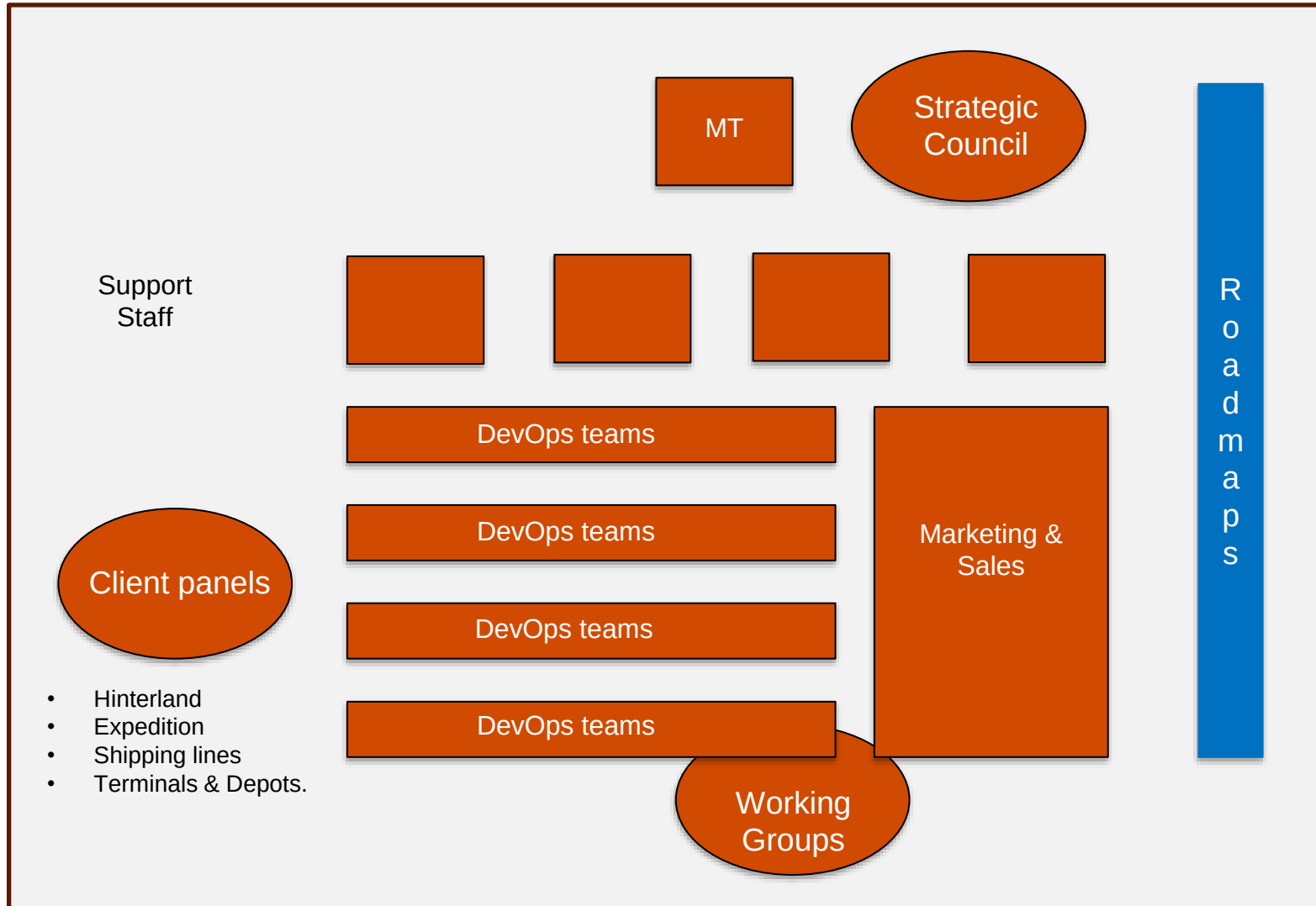


The organization of the 21st century consists of three building blocks (TechTrinity)



We will apply this model to Procurement later this morning

Portbase is oriented towards the ecosystem



Platform:

- One platform with apps around logistics services
- Federative datasharing

Agile:

- DevOps teams
- Strategic roadmaps and milestones
- Quarterly Big Room Planning
- Internal organization reflects ecosystem

Managed ecosystem:

- 4.500 organizations in the ports
- Not yet(?) open for third party apps

Haier's Rendanheyi (employee-user goal alignment) aims to unleash entrepreneurship



