

## Data Strategy or Strategic Data?

*Corporate strategy is a two-faced animal.*

On one side it provides analytical tools to define what strategic levers influence the position of an organization. And what is the best course of action to build a defensible leadership position. As illustrated by the Porter's 5 Forces model



Source M. Porter, 1979



Source Illustration of megatrend analysis

On the other side it anticipates the megatrends at work in a specific economic situation, to guide the evolution of the organization, and adaptation to its everchanging environment

To take an example, what are the practical implications for an organization looking at how they should respond to the data challenge?

*A strategy for your data approach*

In the later sense of strategic analyses, it is necessary to have a strategy to take advantage of a trend that will impact your organization. For decades, organizations have built strategies to optimize their industrial processes. Adapt to the segmentation of their value chain, build dominant positions on key steps of the production process. Likewise, they should define a strategy for their data approach:

- Increased process efficiency,
- Ability to take more informed and more rational decisions in specific fields,
- Create better or new business opportunities for partners with "open-data" ...

Once this is done, organizations must build a plan to reach and defend that position. I.e., be more efficient than competition in doing so. It is not a necessity for every organization to become data science companies, with extensive data science teams to support the development of evermore sophisticated algorithms. Best course of action is to anticipate the key value driving steps in your data approach and decide what needs to be done internally, and what can be sourced. Finally, it is crucial to determine if the organization needs to be different in its data approach to create a competitive lever? Which opens a new avenue for thoughts.



### *What is the impact of data on my strategy?*

This is a change of perspective. Addressing the first side of the strategic analyses, it is necessary to review the organization's strategic assets. Determine which competitive advantage of the organization might be challenged by competition with the use of data. A classic example is to see how Uber can challenge Taxi companies all over the world using data to:

- tap into the unmatched demand / offer,
- reduce information asymmetry between customers and drivers,
- promote new types of services like ride sharing, in markets which are not used to them...

A thorough review of the organization's cost structure, and competitive levers attached to the main cost drivers will help define where data can play a differentiating role. The Uber example illustrates the newcomer challenge. But it is not the only challenge organizations will face. Typically, there is value to be found in areas where there is a strong information asymmetry. And there is a wide variety of reasons why this happens, sometimes very simple:

- Information does not reach the economic agent who could benefit from it, to take a decision.
- Or just because it comes too late.

Bear in mind that the largest sources of value often lie in small decisions! It is counter intuitive, but the more frequently you can provide a recommendation, the most likely you are to create value. Either because you address a large number of users, or because decision is useful several times in a hour rather than once per week, or per quarter.

To summarize, relationship between data and strategy is dual:

1. Any economic agent should have a strategy about data. From the shop around the corner who will have a customer base, or traffic on its website, which can be converted into new business, to large corporate with complex processes to optimize.
2. Part of your competitive edge, and strategic position will be challenged by competitors playing the data advantage.

*"The art of war is to win without fighting." Sun Tzu, in Art of War*

As part of their regular innovation scouting, strategists should revisit their competitive advantages portfolio to make sure they are well prepared for the data challenge.

