

Economics of Value Creation and Future of Work: Sustaining Competitive Advantage

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How Firms Create Value?

1.

Reducing the Production Cost
(Cost Advantage)

2.

Increasing to benefits to the
consumers
(Benefits Advantage)

3.

Reducing the Production Cost
as well as Increasing the
benefits to the consumers
(Cost Advantage + Benefit
Advantages)

Value Creation: Four Points VS Westin

VALUE CREATED BY FOUR POINTS:

| | |
|---|-----------------|
| Benefits to Traveler (B) | = \$ 600 |
| Four Point's Cost (C) | = \$ 200 |
| Total Value Created by Four Point (B-C) = \$600 -\$200 | = \$ 400 |
| Four Point Price (P) | = \$ 400 |
| Consumer Net Gain (B-P) = \$ 600 -\$ 400 | = \$200 |
| Economic Profit to Four Point = \$400 - \$200 | = \$200 |



Value Creation: Four Points VS Westin

VALUE CREATED BY WESTIN:

| | |
|---|-----------------|
| Benefits to Traveler (B) | = \$ 900 |
| Westin's Cost (C) | = \$ 700 |
| Total Value Created by Westin (B-C) = \$900 -\$700 | = \$ 200 |
| Westin Price (P) | = \$ 800 |
| Consumer Net Gain (B-P) = \$ 900 -\$ 800 | = \$100 |
| Economic Profit to Westin = \$800 - \$700 | = \$100 |



