

5.9: Pitfalls and Lessons in Applying the AAA Framework

There are several factors that companies should consider in applying the AAA framework. Most companies would be wise to *focus on one or two of the “A”s*—while it is possible to make progress on all three “A”s, especially for a firm that is coming from behind, companies (or, more often to the point, businesses or divisions) usually have to focus on one or, at most, two “A”s in trying to build competitive advantage. Companies should also *make sure the new elements of a strategy are a good fit organizationally*. If a strategy does embody substantially new elements, companies should pay particular attention to how well they work with other things the organization is doing. IBM has grown its staff in India much faster than other international competitors (such as Accenture) that have begun to emphasize India-based arbitrage. But quickly molding this work force into an efficient organization with high delivery standards and a sense of connection to the parent company is a critical challenge: failure in this regard might even be fatal to the arbitrage initiative. Companies should also employ multiple integration mechanisms. Pursuit of more than one of the “A”s requires creativity and breadth in thinking about integration mechanisms. Companies should also *think about externalizing integration*. Not all the integration that is required to add value across borders needs to occur within a single organization. IBM and other firms have shown that some externalization can be achieved in a number of ways: joint ventures in advanced semiconductor research, development, and manufacturing; links to, and support of, Linux and other efforts at open innovation; (some) outsourcing of hardware to contract manufacturers and services to business partners; IBM’s relationship with Lenovo in personal computers; and customer relationships governed by memoranda of understanding rather than detailed contracts. Finally, companies should *know when not to integrate*. Some integration is always a good idea, but that is not to say that more integration is always better.

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