- 20 platforms over 5 areas
- 4,000 micro-enterprises (ME), connected to a user community
- Haier's profit is in the value of the MEs; entrepreneurs are co-owners of MEs
- Business processes are highly digitized e.g. blockchain to administer contracts
- 12,000 middle managers either had to become entrepreneur (i.e. invest own money) or leave
- All departments including HR, Finance, Procurement are micro-enterprises

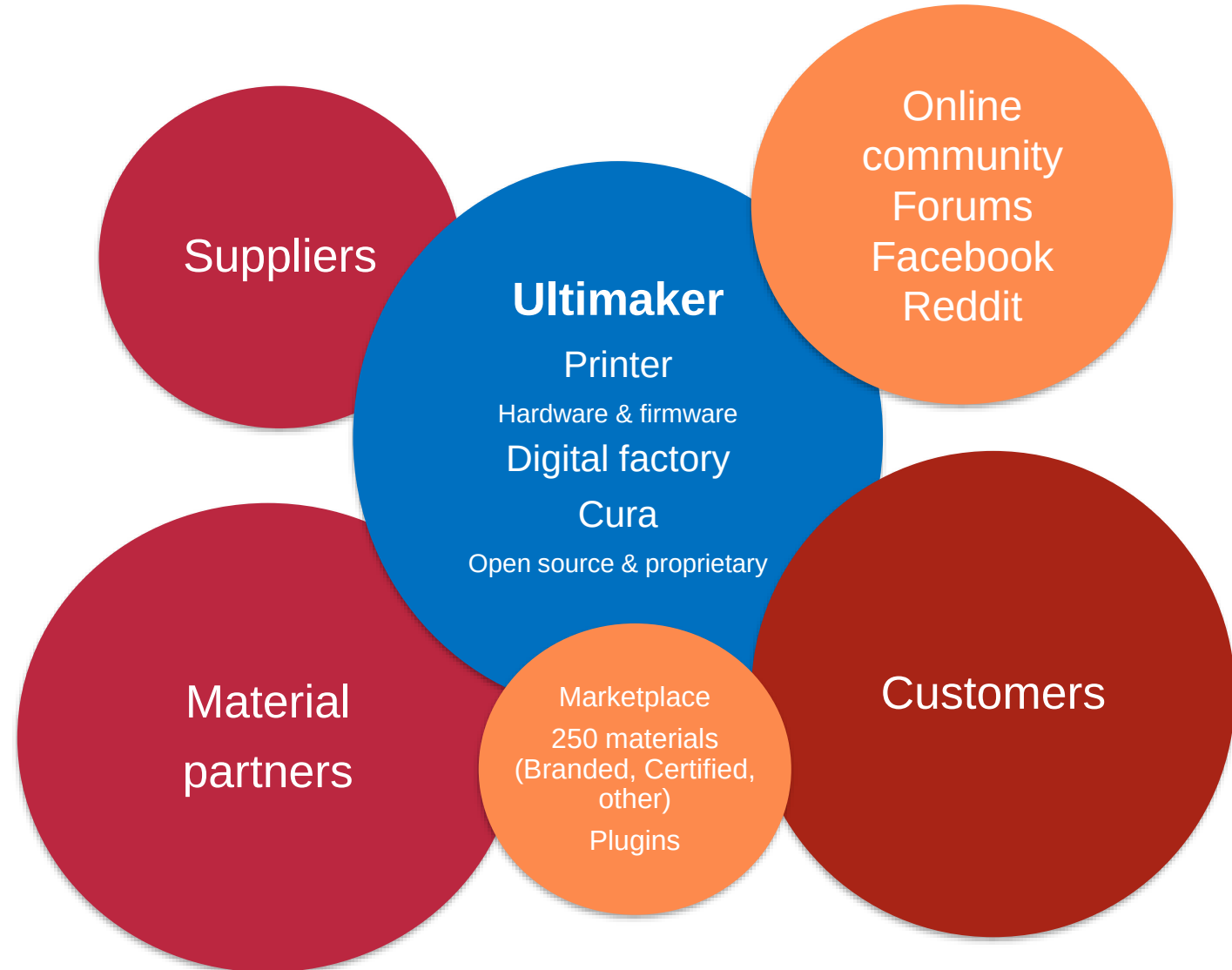
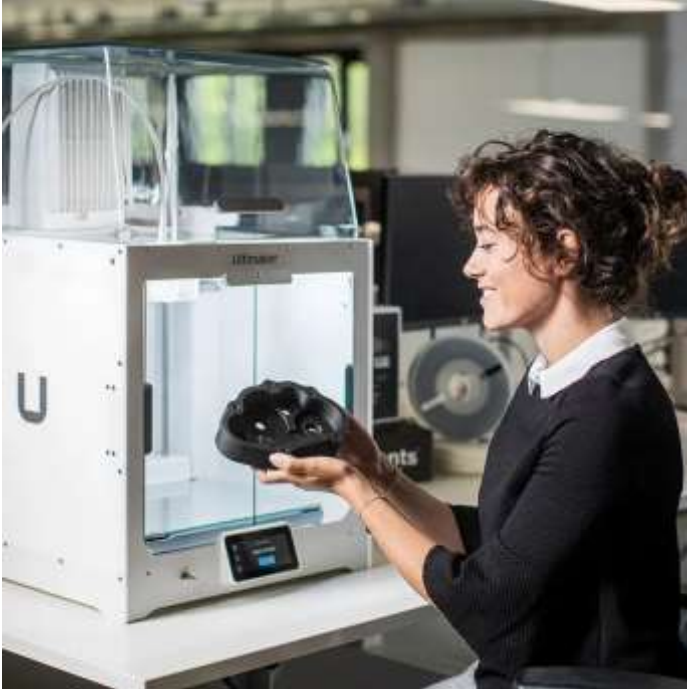
Source: Kanter and Dai (2018)

