Book review


This book is intended for scholars and corporate managers with an interest in strategic management within the technology-driven global economy. The book has a total of six chapters. Chapter 1 “The Innovation Economy and Strategy” outlines the shift in today's business environment from an industrial to an innovative economy, and discusses the implications of this change for strategic management.

The chapter portrays the change to an innovative company by sharing the eight drivers of the innovation economy: new global infrastructure for wealth creation, new sources of value, new ownership of wealth, new educational models and institutions, new business models, empowered customers, leveraging of global supply and demand chains, and new governance structures. Within each of these areas, there are brief discussions on what these looked like during the industrial economy and what they look like today. The authors conclude that a common denominator among these drivers is that they utilize information and communications technology advances that allow for knowledge sharing and management across the globe.

From an implication standpoint there are diagrams that show benefits of the innovation economy such as reduced cost, increased role of content, accelerated competition, and new business models; while also relating these to how these factors shift the way customers behave. This chapter focuses on three key strategic areas where implications are prevalent: context (ex. global), content (ex. functional level), and process (ex. analysis stage). In the process section it discusses the traditional stages of strategic management and how through the realities of the new economy, four significant deficiencies have come up. They include: (i) Too much emphasis on rationality and analysis—becoming a more creative and intuitive processes. (ii) Presumption of linearity of processes—steps are becoming fuzzier and on-going. (iii) Assumption of comprehensiveness—organizations cannot change in an instant and must recognize cultural and political history that may affect direction. (iv) Homogenization of organizational culture—traditional culture puts up walls while new economy is more open-source and collaborative.

Chapter 2 “The Relevance of Traditional Approaches to Strategic Management in the Innovation Economy” illustrates the changing concept of the business enterprise, describes the changing views of the nature of innovation, and reviews the evolution of traditional approaches to strategic management and their relevance today.

The authors review the historical business model where emphasis was put on physical, working, human, and brand capital. It also provides a brief explanation of how financial managers measured success in relation to the companies’ management of these capital components. Companies today are getting away from having a large physical capital base. The 21st century business model tends to split companies into relatively low capital, brand-owning companies on the one hand, and others clustered around external or outsourced networks on the other hand.
The authors bring up good examples in Reebok and Nike who outsource manufacturing, distribution and consumer sales while focusing on product design and marketing. The primary insinuation is that more and more companies will begin to outsource capital-intensive processes (real estate, manufacturing, distribution) and concentrate on core competencies. The chapter goes on to criticize ‘Outward-in’, ‘Inward-out’, ‘Prediction’ and ‘Learning’ approaches to strategic management due to four specific challenges. The (i) shift from visible assets/invisible customers to invisible assets/visible customers; (ii) inter-, extra- and intra-firm relationships are replacing horizontal and vertical integration; (iii) change from focus on competition to a more holistic approach and cooperation; (iv) descriptive and reactive traditional strategic management mindsets being forced to shift to creative and proactive strategic mindsets.

The short cases included in the chapter review several strategic topics in as far as planning, tools and implementation. These cases recommend that technology managers can (i) be more subjective and less generic; (ii) recognize that context matters; (iii) understand that strategy can be made by a method; (iv) recognizing brilliant strategies; (v) changing basis of competitive advantage.

The first short paper is entitled ‘The Era of Open Innovation’. Here the reader is introduced to the concept of Open Innovation where the author argues that companies which avoid funding their own R&D, and instead either acquire or share R&D costs will be more effective in the innovation economy. It cites Cisco as an example and contrasts with Lucent (Bell Labs) as a closed environment. We are then introduced to the different modes of innovation: funding, generating, and commercializing. The concepts of Chesbrough’s paper are not new and are obvious to those who are studying business technological innovation. His examples are insightful but are not compelling to his argument.

The second short paper is titled ‘Strategic Innovation and the Science of Learning’. Here the reader is taken through an extremely long diatribe relative to how companies should learn—instead of measuring experimental innovations. The paper introduces a six-step implementation plan toward changing the conventional planning and innovation process. It is a step-by-step description of how a company should engage in disruptive innovation through suggesting that innovative experiments must be shared, recorded, and revisited. The author’s data was taken through observing 10 companies and concluding “conventional planning systems disrupted learning within the strategic experiments but did not do so within a comparison group (narrower process or product innovation)”.

The case from Chapter 3 was IBM which illustrated the company’s understanding that traditional computer offerings would spell disaster unless they innovated. The case was set in the early 2000’s and explains IBM’s paradigm shift from product-oriented to service-oriented offerings. The case describes IBM’s efforts with the Mayo clinic and how they are working together to discover further innovations in the healthcare industry.

