

THE
**STRATEGIC
FORMULA**

A New System for Business
Strategy in the AI Age

Eric D. Noren

THE STRATEGIC FORMULA



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ERIC D. NOREN

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INTRODUCTION: THE ORIGIN STORY

I STILL REMEMBER the afternoon I ducked into a Barnes & Noble, latte in hand, and discovered Alexander Osterwalder’s *Business Model Generation*. The tidy grid of the business model canvas felt like a roadmap for building a business: nine building blocks, infinite combinations. It was my gateway drug into the world of strategy. I started cataloging business models—marketplaces, subscriptions, razor-and-blade pricing strategies—marveling at how much they clarified what a business actually *did*.

But something bugged me.

Two companies could use the same business model and still see wildly different results. One soared. The other sputtered. Why?

That question pulled me deeper. If the *model* describes how a business creates and captures value, maybe the real difference came down to *how* it competed. I needed to map strategy next.

So I turned my desk into a strategy crime board—index cards with “low cost,” “premium brand,” “network effects,” and dozens more sorted, reshuffled, and connected with imaginary string. The goal was to define the major *strategic plays*, to give structure to the fuzzy moves companies claimed as strategy. I thought I was getting closer.

But still: same model, same strategy... different results. Why?

That’s when I read *Competition Demystified* by Bruce Greenwald and Judd Kahn, and everything clicked. The difference—the real performance delta—was competitive advantage.

It wasn’t just what a company did, or how it competed. It was whether they had something others *couldn’t copy*. Scale. Brand. Proprietary data. Switching costs. These weren’t just buzzwords; they were moats. And they were often confused with strategy or business models, when in fact they deserved to be treated as distinct and foundational.

So I split the atom.

From that point forward, I treated *business model*, *strategy*, and *compet-*

itive advantage as three separate forces. Each with its own logic. Each with its own role in a company’s “strategic formula.” Once disentangled, the puzzle pieces slid into place. Models grouped by how they earned money. Strategies by how they positioned and engaged the market. Advantages by what made the win durable.

Columns and rows emerged.

Like elements sharing valence electrons, some combinations bonded easily—others sparked volatility, power, or fragility. I didn’t want just a canvas or a checklist. I wanted a periodic table. A structured way to understand what made businesses tick—and how to design better ones.

The result is the **Periodic Table of Business Strategy**: 35 elements—12 models, 6 advantages, 17 strategies—organized to reveal their chemistry. In the pages ahead, each element becomes a building block. Each combination, a reaction formula you can test, refine, or discard.

WHAT CAME NEXT

For a while, that felt like enough. But the world kept changing.

The internet had already rewired distribution. Aggregators reshaped entire industries by sitting at the center of demand. And then artificial intelligence came roaring in—not just shifting cost structures, but threatening to flatten differentiation itself. It became urgent to ask: *What happens to your model, strategy, or advantage when AI enters the picture?*

So I went back to the table.

One by one, I assessed each element—how vulnerable it might be to automation, commoditization, or collapse. The result is the **AI Susceptibility Index (ASI)**: a way to see where your strategy might erode and how to pivot to sturdier ground. If the periodic table gave us the building blocks, the ASI added a lens for *durability* in a machine-learning world.

But even that wasn’t enough. Because underneath all the shifts—from models, to strategies, to advantages—one force stood out as the new physics of competition: the reflexive power of learning loops.

As I studied these dynamics, I started seeing patterns that reminded me of *Aggregation Theory*—Ben Thompson’s brilliant framework for how the internet restructures value chains. But something felt different in the

AI era. The locus of power was shifting again—not just to aggregators of demand, but to systems that learned the fastest.

I began to wonder: could there be an equivalent theory for this new age? One that explains not just who wins, but *why*—what pulls businesses toward becoming irreplaceable endpoints, and what causes others to collapse into undifferentiated inputs?

That question led me to my theory of **Learning-Loop Economics**.

At its core is a simple principle: the most valuable businesses in the AI era aren't just efficient or scalable—they're *reflexive*. They improve with use. They learn faster than their competitors. And they create compounding advantages that get harder to catch with every cycle.

This book is my attempt to trace the full arc: From how business models, strategies, and advantages combine into strategic formulas... To how those formulas stand up to AI disruption... To how *learning loops* reshape the physics of competition itself.

WHY PUBLISH NOW?

Because the stakes keep rising.

