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Year in Review

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# Thoughts and themes for 2024: GenAI, Web3, Ecosystems, Innovation & Industry Dynamics

*What I learnt from 2023, what we should expect in 2024*

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Dear friends and colleagues,

I have sent a 'round-up and forecast' for the [last two years](#); this year my musings have taken the shape of 'thoughts and themes'. I have organised them by headings and have expanded text on each, which you can read by clicking on the highlighted text below. For those of you interested to read even more, I then share some about the courses, cases, research, events, and projects we have been working on with Evolution Ltd that have shaped my thoughts and themes. We are always interested to hear back and learn from your expertise and ideas!

## **Making sense of GenAI and preparing for the future**

- 1 GenAI may contribute to corporate inequality, though it holds potential to narrow performance gaps among employees.
- 2 AI's focus on individual tasks might lead us to overlook broader strategic considerations. Forward-thinking firms will leverage GenAI to redefine business models and ensure long-term viability.
- 3 The impact of AI on businesses varies across sectors, prompting the question of when and how companies should develop GenAI skills.
- 4 Effectively conveying genuine expertise in a market saturated with GenAI-generated content becomes crucial, and newly difficult as the divide between presentation and actual substance becomes harder to detect.

## **Metaverse and Web3: Learning from the hype cycle**

- 5 The Metaverse was over-hyped and it deflated, but the idea has substance and has not gone away. Keep an eye out for its resurgence in 2024. In the meanwhile, it offers a useful parallel to compare with the GenAI hype happening now.

## **Ecosystems: Corporate strategy & regulation**

- 6 While ecosystems can unlock new value, they can also confer excessive powers on their orchestrators – which has important implications with the rise of AI.
- 7 There are many areas where ecosystems can offer real private and public benefit, not least in terms of the environment, but they need to be put together and this isn't trivial.
- 8 How can a corporate parent add value to its offspring, and to the ecosystems they spawn? From portfolio focus to building within-firm value and managing the downsides.

## **Innovation and Industry dynamics – and why they matter**

- 9 Many of the patterns we might label "disruption" are more subtle than they might at first appear. Innovators aren't always outsiders, and incumbents are often smarter than assumed.

I also share news on the forthcoming LBS open enrolment executive education course on [Next Generation Digital Strategies](#) and updates on [research](#), [engagement with practice](#), and [Evolution Ltd projects](#).

# Making sense of GenAI and preparing for the future

## 1. The impact of GenAI

Undoubtedly, 2023 was the year of GenAI – its remarkable rise matched only by the hype. The technology moves so fast that most predictions are obsolete before the ink is dry. However, we can still anticipate its likely impact by drawing on similar transitions and the earlier history of AI – before GenAI transformed computational statistics into a sophisticated system of prediction and reconfiguration that can look a lot like meaning.

Back in 2021 I co-authored a [paper](#) that looked at the structure of the AI ecosystem and its impact for firms around the world. The evidence was clear: AI significantly increased corporate inequality. It helped Big Tech and other digital natives, who could leverage it through abundant A/B testing and experimentation. Other organizations, meanwhile, struggled to integrate it in their operations. **AI also widened the gap between “regular” and “superstar” firms**, raising concerns about competitive dominance and its abuse.

GenAI seems likely to follow [a similar path](#) to its forebear. On the one hand, a small clutch of cash-rich, digitally enabled firms are keen to benefit from it and have the organizational wherewithal to integrate it. But many others, driven by FOMO, are **prioritizing GenAI with precious little understanding of what it can and cannot do**. No doubt, GenAI may enable some new, small startups to compete – but it probably won’t democratize economic activity.

Zooming in to an internal and individual perspective, the recent [BCG/BHI HBS study](#) revealed that **GenAI helps underperformers more than star employees**. It’s better for creative recombination and double-checking than for finding the “right” answer to a problem. So while it undoubtedly outcompetes your average employee or specialist at certain tasks, it still [dents productivity in others](#), as employees are lulled by implausible solutions they have not thought through. Moreover, GenAI is better at taking directions than providing them; and so far it struggles with the deeply human aspects of coordinating an organization – politics, emotions, empathy. And it’s important to remember that **all the impressive productivity improvements we see are for modular tasks**, while most organizations’ work, especially outside the tech sector, remains non-modular and affected by regulation. Thus, AI is only adopted within certain *pockets* of an organization, rather than root and branch.

