

Strategy in Action - STRAT 4501

Class 18 Agenda

- **Look Ahead**
- **Case: 3D Robotics**
- **Case: CUMI India's Global Strategy**

Look Ahead



18.	Tues, Nov 6	Innovation & Global Business	3D Robotics- Disrupting the Drone Market	8
19.	Fri, Nov 9	Innovation & Global Business Working Across Cultures	Health City Cayman Islands	
20.	Tues, Nov 13	Linking Strategy with Effective Implementation Chapter 11 Organizational Design: Structure, Culture, and Control	Intel Locating a New Plant	9
21.	Fri, Nov 16	Linking Strategy with Effective Implementation	Marine Harvest: Leading Salmon Aquaculture (Case Memo Due)	10
22.	Tues, Nov 20	Corporate Governance Chapter 12 Corp Governance, Business Ethics and Strat Leadership	Managing a Global Team: Greg James, Sun Microsystems	
	Fri, Nov 23	No Class, Thanksgiving Recess		
23.	Tues, Nov 27	tbd		
24.	Fri, Nov 30	EXAM 2 (Chapters 7-12)		
25.	Tues, Dec 4	Tbd - Likely Guest Speaker		
	Tues, Dec 9	Due: Semester Project		

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<https://www.amazon.com/b?node=8037720011>

Case:

3D Robotics- Disrupting the Drone Market



3D Robotics- Disrupting the Drone Market

Case Discussion Questions

1. What macro changes made it possible for this company to come to be?
2. Describe 3DR's open source strategy. What are the pros and cons of this approach?
3. If 3DR were based on a traditional closed model, what would be different? Why? Would this be a better or worse model for the company?
4. Evaluate 3DR's manufacturing strategy. Do you agree with Anderson's decision to start in Tijuana and then go to China? Why or why not?
5. How should 3DR evaluate what vertical markets to target?
6. What vertical market(s) do you think 3DR should focus on and why?
7. What are the biggest challenges facing 3DR going forward? Why? How would you grapple with these challenges if you were Anderson?

3D Robotics- Disrupting the Drone Market

The Maker Movement

- *Open source*
- *Give away the bits*
- *The Long Tail of bits*
- *Hardware is the New Software*



What about 3DR's competition?

3D Robotics- Disrupting the Drone Market

The Benefit of the Maker

Movement to 3DP

Attribute	3DR (Open Company)	3-RD (Traditional Company)
IP Rights	Limited	Patent Portfolio
Development Costs	Very low	~10X more
Recruiting	Global Community/Expertise Base vs. Educational Credentials	Traditional/Credentials/Personal Networks
Geography	Global	Local
Hierarchy/Org Structure	Flat, Community-Based	Titles like CTO/VPE/PM
Business Model	Find an angle next to the big giveaway	Sell products or services
Trajectory	Community-Led, Constant Experimentation	Planning/Product Roadmap

3D Robotics- Disrupting the Drone Market

Growth Alternatives

“We need to be the future of x.” One of his critical tasks over the next few months was to figure out, what is x going to be?—big data (e.g., agriculture, climate, search and rescue), personal aerial cinematography, or something else?