AI doesn't create new elements of strategy, but it reshuffles the ones that matter most. It doesn't invent new models, but it can collapse the margins of old ones overnight. And it doesn't care if you *used* to have an advantage—it only asks: do you still?

That is why this book follows a deliberate arc. First, you will learn how to diagnose your current strategic formula and see its underlying chemistry. Then you will stress-test those formulas with the **AI Susceptibility Index**, a tool to measure where your strategy is most at risk. And finally, you will see how all of these threads converge in the AI era's defining force: **Learning-Loop Economics**, the principle that whoever compounds learning fastest builds the deepest moat.

Whether you are a founder sketching on a napkin, a corporate strategist managing a portfolio, or a consultant pressed for a fast diagnosis, this system offers a shared language and a practical toolset. Like chemistry, mastery comes through experimentation. My hope is that by the time you reach the end, you'll see strategy not as a guessing game but as a system anyone can learn—and that you'll understand how learning loops create compounding advantage.

HOW TO USE THIS BOOK

This is a practitioner's field guide to strategic analysis—a diagnostic tool, not a prescription manual.

The Periodic Table of Business Strategy gives you a structured vocabulary for deconstructing how businesses work. It won't tell you what decision to make, but it will clarify what forces are at play in any decision you face. Think of it as a framework for making strategic thinking explicit: naming the elements in your current formula, mapping the configurations your competitors use, and testing the structural coherence of combinations you haven't tried yet.

Throughout the book, you'll find company examples used to illustrate how elements behave and combine. These aren't empirical case studies with controlled variables and measured outcomes—they're analytical demonstrations showing how the framework applies to real strategic situations. I'm using public companies to make the system visible, not to prove statistical relationships. The value isn't in the examples themselves; it's in learning to see patterns you can apply to your own context.

The first section (Chapters 1–4) introduces the elements: the building blocks of business models, strategies, and competitive advantages. You'll learn what each element is, how it behaves, and what conditions it requires to function. Once you understand the components, Chapter 5 shifts to methodology—the specific techniques for combining elements, evaluating trade-offs, and identifying strategic options to test. If you're eager to apply the framework immediately, Chapter 5 is where the system becomes operational. Chapters 6–7 then explore the structural paths for durable competitive advantages, examining how alignment between models and strategies creates conditions where advantage may form.

The final section (Chapters 8–12) examines how artificial intelligence disrupts these structural relationships. You'll see how AI changes the durability of different elements, where new vulnerabilities emerge, and how learning loops are reshaping the fundamental physics of competition. This isn't speculation about what AI might do—it's an analysis of how machine learning systems interact with the strategic elements you've already learned.

What makes this framework useful isn't comprehensiveness—it's *structural clarity*. By separating business models, strategies, and competitive

advantages into distinct layers, you can diagnose misalignments, identify structural configurations competitors haven't explored, and articulate strategic choices with precision. Whether you're evaluating your own business, analyzing rivals, launching something new, or navigating a pivot, the periodic table gives you a systematic way to think through the problem.

The goal isn't to memorize 35 elements. It's to internalize a way of seeing—so that when you encounter a strategic question, you instinctively ask: *What's the model? What's the strategy? What's the advantage? And do they actually reinforce each other?*

That's the formula. Now let's build it.

PART I:
THE PERIODIC TABLE OF
BUSINESS STRATEGY

CHAPTER 1:
DECODING THE PERIODIC
TABLE OF BUSINESS
STRATEGY

“One of the main functions of an analogy or model is to suggest extensions of the theory by considering extensions of the analogy.”

MARY B. HESSE

IN THE COMPLEX world of business strategy, having a shared vocabulary is like having a common language for a team of scientists. When everyone uses terms the same way, it’s far easier to design experiments, discuss results, and make breakthroughs together. The Periodic Table of Business Strategy is built on this idea. It offers a single chart of 35 “elements” that represent all the options a company has when crafting a well-rounded strategy. These elements are divided into three categories—business models (12 elements), competitive advantages (6 elements), and strategies (17 elements). Each element is an ingredient in your company’s strategic formula for success. Just as chemical elements combine according to known properties to form compounds, these elements combine in ways that describe a company’s operating logic and reveal structural relationships.

Leaders often confuse these categories. For example, some boast about “great customer service” as a differentiator and treat it as if it were a durable competitive advantage—yet **Service & Support [Ss]** is a *strategy* a company chooses, not an unassailable *advantage* on its own.