## 2. A deeper understanding of GenAI

The breathtaking speed at which GenAI has been adopted is a direct consequence of the way it was **designed: with the individual user in mind**. GenAI was developed by smart, ambitious engineers who were given free rein to design a technology that could change people’s lives – as opposed to eyeing monetization and business uses downstream. This led them to create tools that help *individuals* first and foremost. As a result, corporate take-up has lagged behind, with some firms foolishly banning GenAI outright. (One such ban at Samsung prompted some employees to resort to using their personal accounts, unwittingly – and rather counterproductively! – exposing valuable source code.)

Businesses the world over are focusing on how GenAI can improve efficiency. While that's a great start, it still misses the broader point – because [AI can do so much more than carry water](#). First, it provides an intelligent baseline for changes that can spark conversation with executives. Second, it can help redesign the way decisions are made. Interactive AI tools that sift through internal and external information can be calibrated to help firms rethink their whole business plan and surrounding landscape: monetization, positioning, value proposition and ecosystem strategy. Finally, in some sectors and for some business models, AI may challenge firms' very ability to survive.

Consultancy is a case in point. Given that the new MS Copilot can write text at the level of experienced professionals and prepare good-looking slides for pitch decks (as Wharton's Ethan Mollick shows in a [recent post](#)), which parts of the consulting value-add will survive GenAI, and which may simply be displaced?

### 3. Using GenAI for positive change: capability design

So far, the **advice seems generic**: “**Experiment** and push your organization to adopt AI.” The obvious response is, “Sure, but how much do I need to do, given the disruptive cost to operations?”

Looking at my own industry, AI poses profound questions about (business) educators' right to exist. Faculty, administrators and other stakeholders must all consider how a business school looks in an AI world. And once we know our destination, we have to decide how to reach it, in terms of both content and competences. What skills do we develop in-house, and which do we seek from outside? How do we change our ecosystem plan? And when it comes to driving change within the organization, where can we rely on bottom-up adoption and where do we implement from the top down? Our value proposition must adapt.

This is where having a framework on what types of changes affect your organization (and why) is useful. Working through such a framework (more on this below), we see that business schools fit the category of “ripe for disruption”. AI brings changes in the way students write projects (and as such, how we should evaluate them) and also in the technologies that can be used for teaching, engagement and experimentation. But beyond rethinking *how* we teach, we also need to look at *what* we teach: we must provide graduates with skills that work with existing technology, but also offer them what they need from us as an institution.

Other organizations whose value proposition rests on pattern identification and an adaptive response (from law to healthcare to advisory) will potentially be affected too. However, they may also find, perhaps counterintuitively, that regulation at the level of a profession or a sector may offer them some valuable protection. Figuring out **which parts of your business model is under threat**, and whether AI should be deployed tactically or if it affects monetization and firm survival, will shape the way you design your AI capabilities. It will also determine who owns the AI transformation – the CTO/CDO/CIO or CSO and CEO – and how coordinated/top-down or bottom-up AI adoption should be. I expect that in 2024 we'll move [beyond use cases](#) and towards skills for setting up an AI strategy, and begin to rethink how AI will change our organizations' strategy.

## 4. The need for rigour in a GenAI world

We're all looking for answers – and GenAI itself can provide some, guiding users as to how it should itself be used. So whom do we trust to show the way? Top consultancies, and the handful that have invested in thought leadership, have seized the moment. But does the rigour of their advice stand up to closer inspection?

Consider, for instance, [this bold headline](#), widely reported in the press, that “AI could increase corporate profits by \$4.4 trillion a year.” Even after a careful read through of the full report, I couldn't understand this conclusion might be reached – so I emailed the lead author and the head of McKinsey's MGI to enquire how the calculation had been made. The answer was disarming: they worked out economic benefits from the bottom up, identifying AI use cases and quantifying potential savings from substituting expensive labour, then threw in quality improvements from personalization, prorated as revenue earners. These benefits were then multiplied by an estimate of the size of the market, yielding a gratifyingly large figure for “economic value”. While some nuance was lost in translation – perhaps by a careless copy-editor – the bottom line is that the firm itself still heralded \$4.4 trillion in additional yearly *profits*.

Such a figure makes little economic or strategic sense: in the absence of massive competition distortions, the benefits of any technology that is freely available to all will soon be competed away. While AI may accentuate some competitive inequities, its biggest impact – on consultants as much as anyone – will be to erode profit. And all we know about the impact of AI and similar technologies is that it increases profit inequalities. So, while the analysis sounds plausible and has data, extrapolation, and a lot of polish, it may still mislead. This sort of figuring, in the era of AI, could be the basis of further misrepresentations that lead to a serious problem.

