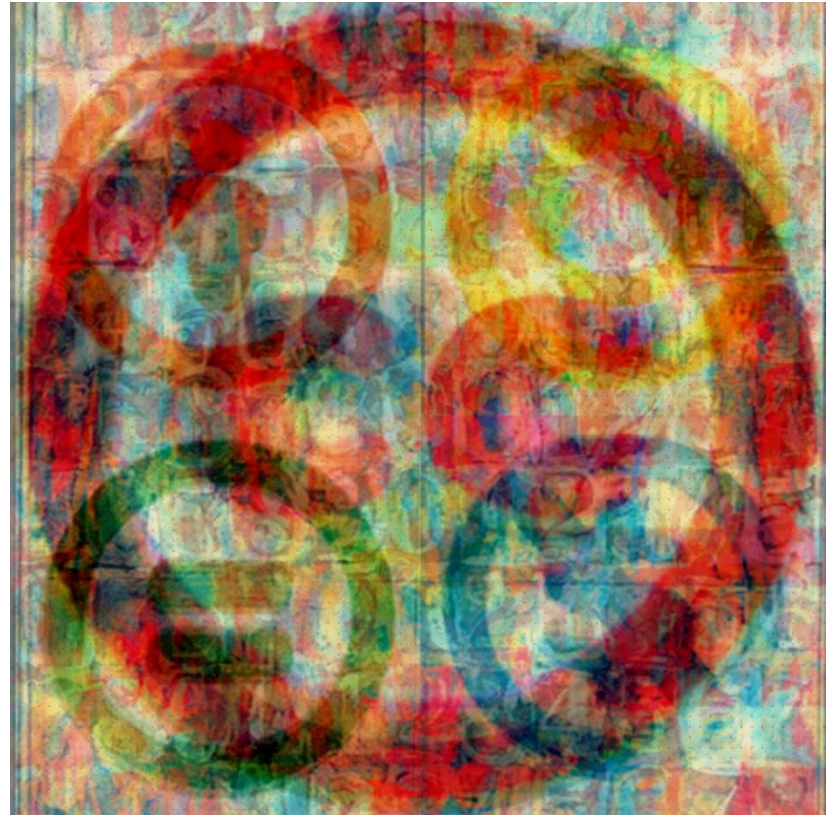


# Social Media Sensing for the Competitive Advantage of Firms

Strategy, Competitive Intelligence and  
Media (Excerpt)

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## Abstract

The rise in interest of social media has caused a new wave of excitement and investment in startup firms in the last few years, especially in Silicon Valley, California. The growth rates of Myspace.com, then Youtube.com, then Facebook.com and now Twitter.com have fueled the public visibility of the phenomena. The large acquisition valuations for Youtube and Myspace, the investment by Microsoft in Facebook, and speculation of potential acquisitions of Twitter have contributed to mass media and online media coverage of their growth and success.

Social Media is heralded as the next great wave in Web 2.0 technology transforming internet usage as well as becoming a media channel worthy of significant investment dollars as part of an organization's evolving communications and marketing strategy.

Unlike most prior forms of advertising and communications strategy, social media offers structural features that make it a standout both as a divergent form of consumer interaction and as part of the new frontier of media influencing strategy for brands, especially consumer brands for now. Lastly, it is a challenge both to brands and digital agencies who serve these firms because of the rapid expansion of alternatives for using the right social media platforms, the right tools, and understanding various uses of the data to inform strategy and allow transformative execution within the firms that use these new media channels.

## Overview

In this paper, I first introduce David Teece's notion of "Sensing Seizing Transforming" (SST) framework, part of the Dynamic Capabilities literature, in the context of using social media for the strategic imperatives of the firm. Then I introduce "Social Media Sensing" as a new paradigm of analytics and strategic planning that allows innovative firms the opportunity to create and expand competitive advantage using the emerging social media platforms and channels. Finally, I extend the traditional Porter's Five Forces strategy framework by including two key intersection points with the dynamic capabilities framework: Complementary assets and Co-specialization of assets. This intersection at the boundary of the firm acts as a bridge into Teece's dynamic capabilities and by extension into social media sensing.