These mix-ups aren’t just semantic nitpicking. When teams mistakenly swap a strategy for a business model or assume a customer-service strategy equals a permanent advantage, they risk misalignment in decision-making. It’s like arguing whether water is a liquid or a gas without specifying

<p>3.9 ASX</p> <p>Rt</p> <p>Traditional Retailer</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.9 ASX</p> <p>Lo</p> <p>Low Cost Provider</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.6 ASX</p> <p>Av</p> <p>Selection & Availability</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.3 ASX</p> <p>Pm</p> <p>Premium Branding</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.9 ASX</p> <p>X</p> <p>Build & Expand</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.0 ASX</p> <p>Ma</p> <p>Mergers & Acquisitions</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.4 ASX</p> <p>Vi</p> <p>Vertical Integration</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>
<p>3.9 ASX</p> <p>Rn</p> <p>Non-Traditional Retailer</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.2 ASX</p> <p>Ss</p> <p>Service & Support</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.8 ASX</p> <p>Q</p> <p>Performance & Quality</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.3 ASX</p> <p>C</p> <p>Customization</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.5 ASX</p> <p>Ip</p> <p>Proprietary Technology</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.0 ASX</p> <p>Ne</p> <p>Network Expansion</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.6 ASX</p> <p>Cl</p> <p>Contract Lock</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>
<p>3.7 ASX</p> <p>T</p> <p>Trader</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>1.9 ASX</p> <p>L</p> <p>Landlord</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.9 ASX</p> <p>Sg</p> <p>Customer Segmentation</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.4 ASX</p> <p>Ge</p> <p>Geographic Segmentation</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>1.5 ASX</p> <p>Lb</p> <p>Lobbying</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>1.8 ASX</p> <p>Is</p> <p>Incentives & Subsidies</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.3 ASX</p> <p>Co</p> <p>Informal Cooperation</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>
<p>3.8 ASX</p> <p>B</p> <p>Broker</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.7 ASX</p> <p>Mf</p> <p>Manufacturer</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.0 ASX</p> <p>Rd</p> <p>R&D Shop</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.3 ASX</p> <p>Ti</p> <p>Tinkerer</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.9 ASX</p> <p>Es</p> <p>Economies of Scale</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.0 ASX</p> <p>S</p> <p>Supply</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>2.5 ASX</p> <p>D</p> <p>Demand</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>
<p>2.8 ASX</p> <p>Wh</p> <p>Wholesaler</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.2 ASX</p> <p>Md</p> <p>Manufacturer Direct</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>4.2 ASX</p> <p>Cp</p> <p>Content Producer</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>4.0 ASX</p> <p>A</p> <p>Artist/Writer</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>4.0 ASX</p> <p>I</p> <p>Superior Access to Information</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>1.6 ASX</p> <p>Gp</p> <p>Government Protection</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>	<p>3.7 ASX</p> <p>Op</p> <p>Operational Parity</p> <p>Critical Success Factors</p> <p>□ □ □ □ □ □ □ □</p>

Figure 1.1 Periodic Table of Business Strategy

temperature and pressure—confusion ensues, and experiments (or in our case, strategic plans) go awry.

Why does this matter? Because making big strategic decisions is easier when everyone shares the same understanding of these fundamental elements. A clear, consistent terminology creates a shared understanding across the business. When all players agree on what “business model” means versus “strategy” or “advantage,” they can collaborate more effectively and avoid talking past each other. The Periodic Table of Business Strategy is a communication tool designed to align leaders and teams around the core building blocks of a strategy.

THE THREE CATEGORIES OF ELEMENTS

A well-rounded business strategy draws from three elements, one from each category on the periodic table.

Business Models

I'll start with business models because they're the *base layer*—the economic architecture everything else sits on.

A Business Model defines the structural logic of how a business creates, delivers, and captures economic value. It describes how revenues and profits are generated through durable choices about assets, activities, cost structure, pricing mechanisms, and value exchange. Business models shape the firm's payoff structure and constrain which strategies are feasible without structural change.

Every company needs a business model. This is the element that describes how the company is structured and how it generates revenue and profit. The business model is the fundamental design of the business—who pays, for what, and how the company's operations are set up to deliver value at a profit.

The Periodic Table includes 12 business model elements. That might sound like a lot of models, but they're organized into a few logical families. Each business model element on the chart has a symbol (like chemical elements have symbols): for example, **Landlord [L]** or **Manufacturer [Mf]**. Some of these models also have common variants, which are described in detail in later chapters. Let's look at the major groupings of business model elements.

