Presentation to MIFI December 2010

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Two ways of looking at strategy

STATICS
SYSTEM STATE

- Inner dynamics
- Outer dynamics
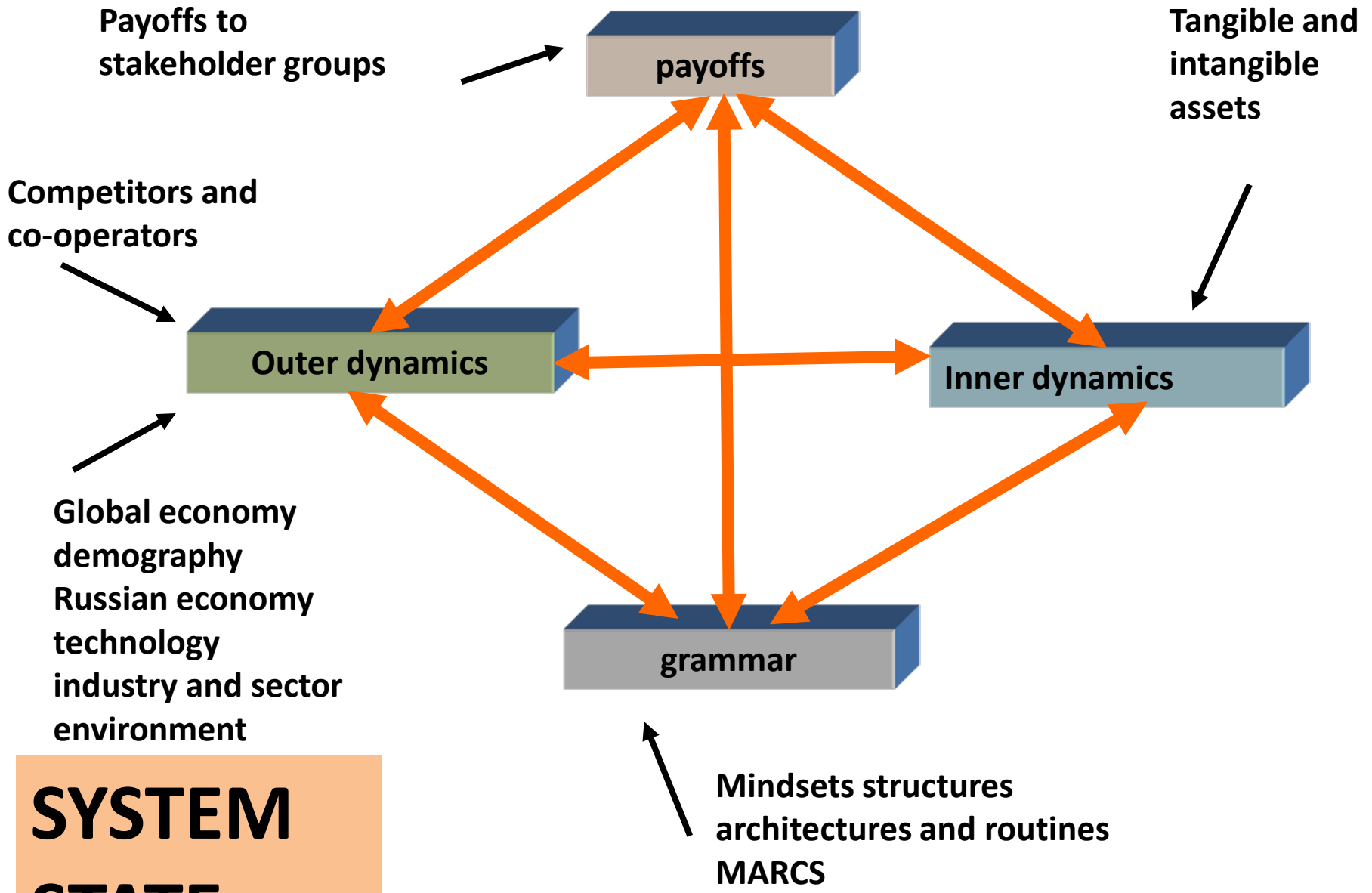- Payoffs
- Grammar (rules of the game)
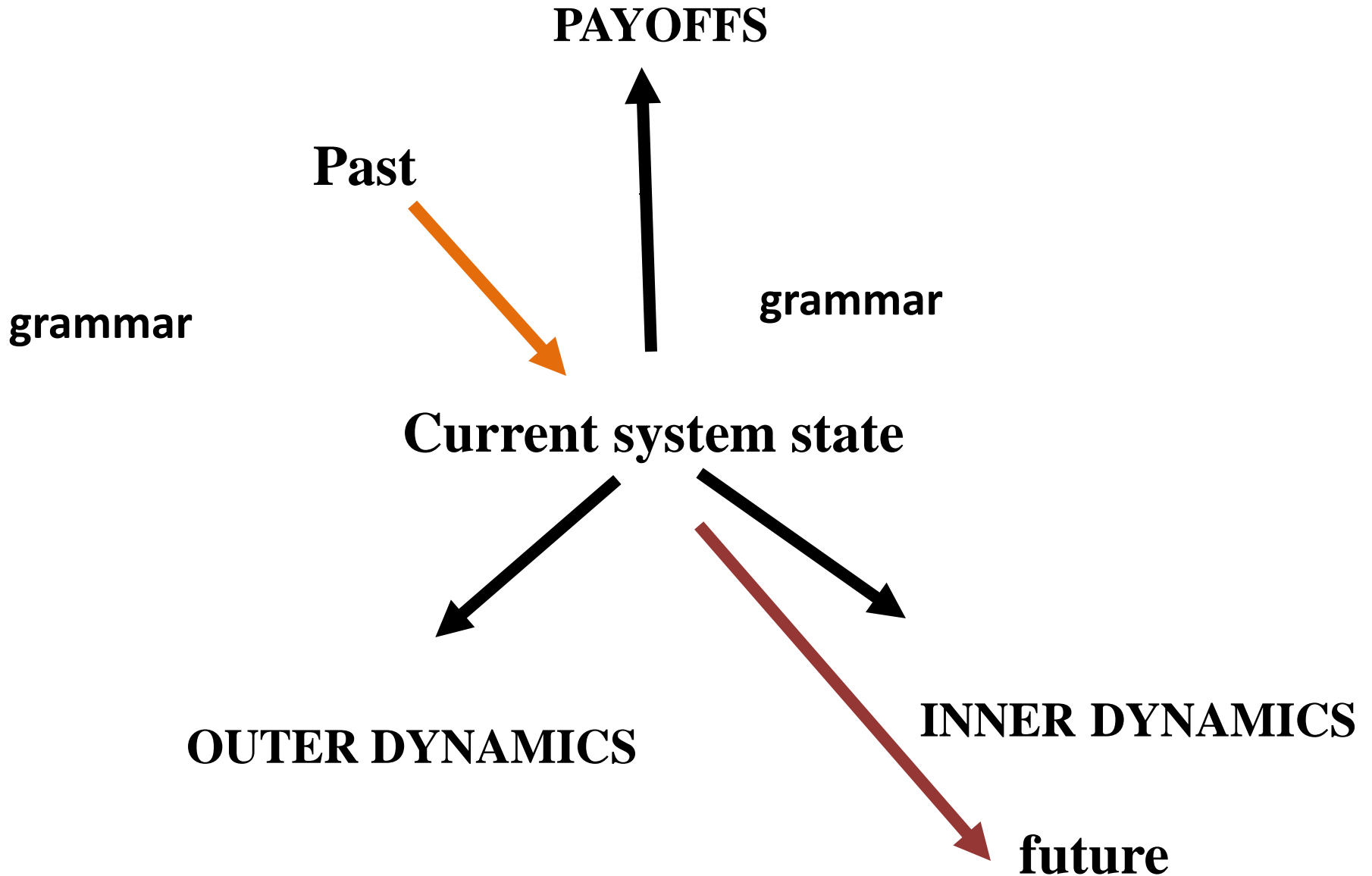
SITUATION AT A MOMENT IN TIME