Microsoft's CoPilot and others to follow can create professional-looking analysis. This means that preparing a snazzy report, based on premises that sound sensible but later turn out to be wrong, has become a commodity rather than an integral of the consulting value proposition. This also raises the question of how advisors, managers and boards will make decisions. **If we can now create plausible-sounding stories with a click, who will check what's right and wrong?** Consider one finding of the broadly publicised BHI/BCG study, which made rigorous comparisons among 700 consultants with and without the aid of GenAI. For creative stuff – where there are no right or wrong answers – the AI shone. But when there was a problem to solve, GenAI misled its users, leading to value destruction. When AI bends the truth, who will sound the alarm?

This is where the question of rigour and quality control comes in. A decade ago I was involved in the 50<sup>th</sup> anniversary [celebration](#) of the *McKinsey Quarterly*. Ironically, one of our conclusions was that practitioner guidance lacked three essential safeguards: a built-in push for rigor, a proper review process and a museum of unworkable ideas. Over the last few years, I've seen commercial pressure make advisory, well, more commercial, as evidenced by burgeoning scandals and critics' gripes. GenAI will ignite these underlying issues – and a **“new and improved” business academia** will have a pivotal role to play.

## Metaverse and Web3: Learning from the hype cycle

### 5. Lessons from the Metaverse

Even as I wrote my note last year, the Metaverse bubble had begun to burst. (Although that didn't deter [consultants from predicting](#) revenues of \$5 trillion.) In a paper just [published](#) in *Industry & Innovation*, my co-authors and I explain how Big Tech and investors alike placed huge bets on the Metaverse, but users did not share their excitement. Big Tech viewed the Metaverse as insurance against disruption. Some FMCG brands tried to create a buzz, while others blindly piled in, driven by FOMO. This suggests that firms don't only disastrously *under-spend* on innovation but, for predictable and avoidable reasons, *over-spend* by misallocating resources. At the same time, the AR/VR ecosystem wasn't ready, there was no killer use case, and greed among ecosystem orchestrators impeded contributors from creating value. All these lessons are useful reminders with the excitement about GenAI – which has real use cases and potential but can still lead to wasteful investment if we all lose our heads.

In another project, undertaken by Evolution Ltd on gamification, a key part of the Metaverse, we saw a surprising **lack of focus on business implications**. Contrasting 40 winning and losing efforts in a recent *CMR*, [we found](#) that virtualization, social comparison and tangible rewards explain the pathways to success with gamification, and that firms do best when they focus on one or two objectives rather than all three at once. The problem, again, is that firms thought “technology” alone would solve a problem. It can't, and it won't. Tech is nothing without strategy.

I expect 2024 to see an uptick of Metaverse activity. We are currently seeing the **transformation of Web3 and the metaverse from speculative dream to real-world value**. As our recent [Fortune article](#) points out, people are switching from starry-eyed enchantment to finding tangible benefits and viable downstream uses, including lower transaction costs and liquidity for new asset classes through tokenization and authentication. Established players like Salesforce or JPMC are leading the pack on Web3, and Apple is preparing its Metaverse play, appropriately reframed as spatial computing – all of which will strengthen AI engagement still further.

## Ecosystems: Corporate strategy & regulation

### 6. Power and dominance in ecosystems

The dark side of leveraging an advantage is competitive dominance and potential abuse of power. 2023 was a fascinating year in this regard. The UK's Competition and Markets Authority (CMA) challenged Microsoft's \$69 billion acquisition of gaming firm Activision, citing its potential ecosystem dominance as a justification. Later, however, it relented and fell back on more conventional market-power arguments instead – perhaps because it felt that ecosystem theory might not withstand legal challenge. On the other hand, the EU blocked the merger of travel giant Booking.com and etraveli, the owner of online agencies including gotogate.com, on the grounds of ecosystem dominance. At last, the unique challenges raised by the regulation of platforms and ecosystems are attracting the attention they deserve. Although the I/O economics field that has dominated antitrust analysis continues to be more self-referential, work in management is quickly evolving and will hopefully provide alternatives to build a “**theory of ecosystem harm**”.

GenAI will undoubtedly fuel this debate. As the CMA recent [review](#) into foundation / Large Language Models shows, **regulators are rightly watching this space with concern**, given the massive scale needed to win in these activities. Big Tech firms such as Microsoft have moved swiftly to integrate GenAI in their offering to add value and lock in users, and are looking at how they can encroach into new areas, capture new value pools and defend old ones. Regulation and IP protection will play a role in this regard, though rather than focusing mainly on how to regulate AI in the EU, the US or China, I'd also look elsewhere. I think that the real business impact will be driven by sector-level regulation trends – which are, as yet, far less understood – and the way in which GenAI will affect ecosystem dynamics.

