Escaping the Red Queen Effect in Competitive Strategy: Sense-testing Business Models

SVEN VOELPEL, International University, Bremen and Harvard Business School
MARIUS LEIBOLD, University of Stellenbosch
EDEN TEKIE, University of Stellenbosch
GEORG VON KROGH, University of St. Gallen

Most business models are based on traditional ways of strategy formulation and implementation, leading to incremental and not disruptive change in the nature of business and industry practices. The ‘red queen effect’ refers to the red queen’s advice in Lewis Carroll’s *Through the Looking Glass* in which she says, in order to stay in a (competitive) place you have to run very hard, whereas to get anywhere you have to run even harder. In today’s knowledge and mobile environments we know that businesses cannot survive by just running harder, but rather by running differently and ‘smarter’ than competitors. The article suggests a sense-testing tool for managers to enable disruptive innovation of business models through corporate examples and case study evidence. © 2005 Elsevier Ltd. All rights reserved.

Keywords: Red Queen effect, Disruptive business models, Sense-testing tool

Introduction

Organizational sense-making is a critical consideration both for managers and researchers. With disruptive innovations occurring in almost all industries, managers and their companies need to make sense of their competitive environment, the disruptions that continuously take place, and how they respond to these changes. However, most companies find themselves unable to “make sense” of and suitably respond to disruptions – either rendering the disruption to be insignificant and irrelevant to their businesses or being unable to break free from their established ways of doing business.

To counter direct competitive challenges, organizations often continuously learn new ways of improving their efficiency and performance. Having familiarized themselves over a number of years with such ways of doing business, their first reaction to discontinuous (fast-changing, disruptive) competition is to “work harder”, when what they need to do is to “unlearn” what they know and “work differently” (for sources on discontinuities see, e.g. Tapscott, 1997; Kelly, 1998; Evans and Wurster, 2000). Several observers have commented that even though many companies work harder to improve themselves in increasingly fierce competitive environments, results improve slowly or not at all (Pascale et al., 1997; Prahalad and Oosterweld, 1999; Senge and Carstedt, 2001). This is a characteristic situation that could be described as the “Red Queen effect”. It is
a competency trap where “running harder” becomes customary: it is of an analytic-benchmark nature, it shows short-term success and is less risky in the near horizon, but ultimately holds long-term downfall.

Working “differently” seems to be an intuitively suitable approach for survival or even prosperity in the present era’s increasingly competitive business landscape. Companies need to change industry rules (the accepted way of doing business in the industry) by fundamentally questioning their tendency to conform to useful but “unoriginal” (copied, imitated, improved) practices, lessons, and experiences. But, how can managers and their organizations accomplish this? That is, how can companies broaden and update their approaches and way of thinking to include the fundamental factors that influence the creation of successful new business models? This article proposes an answer to this question by illustrating a new approach: a sense-testing tool. This tool emphasizes four aspects that assist organizations in creating or reinventing business models that transcend the “traditional” and “standard” practices. As elaborated in the latter part of this article, these four dimensions consist of continuously sensing the following key issues: the changes and direction that take place in customer value proposition(s); the impact and use of available and arising technologies; the configuration of the business infrastructure to better offer customer value; and the economic sustainability of a business idea or strategy.

The article first describes the charms and traps of the Red Queen effect and contrasts it with “holistic” business model thinking and strategy reinvention. Secondly, as an approach that companies can apply to appropriately (and consistently) adapt – especially pro-actively – to the shifting business environment, this paper provides a sense-testing tool, with illustrative cases and examples, for developing, evaluating, and adapting new business models. Finally, the key lessons for managers in applying the sense-testing tool are outlined and briefly discussed.

The Attractiveness and Comfort Trap of the Red Queen Effect in Formulating Business Strategy

Any company, in trying to keep ahead of the competition, constantly seeks ways to improve its efficiency and performance. Often, this search results in organizational learning that increases the company’s competitive strength, which in turn prompts learning...
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات