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STRATEGIC MANAGEMENT
Practice Module
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**The AI Slide Revolution: Is GAMMA Disrupting
Microsoft's Iconic Product?**



User experience

1. Why are decks such a central part of corporate communication?
2. What pain points did traditional slide tools fail to address?



<https://gamma.app/it>

Strategic decisions

3. Why did the initial Gamma fail to scale?
4. What changed with the AI-first approach?

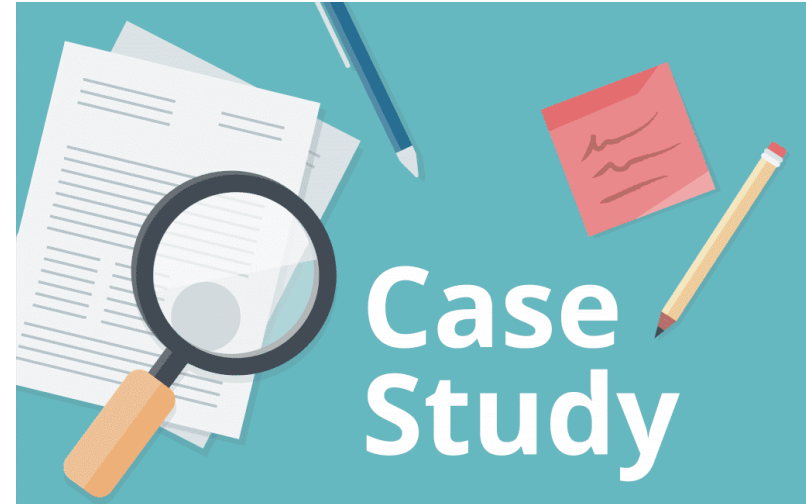
Disruptive innovation and Incumbent response

5. What risks does Gamma pose to PowerPoint?
6. Should Microsoft ignore, copy, partner with or acquire Gamma?

Strategic Dilemma

7. Should Microsoft acquire Gamma?
8. If approached, should Gamma's founders accept the deal?

Read the case (15 min)



Answer the questions 1-2 (10 min - individual or team based)

1. Why are decks such a central part of corporate communication?
2. What pain points did traditional slide tools fail to address?



Some insights from the case

- Presentation tools fell short in terms of speed and user-friendliness.
- User frustration of needing to present an idea quickly, with some degree of structure and polish
- Most users do not have designer skills (fear of the blank page)

In groups, address this question (20 minutes)

3. Why did the initial Gamma fail to scale?
4. What changed with the AI-first approach?

Whether Gamma is a true disruptive innovation or simply a feature that Microsoft could easily copy is not trivial.

Let's consider that with the intuition to have AI at the core (and not as add-on feature), **Gamma**

- **changed the workflow** and targeted users neglected or overlooked by incumbents
- **reinvented how presentations are created**

At the same time, **Microsoft**

- relies on a **legacy architecture** and loyal customers, which cannot be easily overlooked
- has immense **resources** and **AI capabilities** through Copilot

Why Gamma may be a true disruptive innovation

- Redefines the core workflow: from slide-by-slide editing → **AI-generated decks** in minutes.
- Appeals first to **non-users and light users** of PowerPoint [students, educators, freelancers].
- Introduces a **new value dimension**: speed, automation, frictionless creation.
- Built as an **AI-native product**, not an AI add-on.
- Gains **rapid adoption** through viral sharing and web-style output formats.
- Microsoft faces constraints due to legacy design expectations and the risk of cannibalising PowerPoint.

Why Gamma could be just a feature Microsoft can copy

- AI features [text-to-deck generation] are **not exclusive** to Gamma.
- Microsoft has **access to OpenAI** models, large **R&D budgets**, and global **engineering teams**.
- PowerPoint and Microsoft 365 have **massive enterprise distribution**.
- Corporate IT departments tend to prefer **established vendors** for security and compliance.
- Microsoft **Copilot already offers slide-generation capabilities**, reducing Gamma's novelty.

Disruption happens when a **new entrant changes how value is created** (not just what features exist)

5. What risks does Gamma pose to PowerPoint?

Please, individually or in teams, prepare a competitive map (20 minutes), **placing Gamma** alongside:

- Microsoft PowerPoint
- Google Slides
- Canva
- Notion Ai
- Pitch
- ...

Which **criteria** would you use to map them on two axes?

