

Waking up to the New Era of Hyper-competition – ROHNER ALEXANDER

Sometimes the classics are worth revisiting, take as an example the influential article “Waking up to the New Era of Hypercompetition” written in 1998 by Richard A. D’Aveni and now think about its impact 20 years later, it is still relevant?

Briefly, the article revolves around the argument that an increase in competition is to be expected due to strong fundamental forces listed below. Furthermore he argues, due to the universality of the forces traditional views of competitive advantage and tactics do no longer apply.

Reviewing the article 20 years later one cannot ignore the influence of the 90’s due to concepts such as *keiretsus* and examples used (General Motors) but two decades later does this article stand the test of time?

D’Aveni describes 4 fundamental forces causing hypercompetition:

1. **An increase of consumer expectations**
2. **Technology altering the landscape**
3. **Removals of barriers**
4. **Deep pockets (*keiretsus* oriented), destroying the competition out of principle**

20 years later these forces are more visibly seen by today’s GAFA players as for example Amazon is buying a plethora of seemingly unrelated companies (Twitch, Shofir, Blink Home, ...) as to “fend-off” or Facebook’s aggressive acquisitions (Instagram, WhatsApp, ...) as to remain the dominant player of the social media arena.

In an hypercompetitive environment D’Aveni argues that the constant struggle to achieve temporary advantages could therefore be done in 4 different ways:

1. **Price-quality**
 - The struggle to offer superior value (one could escape this by redefining quality in a way that allows entire escalation cycle to start again)
2. **Know-how/timing**
 - Looking for new knowledge base from where to rebuild and restart the cycle
3. **Stronghold creation/invasion**
 - Defining boundaries (ex: product characteristics)
4. **Deep pocket**
 - Alliances could be used to protect smaller firms without such deep pockets

20 years later these principles seem to be implemented by various industries as attested by success stories in organizations such as “Nintendo, Cirque du Soleil, Dyson Vacuum cleaners” whom have succeed by apply these principles which are somewhat rephrased by W.Chan Kin and Renée Mauborgne 2004 “Blue Ocean Strategy” influential book.

D’Aveni proceeds by stating some axioms:

- **A: No advantage is sustainable**
- **B: Firms can do little to de-escalate the rising tide of competition**
- **C: Be aware of a pattern of repeating cycles and promote internal “creative destruction”**

Point C reminds us Clayton Christensen well-know 1997 book “The Innovator Dilemma” introducing “disruptive innovation” a common mantra of today’s business schools such to prevent the death of incumbent players (ex: Kodak).

D’Aveni finally suggests adapting McKinsey “7S’s” to his own “D’Aveni’s 7S framework” since he perceives that McKinsey’s framework is far too static for this new hypercompetitive environment. Stating that we should focus on:

1. **Stakeholder satisfaction**
 - *Knowing what consumers want*
2. **Strategic soothsaying**
 - *Predicting what consumers want*
3. **Types of disruptive activities for employees**
 - *Rapid evolutionary competition (incremental improvements)*
 - *Revolutionary competition (radical new services)*
 - *Niche creation (creation of new customer needs you can serve)*
 - *Market creation (creation of new customers where due to your radical new services)*

4. **Speed and surprise**
5. **Signals**
 - *Ex: verbal announcements and*
6. **Shifting the rules**
 - *Transforming the rules of your market*
7. **Simultaneous strategic thrusts**
 - *He uses American football as an analogy as various fronts can be used, some as a diversion*

Within his framework there is undoubtedly some military strategy elements (ex: Blitzkrieg) added but as of 20 years later he would be spot-on on how to survive digital markets (due to this market being the most plunged within the 4 forces, requiring such agility).

Overall 20 years later this article is very much still relevant.

References

D'Aveni, R. A. (1998). [Waking Up to the New Era of Hypercompetition. *The Washington Quarterly*.](#)