

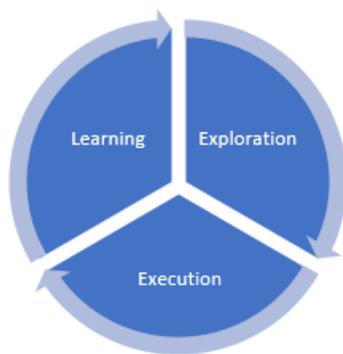
Artificial Intelligence is Shifting Traditional Notions of Competitive Advantage

Renuka Gamage
MASc, MBA, PMP, CMP
January 05, 2021

“Consistency is the playground of dull minds”

— Yuval Noah Harari, *Sapiens: A Brief History of Humankind*

Traditional sources of competitive advantage (**CA**) focus on relatively static aspects that allow companies to gain greater market share. Proprietary assets, distribution networks, access to customers, and ability to scale are the goals companies set to better position themselves in the market. How can Artificial Intelligence (**AI**) reframe a company’s competitive advantage?



Reframing CA

AI adds a new dimension to the concept of **CA**, and it can signal to a company the need for a fluid and dynamic reassessment of its strengths. A corporate entity, for instance, can complement its proprietary assets by collaborating with competitors, as the quality of the machine’s output improves when an algorithm incorporates more and more data. Algorithms learn from experience, allowing the company to explore new opportunities and exploit existing ones. In such a scenario a company can effectively navigate uncertainty and rapid change.

How do companies redefine competitive advantage using AI?

Spotify’s AI strategy. Founded in 2006, Spotify became the world’s most popular music streaming service in April 2020. Moving on from song discovery aided by radio DJs, music streaming platforms such as *Pandora* in the 2000’s adopting manual curation and tagging to drive song recommendations, Spotify’s number of premium users has soared to 133 million. The discovery and adoption of manual curation and tagging, however, was not sufficient to serve the outsized growth of the music streaming phenomena. Competition from similar platforms such as Apple, Tidal, SoundCloud, Amazon, and Google forced company managers to find new strategies to attract and retain customers. Spotify adopted AI and machine learning to discover and act on insights from external data and user behaviour to enhance the user experience. Data drives decisions at Spotify. Personalization, again with AI and machine learning programs, is also a key element to the Spotify’s superior user experience and assists it to maintain a competitive advantage

through a deeper understanding of their customers.

Airbnb AI Strategy. With millions of listings on Airbnb's platform, it not an easy task to sift through the listings to provide guests with the perfect accommodation match – while at the same time preventing fraud, helping hosts optimize pricing and analysing guest's behaviour through screen tests. Airbnb has developed a competitive advantage by leveraging conversational AI and machine learning to improve its customer experience, assess safety and to improve discoverability.

AI is no longer an elective option. It is a proven enabler that excels in performing tasks quickly and accurately based of learned experience. Computer programs are super-fast at logical reasoning, while humans excel in pattern recognition with parallel processing capabilities. It is crucial for companies to identify how their workforce and machines can work together to create a greater competitive advantage in the way Airbnb has done.

How can a company optimize its personnel and machine capabilities?

First, digital transformation is not an outside-in process - the focus must be within the organization itself. Second, change in work is unavoidable. When challenges are many, agility becomes even more essential. In order to understand what is real and to ensure that the work is done right, decisions often need to be reconsidered. Leaders must quickly move from “what happened” to “why is this happening, and what will happen next?”

Leaders must also manage how the workforce seamlessly adapts to repetitive functions being replaced by algorithms. Such an adjustment requires a thorough assessment of both human and technology imperatives. It requires a higher level of reflection and empathy. Leadership's engagement with teams, acknowledgment of their concerns, sharing with them management's commitment, all further organizational resilience.

It is vital to manage the reality before us in order to achieve short and longer-term goals. As even more challenging circumstances arise in the future, those who have built robust organizational capabilities will survive and prosper.

References:

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To schedule an initial complimentary consultation, contact [Renuka Gamage MAsc,MBA,PMP,CMP](mailto:Renuka.Gamage@bonarinstitute.com) at rgamage@bonarinstitute.com