Creators

Creator models center on creating something new or original. This group includes **R&D Shop [Rd]**, **Tinkerer [Ti]**, **Artist/Writer [A]**, and **Content Producer [Cp]**.

- An R&D Shop [Rd] is like an invention factory, systematizing innovation on a large scale (variants: *Innovate* or *Invent*).
- A Tinkerer [Ti] is the classic inventor in a garage, improving or inventing products (variants: *Innovate* or *Invent*).
- The Content Producer [Cp] focuses on producing informative or entertaining content (like a media company or online course creator).

- The Artist/Writer [A] works solo or with a team to craft unique creative works (a novel, a song, a painting).

Builders

Builder models focus on building or manufacturing products. Here we have the **Manufacturer [Mf]** and **Manufacturer Direct [Md]**.

- A Manufacturer [Mf] assembles or produces goods, often at scale (variants: *One-Size-Fits-All*, *Semi-Custom*, and *Build-to-Order*).
- Manufacturer Direct [Md] straddles two worlds—it's a builder that also takes on the selling role by selling directly to customers, cutting out wholesalers or retailers. (Think of a factory that not only makes the product but also has its own store or website to sell it.)

Owners

Owner models make money by owning an asset and letting others use it for a fee. The models are all a type of **Landlord [L]**. The landlord business model is not just about real estate; it comes in variants depending on the type of asset:

- *Physical*, renting out tangible property like buildings, cars, equipment.
- *Virtual*, renting digital assets like server space or website advertising spots.
- *Financial*, providing use of money, as in lending models or investment funds where others pay to use capital.
- *Intellectual Property*, licensing patents, copyrights, franchises where others pay to use a protected idea or brand.

In all cases, the Landlord owns something and charges others for temporary, (and often) exclusive use of it. The asset could be an apartment, a piece of software, a sum of money, or a famous character—the underlying model is “I own, you pay to use.”

Sellers

Seller models sell and exchange value between parties. This is a broad group that includes **Broker [B]**, **Trader [T]**, **Traditional Retailer [Rt]**, **Non-Traditional Retailer [Rn]**, and **Wholesaler [Wh]**.

- A Broker [B] connects buyers and sellers without owning the product being sold. Brokers earn a commission or fee on transactions (variants: *Physical, Virtual, Financial, and Intellectual Property*).
- A Trader [T] buys and then resells products or assets, usually adding value in between. Traders might refurbish items, bundle services, or simply arbitrage price differences (variants mirror the broker categories: *Physical, Virtual, Financial, and Intellectual Property*).
- A Traditional Retailer [Rt] purchases goods (often from wholesalers or manufacturers) or offers services, and sells them to end customers at a markup (variants: *Low-Cost, Cost-Plus, or Premium*). While most people associate this model with physical products, like clothing or electronics, it also applies to service providers such as hairdressers or consultants that charge customers more than their cost of labor, supplies, and space.
- A Non-Traditional Retailer [Rn] often looks like a retailer but operates with a twist: instead of maximizing profit on each individual transaction, the model centers on *customer lifetime value*, not per-transaction margin. These businesses may sell either products or services, or a mix of both (variants: *Freemium, Subscription, Razors & Blades, and Long Tail*).
- A Wholesaler [Wh] buys in bulk from producers and resells in bulk to retailers or other distributors. Wholesalers thrive on volume and distribution efficiency, making it easier for many products to reach many retail outlets.

That's a quick tour of the business model elements. Each company will at minimum pick one of these as the core of how it operates and makes money, although many companies combine models. Knowing your fundamental business model is like knowing the primary element in a molecule—it defines the character of your business from the start.

With the foundation set, we can ask the next question: *Do you have an inherent edge?* That takes us to competitive advantages—the rare, durable amplifiers that are not always present, but powerful when they are.

Competitive Advantages

A Competitive Advantage is a durable structural condition that allows a business to earn superior returns relative to rivals without requiring continuous strategic reinvention. It persists because competitors face meaningful difficulty in replicating, bypassing, or neutralizing it, and it is sustained primarily by structural position, accumulated customer inertia, or embedded constraints rather than ongoing tactical spending.

Unlike business models, competitive advantage elements are *optional*. A company can survive without a distinct competitive advantage but, if it has one, it can excel or defend itself in the market. It is true, sustainable, and fundamental in ways that competitors cannot easily replicate or overcome. It's a lasting edge that sets a company apart in its industry.

For the periodic table, I rely on Bruce Greenwald's definitions from *Competition Demystified*, listing 6 competitive advantage elements in all. If a company possesses any of these, it means they have an edge that others will struggle to copy.

Economies of Scale [Es]

Having lower cost per unit when producing at high volumes. If large scale lets you spread fixed costs or operate more efficiently than smaller rivals, you enjoy a cost advantage simply due to size. An incumbent that's much bigger can often undercut prices and still profit, because their cost base per product is inherently lower. This advantage is hard for newcomers to match without investing heavily to reach similar scale.

Supply Advantages [S]

These are cost advantages rooted in *how* you produce or access inputs. It could be owning a proprietary technology or patent that lets you make something more cheaply, or having privileged access to a resource (like a cheap raw material supply or exclusive supplier relationships). The key is

you can deliver your product/service at a lower cost than competitors due to some unique supply-side factor.

Demand Advantages [D]

An advantage on the customer side. This means you have captive customers or access to market demand that others can't tap into easily. It often comes from customer habits or high switching costs. Demand advantage means customers *prefer or are stuck with you* in a way that is durable—they keep coming back not just by choice but because leaving is hard or less valuable. Tactically, some strategies can create demand-side captivity over time; the [D] element captures the durable state, not the tactic itself.

Superior Access to Information [I]

Persistent, asymmetric access to data, signals, or knowledge that materially affects economic decisions and is not equally available to competitors at the same time or resolution. The advantage stems from exclusive data sources—proprietary sensors, privileged partnerships, unique collection methods—not superior analysis. Modern technologies have democratized data collection capabilities, enabling information advantages across logistics, retail, healthcare, manufacturing, and platform businesses. The structural position exists when competitors cannot replicate the access itself, regardless of their analytical sophistication.

Government Protection [Gp]

Advantages conferred by government action. This can range from an official monopoly license or patent protection, to tariffs that hobble foreign competitors, quotas, direct subsidies, or favorable regulations. The playing field is tilted in your favor by law or policy. While not every business can rely on this (and it can be temporary if policies change), it's potent when present.

Operational Parity (No Advantage) [Op]

This is listed in the periodic table as no advantage. It means the company does not currently possess a structural, durable advantage that a capable

rival cannot match in a short period of time. You compete at industry parity, emphasizing operational discipline and efficiency. You're playing on equal footing with competitors, so you win by executing better day-to-day (tight cost control, good management, etc.). Many small businesses operate in this mode—nothing unique protects them, so they just hustle and optimize continuously.

Competitive advantage elements, when present, act like powerful catalysts in a chemical reaction—they can dramatically speed up growth or fortify a company's position. However, not every business has one. It's possible to thrive for a time with no special advantage, but in the long run, having at least one of these elements makes your strategic formula more robust. If you identify that you have none, that recognition can be a call to action: you may need to develop proprietary technology, build customer loyalty, or lobby for some protective regulations, for instance. The Periodic Table helps you explicitly consider this: *Do we have a competitive advantage element in our formula?* If not, you know you're competing on execution alone.

Business Strategy

If business models establish the foundation and competitive advantages provide the amplifiers, strategies are the deliberate moves you make to compete in the present moment.

Business Strategy is the set of discretionary action patterns through which leadership chooses how to compete—how to engage rivals, target and serve customers, and respond to current market conditions. Strategies are initiated through managerial agency and are inherently reversible: they can be adjusted, intensified, paused, or abandoned without first dismantling a durable structural position.

A company's strategy elements are choices that define *how* it will compete and win. Like competitive advantages, having a conscious strategy is optional—many businesses drift without a clear strategy, defaulting to just coexisting with competitors. In the periodic table, I call that **Informal Cooperation [Co]**, the default “no specific strategy” state. But a well-

crafted strategy usually involves deliberate choices on how to stand out or grow.

There are 17 strategy elements in the periodic table. It's a long list, but they fall into a few broader strategy families which make them easier to digest.