This is something worth bearing in mind. While it may be alluring simply to vilify regulation (whether of AI or at the level of an ecosystem or sector) as an “innovation killer”, such a view is ultimately misleading – especially given the emerging patterns of who actually innovates, and how surprisingly *non*-disruptive today's digital economy turns out to be (see Thought 9 below). While Big Tech and its many advisors and academic friends may wax lyrical about the need to stand back and allow innovation to improve our living standards, we need to take a hard look at the evidence.

As MIT's Daron Acemoglu noted in our panel discussion in last year's Academy of Management, a long-range history of technology reveals that it usually creates a few big winners and many small losers. To make matters worse, in the previous industrial revolution, Luddites didn't vote – whereas now **half the planet will go to the polls with their heads full of AI-enabled misinformation and well-founded concerns about their future**. This takes us to the intersection of strategy and regulation, as we try to understand both how value is created and how we should protect society, and this nexus is becoming hotter than ever.



## 7. How ecosystem strategy can help

While taming power is one key theme, another is making ecosystems work – their inherent predisposition to inequity aside. Ecosystems are as indispensable as they are misunderstood. As well as helping firms overcome problems with ageing business models, they can help to address societal and environmental needs that require diverse players to **align and offer systemic solutions**.

Consider, for instance, department stores, the quintessential platforms linking quality brands and consumers under one roof, with new rules (no haggling!). After a long and prosperous run, they're seeing the virtualization of commerce blow up the core of their value proposition, and as older consumers wither away, so do their revenues. What should they do to respond? The answer, I'd submit, is for them to re-engage in a creative way with the emerging new virtual ecosystems driven by influencers and leverage their key asset – fancy locations and a strong heritage – to allow influencers to connect and engage with customers, as well as helping brands create joint value through synergies from cross-category connections. A clever ecosystem strategy needs to be adaptive, focusing not only on orchestrating but also on complementing.

Beyond the perspective of particular institutions, we need ecosystems as a society too, since most of the challenges ahead are systemic: from resolving [traffic](#) issues, to building [sustainable tourism](#) ecosystems, to creating the infrastructure for charging electric vehicles, we need to get old and new players not only to change their business models, but also to adapt. Austria's oil major, OMV, for instance, is trying to rethink its petrol stations as multi-fuel spots where busy motorists will hang out and charge their cars. In Europe, a litany of electricity distributors must not only adjust their infrastructure for renewable energy and two-way charging, but also shape ecosystems that will appear seamless to the end user despite requiring immense work and thought behind the scenes on ecosystem strategy from would-be orchestrators, partners and complementors. This past year, while working with PwC and CEOs of firms that need to participate in ecosystems, it was fascinating to see the distance that businesses still need to travel to become more adept at this game.

**New technologies leave many firms with little option other than to try and carve out an ecosystem position.** Consider how our homes have become battlefields where firms like Google (which acquired thermostat maker Nest) aspire to manage our daily lives and information alike, and how white-appliance firms like Samsung use their fridges as “kitchen” (and information) hubs, allying with other giants like Amazon in order to forestall their incursions into this sensitive area. And consider where this leaves other progressive white-goods firms like Chinese giant Haier. Through its subsidiary GE Appliances, Haier was originally intent on using multi-product ecosystems in the US, as it had in China – yet found that a different market required a very different strategy. Firms need to make some clear-cut ecosystem choices on where to play, what role to take and how to ensure they have a cogent ecosystem plan. For most firms this means [being a better complementor](#), not an orchestrator with ultimately value-destroying delusions of grandeur. Expect the work on adjusting ecosystem strategies to be sustained throughout 2024.



## 8. Adding value to a corporate portfolio

A fascinating project last year was my work with Evolution Ltd and Ahmed Galal Ismail, Group CEO of Majid Al Futtaim, the GCC retailer and property developer, and his SLT. Ahmed approached me and Evolution Ltd with a deceptively simple question: **did the group's portfolio constitute a value-accretive ecosystem?** Upon closer inspection, the question proved to be one of corporate strategy –how could firms add value to each other when they shared some clients and had integrated value propositions. Can businesses realise synergies by creating ecosystems that engage outside as well as – or instead of – internal parties?

A quick side-note on the term “synergy”: along with economies of “scale” and “scope”, synergy is one of strategy's dirtiest buzzwords. While these terms are liberally scattered through PowerPoint presentations, the concepts themselves are far harder to track down in the wild (let alone substantiate in terms of financials or customer benefits!). Most of the case studies in my teaching elective, Managing Corporate Turnarounds, document the results of quixotic quests for “synergy”, usually involving changes in corporate footprint that rarely pay off, even though they pay advisors' bills. Comprehensive [quantitative research](#) with the New York Fed on US banks confirms the pattern, raising the question of why and when firms should expand.