The Haier model delivers many innovations



- Airco with UV light against Covid
- Refrigerator monitors 'sell by' data
- App to reserve time in the launderette
- Oven that automatically picks the right time and temperature
- Refrigerator suggests recipes based on what is in the fridge
- Virtual cooking classes
- Refrigerator that removes oxygen to keep vegetables fresh for a longer time

Ultimaker connects diverse Ecosystems



Challenges in Digital Ecosystems

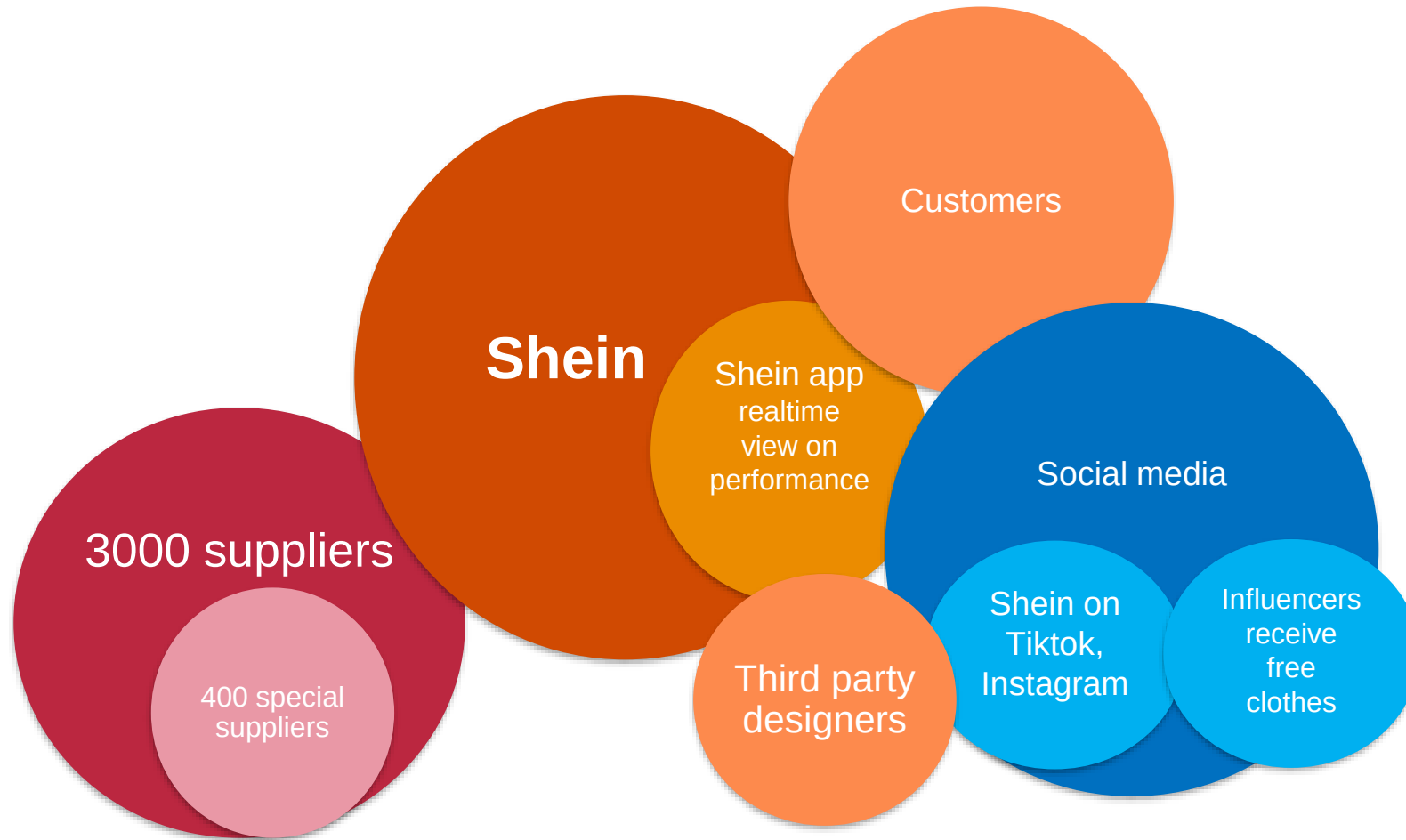
Type of challenge	Key issues
Functional & technical	• Getting the right number of partners • Getting the right type of partners • Getting apps with the right technical quality
Legal & ethical	• Ensuring partners stay within legal boundaries • Ensuring partners stay within ethical boundaries
Temporal	• Keeping the platform attractive for partners • Ensuring partners update their technology • Adapting partnering strategies over time
Competitive	• How to deal with multi-homing • How to deal with co-opetition