3D Robotics- Disrupting the Drone

Market Growth Alternatives

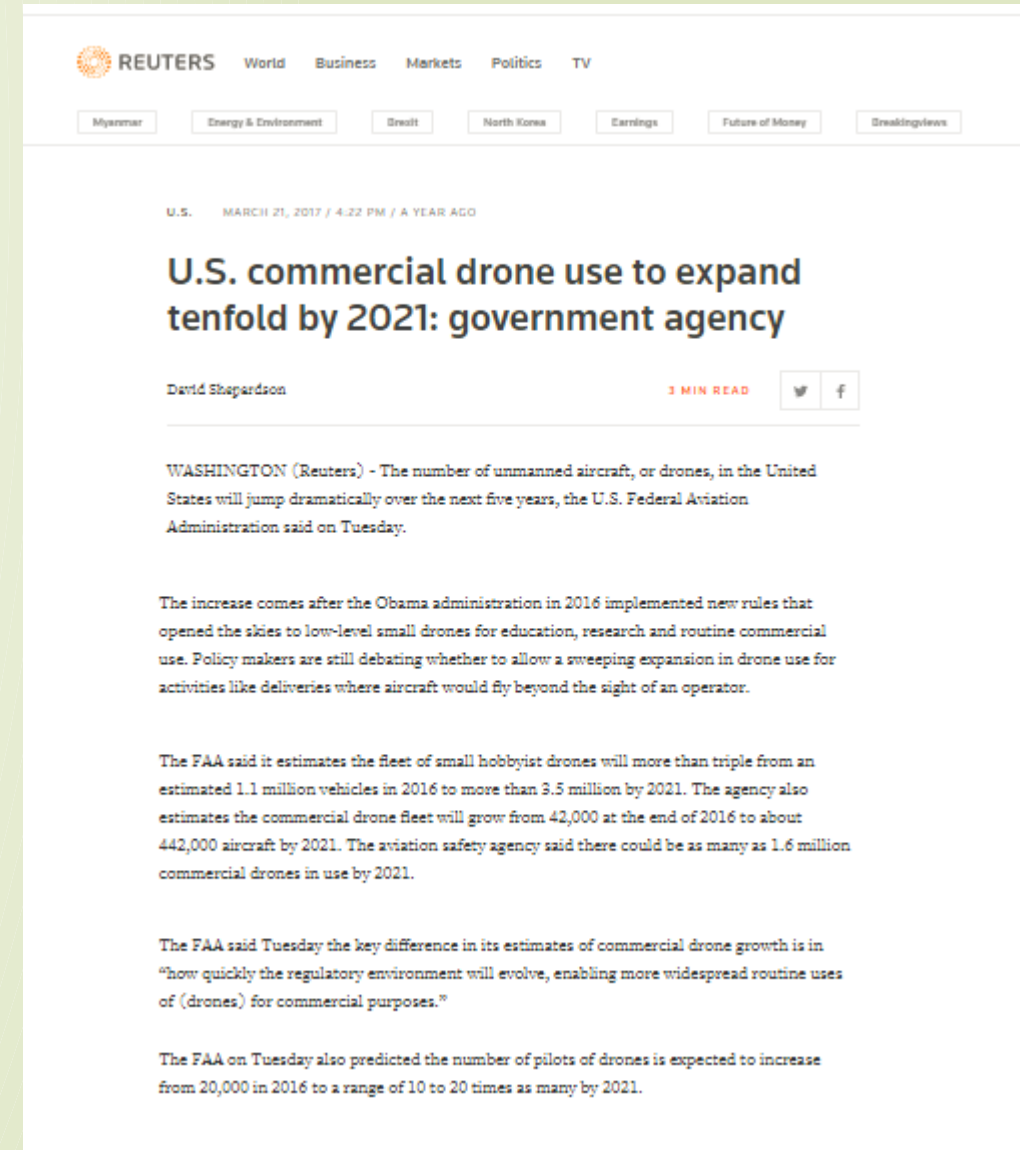
- “Anderson believed that 3DR could help solve **agriculture**’s big data problem because about half of the inputs in farming (fluids, pesticides, fungicides, and herbicides) were wasted since more was applied than needed or they were applied to the wrong places, such as the ground between plants rather than on the plants themselves.”
- “Jensen added: “Think of the inspection of wind turbines, bridges, buildings, oil and gas, power lines, and railroad tracks that all could be well-served by our products because many of these industries are highly regulated with regular high cost inspection requirements.”
- “Anderson said: “...And don’t forget about the consumer markets such as personal aerial cinematography.”

Platform company? Product company?

3D Robotics- Disrupting the Drone Market

Follow-Up

In the middle of 2014, 3DR hired Colin Guinn who was the CEO of DJI Americas. He has a controversial background, severing ties with DJI China and entering a legal dispute. However, he was a passionate social media expert on the Phantom and generated a lot of buzz for DJI.



The screenshot shows a Reuters news article. The header includes the Reuters logo and navigation links for World, Business, Markets, Politics, and TV. Below the header are several topic tags: Myanmar, Energy & Environment, Brazil, North Korea, Earnings, Future of Money, and Breakingviews. The article is dated U.S. MARCH 21, 2017 / 4:22 PM / A YEAR AGO. The title is "U.S. commercial drone use to expand tenfold by 2021: government agency" by David Shepardson, with a 3 MIN READ indicator and social media icons for Twitter and Facebook. The article text states that the number of unmanned aircraft in the U.S. will jump dramatically over the next five years, according to the U.S. Federal Aviation Administration. It mentions that the FAA estimates the fleet of small hobbyist drones will more than triple from 1.1 million in 2016 to 3.5 million by 2021, and the commercial drone fleet will grow from 42,000 to 442,000. The FAA also predicted that the number of pilots of drones is expected to increase from 20,000 in 2016 to a range of 10 to 20 times as many by 2021.