I then show that the properties of social media provide a natural avenue of extension of Teece's framework, as well as an emerging growth area of technology, user generated content, and analytic tools in which to apply the frameworks in practice. Not only does this provide a platform for consulting service innovation, but it leads naturally to a new basis of competition and to a potential disruption in the way in which firms will invest in advertising, marketing and research. This will affect firms in a series of industries overtime, as the diffusion of this technology and the paradigm cross from early adopters to mature and "stable" industries. While initially we thought of social media as just a new media channel; its growth rate, expanding platforms and tools, changes to business models, person-group-person interaction structure and bi-directionality will lead to fundamental changes in strategy and competitive dynamics and these will trickle through several industries over the next decade.

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## Background

Firms continually look for, develop and execute new means of building competitive advantage. In recent years, more emphasis has been placed on tangible implementation or “execution” by the organization to achieve strategic outcomes in practice. This was popularized by the recent book “Execution”, by Lawrence A. Bossidy. At a naïve level “strategy can be represented and described and shared” and therefore is less protectable than organizational and physical capital, but *execution* requires specific tangible, physical and intangible assets to make it happen. In particular, employees partners, distribution channels, and access to operating processes and supporting software are very distinct to each firm; and their combinatorial combinations are therefore extremely unique. So by coupling of a specific strategy to leverage a set of specific assets gives the potential for a non-replicable advantage. In the big picture, assets include humans, with their myriad skills and talents. But humans are employees, partners, customers, and the driving force of social media as participants.

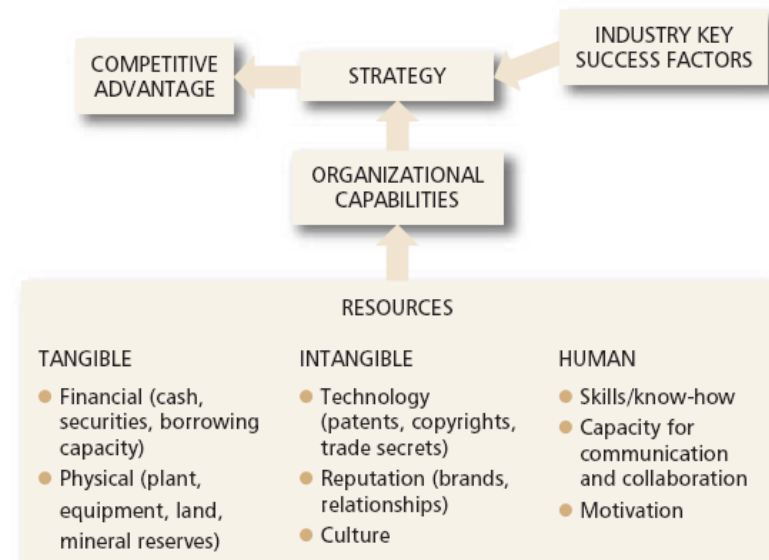


Figure 1. Different forms of assets influence competitive advantage and strategy  
Grant, Contemporary Strategic Analysis, 2008

In your firm, what (and who) are your invisible assets?  
Those that do not occur on the balance sheet?  
How do you protect and manage those assets?  
What motivates them to “self-manage”?