MAF's question also included “ecosystem”, another overused and under-clarified term. Their use, to denote a loosely connected set of offerings, is consistent with what I dubbed “multi-product ecosystems” in the 2022 [California Management Review](#) (recipient of CMR's 2023 “Best Paper of the Year” [award](#), am pleased to add!). Digitalization allows firms to link products and services into experiences and weave them through common platforms and digital infrastructure. This, we found, is where firms leverage their common ownership to create complementarities in consumption or production, using data and personalization – and this is also why Big Tech has raced to expand its services. The next question is whether such synergies require common ownership or can also be established through more *open* ecosystems. And the answer, we posit, depends on coordination requirements and how modular operations are. Even Big Tech is finding this out – as evidenced by Amazon's reconsideration of its own portfolio growth after decades of expansion.

Through our work, we found that there is a systematic bias when it comes to firms' corporate strategy, with advisors (and often boards) having their own reasons to “get the corporate deal done”; consultants, investment bankers and lawyers are all motivated by the fees generated by corporate deals, leaving firms to pick up the pieces. At the same time, new technologies offer the opportunity to live up to part of the corporate strategy hype. In 2024, I believe many more corporates will need to consider not just how to buy and sell corporate entities, but how they can leverage technology to add value both within and across their boundaries.

## Innovation and Industry dynamics – and why they matter

### 9. Rethinking Disruption

As I mentioned in last year's note, a topic of continuing interest is the landscape of innovation in today's economy. Big Tech, in particular, often speaks of the dynamism and turbulence of the digital era. Yet, a cold, hard look at the data suggests otherwise – see, for instance, my colleague and LBS Vice-Dean Julian Birkinshaw's [HBR](#), which won the Best Paper award in 2022. What I find fascinating is that there seems to be an emerging pattern – especially in technologies that are **misleadingly labelled “disruptive”** – where innovative firms are absorbed by incumbent firms or engaged into their ecosystems. This is what [my research](#) with JP MacDuffie and Jenn Tae finds for the shift to electric vehicles and mobility services.

This map of innovation and corporate power stands between Schumpeter's two archetypes: “Mark I”, where entrepreneurs triumph, and “Mark II” where big firms win out. The middle route, “Mark III”, is characterized by a much tighter connection between incumbents and new entrants, with incumbents acquiring, allying with and forming ecosystems around such agents of change. As well as blurring industry boundaries, Mark III also sees an increasing role of incumbents in sectors powered by data, digital analytics and access to customers (a.k.a. Big Tech) in the new industrial order – though here, too, this works through a collaboration with existing leaders. Such a view helps to temper the enthusiasm with the misleading image of disruption and helps provide some more grounded prescriptions – particularly relevant for the increasingly common morphing of physical goods with digital elements. It also reminds us that despite the rhetoric of a world where industrial leadership changes rapidly, there is a **remarkably stable core with an oscillating periphery of firms that supports it, sustaining digital power structures**.

One interesting question for 2024 is which way the capital markets will go. Until 2022, the emphasis was on growth at all costs, with interest rates teetering into negative territory and growth-driven ecosystems (or ventures of any sort) being in high demand, even if they burnt cash. After the interest hike and the inevitable failure of firms like WeWork (and more recently FTX), the mood has soured. But have we learnt? Once rates fall, will we support the follies of the path, or will we be more sensible? And how exactly do the shifting whims of capital markets *drive* strategies by making some plans more feasible, others less so? The question of when and why the capital-market ‘cart’ is put in front of the strategy ‘horse’ is something that I explore in our latest analysis on the strategy of [Grab](#), the \$40bn Asian super-app, co-authored by Grab's ex-policy director and LBS PhD, Nina Teng. We find that while their investment thesis gave Grab the funds at the outset, later on, strategy was driven by excitement in the capital market and what would help raise capital. This is part of an important and ill-understood phenomenon, and I expect that the themes of educating vs adapting to the capital markets will also surface in advisory projects before long.

