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Editorial Introduction: The Special Issue on Strategy in the Digital Era

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As Adner et al. (2019) note in their provocative introductory essay “What Is Different About Digital Strategy?,” the process of digitization is, on the one hand, not new; but at the same time, the current technological changes and associated strategic challenges are profoundly different. Adner et al. (2019) argue that the initial transformation associated with digitization was essentially a shift in “representation”—from a world of analog in some form to digital. They argue that the impact of this change on firms and industries, while profound, could be understood with the existing conceptual tool kit of the strategy field. The second wave of impact of digitization associated with connectivity heightened the role of network effects and platforms. The strategy field has been animated greatly by the emergence of these considerations. However, Adner et al. (2019) take us beyond this digitization 2.0, as it were, to a new epoch driven by how data can be aggregated, leading to our current era of mass customization and artificial intelligence (AI)-based predictive systems. With the three conceptual pillars of connectivity, aggregation, and representation, Adner et al. (2019) walk us through the essential features of the set of emergent business strategies. Furthermore, they use this same apparatus to lay out important conceptual foundations for the consideration of market and organizational design in this new digital era.

The powerful role of network effects and strategic advantages of an installed base has, at this point, been long appreciated by the strategy field. Llanes et al. (2019) take us beyond these established ideas and provide interesting insight as to what the role of network effects and the role of complements might say about more or less effective entry strategies. Our existing analysis of network effects tends to suggest a kind of “end of history” narrative as to how existing advantages are self-reinforcing. However, as Llanes et al. (2019) note, firms can choose to act in what they

term a “cooperative” manner in which the firm makes a conscious choice to heighten the complementarity between their offering and the existing dominant network product or platform. Alternatively, the entrant in a particular domain might bundle, both technologically and in pricing, its offering with other products or services in which it has an established base. Such bundling allows for an enhanced level of complementarity among offerings that may negate the network advantages of the established firm.

In “Forking, Fragmentation, and Splintering,” Simcoe and Watson (2019) also push us to have a more nuanced view of network effects—not as a monolithic force of market dominance but as a process of technology evolution that may lead to multiple parallel pathways. Simcoe and Watson (2019) argue that in analyzing the parallelism in the process of “forking, fragmentation, and splitting,” it is important to distinguish between instances of what they term *strategic incompatibility*, where the incompatibility is a consequence of strategic choice, and instances of coordination failure, where all parties would benefit if standardization could be achieved. Simcoe and Watson (2019) develop an analytical model that provides a clear delineation among the distinct processes of “forking,” “fragmentation,” and “splitting” and enrich this analytical structure by mapping their analysis to some of the central cases of the evolution of standards: browsers, instant messaging, modems, Unix, and that early case of railroads.

Barach et al. (2019) provide a nuanced analysis of the role of big data and two-sided markets in the context of labor markets. Increasingly, more firms are relying on platforms for access to a large pool of potential workers and for the data and algorithms that facilitate the evaluation of that latent pool. Barach et al. (2019) examine the subtle interplay between these third-party platforms and focal firms’ own human resources (HR) function. In particular, they

highlight the role of the firm's own internal HR screening capability as a critical factor in mitigating the bargaining power of the large platforms that have emerged. Using an extraordinary data set that draws from the evaluation of the platform and firms' actual hiring practices, the authors are able to validate their argument and show how firms' reliance on the platform varies with the stage in the hiring process (initial rounds of screening versus ultimate hiring decision), the scale of the particular labor market, and the firm's experience with the platform. As a result, we are given a rich sense of the interplay between these new market makers and traditional HR practices.

Finally, Tajedin et al. (2019) provide a broad perspective of a knowledge-based view of organizations, crowds, and platforms. Central to their argument is a problem-solving perspective in which they contrast how directed or undirected the associated search processes are. In particular, they contrast settings in which the firm has a fairly well-defined problem, leading to what they term a situation of "directed search," for which "crowds" may be an effective structure versus settings of greater ambiguity and less directed search, for which one may be more likely to

observe market (platform) forms. Further, they suggest that digital platforms are facilitating novel mixes of hierarchical and market forms.

As strategy scholars, it is important to engage with important ongoing changes in our business environment. However, while engaging with those dynamics in practice, it is important to maintain and construct intellectually robust conceptual structures with which to view these phenomena. The articles in this issue provide important elements of such a conceptual apparatus in the context of some of the most profound changes in our business landscape.

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