D'Aveni's 7S Hypercompetition Model

Idea In Short

The strategy expert Richard A. D'Aveni created this framework to enable businesses to remain competitive through a series of initiatives delivering temporary advantages. According to D'Aveni, this strategy is preferable to restructuring the business to maintain equilibrium or sustain competitive advantage.

D'Aveni's 7S framework was created by strategy expert Richard A. D'Aveni. This 7S framework is an approach to directing an organization in high velocity or hypercompetitive markets. The framework was designed to enable a business to remain competitive through a series of initiatives delivering temporary advantages. According to D'Aveni, this strategy is preferable to restructuring the business to maintain equilibrium or sustain competitive advantage.

Central idea

D'Aveni believes that sustaining a competitive advantage in the modern era is impossible. Traditionally, slow-moving and stable markets were dominated by one or two major players. In a new era that D'Aveni calls hypercompetition1, firms move quickly to disrupt the competitive advantage of market leaders.

Hypercompetition is caused by several factors, including:

- An increase / fragmentation of consumer expectations & preferences
- Rapid technological change altering the landscape
- Elimination of competitive barriers, including geographical & industrial barriers due to globalization
- Significant global alliances among competitors with deep pockets (keiretsus

oriented) to destroy competition out of principle

In this environment, competitive advantage is no longer sustained but continually created, eroded, destroyed, and then recreated through strategic maneuvering.

Competitive positioning

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

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

Various industries implemented these principles as the success stories from Nintendo, Cirque du Soleil & Dyson Vacuum cleaners showcase. These firms successfully applied these principles, which W.Chan Kin and Renée Mauborgne 2004 re-phrased as Blue Ocean Strategy in their influential book.

Case - Amazon

The forces that D'Aveni published this framework are more visible today (almost 2 decades since the framework's original appearance) 2, MAMAA players, are buying a plethora of seemly unrelated companies. For example, Amazon acquired Twitch, Shoefir, Blink Home, and several others to fend-off Facebook's aggressive acquisitions, such as Instagram, WhatsApp, etc. to dominante customer arena.

Core framework components

D'Aveni believes that a set of seven guidelines will help businesses sustain success in the hypercompetitive era.

Stakeholder satisfaction

Stakeholder satisfaction is key to winning interactions with a competitor. The most important stakeholder is the customer, but employees are also crucial to success. They must be empowered and motivated to generate new means of delivering value to the customer.

Strategic foresight

Strategic soothsaying describes the process of proactively predicting what consumers will want or need in the future.

Speed

Speed is vital in business. Amazon has deeply embedded this tenet in its core leadership principle - Bias for Action

> Speed matters in business. Many decisions and actions are reversible and do not need extensive study. We value calculated risk taking.

For businesses, this matters, both in responding to counterattacks and taking advantage of opportunities, especially by employees, such as:

- Rapid evolutionary competition (incremental innovation)
- 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)

Suprise

While IBM was trying to dominate the personal computer market with its vaunted sales force and brand name, Michael Dell shocked the Big Blue by creating a highly successful direct mail and toll-free telephone sales and distribution model that grabbed market share and caught the industry giant flat-footed.Businesses should use the element of surprise to stun their competitors. While IBM was attempting to dominate the personal computer market with a strong brand and sales force, it was blindsided by Dell and its highly successful direct mail and telephone sales distribution network.

Market sensing

Signals refers to the verbal announcements of strategic intent to dominate a marketplace. These signals can be used to manipulate the future moves of rivals. Pay attention to signals, or announcements of strategic intent to dominate. When effective, signals can be used to manipulate the future moves of competitors. Product announcements, for example, often force competitors to rethink their plans or redesign their own products, D'Aveni says.

Re-shuffle the playing ground

Shifting the rules of a market can greatly disrupt rival companies. For better or worse, Gillette changed the rules of the shaving market when it introduced the disposable razor. This shifted the focus of the market from quality and price to convenience. Here, aspects of Game theory can be used to guide strategic options.

Probing attacks

Simultaneous or sequential thrusts describe an organization using several moves in quick succession. A classic example is a series of product announcements in different geographic markets to mislead or confuse a competitor. A series of simultaneous product announcements or geographic market entries done in concert, to mislead or confuse a competitor.

> The characteristics of modern business are not so much structure as dynamic change. We'll see the disruption of competitive advantages far more frequently in this environment. (D'Aveni)

Key takeaways

D'Aveni employs several military strategy terms within his framework (ex: Blitzkrieg). However, about 20 years later, the Digital re-shaping of markets endorses D'Aveni's axioms:

1. No advantage is sustainable
2. Firms can do little to de-escalade the rising tide of competition
3. Be aware of a pattern of repeating cycles and promote internal creative destruction a.k.a disruptive innovation3

Summary

D'Aveni's 7S framework helps businesses become more successful in high velocity or hypercompetitive markets. D'Aveni's 7S framework argues that slow and stable markets dominated by one or two major players are a thing of the past. In this new era, every business must make rapid and concerted moves to disrupt the competitive advantage of market leaders. D'Aveni's 7S framework is underpinned by seven guidelines or best practices. They suggest possible strategies for success in markets where competitive advantage is continually being destroyed and recreated.