DYNAMICS
PROCESS OVER TIME

- Vision/objectives
- Values/ethics
- Choice
- Implementation
- adaptation

CHANGE: TRAJECTORY THROUGH TIME

Payoffs to stakeholder groups

payoffs

Tangible and intangible assets

Competitors and co-operators

Outer dynamics

Inner dynamics

Global economy demography Russian economy technology industry and sector environment

grammar

SYSTEM STATE

Mindsets structures architectures and routines MARCS

PROCESS OVER TIME

PAYOFFS

Past

grammar

grammar

Current system state

OUTER DYNAMICS

INNER DYNAMICS

future

THEORIES
dynamics

- **COMPETITIVE DYNAMICS**
  - **Creative destruction (Joseph Schumpeter)**
  - **Red Queen effect**

- **LOGISTIC CURVE**
  - **Product cycle**
  - **Life cycle of the firm**

- **FINANCING**
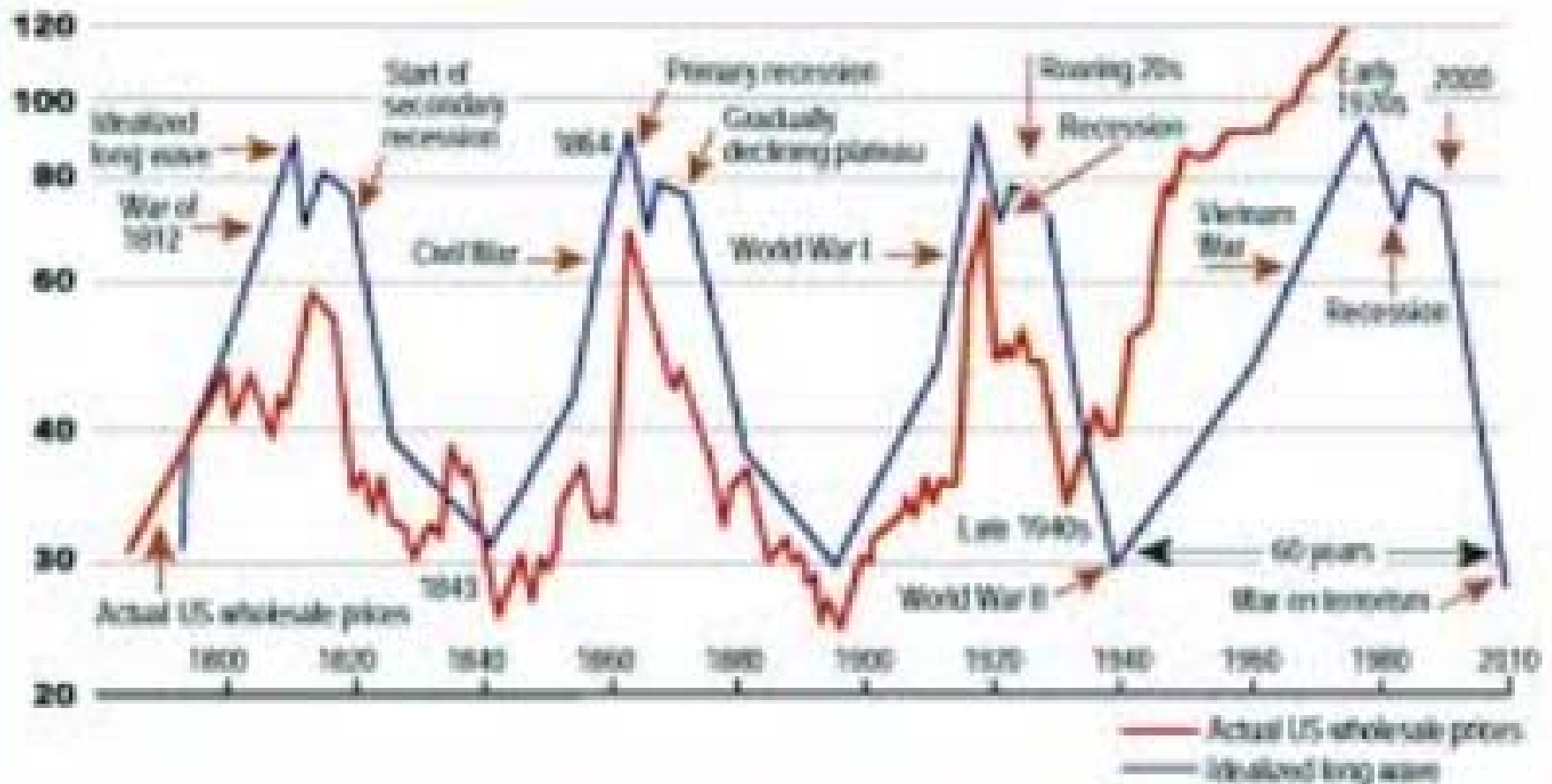 - **Financing and refinancing**
  - **Transactions with banks**

