

**1. Why is the 'dynamic capability' important in this era? What does it mean these days?**

Dynamic capabilities are the firm's ability to add, subtract, and modify its resources, which includes the ability to understand the directions in which these changes must lead in order to maintain competitive advantage. These capabilities are more necessary now than when they were first identified 20 years ago because the world economy is more subject to change and unpredictability. Globalization has produced complex interdependencies in supply chains and markets. Digital technologies have disrupted long-established business models, reduced barriers to entry, and enabled start-ups to challenge incumbents anywhere in the world. The speed at which new technologies are brought to market has declined drastically. The political and financial systems of developed economies are proving less stable than had long been assumed. The uncertainty generated by these developments requires firms to be ready to respond rapidly with well-adapted strategies. This is the essence of dynamic capabilities.

**2. Even with creative ideas and excellent skills, it is difficult to make profit from them. What do you think is the most important factor or point of view firms should consider when they develop innovation strategy?**

The most important question an innovator can ask is how much people are willing to pay for the innovation. Assuming the answer is an attractive amount, there are two key follow-up questions (which are addressed more fully in the work that I and others have done on the "Profiting From

Innovation" Framework). First, how well can the innovation be protected from imitation? Second, what assets and capabilities are needed to bring the innovation to market? This requires investments and alliances. These lead to a number of subsidiary questions: What's the best patent strategy to protect, support, and advance the innovation? Is there a bottleneck asset in the supply chain that might limit profitability? How open should the innovation's ecosystem be? And so on.

### **3. Agile strategy is attracting much of Korean firm's attention nowadays. What do you think of the Agile strategy?**

Agility (internal and external speed and flexibility) is a product of strong dynamic capabilities. The use of agile teams is one way to break the hold of corporate bureaucracy. However, the use of teams and agile thinking are not the answer for every business question because agility involves costs as well as benefits. Organizations must know when, where, and how much agility they need. Agility is most needed when the company is racing a competitor to market or when an industry is at an inflection point. Agility may be worth institutionalizing for new product development, but the benefits may be less worthwhile in the accounting department. For products with long lifecycles, it may be more important to have resource slack than to maintain just-in-time parts inventories. It is vital to resist imposing a single management model in every situation. The dynamic capabilities framework is an approach to solving problems, not a one-size-fits-all solution.

### **4. You recently visited Korea. What do you think of the strength of Korean firms? How can**

### **Korean companies become more competitive in the global market?**

The best Korean firms, such as Samsung Electronics and Hyundai Motor, are world-class. Samsung, for example, began a concerted effort in the mid-1990s to develop its industrial design capabilities in support of greater brand recognition. This farsighted strategy, in addition to helping to differentiate all its product lines, prepared the company to take advantage of the smartphone opportunity when it arose. Korean cultural products, including pop music and television dramas, have found a worldwide audience, raising the profile of all Korean businesses. There are, of course, still opportunities for improvement. Samsung, for all its hardware prowess, is still playing catch-up in software capabilities and has been having difficulty getting its Bixby intelligent assistant ready to compete with Apple's Siri and its rivals. Korean management is also in catch-up mode, with most companies still too hierarchical. Strong dynamic capabilities require a flatter organizational structure. The continued dominance of the chaebol is also a problem because it limits the growth of a start-up culture. Start-ups are often the best means of introducing new ideas into an economy.

### **5. Do you have any global companies in mind, good at innovation strategy these days? Why? Can you give an example for us?**

Amazon is one example of a company that has successfully adapted to a wide range of sectors. Instead of sticking to its original e-commerce business model, it built a seamless marketplace for third-party sellers, successfully monetized its underlying "cloud" infrastructure, and expanded into the production of well-regarded television programs. As this example demonstrates, innovation

should be understood to include business models and organizational structures, not just technologies and products. Other companies worth studying include General Motors, Lego, Microsoft, Tesla, Uber, and Wal-Mart.