

MIT 1.464

E-Business Strategies

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Course Wrap-up

Agenda: Tuesday May 4

- **Administration - Papers**
- **Auctions and Exchanges**
- **Exploiting the Virtual Value Chain**
- **Review of Concepts and Key Ideas**
- **Lessons Learned**
- **Evaluations**

Exploiting the Virtual Value Chain - 1

- **Compare the PHYSICAL value chain and the VIRTUAL value chain**
- **Visibility**
- **Mirroring**
- **Value Matrix**
 - **Gather**
 - **Organize**
 - **Select**
 - **Synthesize**
 - **Distribute**

Exploiting the Virtual Value Chain - 2

- **Law of Digital Assets**
- **New Economies of Scale**
- **New Economies of Scope**
- **Transaction Cost Compression**
- **Balance of Supply and Demand:
“Sense and Respond”**

Companies We Covered:



MACOMBER
Builders and Construction Managers

- **George B. H. Macomber Co.**
- **Collaborative Structures**
- **World Co. Ltd.**
- **DESTINI**
- **Blockbuster Video**
- **Regency Plaza**
- **Colliers**
- **Andersen Consulting (Accenture)**
- **Freemarkets.com**

Issues in Real Estate, Design, and Construction

- **Fragmentation**
- **Low barriers to entry**
- **Low economies of scale**
- **Single projects**
- **Hard to find the incentives to adopt new technologies that rely on many companies sharing information**

How Information Gives you Competitive Advantage

- Increase Revenue
- Reduce Cost
- Change the Competitive Landscape
- Spawn New Businesses
- ! Who are you and what are you trying to do?

Fundamentals of Competitive Advantage:

- **Industry Value System**
- **Market Segmentation !!!**
 - Can you pick them?
- **Attractiveness of Segments (Five Forces):**
 - Can you change them?
- **Generic Strategies: Cost v Differentiated, Broad vs Focus**
 - Can you select them?
- **Firm Value Chain**
 - Can you implement it?



3D Modeling tied to...

BECK

- **4D could be schedule, data, time, other algorithms**
- **Leads to changes in the roles and responsibilities of the team**
- **Could lead to increased barriers to entry**
- **Going beyond visualization and into commerce depends on multi-firm sharing**

Supply Chain Management and Optimization

- **Optimize the whole system**
- **Visibility into demand**
- **Visibility into supply**
- **Who is the channel master?**
- **How to articulate the elements of the chain?**
- **Segment the industry and the items for the initial attack**

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Knowing a Winning Business Idea When You See One

COLLABORATIVE
STRUCTURES

- **How to Write a Great Business Plan**
 - The People
 - The Opportunity
 - The Context
 - Risk and Reward
- **Knowing a Winning Business Idea When You See One**
 - Purchase, Delivery, Use, Supplements, Maintenance, Disposal
 - Productivity, Simplicity, Convenience, Risk, Fun and Image, Environmental Friendliness

Aligning Incentives

- **Consider the players and their preferences**
- **Can you take advantage of the preferences to improve the situation for all?**
- **How do you spread the benefits so that everyone wants to participate?**
- **Think outside the obvious:**
 - Are there more players in the game?
 - Are there preferences other than money?

Alliances and Franchising

- **Expand an idea or an asset by using other people's:**
 - **Capital**
 - **Personnel**
 - **Sales Channels**
 - **Entrepreneurial drive**

COLLIERS
INTERNATIONAL

Knowledge Management

- **Build economies of scale**
- **Reuse knowledge**
- **Point to experts**
- **Alter the dynamics by changing buyer negotiating power and supplier (labor) negotiating power**
- **What are the incentives to take time out to feed the system?**

ACCENTURE

Auctions, Procurement, and Exchanges

FreeMarkets

- **What are all of the value activities:**
 - Complete vendor qualification
 - Thorough specification of the desire
 - Technology to conduct the process
 - Fair award and consummation
- **Commodities are one thing. Services are another.**
- **This can lead to the best (or the biggest) getting bigger and better...what's it to you?**
- **What are the core skills: who is threatened?**

Exploiting the Virtual Value Chain

- **What are the value adding activities in the physical value chain?**
- **Do some of these diminish in importance in the virtual value chain?**
- **What are the value adding activities in the virtual value chain?**
- **Can you leverage the bits vs the atoms to use information to create competitive advantage?**

Queries for Us:

- **Do 3D and Supply Chain technologies lend themselves to new knowledge management or procurement options?**
- **Will this drive new economies of scale?**
- **Can alliances/franchises better leverage individual entrepreneurship?**

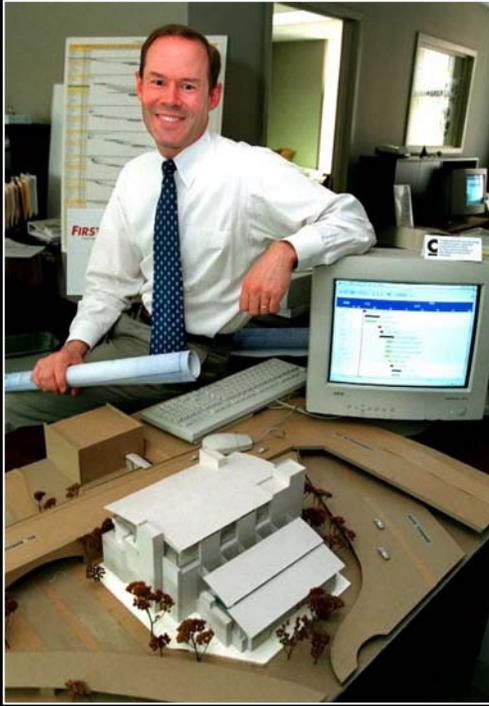
My Personal Vision:

- 3D solid models
- tied to databases
- acting to optimize the system across material and labor
- with compensation based on a multiparty agreement
- coordinated by a profit-based algorithm
- with multi-firm visibility into constraints
- Delivered through a federation of independent entrepreneurs

Reduce time 50% and reduce cost 25%

Concluding Questions:

- **Follow the Money!**
 - (not as a *destination* but as a *pragmatic tool*)
- 1. **Who are you and what are you trying to do?**
- 2. **How do these technologies impact productivity and therefore profitability... and employment?**
- 3. **What do you think customers and employers of the future will value the most?**



Thank you. Keep in touch.

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