APPLICATIONS

- Old economy

- New economy

- Mixed new and old economy

OLD ECONOMY BUSINESS

- CREATIVE DESCRUCTION

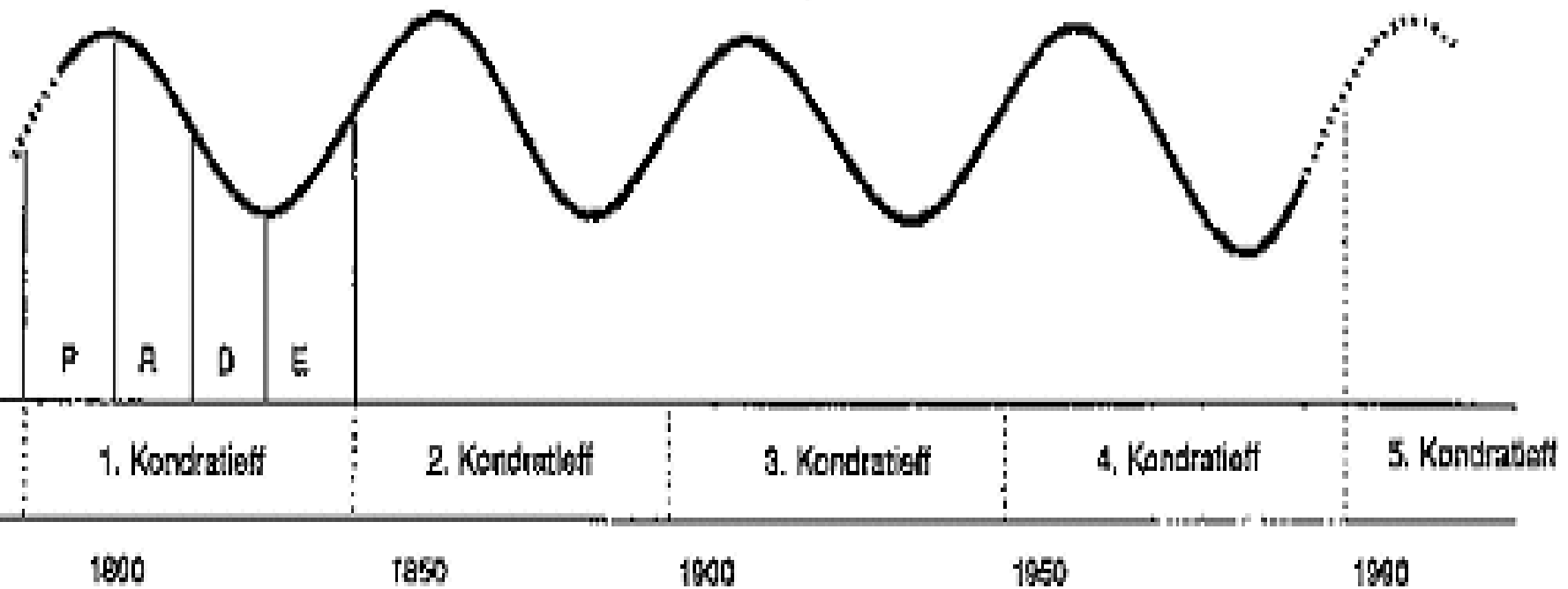- KONDRATIEFF WAVES

The Kondratieff Wave

steam engine cotton · railway steel · electrical engineering chemistry · petrochemicals automobiles · information technology

P | R | D | E

1. Kondratieff | 2. Kondratieff | 3. Kondratieff | 4. Kondratieff | 5. Kondratieff

1800 · 1850 · 1900 · 1950 · 1990

P: prosperity
R: recession
D: depression
E: improvement

THE RED QUEEN EFFECT

- In *Through the looking glass,* Alice, running after the red queen, finds that neither is moving. They remain exactly where they began and the red queen observes that "it takes all the running you can do, to keep in the same place."