In Chapter 4 “Strategy, Business Models and Organizational Energy”, the reader is exposed to a “new” strategic management approach for the innovation economy—“Poised strategy to manage multiple business models for sustaining and disruptive value innovation in collaborative business networks.” The reader is then provided with a formula of $E_{\text{poised}} = MI^2$ where the equation is supposed to represent a poised strategic management approach providing essential rejuvenation over time. The author then argues that the reader can synthesize multiple views of the business model into four core areas: customer base, value proposition, value network, and leadership and governance. The author uses Encyclopedia Britannica to emphasize his point of CD-ROM vs. printed books and a portfolio of offerings vs. being set in one’s ways and dying instead of evolving. There is value in the author’s views albeit again nothing new and bold.

The first short paper in this chapter is titled The Ambidextrous Organization and explains the successes of USA Today and Gannett to leverage its organizational scale to create a multi-dimensional multimedia organization. The paper describes how the company utilized its synergies to become one of the most successful news and information companies in the world. It goes further and explores Novartis’ use of its Ciba-vision subsidiary in Atlanta to create a well-known eye care division and
contact lens business. This paper is insightful and maps the chapter’s concepts to real life examples quite well.

The second short paper is entitled Competing with Dual Business Models: A Contingency Approach explaining how companies can manage a full line of business and a low-cost variant. It explains successes like Singapore Airlines SilkAir and failures like Delta’s Song and BA’s Go. It provides strategies for dealing with different businesses under the same umbrella and how to manage this without compromising or cannibalizing business opportunities.

The third short paper is titled Strategy as Ecology argues that large entities like Microsoft and Wal-Mart can setup networks to provide a framework for mutual successes. The paper gives the example of Wal-Mart’s procurement system allowing its network suppliers to view real time data for supply chain efficiency. It argues to be a keystone and become important to other vendors such as Google or Yahoo.

Finally, the case example of this chapter is Xerox Corporation. The case goes into detail about the PARC Technology center and how frustrated individuals who worked at PARC asked Xerox to start their own entities under the company umbrella. Ultimately these companies went private and subsequently went public again. Such firms as 3Com, Adobe, and Documentum were born from this split.

Chapter 5 “New Strategic Management Processes and Tools” focuses on the processes and tools required for poised strategic management in the innovation economy. The tools outlined in this chapter are pertinent for ‘Poised Strategic Management’. The authors approach these tools as pieces of a holistic approach towards strategic management. The holistic strategy approach is contrasted with the traditional strategy process. They continue to analyze the dichotomy between the sustaining and disruptive innovations. They conclude that Discovery-Driven plan is more pertinent in the new business economy as it relates better to ‘disruptive innovation’.

The Business Model Reinvention Process is discussed in Chapter 2. Reinventing your business processes and plans is a critical factor in the holistic strategy-making process through sensing new customer value propositions, new system configurations and wider benefits to stakeholders. The chapter provides a comprehensive outline of the categories and types of tools for application in each of the various key dimensions of the wheel of business reinvention. Some of the key tools or categories include: (i) new customer/market space tool; (ii) customer knowledge management; (iii) creating a new value curve; (iv) communities of practice; (v) prosumerism; (vi) open innovation; (vii) supplier innovation leveraging.

The second short paper is titled Architectural Innovations and Modular Corporate Forms recommends that corporate divisions should be organized to accommodate the capabilities and product market areas of responsibility that may be recombined in various ways, highlighting the interplay of economic and social imperatives that motivate such re-combinations.

Chapter 6 “Strategy Leadership and Management in the Innovation Economy” presents a framework for ‘Poised Strategic Management’ specifically in the areas of leadership, managerial requirements, and organizational structure capabilities. There are also various interesting articles about leadership styles in the networked economy, how to pick managers for disruptive growth, and a case example from GE about turning corporate culture around and increasing innovation.

Since most of the chapter focuses on the framework, a short outline of the Poised Strategic Management framework for leadership and management is presented below:

- **Key leadership roles**: providing context to organization through leadership guidance; mostly utilized at corporate level through management of business models, and recognizing and utilizing business ecosystem opportunities and challenges.
- **Key managerial capabilities**: managing particular business models within overall corporate strategy, reinventing business models when necessary, self-organization, guided experimentation activities, and performance measurement and management.
- **Key frontline and specialist capabilities**: involving creating and pursuing opportunities, and experimenting and embedding efficiencies in functional levels.
- **Organizational structure capabilities**: providing structural decisions about process of different business models, and implications for corporate capabilities.

Overall, the book is well developed and insightful, but lacks implementation guidelines for the notions, techniques, and mechanisms it presented. The book is recommend for scholars, researchers, and students in advanced technology and innovation management university graduate programs who may be interested in learning and gaining information on how corporations in the global marketplace are leveraging the current economic factors to devise innovative strategies.

Afie M. Badawy
P.O. Box 3987, Merrifield, VA 22116, USA
E-mail address: mbadawy@vt.edu