



## Why the Old Paradigms of Strategy Development Are Out of Date

**Most of the tools managers use to craft business strategy today were developed in the 20th century. Strategy formulation needs an update.**

Little has changed in the processes we use to develop strategy – many of the methods we use today were first developed in the previous century. However, what has changed fundamentally in the last decade is not the tools but the context in which to develop and execute a winning business strategy. The tools we're using should be sharpened for this brave new world.

A three year plan that is thought about for a few months each year is no longer sufficient. Strategy needs to be a daily concern – a mindset – developed rapidly, and if necessary, adjusted rapidly. At the same time, people and implementation are often forgotten but are more essential than ever before.

The challenges posed by globalisation, technological advancement and speed to market are changing the game. Today, emerging economies are no longer considered relatively simplistic export markets – they are developing all the hallmarks of sophisticated manufacturing and services industries in their own right. It's now not enough to simply have a presence in these markets, companies need to be fully integrated into these economies to compete effectively. This increases the need for strategy to be executed well and communicated effectively - in many different languages and across a myriad of cultures. Leading local competitors in developing markets are also

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trying to enter Western domestic markets, marking the next stage of globalisation.

### **Technological disruption**

The speed of technological change continues to accelerate, creating a need to anticipate scenarios and identify decisive moves at previously unknown levels of complexity. In turn, the speed at which companies grow, peak and then slide is accelerating. Nokia and Research in Motion are notable examples of firms that lost their dominance of the market when they failed to anticipate the change in consumer / user behaviour brought about by Apple's new iPhone. The key differentiating factor continues to be a company's ability to identify rapid technological or consumer changes and respond flexibly and rapidly.

The Internet alone is one of the most disruptive influences on strategy for three reasons: the increasing availability of data; the multifaceted rise in networking; and the continuing explosion of new business models that use it as a platform for exponential growth, leaving a trail of traditional outfits drowning in their wake. The success of companies such as Amazon and Google is based largely on the way these organisations have collected, processed, studied and exploited information about their users. This, combined with

the creation of powerful user networks, allows them to exploit their radical new business models.

The culture of continuous analysis and a built-in sharing of knowledge both internally and externally are becoming more broadly entrenched.

This also means that at a tactical level, a company or CEO's actions can become known to consumers and competitors alike more readily than ever before. As a result, response rates need to be lightning-quick. If you do not get this right, corporate and personal reputations can be destroyed in a heartbeat.

### **Navigating 21<sup>st</sup> century expectations**

Expectations are changing, from both customers and employees and their demands are becoming more complex and numerous.

Navigating around regulation has become harder, especially when competing with those who sometimes do not seek to comply with local regulation. There is now a general expectation not only for higher ethical and safety standards, but a desire from the public and employees that companies comply. Standards and behaviour are increasingly under scrutiny and must play a larger part in the strategy process.

The shortage of talented and experienced executives continues to be a constraint. And the more the world's economy grows, the greater this shortage becomes. In an increasingly globalised world, attracting and retaining ever more mobile talent is becoming an even more difficult task as opportunities arise and are publicised globally.

### **Sustainability and Purpose**

And finally, sustainability and purpose are a much bigger part of the strategic agenda too. This is largely because the ability to gain access to the best employees can make or break a strategy. Nowadays, when an employee chooses to work for one company instead of another, being able to demonstrate sustainability and a corporate purpose are often more important factors in the ultimate choice of employer than salary and perks.

Our lives are disrupted by radical evolutions in technology and transformational business models. The increasing pace of change and changes in the regulatory environment provide further shifting environments which every business has to adapt to in order to survive, let alone grow. It is vital that CEOs invest single-mindedly in great people, make commitments to develop sustainably, and foster a sense of purpose in their company in order to win.

The way in which leadership teams balance these

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complex and sometimes conflicting forces has become a critical part of strategy development.

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