NEW ECONOMY BUSINESS

- TELECOMS

- THE RED QUEEN EFFECT IN TELECOMS

INITIAL INVESTMENT AND OPERATIONS OVER TIME EXPECTED TO GENERATE NET CASH FLOWS IN THE FUTURE

BANK LOAN

REPAYMENT OF PRINCIPAL PLUS INTEREST
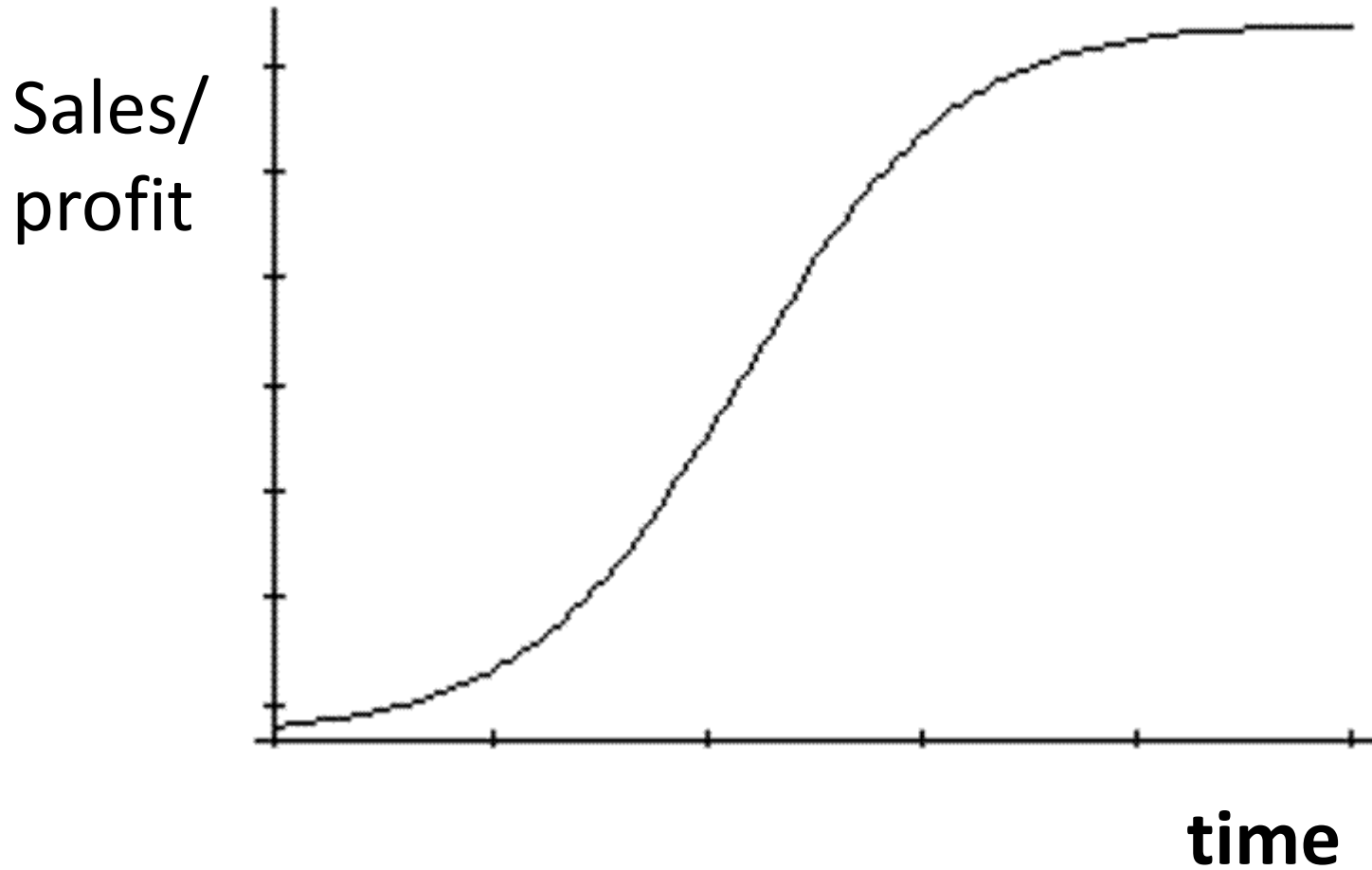
BUSINESS

TIME
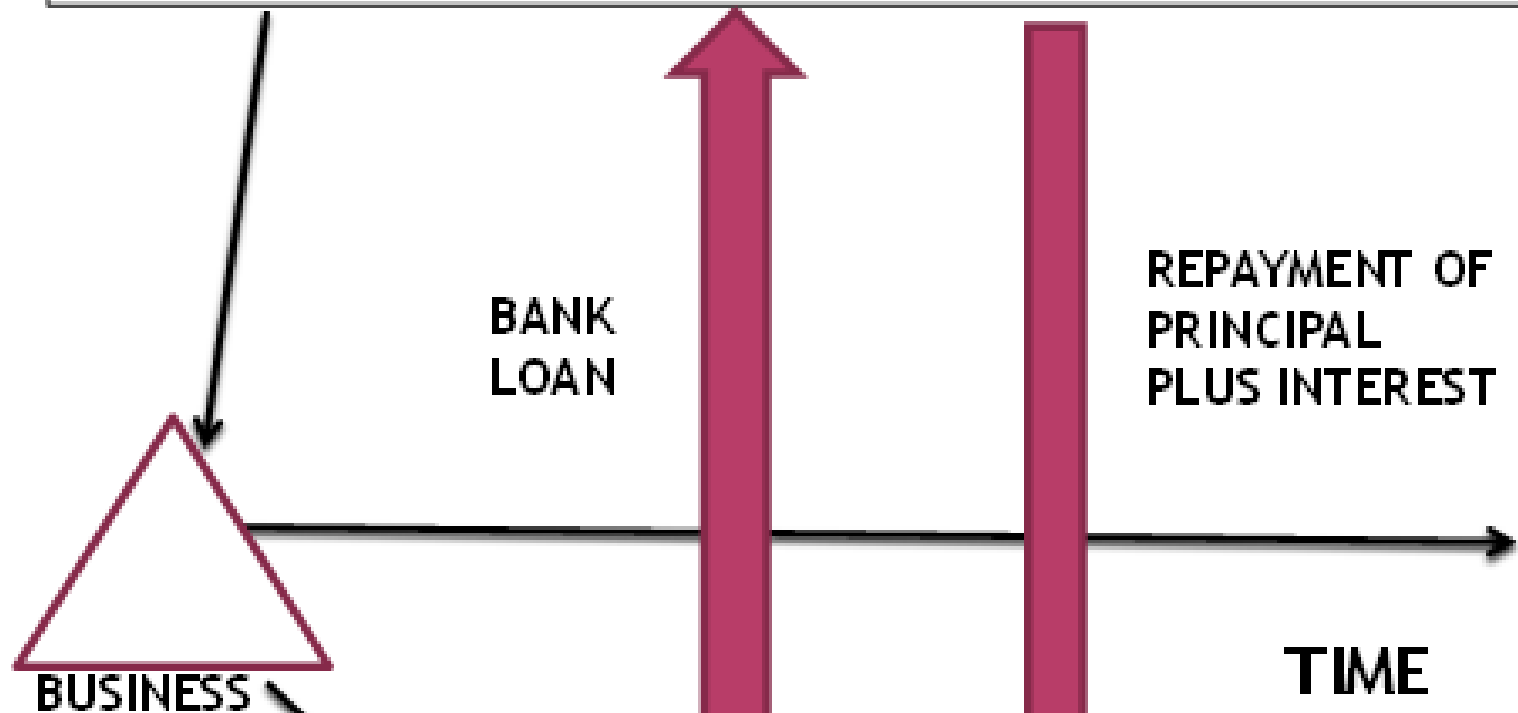
BUSINESS BORROWS FROM BANKS

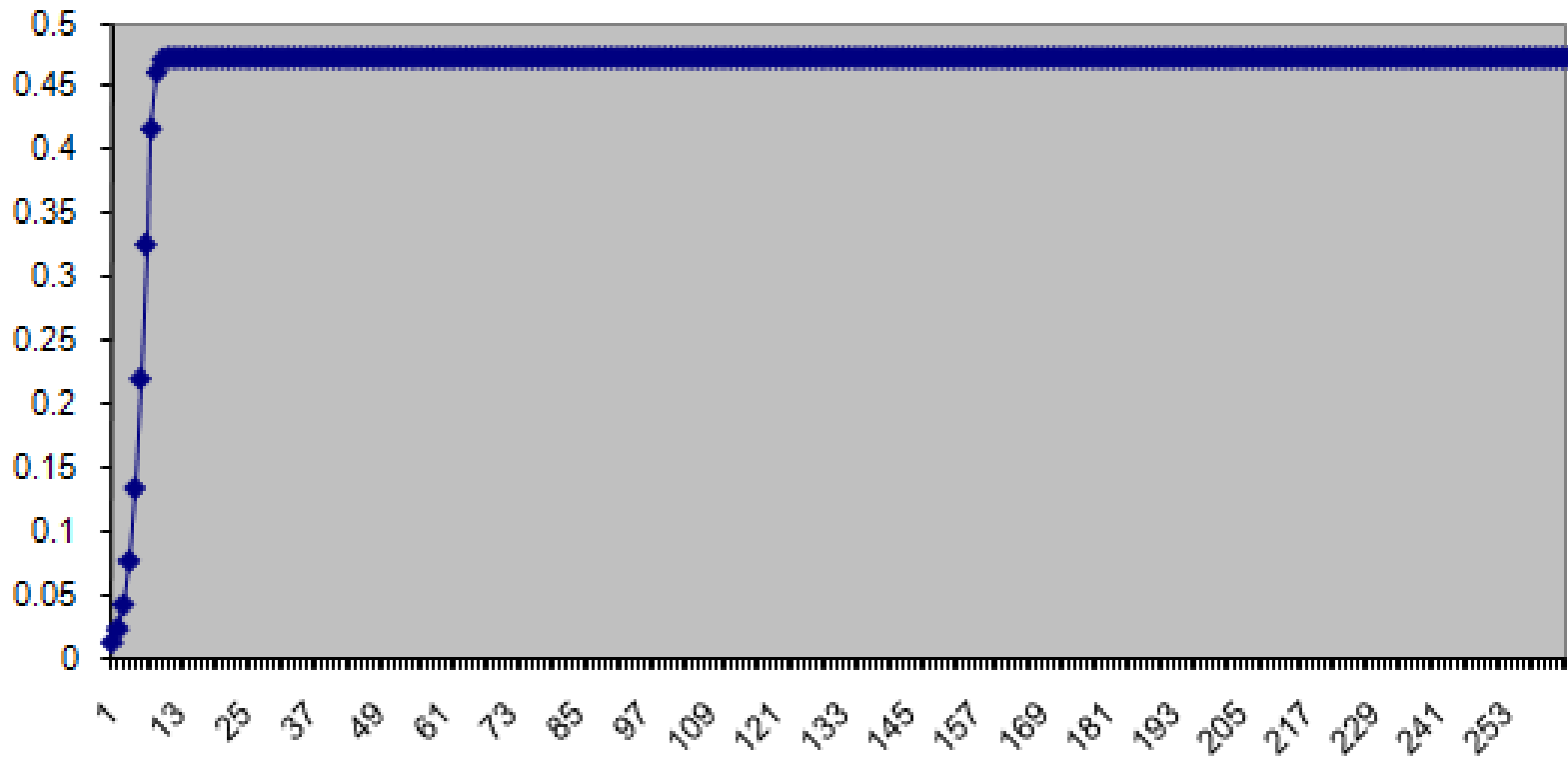BANK LOANS SECURITIZED AGAINST EXPECTED NET CASH FLOWS AND ASSETS OF THE BUSINESS