## The Architecture of Competitive Advantage

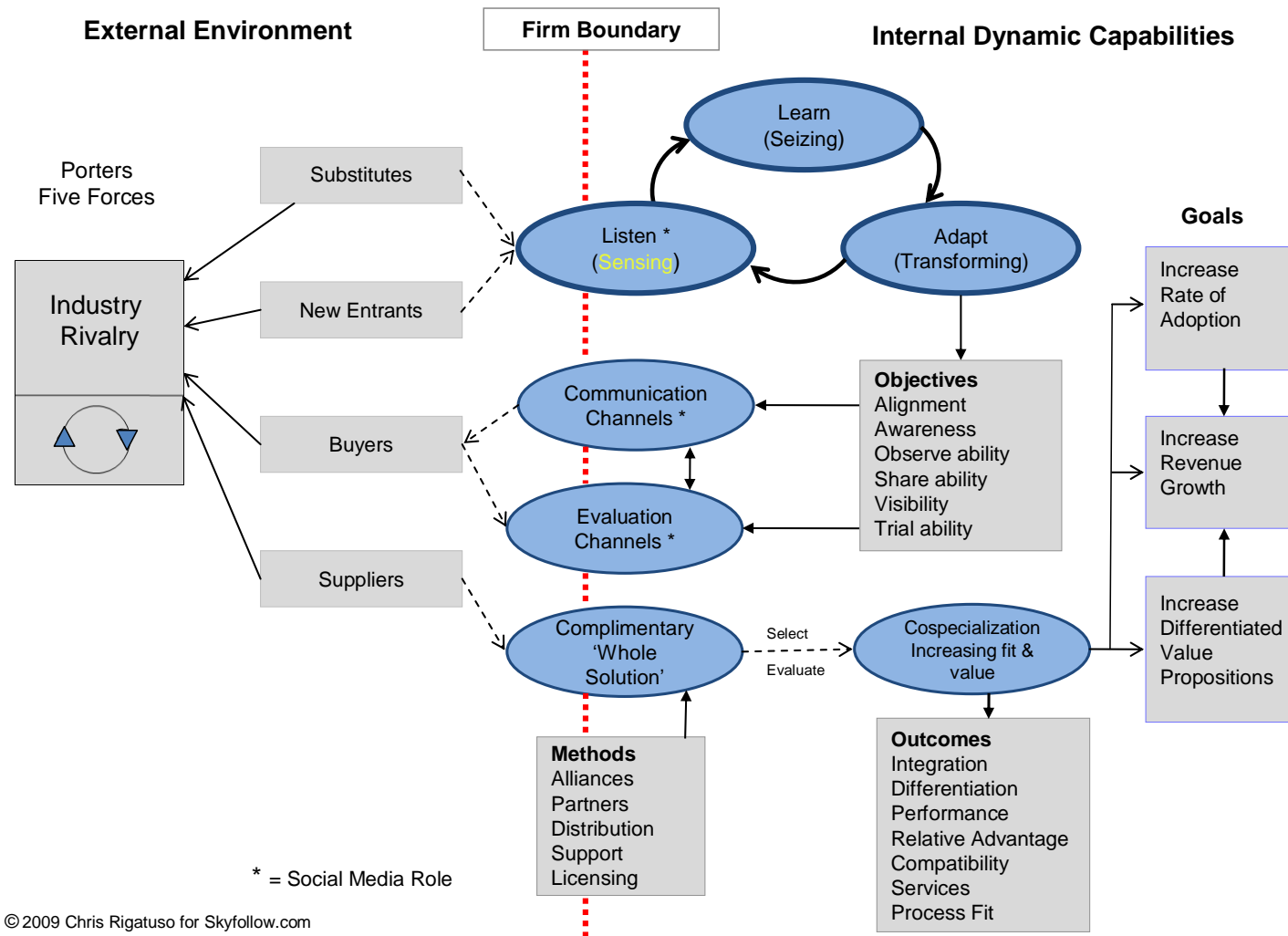


Figure 20. The new Architecture of Competitive Advantage extends the notion of competitive forces from the Porter view, dominated by external industry analysis, to one of dynamic capabilities and linkage to corporate strategic goals.



Chris Rigatuso is co-founder and partner at Skyfollow Consulting Group (SCG). Chris was one of the first artists on the internet in 1994, while he was Director of Marketing at Synergy Computer Graphics. Today he is an analyst, consultant and CEO at SCG focusing on Strategic Social Media Analytics. Skyfollow uses advanced tools and data collection methods to link corporate strategic objectives to social media campaigns and social media sensing imperatives for competitive intelligence, market research, media planning and increasing innovation for product planning and brand positioning. Chris's background includes investment banking, product management, marketing strategy, business development, training design, competitive strategy and entrepreneurial roles.

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