## hypercompetition

*Tanya Sammut-Bonnici*

### Conceptual Overview

Hypercompetition is created by the acceleration of competitive moves in an industry where firms must react quickly to develop their competitive advantage and to erode the advantages of competitors. The strategic activity deployed in hypercompetitive markets consists of rapid tactical responses in the form of new products, processes, and business models. The objective of hypercompetitive firms is to thrive in dynamic markets by unsettling existing standards and norms of operation, and by generating a constant flow of short-term advantages. However, hypercompetitive industries are nowadays likely to be less stable than before. Above-average profitability will tend to be solely temporary. The only way to sustain performance is through the continuous recreation and renewal of competitive advantage.

Hypercompetition may occur in high-tech and low-tech industries, from internet services to automobile, food, beverage, clothing, and building industries. It is typical of markets where products, standards, and rules have shifted. The status quo of doing business has been disrupted by competitors and by other external factors in the environment. Digital technologies, globalization, evolving revenue models, innovation in communication and information processing, and flexible manufacturing and outsourcing are all creating rapid shifts in the commercial environment.

In hypercompetitive environments, profits and competitive advantages are temporary and will soon be challenged by the next wave of disruptors. Competitive advantage may last for many years, but is likely to become hypercompetitive at one stage or another when new entrants or innovative incumbents will shake up the market. Businesses have become insecure and uncertain in fast moving environments. Long-term profitability no longer depends on maintaining strategic advantage through a consistent single strategy, but rather on devising a fluid, dynamic series of strategies for initiating, revising, and recreating competitive actions that yield short-term advantages.

### Strategic Framework

The challenges of hypercompetition call for an alternative strategic approach that addresses the realities of a fast moving environment. The framework of hypercompetition put forward by Richard A. D'Aveni adopts a dynamic approach toward strategic management that is in tune with the intensity of change in turbulent industries. The model is built on the premise that competitive advantage is not sustainable and nearly impossible.

Three sets of strategy-building tools are proposed for the analysis of competitive markets. The underlying principle for strategic action is that a firm should seek to disrupt its own advantages and those of competitors.

1. *Four arenas analysis* looks at how competition builds up in each of the four areas below, in order to identify patterns and predict future strategic action.
   The areas of analysis are:
   a. Cost and quality (C–Q) of competitors and how they rate as leaders or followers.
   b. Timing and know-how (T–K) capabilities that affect efficiencies in the value chain.
   c. Strongholds (S) referring to a firm's core competencies that are difficult to copy.
   d. Deep pockets (D), the financial resources of players in the industry.
2. *Four lenses analysis* looks at how a single competitive action (the introduction of tablets, for example) affects the four arenas of an industry.
3. *New 7-Ss framework* (adapted from the McKinsey framework by D'Aveni) proposes a set of hypercompetitive approaches to realign strategy. The objective is to develop strategies in three categories:
   a. Vision for disruption – creating temporary advantage through:
      (i) stakeholder satisfaction – adding value for customers, partners, and investors;

*Wiley Encyclopedia of Management*, edited by Professor Sir Cary L Cooper.

(ii) strategic soothsaying – predicting windows of opportunity.

b. Capabilities for disruption – sustaining competitive momentum through:
   (i) speed – preparing the organization to react to market changes;
   (ii) surprise – planning of strategies that will disrupt competitors.

c. Tactics for disruption – maintaining equilibrium through:
   (i) shifting rules - innovating products, processes and revenue models;
   (ii) signaling intent of selective strategies to the industry;
   (iii) simultaneous and sequential strategic thrusts to maintain a proactive lead and to keep competitors in a defensive position.

Through these frameworks, firms are advised to follow hybrid strategies of simultaneous consistency and innovation. Google has focused on search as its primary service and has been an innovator in areas such as online maps, email, calendars, and file sharing. Apple has focused consistently on delivering ergonomic and easy-to-use interfaces, which has earned it a wider consumer base. At the same time, Apple has continued to innovate its product lines, evolving from desktop computers to media players, mobile phones, and tablets.

The framework for hypercompetition provides an alternative approach to Porter's generic strategies and their variants, which deal with competitive advantage through low cost, differentiation, and market niche focus. Hypercompetition challenges the views that (i) strategy should be consistent in order to reap long-term benefits for the firm, (ii) building barriers to completion create competitive advantage, and (iii) cooperation leads to higher profits. Proponents of hypercompetition attest that traditional strategies make firms less agile, that aggressive firms are dismantling barriers to entry, and that profits are quickly eroded by even the smallest of innovative competitors.

See also *barriers to entry and exit*; *BCG (growth share) matrix*; *capabilities and capability analysis*; *comparative advantage*; *competitive advantage*; *industry analysis*

**Bibliography**

D'Aveni, R.A. (2010) *Hypercompetition*, Simon & Schuster, New York.

D'Aveni, R.A., Dagnino, G.B. and Smith, K.G. (2010) The age of temporary advantage. *Strategic Management Journal*, **31** (13), 1371–1385.

Gimeno, J. (2011) A retrospective on 'Hypercompetition in a multimarket environment', in *The Competitive Dynamics of Entrepreneurial Market Entry* (eds G.D. Markman and P.H.C. Phan), Edward Elgar Publishing, Cambridge, MA.

Lee, C.H., Venkatraman, N., Tanriverdi, H. and Iyer, B. (2010) Complementarity-based hypercompetition in the software industry: theory and empirical test, 1990–2002. *Strategic Management Journal*, **31** (13), 1431–1456.

McNamara, G., Vaaler, P.M. and Devers, C. (2003) Same as it ever was: the search for evidence of increasing hypercompetition. *Strategic Management Journal*, **24** (3), 261–278.

Sammut-Bonnici, T. and McGee, J. (2002) Network strategies for the new economy. *European Business Journal*, **14**, 174–185.

Stambaugh, J.E., Zhang, Y. and DeGroot, T. (2013) Labor mobility and hypercompetition: another challenge to sustained competitive advantages? *Strategic Management Review*, **7** (1), 64–81.

Wiggins, R.R. and Ruefli, T.W. (2005) Schumpeter's ghost: is hypercompetition making the best of times shorter? *Strategic Management Journal*, **26** (10), 887–911.