LOGISTIC EQUATION

- $X(t+1) = KX(t)[1- X(t)]$

- X (t) this years market share
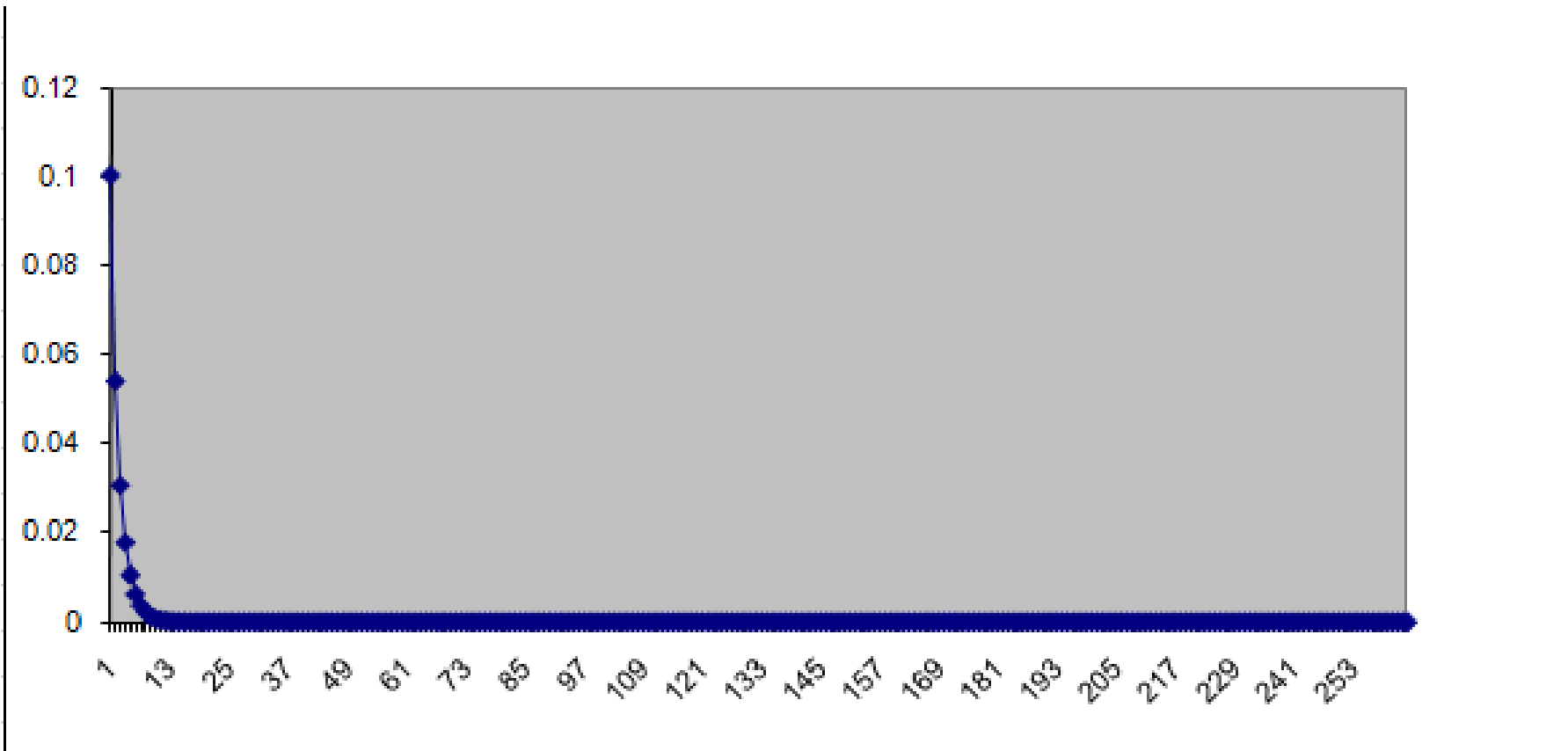- X(t+1) = next years market share
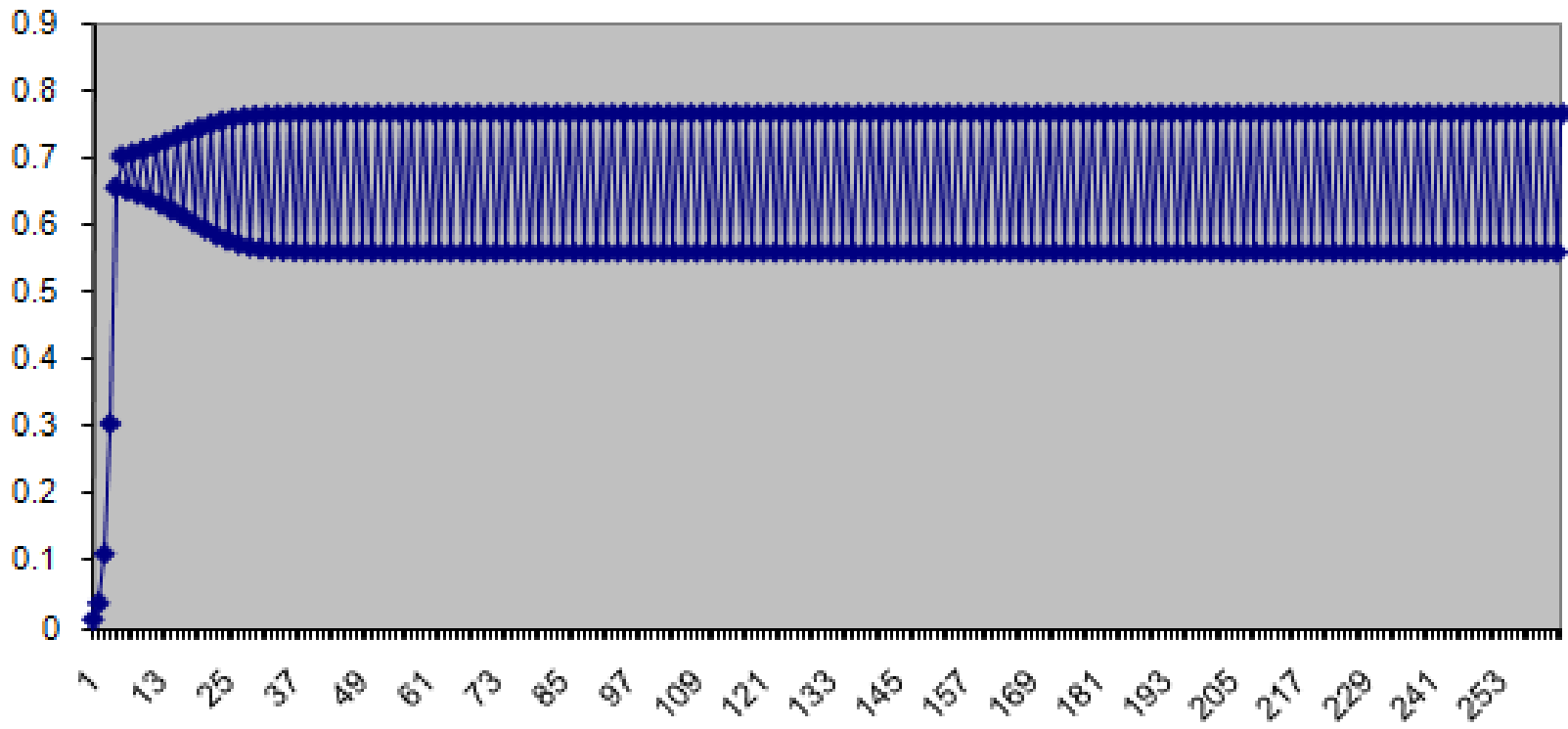- K = growth rate

