

# Chapter 1

## Is Strategy Dead?

### Moving From Sustainable Competitive Advantage to Transient Advantage

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#### ABSTRACT

*Traditionally, it was seen as a major goal for companies to achieve sustainable competitive advantage, based on external conditions and/or internal conditions. Firms should seize opportunities and neutralize threats based on their strengths and avoiding their weaknesses. However, nowadays, we live in a volatile, uncertain, complex, and ambiguous context. Markets are very dynamic (hypercompetition), and thus, achieving a sustainable competitive advantage is not possible anymore. In this conceptual chapter, the authors claim that organizations need to be aware of and prepared for this transition. Firms need different tools and frameworks to deal with future situations – design a strategy is not enough; now, to achieve success, firms have to follow a transformational, VUCAS, strategy.*

#### INTRODUCTION

The world is continuously changing, market time is shorter, information flows faster, imitators are everywhere, improved versions are almost immediate, consumers are more demanding, and new products and services are a constant. Nothing remains except the textbooks of strategy, which have not changed. As Mack and Kare (2015, 3) claim, *[w]hile the business environment is rapidly undergoing a change, the business tools and frameworks are lagging behind.*

Traditionally, it was considered a major goal for companies to achieve sustainable competitive advantage based on external conditions and/or internal conditions. Firms had to seize opportunities, neutralizing threats based on their strengths while avoiding their weaknesses. As Pröllochs and Feuerriegel (2020, np) note, *strategic management specifically draws on the metrics of SWOT analysis as they—despite their age—still enjoy widespread application in business planning, in management practice, and as a core vehicle for management consulting firms.*

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According to Porter's (1989) five forces model, firms design their strategy based on market power, whereas Barney's (1991) VRIO model, the existence of valuable, rare, inimitable resources exploited by the organization leads to sustainable competitive advantage. Traditionally, strategy is defined as *the match an organization makes between its internal resources and skills ... and the opportunities and risks created by its external environment* (Grant, 1991, 114), such that strategy is a system that links external and internal analysis at a certain defined moment in time, with a view to constructing the future.

This system is, therefore, static. *In static systems, component parts are constructed from an initial design. Once the system is in place, it usually does not change. Architecture, for example, is a static system. The components of building change very little over time – or at least very slowly. The roof may need to be repaired or replaced, but the level of dynamism is limited. Interdependencies are well defined, and the pace of evolution is slow.* (Wade, Macaulay, Noronha & Barbier, 2019, 27). In many situations when companies do not achieve the desired level of performance, they question implementation, readjust the system, and try again. When they do not reach the desired level of performance after this readjustment, they question the strategy design. However, they often do not realize that the problem is deeper. It is not just the strategy that has to be rethought; it is the entire static logic of the system in which it is processed. *Therefore, these static systems and the interdependencies they encompass form the poor job of describing how most organizations operate today.* (idem). For D'Aveni and Gunther (1995), the world is constantly changing, which implies that companies should be constantly alert to their rivals' moves. This also implies designing and redesigning their strategy whenever required. Moreover, firms must constantly ask themselves who their rivals really are and acknowledge that perhaps the biggest threat may be from outside their sector.

Many companies see transformation as transitory or as an option they have to take at a given moment that will take them to the next level after they have achieved sustainable competitive advantage. We can compare this view to climbing a staircase and passing from one landing to another. The steps serve to move from one stable point to another. However, in a fast-changing world, there are no more landings, only steps. That is, the market is not stable, it does not tend to equilibrium and it is impossible to maintain a sustainable competitive advantage. Thus, managers have become more concerned with carrying out actions and reactions that allow their firms to achieve small advantages, so that cumulatively they are able to achieve competitive advantage over time (Wiggins and Ruefli, 2005). It is in this context that we discuss the VUCA world (see, for example, Bennett & Lemoine, 2014a), hypercompetition (D'Aveni & Gunther, 1995), transient advantage (McGrath, 2013a), and AGILE firms (Leybourn, 2013).

This chapter presents the evolution from the sustainable competitive advantage approach to a transient advantage approach, or put simply, from strategy to transformational strategy. New strategic tools are presented that are more adapted to the world today. We believe that training on Strategy and Competitiveness need this renewal. As McGrath (2013a) states, *strategy is stuck (...) by sticking to the same old playbook* (62). Additionally, we believe that managers and strategists are already changing their mindset and the business world is shifting to a less rigid approach. In this new environment, firms need velocity of action, unusual solutions, clear choices and solid information systems, as well as adaptable options in a stable continuous manner. If changes are abrupt, they will not be accepted. Thus, in this unique environment firms must be VUCAS (the full meaning of which will be explained later).

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