

Seven Generic Strategies for an Artificially Intelligent World

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Summary

Three broad scenarios suggest seven generic strategies for conventional businesses (CB) to respond to challenges posed by the "Tech brigade" (TB). These scenarios, or their corollaries, are not exhaustive.

Good scenario analysis, avoiding blind-spots and biases, is critical to selecting the ideal generic strategy. Having selected the ideal generic strategy, implementation requires inter-disciplinary perspectives from strategy, technology, economics and markets (both product and financial). These are pre-requisites to build a sound Artificial Intelligence (AI) strategy for your business.

Every few decades a break-through technology comes up. Some businesses are able to capitalize on this new technology wave; others "wait & watch", or end up running helter-skelter like deer in front of vehicle head-lights.

Internet, at the turn of the century, was the last such epochal technology wave. The combination of big data and machine learning, contributing to algorithms and artificial intelligence (AI) marks the latest epoch.

I am seeing businesses react to AI in two contrasting styles:

- Companies from the "tech brigade" (TB) including FinTech, RegTech, HealthTech, EduTech, D2C-Tech and Software as a Service (SaaS) are having a field day. Many of them have learnt from DotComs of the bygone era; they are attempting to build "Phygital" models – organically or through acquisitions - precisely the "click and mortar" models that conventional businesses successfully created post-internet.
- Conventional businesses (CB) are waiting and watching. I am yet to see them run like deer in front of vehicle head-lights. A few are smartly acquiring TB companies.

What is the way forward for CBs facing competition from the TB? This article discusses three non-exhaustive scenarios, and their corollaries. Seven generic strategies emerge from such a strategic thinking framework.

❖ **Strategy 1: The Cunning Fox**

Scenario: You are coveted

Strategy: Monitor the TB gravy train – and global monetary policy

So long as Covid-induced loose monetary policy continues in large economies, Private Equity (PE) investors will be flush with funds. They will bet the bank on the TB, whose resource mobilization, valuations and acquisitions will sky-rocket... until the inevitable bust. If you are being coveted – and the valuation is attractive – sell. Make sure you sell out for cash – not stock. Who knows, you may be able to acquire your acquirer later, with the cash in the bank!

❖ **Strategies 2 to 4: Scoot, Re-boot or Shoot**

Scenario: You face business model threat

Strategy: Monitor the robust TB–without distraction from your rear-view mirror

As early AI movers, TB companies have created novel customer experiences and spawned new business models. How is your TB competition performing – is it grabbing your customers or creating new markets?

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- If TB is grabbing your customers / market, then you need to act quickly - re-strategize (re-boot) or sell out (scoot). While re-strategizing, take your eyes off your rear-view mirror. What has brought you here may not take you where you need to be. If the decision is to sell out, the more you delay, the lesser you will earn.
- If TB is creating new customers / markets, then how do these new customers / markets compare to yours in terms of growth and profitability.
 - If your TB competition is demonstrating robust growth but grappling with unit economics challenges, then try to compound their problems. If you have deep pockets, start a price war and head-hunt their key employees. If you are media-savvy, question their credibility, magnify their problems and signal that you are here for the long haul. Shooting your competitor can fetch you their AI at a bargain price.
 - If, however, to your misfortune, your TB competition is delivering profitable and robust growth with new customers / markets, have you become a frog in the well? Are you in danger of becoming redundant? Can you survive? Can you go for head-on competition by targeting the new customers / markets? How? You need a fresh perspective with a new lens. Copy-cat strategies may not work. Re-strategize (Re-boot).

❖ **Strategies 5 to 7: Buy, Let Die or Try**

Scenario: Your AI challenges are limited

Strategy: *Leverage on AI, even if TB competitors are struggling or non-existent*

If you are in the comfortable position of seeing your TB competitors struggle, do they have strengths that you want to buy into? Can you make your AI journey quicker and cheaper by avoiding the mistakes already committed? An inorganic AI acquisition strategy may work for you. If your TB competitors have nothing to offer you, let them die.

If you genuinely and objectively see no TB competition, and no immediate threats or opportunities from AI in your business, then do explore an organic AI business strategy. A comprehensive overview of your business, viewed through the AI lens, can throw up a hierarchy of possibilities / projects that can help you blaze a new path. These need to be designed as experiments, and smartly sequenced, to maximize your learning and extension possibilities.

The seven generic strategies are exhibited in the figure in the next page. Good scenario analysis, avoiding blind-spots and biases, is critical for selecting the ideal generic strategy. Having selected the ideal generic strategy, implementation requires inter-disciplinary perspectives from strategy, technology, economics and markets (both product and financial). These are pre-requisites to build a sound AI strategy for your business.

Do get in touch with your queries and comments. Happy to help you chalk-out an AI strategy for your business.

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