Value Creation: Four Points VS Westin

CONSUMER NET GAIN

$$\begin{aligned} & \$ 600 - \$ 400 \\ & = \$200 \end{aligned}$$

ECONOMIC PROFIT

$$\begin{aligned} & \$ 400 - \$ 200 \\ & = \$200 \end{aligned}$$



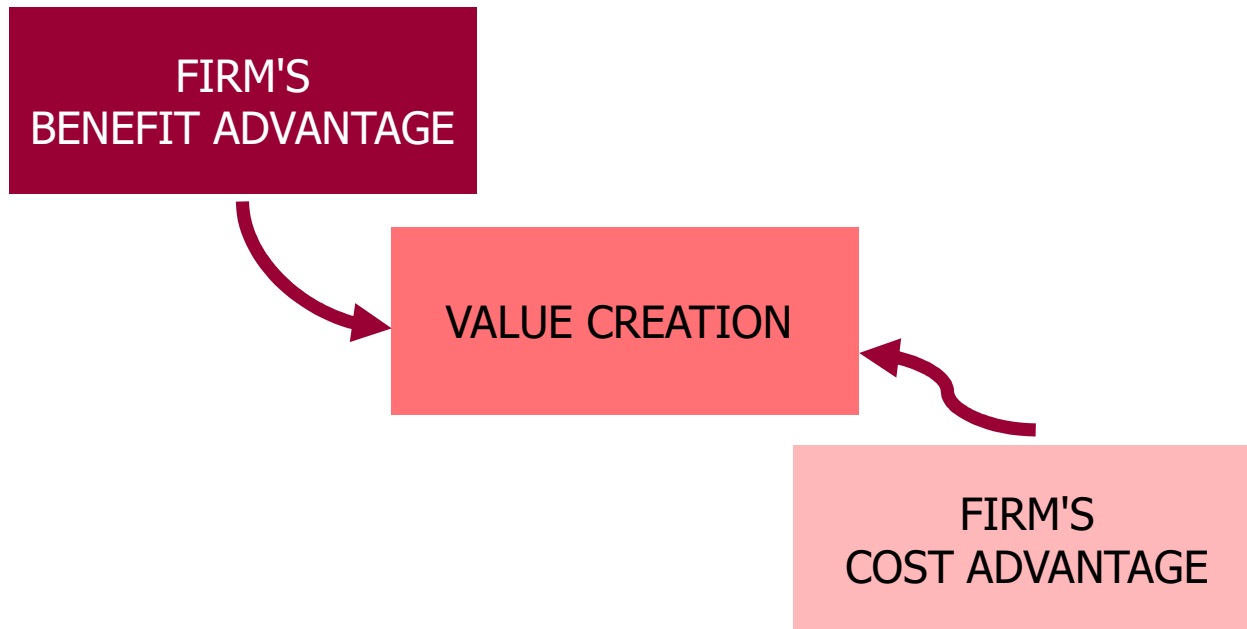
CONSUMER NET GAIN

$$\begin{aligned} & \$ 900 - \$ 800 \\ & = \$100 \end{aligned}$$

ECONOMIC PROFIT

$$\begin{aligned} & \$ 800 - \$ 700 \\ & = \$100 \end{aligned}$$

Value Creation: **Apple**



How **Apple** Creates Value

BENEFIT ADVANTAGE

COST ADVANTAGE



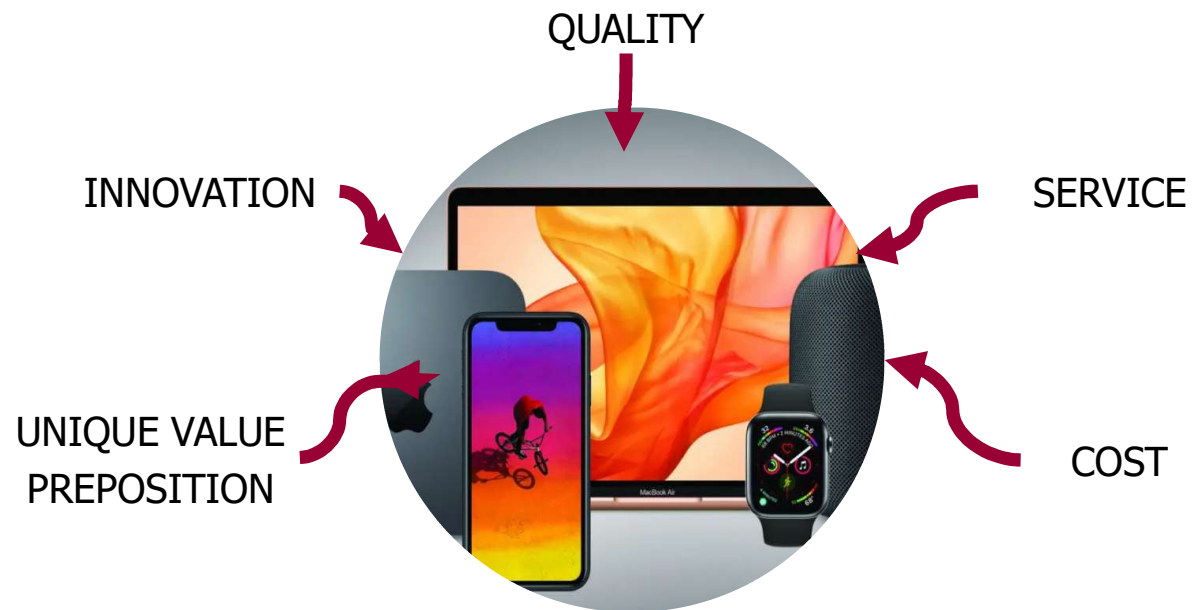
Value Creation: **Apple**



U N L I M I T E D

- Innovation and Continuous Improvement (iPhone, iPad, and MacBook)
- Integration of hardware, software, and services (iCloud, iTunes)
- Better user experience
- Unique value proposition: technology, design, and functionality

What Drives Value Creation at **Apple**?



What Drives **Apple** Competitive Advantage?

“ The ability of Apple to outperform its competitors and earn higher economic profit or earn profits that are higher than industry average. ”

From Value Creation to Competitive Advantage at **Apple**

Apple's competitive advantage is underpinned by its ability to create more economic value than its competitors.

Apple's ability to create value depends on its cost and benefit position relative to its competitors.



Competitive Advantage

“ The ability of firm/business to outperform its competitors and earn higher economic profit or earn profits that are higher than industry average. ”

Why some firms outperform
other firms in the same
industry, and the external
conditions?