## From ideas to engagement

### **New course for 2024: Next Generation Digital Strategies – and other LBS initiatives**

Looking ahead to 2024, I am very excited about our forthcoming course on [Next Generation Digital Strategies](#), which will be held at London Business School, April 22–26. This will be a terrific course, covering much of the material you’ve just been reading about. It will feature a truly all-star crew, covering digital competition, platforms & ecosystems, AI, web3 & the Metaverse, the challenges of regulation and putting all this into practice. In addition to myself and my Evolution Ltd colleague Yuri Romanenkov, we’ll have Annabelle Gawer, the platform expert and co-author, my colleague and AI aficionado Ioannis Ioannou, tech supremo Keyvan Vakilli and guest lectures from a stellar line-up including my co-author Martin Reeves, Chairman of BCG’s BHI; Arka Dhar, Product Lead for OpenAI; Jonathan Larsen, CIO of PingAn/CEO of Voyager Fund; Clare Barclay, UK CEO of Microsoft; Martin Bruncko, former Innovation Minister of Slovakia, WEF Europe Lead, VP of Binance and currently Deep Tech investor; Kyriakos Pierrakakis, Education Minister and former Minister of Digital Governance and Minister of State in Greece, responsible for Greece’s rapid government digitalization and others. Check out this [webinar recording](#), a teaser for the packed week, with coaching and learning from a select group – which is why I’m so keen to ensure the right participants are admitted. So, as we’re already hitting capacity for particular profiles, please think about who you might recommend or encourage to apply

In addition to this course, I’ve put together a new course for our LBS Degree Programme entitled “Fairness and Profit in the Digital Economy”, where we will debate and engage leading practitioners, be they industry executives or regulators and our students alike. Also, as a co-Chair of LBS’s AI Taskforce, I’ve been focusing on both how we should use GenAI in LBS and how the rise of GenAI should change not only *how* we teach but also *what* we teach so we can remain relevant, competitive, and true to our mission.

### **New case studies**

This past year I wrote a case on the “Internet of Food” ([an unexpected bestseller!](#)). It looks at how Haier, the Tsingdao-based white goods giant, and their subsidiary GE White Appliances took very different approaches to ecosystems and discusses how businesses can add value with connected home appliances that involve users in co-creating value.

Another case study on the growth and hiccups of the Metaverse, drawing on my work with BCG’s Henderson Institute, will be out shortly. Together with co-authors François Candelon, Director of BCG HI’s and Katie Round, we expand the example of the Metaverse to look at ecosystem failures and at why organizations sometimes over-spend, or mis-spend, around new technologies.

Two case studies around MAF, drawing on the work we've done with Evolution Ltd, will explore the way this retail and property giant responded to both digital threat and opportunities, and consider the challenges of multi-billion firms as they work to adjust their portfolio and value-add.

Evolution Ltd will also shortly publish a case on HDFC, drawing on our work with this exciting Indian insurance firm, which created an ecosystem of offerings in motoring and healthcare. Inspired by PingAn and others, HDFC moved from insurance alone to a bundle of more relatable and more profitable offerings, leading to significant growth in revenue and profits.

Another upcoming case, developed with Alix Partners, draws upon the work I have done in Dubai over the last few years. It follows Abraaj, celebrated as the largest PE firm in the GCC and lauded for its ESG intentions and mission to improve the world, which sadly turned out to be part-truth and part-scam. The case also looks at how Abraaj's Healthcare Fund, invested by the Gates Foundation and other grandees, was saved.

## Research output

Much of my research has been the upstream academic work that provides the foundations for the applied projects described above. Carmelo Cennamo, Annabelle Gawer and I [published a Research Policy sequel](#) to our *SMJ* citation magnet on ecosystems, looking at how platforms and ecosystems not only offer solutions to structural problems but also have pathologies and inherent issues of their own, which lead to functional and distributional issues, including the risk of "ecosystem harm". This is a discussion I expect to see develop rapidly in 2024, and hopefully a workshop co-organized with Annabelle Gawer for the Academy of Management meetings in Chicago this summer with many of the key players in business academe and practice, from CMA Chief Economist to the President of the Australian Competition Authority. I was also delighted to see that my research on regulating platforms and ecosystems was "Highly Commended" by the *Financial Times* in their 2023 [Responsible Research Awards](#).

A study on the over-hyped excitement and over-sold disillusionment with the Metaverse, created with the BCG/BHI team, was published in [Industry & Innovation](#), as were our views on the need of firms to consider the [Digital Social Responsibility](#), or the [significant prospects](#) of Web3 and the Metaverse, as it morphs from anti-systemic pipe-dream to a tool incumbents are increasingly using, both published in *Fortune*. Our follow-on work for 2024 shows how different starting points, resources and competences lead to different orchestrator strategies to capture value, and how other firms monetize their advantage through direct and indirect revenue streams. We're also working on an analysis of 100 Web3/Metaverse projects, focusing on many that didn't take off, to get a handle on both opportunities and pitfalls, and I look forward to continued work in the WEF's Metaverse [Working Group](#). Finally, Dalbert Ma, Konstantinos Trantopoulos, Vassilis Vassalos and I [published](#) in *California Management Review* our Evolution Ltd research project on the business uses of gamification – which draws on Qualitative Comparative Analysis to considers what works and what doesn't.

