Introduction

The playing field for business has changed significantly in recent decades. Technological progress is accelerating, causing any particular offering or business model to become obsolete or commoditized more quickly. As a result, competition has become more dynamic: outperformers are losing their advantage more quickly, on average, and business lifespans are shrinking.

The business context has also become less certain. Economic and political uncertainty has risen dramatically and is likely to remain at elevated levels, driven in part by inequality and social polarization. Competitive uncertainty has also risen – whereas companies historically competed in well-defined industries against a stable set of peers, technology is blurring the boundaries of industries, increasing the potential paths to competitive disruption.

As a result of these developments, some have asked whether strategy has become less important.\(^1\) In fact, strategy is not dead – the differential performance between winners and losers across industries is actually increasing over time. However, the playbook for strategy needs to be reinvented for today’s business environment.

Traditionally, strategy has focused on static sources of competitive advantage. These include economies of scale and learning, positioning of a company’s portfolio of businesses, and differentiation of their products. These advantages have not gone away, but in a faster-changing environment their role has been diminished. They have been complemented by new dimensions of competition, such as adapting to unpredictable contexts, shaping malleable ones, and surviving harsh conditions (including economic downturns or periods of industry disruption).

The scope of strategy must be expanded and evolved accordingly. Traditionally, leaders have considered a narrow range of timescales in setting their strategy – in many cases, fixed cycles such as a one-year financial plan and a five-year strategic plan. Such efforts have generally focused only on the business and its immediate competitors and customers, taking the broader external context as given. Strategy today needs to consider a much greater range of timescales – from the rapid speed of AI algorithms (which operate on scales of milliseconds) to the slow-moving pace of larger issues such as climate change (which play out over decades or longer) that are now becoming more relevant and impactful. It must also consider the broader social, political, and environmental context, which can have significant implications for businesses if not addressed.


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This book discusses the new role of strategy in a dynamic, unpredictable context, drawing on the work of the BCG Henderson Institute and its fellows and ambassadors over several years. Part I, “Updating the Classical Strategy Playbook,” revisits some canonical strategy frameworks and whether or not they are still relevant – showing that while they are still useful, they need to be updated for the modern era. Chapter 1 revisits the rule of three and four, finding that the classic rules for market dynamics have held up in many industries but not some dynamic and unstable ones. Chapter 2 revisits the experience curve, arguing that companies need to accumulate an additional kind of experience to sustain competitive advantage. Chapter 3 revisits the concept of time-based competition, showing how companies today need to not only act faster but also learn faster and more effectively. And Chapter 4 revisits the growth-share matrix, Bruce Henderson’s famous framework for portfolio strategy, and the enhancements needed to apply it today.

Part II, “Mastering New Strategic Capabilities,” discusses the new strategic capabilities companies need today, such as adapting to uncertain environments and shaping new or disrupted ones. Chapter 5 introduces “adaptive advantage,” the ability to evolve the organization to outcompete peers in turbulent environments. Chapter 6 lists myths that can get in the way of creating adaptive businesses. Chapter 7 discusses “shaping” strategies and how they can help companies gain advantage in emerging or shifting markets. Chapter 8 lays out different strategy processes that are best-suited for different contexts, and Chapter 9 identifies the resulting strategy skills needed to thrive in them.

Part III, “Expanding the Boundaries of Strategy,” examines broadening the outer limits of strategy. Chapter 10 outlines a new logic of competition – new capabilities, such as learning, imagination, and resilience, that are necessary to create dynamic advantage. Chapter 11 describes the new challenge of slow-moving forces, such as demographic change, that are increasingly relevant for businesses. Chapter 12 discusses multi-timescale strategy broadly, informed by perspectives from a wide range of fields across business, sustainability, and science. Chapter 13 closes by illustrating how the challenge of managing on multiple timescales applied throughout the COVID-19 crisis.

We hope that this volume will help business professionals as well as academics and students with an interest in strategy understand the new competitive challenges that businesses face and develop a playbook to address them.