TESLA

Sources of Value Creation of **Competitive Advantages**

1980's

- Lower Manufacturing Costs
- Control Over physical distribution
- Superior Quality



2025

- Exponentials Technologies (AI, Machine Learning etc)
- Big Data
- Consumers' Bargaining Power
- Innovation



Value Creation & Innovation

- Product (Product and Services) Innovation
- Process Innovation
- Business Model Innovation
- Organisational Innovation
- Social Innovation

Value Creation and Competitive Advantages by the Indonesian Firms



Technology trends driving business transformation, 2025-2030

- AI and information processing technologies
- Robots and autonomous systems
- Energy generation, storage and distribution
- New materials and composites
- Semiconductors and computing technologies
- Sensing, laser and optical technologies
- Biotechnology and gene technologies
- Satellites and space technologies



Source: World Economic Forum: 2025

3S's of Digital Transformation and Innovation



Core Skills for the Workforce

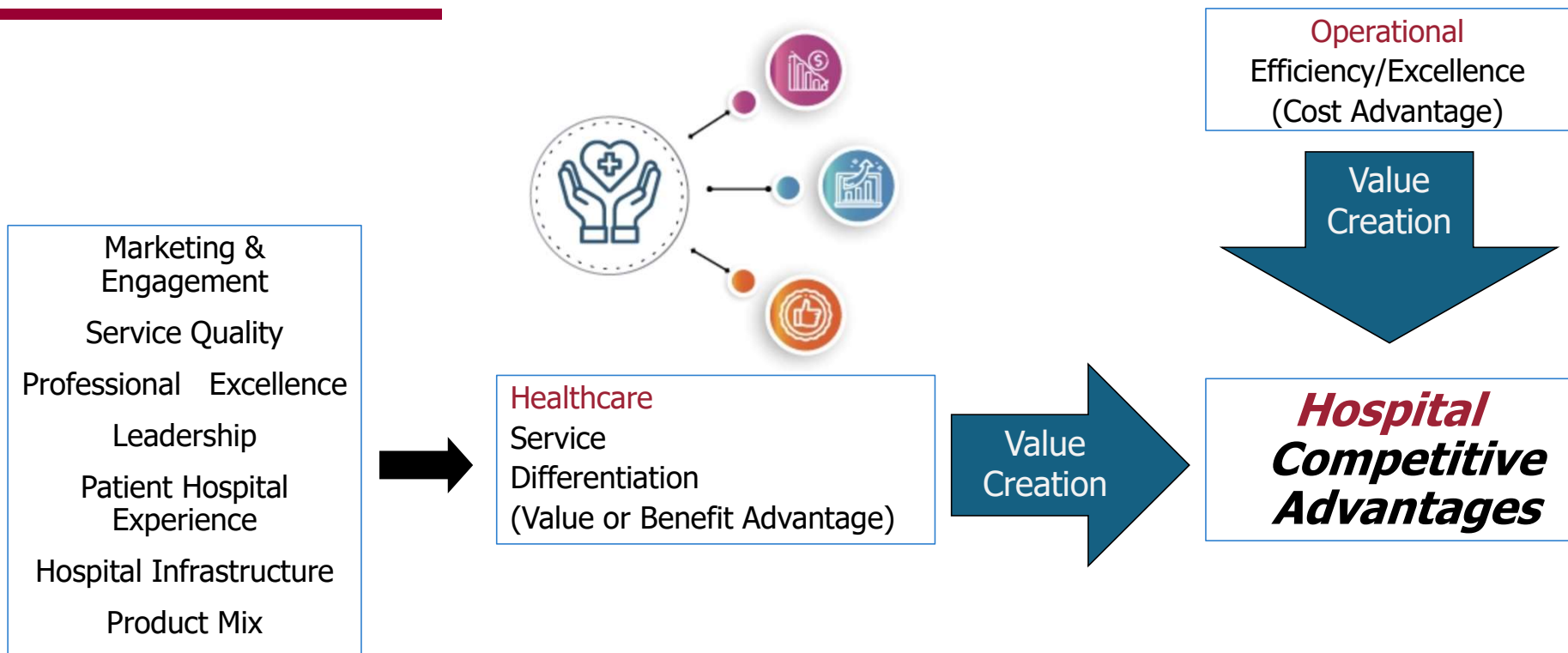
1. Analytical thinking
2. Resilience, flexibility and agility
3. Leadership and social influence
4. Creative thinking
5. Motivation and self-awareness
6. Technological literacy
7. Empathy and active listening
8. Curiosity and lifelong learning
9. Talent management
10. Service orientation and customer service
11. AI and big data
12. Systems thinking
13. Resource management and operations
14. Dependability and attention to detail
15. Quality control
16. Teaching and mentoring
17. Networks and cybersecurity
18. Design and user experience
19. Multilingualism
20. Marketing and media
21. Reading, writing and mathematics
22. Environmental stewardship
23. Programming
24. Manual dexterity, endurance and precision
25. Global citizenship
26. Sensory processing abilities