On the practice side, I also [published](#) in *Strategy+Business* a pragmatic guide for ecosystem strategy “for the rest of us”, as for most firms being an orchestrator of a large and vibrant ecosystem isn’t only a pipe-dream but a dangerous diversion. The focus should be on how best to decide the role, and how to create and capture value as a partner or complementor. Oddly, most of the advice out there assumes everyone has Apple- or Google-like powers and ambition, when the reality is that it needs to operate squeezed by big hyperscalers and dominant firms.

Shifting to industry and innovation dynamics, Wharton’s JP MacDuffie, my former PhD and Temple faculty Jenn Tae and I used the automotive sector and its adjacent mobility ecosystem to rethink the nature of technological disruption and how it affects the existing industrial order. Our [White Paper](#) finds that battery electric vehicles are less modular than was predicted, and that automotive OEMs are engaging in a proactive strategy of co-opting innovative players, bridging products and technologies and ensuring that their relationships can temper competition and funnel technologies in ways congenial to their interests. This has implications for new firms wanting to engage with incumbents, large firms wanting to adapt and regulators trying to gauge the impact of their policies, e.g. through merger control.

I am excited to develop more material on GenAI in 2024 as our projects evolve and evidence accumulates. The articles published in [Forbes](#) this September, and the [Evolution Ltd White Paper](#) on GenAI’s business impact, currently being revised for one of the managerial publications, give you an advance taste – but expect more soon.

## Engaging with practice

Sharing thoughts and learning from leading practitioners is another area of focus, especially in hot areas like GenAI. In May, I shared the stage with OpenAI’s Product Lead Arka Dhar at an LBS & Wharton Alumni [event](#) held at McKinsey’s office, where we discussed GenAI’s future business impact. Delving [more deeply](#) into this topic in September, Arka and I [shared a stage](#) at LBS with Giuseppe Stigliano, CEO of advertising and communication firm SpringStudios, and Claire Mortimer from IBM. This enjoyable session, viewed on the day by a virtual audience of over 6000, was a good reminder that knowledge travels far beyond lecture theatres. GenAI, we agreed, will undoubtedly reshape the world, but it won’t change everything; there are many things GenAI cannot do, and among those that it can, its impact will depend on how it combines with organizations and institutions – as this [Forbes piece](#) explains.

How can advisors make sure they offer value beyond what a well-calibrated AI tool can provide – and that their clients perceive it as such? As I argue in this [short video](#) from my presentation at *The Economist’s* Annual Government Roundtable, executives must start asking the right questions if they want to address the strategic implications of GenAI. Discussions on this topic also happened virtually and in person through the World Economic Forum’s AI Governance Alliance (in which I [participate](#)), and which just released a [report](#) in Davos, indicating the need to move beyond enhancing enterprise productivity to consider the creation of new products or services and, eventually, how we can redefine entire industries and societies. I’ve also enjoyed being the moderator for the WEF’s public (televised) session during the AI Summit in San

Francisco, considering how GenAI can reshape business and what are the regulatory and geopolitical issues around it.

On the regulatory front, I've enjoyed discussions over the year. One [session](#) that stands out, hosted in LBS under the auspices of the Institute for Innovation and Private Capital with the support of Keystone Consulting, was a session on regulating the tech world, with former CMA CEO, Andrea Coscelli and Tech Chief Stefan Hunt, as well as leading academics and practitioners. I've also enjoyed a [session in UCL](#), organized by the indomitable Cristina Caffara and the Hellenic Competition Commission's outgoing Chairman I. Lianos, where we had some fun moments sparring with the President of the UK's Competition Appeals Tribunal, Sir Marcus Smith on the need to regulate ecosystems and the challenges involved. I'm also looking forward to my keynote to the CMA's economists in their meeting early February, on how we can leverage knowledge from management and strategy fields, challenging the monopoly of (consistently intellectually insular, on the whole) Industrial Organization economists.

## Evolution Ltd projects

[Evolution Ltd](#) is the network of independent researchers and advisors that I lead. We work together when the project is right, when there is a true opportunity to apply research for practical impact and learn something new about this everchanging world. Research, alongside rigour and independence, is at the core of everything we do.