6. Should Microsoft ignore, copy, partner with or acquire Gamma?

If you were the boss of Microsoft's productivity strategy, how would you respond to Gamma's explosive growth? (15 minutes)

Tip: Consider pros and cons of each strategic option from Microsoft's perspective

Microsoft strategic challenges:

1. PowerPoint is a flagship product
2. Gamma introduces a new workflow (not just new features)
3. Microsoft must protect revenues while adapting to AI-native disruption

Option 1: Ignore Gamma	Option 2: Copy Gamma through Copilot
<ul style="list-style-type: none">• Historically dominant firms often underestimate early-stage disruptors.• Risk: Gamma gains youth, creator, and SMB segments → future enterprise penetration.• Good if Gamma is a temporary trend, bad if it signals a shift in communication workflows.	<ul style="list-style-type: none">• Microsoft can quickly imitate AI generation features.• Advantage: Office 365 distribution, brand, and trust.• Limitation: The legacy PowerPoint structure limits the ability to reinvent the workflow.• Risk: Imitation ≠ innovation; copying may not overcome Gamma's AI-native UX advantages.

Partner with Gamma	Acquire Gamma
<ul style="list-style-type: none">• Low-risk option, signals openness to innovation.• But partnership empowers Gamma, giving it legitimacy with enterprise customers.• Unlikely for a product that threatens PowerPoint's core.	<p>Pros:</p> <ul style="list-style-type: none">• Neutralises a rising disruptor early.• Adds an AI-native product + skilled team to the Microsoft ecosystem.• Strengthens Copilot's content generation capabilities.• Prevents competitors [Google, Canva, and Adobe] from acquiring Gamma. <p>Cons:</p> <ul style="list-style-type: none">• Very high valuation for early-stage revenue.• Cultural mismatch [lean, experimental Gamma vs. corporate Microsoft].• Anti-trust constraints in productivity tools.• Integration may kill Gamma's innovation velocity.

Strategy trade-offs:

1. **Innovation vs. Cannibalisation:** How far can Microsoft push AI workflows without undermining PowerPoint?
2. **Speed vs. Scale:** Gamma moves fast; Microsoft moves at enterprise scale.
3. **Defensive vs. Offensive Strategy:** Is the mission to protect PowerPoint or reinvent it?

Microsoft's best response may require a **dual strategy**:

- Continue enhancing Copilot to stay competitive.
- Simultaneously monitor Gamma for acquisition timing before it becomes too expensive or entrenched.



7. Should Microsoft acquire Gamma?
8. If approached, should Gamma's founders accept the deal?

Consider the **strategic dilemma** (20 minutes) from both sides

- Microsoft as a strategic acquirer
- Gamma as a fast-scaling AI-native startup

The question can be framed as a tension between

- Vision vs. value
- Speed vs. autonomy
- Disruption vs. absorption

Reasons Gamma's Founders might Sell	Reasons Gamma might Stay Independent
<ul style="list-style-type: none">• Massive distribution through Microsoft 365 [hundreds of millions of users].• Instant access to enterprise customers and global markets.• Reduced existential risk: Microsoft becomes an ally rather than a competitor.• Resources for scaling, research, and AI compute infrastructure.• A high valuation ensures a major financial win for founders and investors.• Prevents Microsoft from copying and killing Gamma later.	<ul style="list-style-type: none">• Ability to define and dominate a new category: AI-native storytelling.• Opportunity for a future IPO with a much higher valuation.• Maintain culture, speed, and product philosophy without being slowed by corporate bureaucracy.• Strong momentum [70M+ users, profitable, lean team] indicates standalone viability.• Microsoft's acquisition may kill innovation velocity or dilute Gamma's identity.• Avoid anti-trust scrutiny and integration constraints.

Takeaways when assessing an acquisition decision

- **Timing:** Is Gamma still early enough for high-risk independence?
- **Valuation:** Is the offer fair given the growth potential?
- **Strategic fit:** Would Gamma thrive under Microsoft or suffocate?
- **Competitive pressure:** Can Gamma outrun Microsoft's Copilot-driven imitation?
- **Cultural compatibility:** Startup agility vs. corporate structure.
- **Market trajectory:** Is AI-native productivity a lasting category?



BUSINESS MODEL INNOVATION

Strategies to pivot business ideas

A business model is about “how to do business” and business model innovation is about “how to do business in new ways”

- Business models center on the logic of how value is created for all stakeholders, not just how it is captured by one firm
- Activities performed by the focal firm play an important role, but so too do the activities performed by partners, suppliers, and customers
- Business models emphasize a system-level, holistic approach to explaining how firms “do business”

(Amit & Zott, 2021)

The business model extends the concept of the value chain by

- **Emphasizing value creation and delivery dynamics:** Amazon has widely deployed artificial intelligence across its business to help build and deliver value for its customers and partners → value creation and delivery become circular, to be highly responsive to customers
- **Spanning firm and industry boundaries:** TradePlus introduced an online direct brokerage platform that enabled the execution of the first electronic trade by an individual investor
- **Allowing for a non-linear sequencing of interdependent activities:** Ebay's auction platform allows customers to browse product listings, interact with each other → activities occur simultaneously and interactively

(Amit & Zott, 2021)

- A **business model** is a system of interdependent activities that are performed by a focal firm and by its partners, and the mechanisms that link these activities to each other.
- An **activity** in a focal firm's business model can be viewed as the engagement of human, physical, and/or capital resources of any party to the business model to serve a specific purpose toward the fulfillment of the overall objective.
- An **activity system** is a set of interdependent and interconnected activities that are centered on a focal firm; it encompasses activities that are conducted either by the focal firm or by partners, customers or vendors.