Source: World Economic Forum: 2025

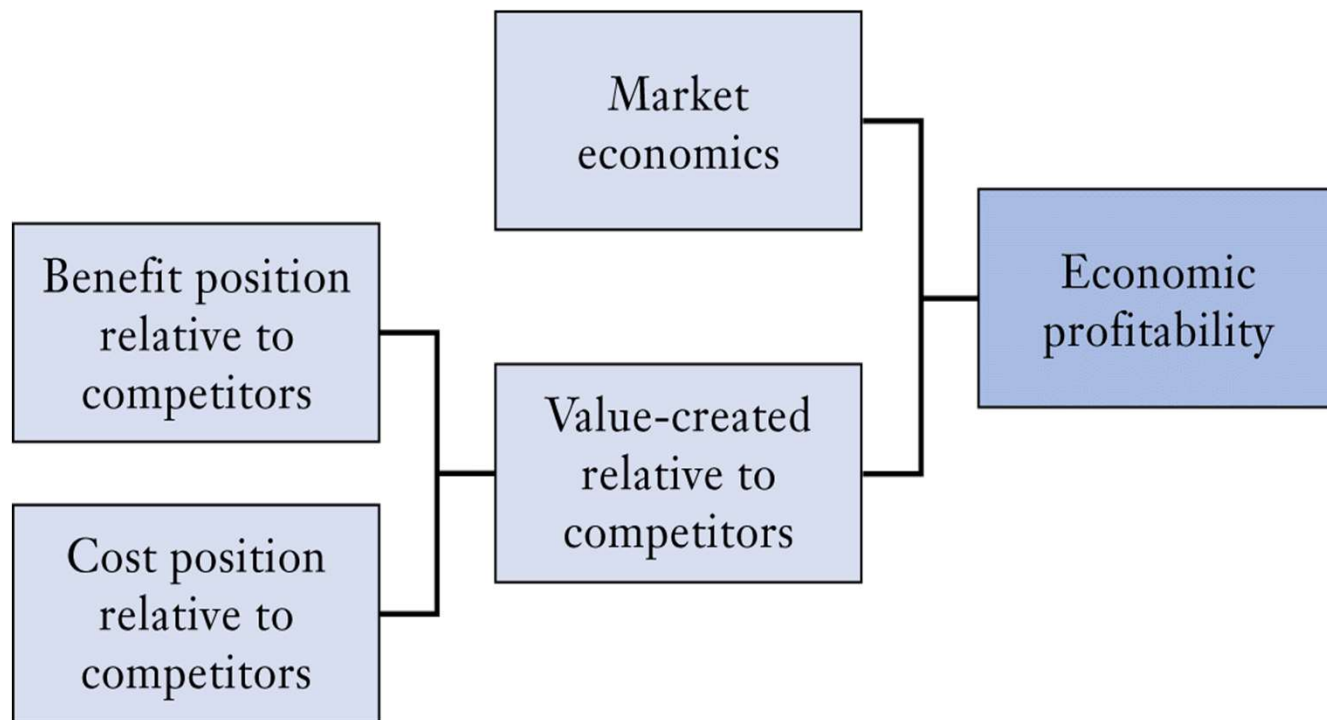
Soft Skills are Important



Dynamics of Indonesian Hospitals' Value Creation & Competitive Advantage

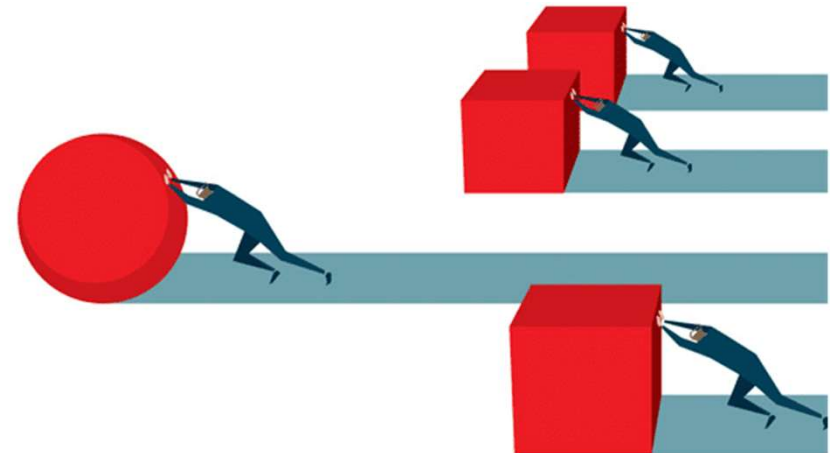


Framework for Value Creation & Competitive Advantage

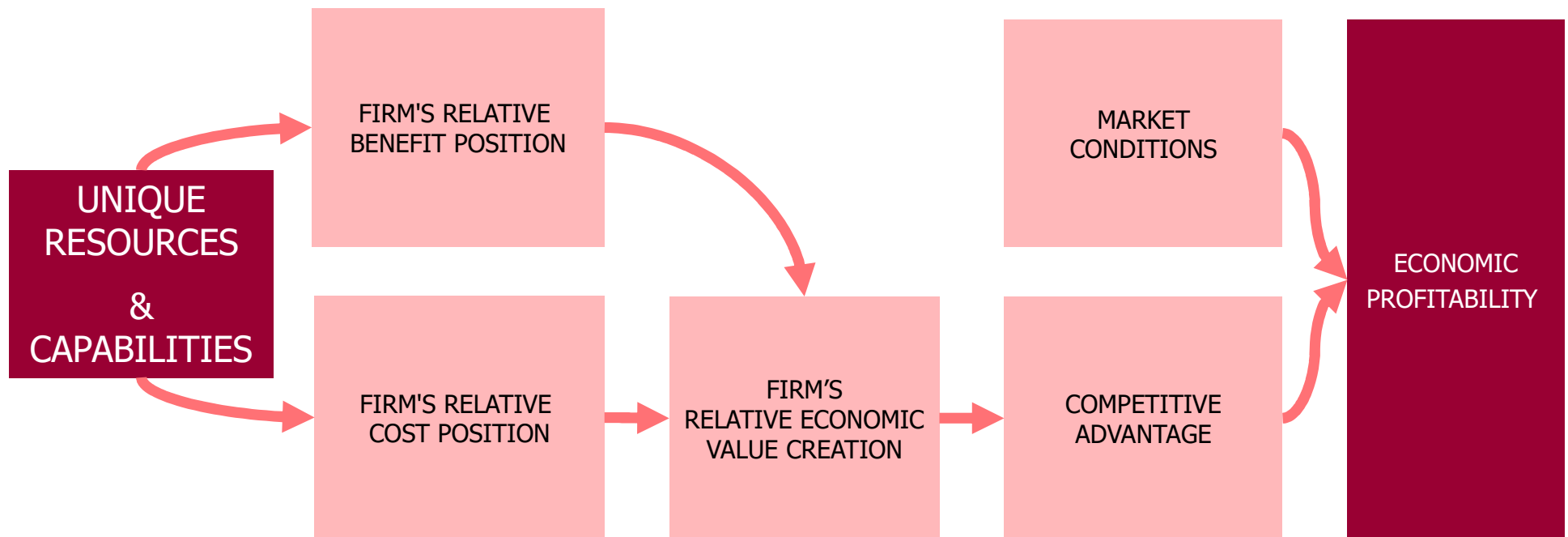


Sustainable Competitive Advantage

- Competitive advantage in a competitive environment is not sustainable in the long run
- Profits are reduced through competition, new market entrants and imitation
- Sustainable competitive advantage exists only if resources and capabilities are scarce and unique.



Competitive Advantage, Value Creation, and Economic Profitability



Creating Competitive Advantages through Collaboration

- ESG-driven Competitive Advantage
(ESG= Environment, Social, and Governance) – e.g. Gojek GoGreener
- Collaboration-driven Competitive Advantage
(Apple–Nike partnership; Nestle and Starbucks; Telkom and Gojek)
- Platform and ecosystem-driven Competitive Advantage
(e.g. Airbnb, Grab, RuangGuru)
- Competitive Advantage through Shared-Value-Creation
(Nestle working with cocoa farmers)

Creating Sustainable Competitive Advantage

- Pool and sophistication of hard and soft skills
- Digital transformation & technology
- Strategic behaviour
- Strategic investment in firm-specific hard/soft infrastructure
- Innovation and upgrading over time
- Productivity & efficiency
- Service and product quality
- Price-cost margins; market share; differentiation; proprietary technology, brand
- Strategic Collaboration

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Thank you