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Shaping Strategies
Executive summary

Today's environment

Most companies believe that an adaptation strategy is the winning strategy in an environment characterized by accelerating change and growing uncertainty – sense and respond quickly to events and the company will thrive. More often than not, adapting companies undershoot the true magnitude of the opportunities presented and often spread themselves too thin in trying to respond to every event that surfaces. Even more troublesome is that companies often seek to adapt by looking inward rather than effectively mobilizing others in their ecosystem for help.

The opportunity

While the ability to adapt is required in a world of constant disruption, there is a larger opportunity in the form of shaping strategies. In times of rapid change and growing uncertainty, companies often have far more degrees of freedom to fundamentally shape the structure of a market or industry to their advantage. They can shape the mindsets, economics and knowledge flows among a large number of third-party participants in ways that motivate them to support and amplify the initiatives of the shaping company. By its broadest definition, a shaping strategy fundamentally alters the structure of a market or industry in ways that transform competitive and market dynamics, as well as industry economics, to favor the position of the shaper. So, what distinguishes a shaping strategy from other successful strategies? Shaping strategies focus on the use of positive incentives. By aligning the interests of a broad web of participants, the shaper makes the economic pie bigger for all so that there is more for many. A successful shaper minimizes the perceived risk for participants while maximizing the perceived rewards. The use of positive incentives contrasts with the use of negative incentives often associated with disruptive innovation. In that model, a disruptive technology, product, process or business model shapes the industry by challenging rivals and the industry to come aboard. Rivals either change their practices or die. Shaping strategies using positive incentives helps to leverage the efforts of the shaping companies by mobilizing the diverse and specialized resources of a critical mass of third party participants, encouraging distributed innovation and experimentation across this web of participants so that everyone can learn faster, and unleashing powerful network effects so that the value delivered increases exponentially as the number of participants grows..

Shaping components

Three very important elements come together to build a successful shaping strategy. An aspiring shaper needs to integrate a powerful shaping view, an appropriate shaping platform and relevant acts and assets to enhance the credibility of the shaping view and platform:

- The shaping view communicates a compelling view of the future structure of the market or industry, indicates why this future structure is inevitable and makes explicit how many participants, not just the shaper, can profit from this future state
- The shaping platform provides standards and protocols that significantly reduce the near-term costs of participation by third parties and accelerates and amplifies the rewards that they can generate from their initiatives. The most effective shaping platforms foster distinct niches for participants so that they minimize the risk of commoditization through direct competition with all other participants and these platforms also provide the tools and capabilities for participants to experiment or innovate at low risk.
- The acts and assets of a shaper help to overcome the natural skepticism that potential participants might have in times of high uncertainty. These acts and assets are designed to enhance the credibility of the shaper by demonstrating both the commitment of the shaper and the capability of the shaper to effectively achieve the shaping view and effectively support the shaping platform. These three elements reinforce each other and help the shaper to mobilize a large number of participants, build critical mass and achieve increasing returns for all

Shaping examples

Shaping strategies have proven effective in the past across a broad range of industries. Early examples of successful shapers using positive incentives include Malcolm McLean's efforts to evangelize containerized shipping in the 1950s and 1960s, Visa in the payments arena in the 1970s, Li & Fung in the apparel industry in the 1980s and Microsoft in the technology industry in the 1980s and 1990s. More recently, we have seen successful shaping strategies emerge in online advertising, online social networks, enterprise software and mobile telecommunications. With the bloom of web-based businesses and exponential development in digital infrastructure, more and more companies have become shapers. In recent years, Facebook, Spotify and Google's AdSense and Android initiatives are just a few examples. We believe shaping strategies are relevant across a wide range of industries, including financial services, healthcare, media and entertainment, retail and pharmaceuticals.

Why now?

Shaping strategies have broader application than ever before. The increasing gap between the exponential growth in the performance of digital technology infrastructures and the much more modest growth of business productivity creates both a growing potential for business disruption and an upside in rewards that will accrue to successful shapers. Today's global digital infrastructure makes it much easier to mobilize and coordinate the activities of much larger numbers of participants than ever before. More opportunity, more rewards and more capabilities create compelling incentives for executives to adopt shaping strategies today.

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