

# Five Trends Toward Winning the Strategy Game

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**Business schools teach strategy by primarily focusing on identifying and allocating scarce resources to achieve a differentiating and sustainable competitive position. Innovative firms can improve their market positioning and chances of winning the strategy game by employing the following five trends: putting customers' needs first, applying abductive reasoning, learning from failures, placing strategy in a societal context, and embracing change.**

In recent years, platform strategies, such as those of Airbnb, Uber, and Amazon Marketplace, have gained traction both from an academic and practical perspective. Although many players find two-sided market strategies appealing, most firms continue to operate in traditional business-to-business or business-to-consumer markets. However, to succeed in the strategy game, they cannot ignore emerging trends. Therefore, any firm that wants to triumph should contemplate upgrading its approach to strategy because failing to leverage any of the five trends presented in this INSIGHT post may result in a competitive disadvantage.

## 1. FROM A RESOURCE-BASED TO A CONSUMER-CENTRIC APPROACH TO DIFFERENTIATION

Since Michael Porter's *Competitive Strategy* (1980), differentiation has been and will continue to be key to success. Where and how to differentiate, however, has significantly evolved over the last 10 to 20 years. Modern strategy is moving away from traditional strategy's focus on rare, imperfectly imitable, and poorly substitutable resources and capabilities toward understanding and addressing customers' needs, pain points, and sought-after gains in a unique and difficult-to-copy manner. Therefore, the emphasis is shifting from a firm-centric to a customer-centric approach to differentiation. While industries in which resources play a predominant role still exist (such as the energy industry), a trend toward prioritizing customers is emerging. Christensen's "jobs to be done" theory of innovation, as described in *Competing Against Luck* (Christensen et al., 2016), plays a notable role.

## 2. FROM LINEAR PLANNING TO ITERATIVE DESIGN

Although many firms still rely on annual linear strategic planning processes closely tied to budgeting, a notable trend toward more agile and iterative strategy design approaches, such as design thinking, can be observed, as in *Design Thinking for Strategy* (Diderich, 2019). These people-driven approaches emphasize learning, prototyping, and testing using abductive reasoning. An iterative approach allows firms to proactively embrace market trends and avoid tedious and potentially irrelevant analyses. The focus is on value creation rather than budget allocation.

### 3. FROM FAILURE IS NOT AN OPTION TO FAIL FAST TO SUCCEED FASTER

Traditional strategy development is analytical and risk-averse. It avoids uncertainties by concentrating on benchmarking to determine strategic options; for example, it can't be that bad if competitors do it. Although this works when implementing a fast-follower strategy, benchmarking is insufficient to establish a unique position. Strategy development has learned from the start-up scene and is moving toward embracing failure as a tool for learning and improving, adopting the motto *failing faster to succeed faster*! When facing uncertainty, failure is inevitable. Rather than reducing failure, the trend favors minimizing its negative impacts. Successful firms leverage the knowledge generated by failures and missteps by prototyping, experimenting, and testing. Contrary to some claims, the goal is not to fail but to learn from and improve on failures. Any firm can create value during strategy design by experimenting in a controlled environment.

### 4. FROM SHAREHOLDER VALUE TO SOCIAL VALUE

Wall Street firms' approach to valuing companies has driven corporations' exclusive focus on maximizing shareholder value, shaping recent decades. Unfortunately, only concentrating on shareholder value led numerous actors to engage in improper behavior, often with disastrous consequences (as demonstrated by the demise of General Electric). In addition, diverse societal groups have criticized firms for failing to uphold their broader social responsibilities, for instance, concerning climate change. Consequently, emphasizing creating value for customers has gained traction, meaning that, with a particular focus on customers, a firm must create value for its stakeholders before it can appropriate value for itself. Succeeding at the strategy game means moving from maximizing shareholder value to winning the value creation and value appropriation game by focusing on customers, employees, capital providers, and broader society.

### 5. FROM FOCUSING ON THE PAST TO EMBRACING THE FUTURE

Business schools teach strategy using case studies based on successful firms. This narrow focus results in benchmark thinking and competition based on superiority rather than distinctiveness. Concentrating on the past and not the future has produced multiple mediocre strategies and frequently inhibited innovation. The Internet and the emergence of numerous start-ups are the primary drivers of the recent trend of designing strategies by exploring the future rather than extending the past. The concept of foresight and thinking in terms of scenarios to shape instead of endure the future has emerged. Change drives rather than inhibits value. Firms can differentiate themselves and win the strategy game by designing novel strategies that focus on a distinctive and better future.

## CONCLUSION

Differentiating in overcrowded markets is more critical than ever. In addition to contemplating the identified trends, firms can combine them uniquely to unleash values they had never previously considered. Firms at the forefront and on the right path to winning the strategy game embrace the five trends.



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