LOGISTIC CURVE (IDEAL)

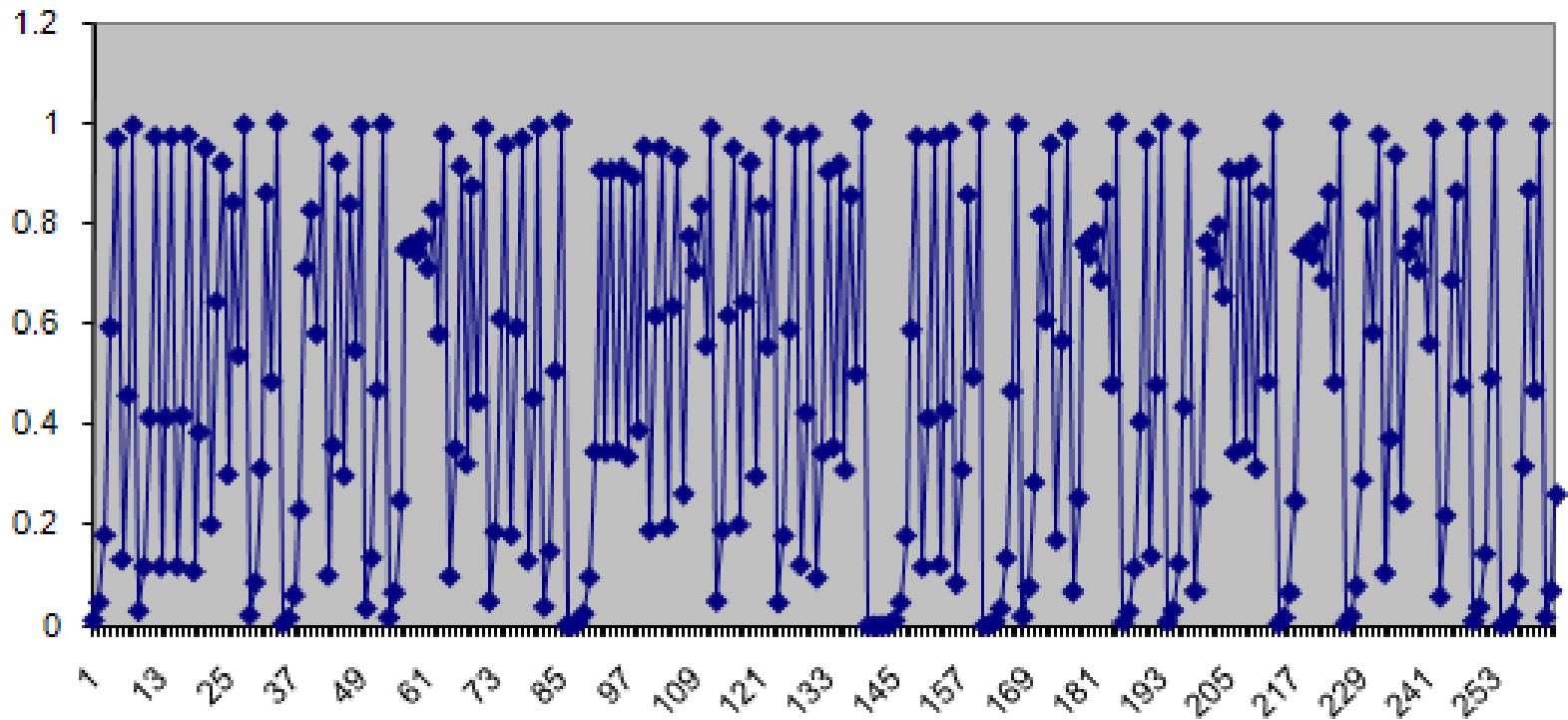| K = | 1.9 |
| Initial Condition | 0.0120 |

GROWTH

K =	0.6
Initial Condition	0.1000

DECLINE

K =	3.1
Initial Condition	0.0120

CYCLES

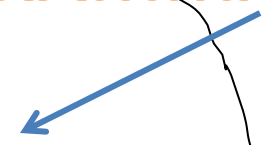| K =	4
Initial Condition	0.0120

CHAOS

SYSTEM STATE

payoffs

GRAMMAR

Outer dynamics

Inner dynamics