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MIT COMPUTER SCIENCE AND ARTIFICIAL INTELLIGENCE LABORATORY (CSAIL)

ARTIFICIAL INTELLIGENCE:
IMPLICATIONS FOR BUSINESS STRATEGY

ONLINE SHORT COURSE

MODULE 1 UNIT 4
Video Transcript

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MIT AI M1 U4 Video Transcript

TOM MALONE: There're many ways to analyze business strategy, but in this course we'll focus on the classic framework by Michael Porter who pioneered the modern academic field of corporate strategy. This framework is particularly relevant for thinking about the ways of using AI to realize strategic advantage in business. Porter distinguishes three generic strategies companies can use.

The first is cost leadership. That is, being the low-cost producer of some product or service. The second is differentiation. That is, being unique on dimensions that are important to customers, like quality. And the third is focus. That is, tailoring products to a narrow segment of customers rather than trying to please all customers with a single product. In this course, we'll see many ways AI can be used to help you do these things.

For instance, AI can help reduce costs by improving operations, by making them more efficient, by reducing the risks of losses from things like fraud and so forth. In some cases, this involves automating tasks that were previously done by people, but can now be done more cheaply with AI. For instance, using robots instead of people in manufacturing can sometimes reduce a company's costs for making the same products and, thus, give them a strategic advantage from cost leadership.

But, as we'll see, this is by no means the only way AI can be used for strategic advantage. AI can also help create better products by, for instance, incorporating new features that were never possible before. For instance, part of Google's competitive advantage in online search comes from the intelligent features in its software and databases that help it rapidly deliver very helpful results, sometimes even including direct answers to your questions.

And the ability of systems like IBM's Watson to help doctors diagnose patients by drawing on vast amounts of knowledge from medical literature also has the potential to provide significant competitive advantage from better medical treatment. Finally, AI can help understand the unique needs of small groups of customers, often even single individuals, and tailor products to these particular customers.

For instance, the recommendation engines from Netflix and Amazon can provide strategic advantage for those companies by recommending specific books and movies that are likely to be interesting to each individual customer. Usually your strategy for using AI should be consistent with your company's strategic approach in general.

For instance, if your whole company or your part of the company focuses its strategy on being the low-cost producer, like Walmart does, for example, then you should probably try especially hard to find ways to use AI to reduce costs. But, in some cases, you may be able to see ways to effectively use AI strategies that are different from your larger business strategies. And, in some cases, you may even see ways that AI could support a whole new strategy for your whole company.

Did you understand all the concepts covered in this video? If you'd like to go over any of the sections again, please click on the relevant button.