Resource Reconfiguration in an Emerging Industry: A Case Study of Ericsson in The Emerging Internet of Things (IoT)

Fathiro.H.R.Putra
Supervisors: Prof. Krsto Panda and Dr. Hakan Ozalp
Center for Technology Innovation and Engagement (C-TIE)

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ABSTRACT

It is well established in the literature, when exploring opportunities in new markets firms engage in resource reconfiguration activities in which firms modify their resource base to meet the new requirements (1)(2). Although early studies acknowledge that resource reconfiguration is socially complex and dynamics (3), the empirical studies to illustrate how reconfiguration strategy evolve across time and the underlying mechanisms that drive these changes are scarce. Through an inductive case study of Ericsson’s journey in pursuing emerging opportunities in the IoT industry, this study aims to investigate the complex process of incumbents’ resource reconfiguration in emerging industry and how the ambiguities regarding the future of the industry influence reconfiguration decisions. In addition, this study intends to make theoretical contributions to resource orchestration literature (4) by highlighting the role of managers in orchestrating internal and external resources, and by uncovering the complexities faced by managers when coordinating resources between the core and emerging businesses.

INTRODUCTION

This study explores how a large and established firm reconfigures its resource base to pursue opportunities in emerging industries by addressing these questions:

1) How reconfiguration strategy evolves across time? And What are the drivers and the underlying mechanisms of such change?

2) How managers reconfigure resources of the firm’s core and emerging business? And what are the managerial capabilities required to successfully reconfigure the firm’s resource base?

PRELIMINARY FINDINGS

1. Different Phases of Ericsson’s Resource Reconfiguration Strategy for IoT Industry

   Phase I 2013 - Mid 2014
   - Motivation: Leverage core assets for new application areas
   - Aspirational Performance: Core business: Advancement mode, Emerging business: Some initial success
   - Future Interpretation of IoT: Technology: Connectivity as the foundation of IoT
   - Market: Operators are not fast enough in IoT Market
   - Reconfiguration Activity: Core-deployment at resources, Internal recombination

   Phase II Mid 2014 – Mid 2016
   - Motivation: Transformation from single industry to multi-industry portfolio
   - Aspirational Performance: Core business: Advancement mode, Emerging business: Some initial success
   - Future Interpretation of IoT: Technology: High degree of technology & ecosystem fragmentation
   - Market: Operators’ position in value chain is not clear
   - Reconfiguration Activity: Acquisition, Alliances with industry partners, Resource redeployment

   Phase III Mid 2016 – Nov. 2017
   - Motivation: Secure and strengthen core businesses, while pursuing new profitable growth area
   - Aspirational Performance: Core business: Survival Mode, Emerging business: Low initial success
   - Future Interpretation of IoT: Technology: Consolidation of technology standard and ecosystem
   - Market: Increased focus on IoT from the Operators
   - Reconfiguration Activity: Resource co-deployment, Alliances with operators and other players in the ecosystem

2. Proposed Model of Dynamic Process of Resource Reconfiguration

   - Interpersonal/Performance
   - Interpretation-Motivation Interplay
   - Resource Reconfiguration Approach

3. Multi-Sided Resource Orchestration

   - Business Unit Network
   - Business Unit Digital Service
   - Ericsson Research
   - Market Areas

   Focal Actor: IoT Group Unit
   Collaborating Resources
   - Telekom Operators
   - Device Manufacturers
   - Application Partners

NEXT STEPS

1. Investigate multiple motivations and interpretations of future among different business units and its relations to business unit-level reconfiguration and firm-level reconfiguration

2. Compare and contrast managerial actions in relation to reconfiguration activities among the four IoT initiatives in Ericsson

REFERENCES