A number of the research projects noted above (and others that will find their way through journals) drew on the Evolution Ltd work done this year, including the project with the leadership of MAF on reviewing their internal portfolio and ecosystem approach. This project allowed us to reconnect with leaders like MasMovil's CEO Meini Spenger and Philips' CSO/CIO Jeroen Tas as we sought their views on how value can be created within a firm by managing synergies or reducing the frictions that lead to diversification discounts. In addition to a piece for one of the practice journals, I expect this work to engender research on corporate strategy, as there is still surprisingly little that looks at the granular level (despite volumes on the ifs and buts of diversification). A cool-headed framework may help redress the balance and show managers how they can add corporate value. This is what I found in Tokyo this fall, working with the divisional CEOs of insurer Tokio Marine, and I'm looking forward to seeing how our approach applies with conglomerates in Europe and the GCC.

On building ecosystems, it was great to work in Vienna with PwC/Strategy&'s Johannes Schneider as we set out to tackle the need to facilitate the transition to battery-powered vehicles by building ecosystems for electro-mobility from the ground up. PwC brought together a group of CEOs to discuss behind closed doors how they would imagine the new ecosystem. Energy producers and distributors, makers of charging equipment, automobile suppliers and even fuel distributors all came together to discuss alignment, engage in roleplay and reflect on what needs to change. Expect a white paper from PwC/Strategy& on this topic soon, along with more senior-level interaction workshops. It was also exciting to work on ecosystem design with the International Association of Department Stores' CEO / BoD Chairs meeting, with heads of department stores such as Manor in Switzerland, Magasin du Nord in Denmark,



Palacio de Hierro in Mexico and Chalhoub in the UAE. Building on this, it will be interesting to follow the development of major ecosystem-building efforts such as Lamda's €7bn Hellinikon project of redeveloping a "city within a city" in the Athens riviera.

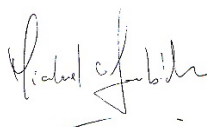
Getting our hands dirty at the intersection of ecosystems, the Metaverse and sustainable tourism (see this [Forbes piece](#) with CapGemini's Elisa Farri), Evolution Ltd is planning to develop a geo-located AR/VR app for Greece's Digital Governance Ministry, also involving [ELLEI](#), Greece's NGO, where I sit as a strategy advisor. On the Web3 side, I am excited about the prospects of this technology and the chance to be part of its development, e.g. sitting also on the Advisory Board of Steam Ventures.

Unsurprisingly, some recent work is more GenAI-focused. To explore how GenAI affects key parts of major corporates, Evolution Ltd is working with SAP and E&Y / Blackline on an event in February that will gather CFOs from M&S to GSK to discuss the shifting role of the finance function. We are also working full throttle this quarter on a project for the UK's Regional Innovation Fund exploring how AI is transforming businesses of every type. Collaborating with an LBS team as well as a team from the UK's Institute of Directors (IoD), we're setting up a series of workshops and surveys of directors. Our ambition is to track the impact of GenAI what facilitates or inhibits firms to use such technology for a broad array of organizations and sectors. We expect to find very different patterns, and different ways in which GenAI is affecting firms' strategic prospects: stay tuned for reports and events in April or May.

Another exciting project is our work with a group of firms, all owned by one of the world's top PE firms and each facing different requirements from GenAI. Our focus will be on how to tailor the capability and ownership of AI issues to the requirements of each company in the portfolio, and I look forward to sharing what we learn regarding what capabilities are needed and how they can be developed.

Finally, looking ahead, am excited to build on our discussions with the leadership of OpenAI, Ericsson, PMI, Peoplecert and Purina and firms such as GBL, SAP, AlixPartners and PwC and strategy-shaping projects with Mantu / LittleBig, and work with BCG and the Henderson Institute. At the macro level, I am hoping environmental degradation will be slower than I fear, for the sake of all our children, though I am still haunted by wildfires in the Amazon rainforest, rapid icecap melting, record temperatures and the risk of non-linear, irreversible changes. I am well aware of how good intentions are easily drowned out by the immediate pressures of lobbies, and how difficult it is to protect this fragile world we live in – whether we look at it globally or at the national or local scale.

As we all try to tackle forces bigger than us, I look forward to productive work that will help inform, improve and impact.



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Evolution Ltd is a boutique advisory that combines frontier research from world-class business academics and technologists with hands-on experience from senior executives to guide organizations in an increasingly complicated environment.

Evolution focuses on digital ecosystems, Artificial Intelligence and their impact on strategy and organization. Its independence and governance structure ensure rigor and bespoke solutions for its clients and inspire hands-on, [award-winning frameworks](#) that shape managerial practice.

Its clients and partners include large corporates, leading consultancies, governments and NGOs. Projects draw on its affiliates' vast experience and connections to global tech giants, startups, disruptors, entrepreneurs, and governments alike to engage key stakeholders in effective conversations and catalyse action.