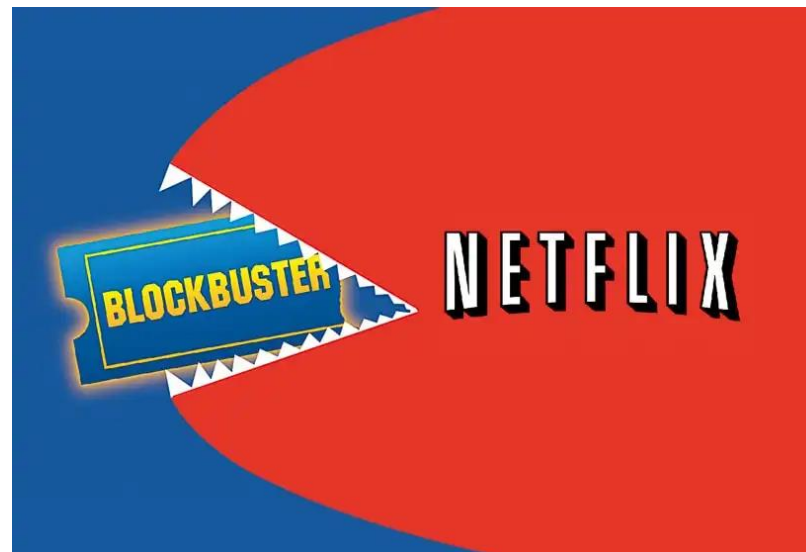
(Amit & Zott, 2021)



INNOVATING BUSINESS MODEL

- Innovations to improve processes and products are often expensive and time-consuming
- More and more companies, instead, turn toward business model innovation (BMI) as a lower-cost, lower-risk alternative
- Firms can innovate their business model along several dimensions:
 - Add or eliminate activities, possibly resulting in new-to-the-industry activity system (novel content)
 - Bring in new partners to perform specific activities (novel governance)
 - Link activities in new ways (novel structure)
 - Adopt a new revenue model (novel value logic)

- For a start-up, the term *business model innovation* often refers to the introduction of a business model that is novel (in terms of its content and/or governance and/or structure and/or value logic) to the product-market space in which the venture competes.
- Netflix was probably the first firm globally that introduced a subscription-based DVD rental model without physical stores.



- To determine whether a business model is innovative or not, two questions need to be addressed:
 1. Is the activity system novel in any of its key dimensions?
 2. For whom is it novel?
- What BMI is not:
 - Modified activity → example: UK local news outlets using automated writing to create new stories, which is a process innovation
 - Modified exchange mechanism → example: new communication system or mechanisms, such as instant booking and virtual check-in for a hotel, which is a process innovation
 - Product/service innovation → example: plant-based burgers (Impossible Foods or Beyond Meat)
 - Corporate venturing → example: Bosch or Merck

There are PROs and CONs

- PROs:
 - **Value creation beyond process or product innovation**, by increasing customers' willingness to pay or lowering the opportunity costs of suppliers in an existing market
 - **Low capital expenditures**, with digitalization substantially expanding the scope of resources a firm can use in conceptualizing and implementing a novel business model (for example, Uber, Airbnb platforms)
 - **Effective barriers to imitation**, thanks to interdependencies among activities that lower competitors' identification, ability and motivation to imitate
 - **Industry disruption**, when new entrants target overlooked segments

There are PROs and CONs

- CONs:
 - **Lack of protection from imitation**, when BMI has high market potential, innovation is legitimate in the eyes of customers and regulators, the activities are not highly interdependent
 - **Legitimacy risk**, which is high when the business is not well known
 - **Risk of increased complexity**, with high number of partners, evolving technologies and customer preferences
 - **Risk of path dependency**, as a entire activity system might be not easily changed, as BMI requires systemic and holistic thinking

OFFERING	VALUE & PERFORMANCE
EXPERIENCE	PHYSICAL & DIGITAL INTERACTION
	BRAND
	CHANNEL
CONFIGURATION	TRANSACTIONS
	STRUCTURE
	NETWORK
	REVENUE MODEL



Most businesses think about innovation in terms of their offering (i.e. improving the product, process or service) but there are other dimensions of innovation within the business model



OFFERING	Innovating the offering refers to innovation in terms of the products, processes and services that a business offers
EXPERIENCE	Innovating the experience refers to innovation in terms of how you engage with your customer or end user and how they engage with you.
CONFIGURATION	Innovating the configuration refers to innovation in terms of how your business is organised or structured to create value



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