Do you use your ecosystem to improve your strategy?



Shein combines platforms in a smart way

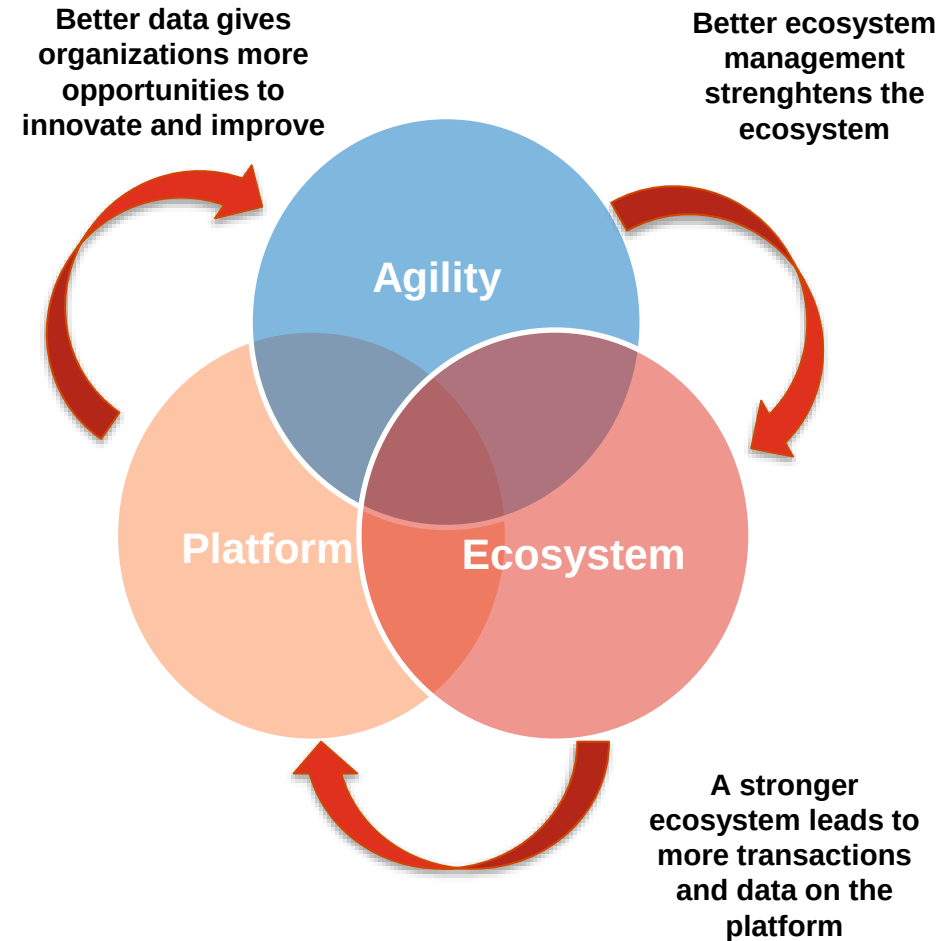
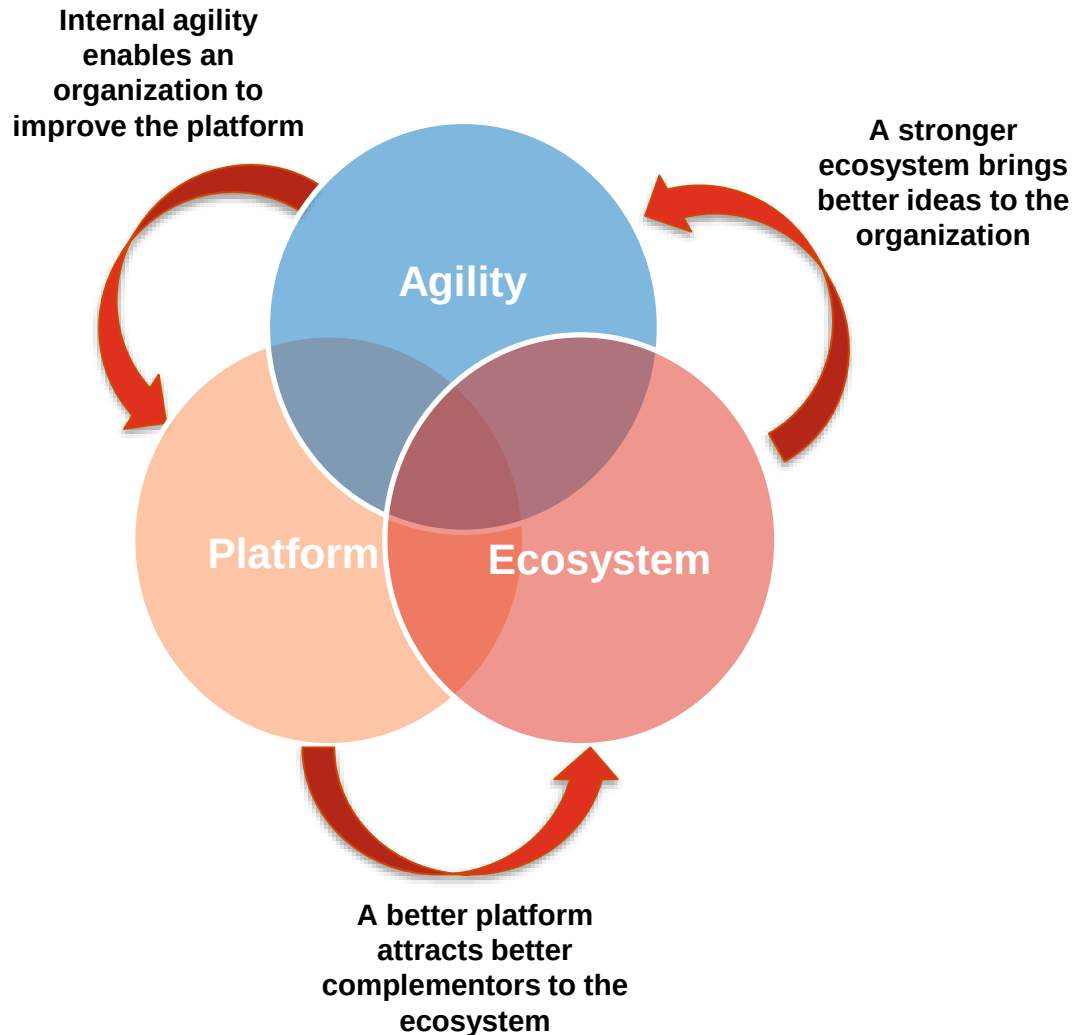


Digital platform design choices



- What value should the platform generate: transaction or innovation?
- What data are necessary? And what data governance?
- Is it single-, consortium-, or community- owned?
- What type of complementors does the platform need?
- How to make use of other platforms?
- What IT is in-house, what is outsourced?

The three building blocks strengthen each other



Towards a new operating model

11.15 Split in 6 groups

Each group takes one of the building blocks: Agility, Platform, or Ecosystem

For that building block, make a drawing of a future operating model for the procurement function and describe key characteristics. Think about questions like:

- What could an **agile** organization of the Procurement function look like? Which agile teams? Should Procurement work as micro-enterprises? Which new buyer roles emerge? How do you keep talent up-to-date? How does Procurement relate to the business?
- What **platform** could the Procurement function create? What data do you need? How can AI play a role? Is there a control tower function? Which external data would you like to integrate in the platform? How do you connect to external platforms?
- What does the **ecosystem** of the future look like for Procurement? Does the supplier ecosystem interact with the client ecosystem? Which data do you share with the ecosystem and which data should the ecosystem share with you? How do you manage compliance of partners to ESG?

11.45 Report back to the group

12.15 Wrap up