3D Robotics- Disrupting the Drone Market

Follow-Up

The screenshot shows the 3DR website landing page. At the top is a black navigation bar with the 3DR logo on the left and links for PRODUCTS, INDUSTRIES, RESOURCES, BLOG, COMPANY, and LOGIN on the right. A white 'START FREE TRIAL' button is positioned in the top right corner of the navigation bar. Below the navigation bar is a yellow banner with the text 'New in Site Scan: Use Your Own Base Surfaces For Better Cut/Fill Reporting' and a close button (X) on the right. The main content area features a background image of a drone. Overlaid on the drone image is the headline 'Win bids. Map progress. Avoid mistakes.' in large white text. Below the headline is the sub-headline '3DR Site Scan is the complete drone software platform built for construction and engineering professionals'. At the bottom of the drone image are two buttons: 'PLAY FULL VIDEO' and 'START FREE TRIAL'. Below the drone image is a white section with the text 'Construction is hard. Drones make it easier.' in black. In the bottom right corner, there is a logo for the School of Business at Northeastern University, with the name 'More-McKim' in a large, bold font.

Case:
CUMI India

CUMI India

Guide Questions:

1. What is driving CUMI's success? Is it sustainable? Which part of it is transferable internationally?
2. What is driving CUMI's internationalization strategy? Specifically analyze the industry level drivers as well as country (India) level drivers?
3. Evaluate CUMI's Russian and South African ventures. What is the level of success in each of these two markets and to what would you attribute the success or failure?
4. Evaluate CUMI's experience in China. What is CUMI's problem in China? Why do you think CUMI is not able to translate its Russian success to China?
5. How important is China to CUMI? Is the management right in thinking about a China-centric strategy?
6. What are CUMI's options in China? What would you recommend to CUMI as China strategy? How would you implement this?

CUMI India

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CUMI's value chain

- Raw materials
- Design and application technology
- Manufacturing operations
- Marketing, sales and service

What is the before and after picture?

CUMI India

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 - ✓ There are strong entry barriers, making it difficult for new players to enter since there is a huge upfront investment involved.
 - Suppliers can exert huge pressure. Silica, which constitutes three-fourths of the raw materials needed, is mostly found in China, and that can create a significant problem.
 - ✓ Buyers do not have much say. Buyers are numerous. At the same time, switching costs are low. One can use branding and relationships to lock in the buyers.
 - ✓ Substitutes are available, but they are not a major concern for now.
 - Competition is intense but not around price. Application engineering becomes an important source of competitive advantage.

Conclusion: It is very hard to be a player in this industry without global scale, and so access to China is critical.

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EXHIBIT TN-5: CUMI'S PERFORMANCE

<i>All Figures in 10 million Indian Rupees</i>	2007-08	2008-09	2009-10	2010-11
COUNTRY SALES				
Russia	281	319	321	436
South Africa	-	69	80	94
PROFIT AFTER TAX				
Russia	14	25	44	51
South Africa	-	6	3	7

CUMI'S OVERALL PERFORMANCE				
<i>All Figures in 10 million Indian Rupees</i>	2007-08	2008-09	2009-10	2010-11
GROSS SALES	878	1138	1230	1628
NET SALES	802	1078	1183	1601
PAT(Profit after tax)	119	104	102	171

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CUMI's current problems in China:

- *Profitability*
- *Absence of local leadership*
- *Differences in language and mindset*

CUMI India

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5. How important is China to CUMI? Is the management right in thinking about a China-centric strategy?
 - 50% of the supply of raw materials for the industry

CUMI India

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- (1) starting a centre of excellence in application engineering based in China, which would allow CUMI to gain inroads into the manufacturing base in China;**
- (2) establishing a joint venture to manufacture and market within China, with a more aggressive management, which may involve recruiting Chinese nationals into the organization**
- (3) building a stronger integration of materials movement across the global network, which may require a carefully thought-out supply chain management plan to link its Chinese, Russian South African**