Differentiation Strategies

These strategies focus on making your product or service different in ways that customers value:

- **Low Cost Provider [Lo]**—Compete on being the lowest-cost producer, enabling the lowest prices. This is the classic cost leadership. Everything in the business is aligned to drive costs down so you can undercut competitors.
- **Service & Support [Ss]**—Stand out by providing exceptional customer service or support. When products are similar, you win loyalty by going above and beyond in caring for the customer.
- **Selection & Availability [Av]**—Win by offering a broader selection or having items readily available when others don't. This could mean a huge product catalog or superb logistics that get products to customers faster or in stock more reliably.
- **Performance & Quality [Q]**—Differentiate through superior performance or quality. Your product simply works better or lasts longer than the competition's.
- **Premium Branding [Pm]**—Create a perception of premium value around your brand. This isn't just quality (though quality helps); it's about branding, image, and storytelling to command a higher price or loyalty. Luxury brands use this—the brand itself carries cachet beyond the product specs.
- **Customization [C]**—Offer custom-tailored products or solutions, as opposed to the one-size-fits-all approach of competitors. This strategy says, “we give each customer exactly what they want,” which can be a strong differentiator if customers are willing to pay for personalized options.

Segmentation Strategies

These involve focusing on specific customer groups:

- **Customer Segmentation [Sg]**—Target a particular demographic, behavioral, or psychographic segment. For example, a company might focus on young professionals (*demographic*), hobbyist photographers (*behavioral*), or people driven by self-improvement and mastery (*psychographic*). By tailoring everything to that segment’s needs and motivations, you aim to serve them better than generalists could.
- **Geographic Segmentation [Ge]**—Focus on serving a specific geographic area exceptionally well. This could be your hometown region, or a country, or an urban vs rural focus. By concentrating on a geography, you gain local expertise and presence that outsiders lack, making you the go-to in that area.

Scale Strategies

These grow the size and scope of the company:

- **Build & Expand [X]**—Grow by opening new locations or expanding capacity organically. Think of a regional chain opening stores in new cities, or a factory increasing production lines. It’s organic geographic or capacity growth to reach more customers.
- **Mergers & Acquisitions [Ma]**—Grow by merging with or buying other companies. This could remove competitors, acquire new customer bases, or add capabilities. It’s an instant way to increase scale (though not without challenges of integration).
- **Vertical Integration [Vi]**—Expand by taking over more steps in your supply chain—either *backward integration* (going into supplying yourself, like a bakery buying a wheat farm) or *forward integration* (going into distribution/retail, like a farm opening a farm-to-table store). The goal is to reduce costs or control quality by owning more of the process.

Customer Captivity Strategies

These aim to lock in customers or make your offering more valuable as it grows:

- **Proprietary Technology [Ip]**—Develop or use technology that is unique to you (and ideally protected by intellectual property rights). This can create customer captivity if your technology ecosystem traps them (like a software platform with its own standards), or simply gives you a leg up in performance that keeps customers from straying.
- **Network Expansion [Ne]**—Design your business such that every new user adds value for existing users, creating a positive feedback loop. Social networks and marketplaces use this—when more people join, the service becomes better or more essential, which in turn attracts even more users. Network expansion makes it very hard for a competitor to lure your customers away because an alternative would initially have a smaller network (and thus be less useful).
- **Contract Lock [Cl]**—Use contracts or agreements to lock customers in, or make leaving painful. Examples include long-term service contracts with penalties for early termination, or even more subtle “loyalty programs” that make customers feel they lose perks if they switch. It raises switching costs, keeping customers by default.

Government Intervention Strategies

These involve leveraging the government or public policy environment as part of strategy:

- **Lobbying [Lb]**—Actively attempt to influence legislation or regulation in your favor. If successful, you might achieve things like getting stricter licensing (which favors incumbents) or government contracts. It’s a strategy to alter the playing field rather than playing on the field as-is.
- **Incentives & Subsidies [Is]**—Focus on obtaining government incentives, grants, tax breaks, or subsidies that bolster your

business. Some industries, like renewable energy or agriculture, have lots of subsidies available. If your strategy is to capitalize on these, you're using public funds or support to gain an edge or reduce costs.

Informal Cooperation (No Strategy) [Co]

This is the default strategy when a company is not pursuing any particular differentiating approach. In practice, *Informal Cooperation* means the company and its competitors live and let live. The business isn't trying to be the absolute cheapest, or the highest quality, or the most niche—it's just taking its fair share of customers who come along. Competitors, similarly, aren't aggressively attacking. Everyone is, in a way, cooperating by maintaining the status quo. This tends to happen in markets where businesses get comfortable and no one is trying to rock the boat, or in very small local markets where each player has their loyal customers and they avoid direct showdowns.

That's a comprehensive list of strategy elements. Most thriving businesses intentionally pick a couple from this category. A company might pursue a differentiation strategy combined with a customer captivity strategy. Or a company might be the lowest cost provider in a specific region. There's no rule that you only pick one—much like a dish can be sweet and spicy, a business can blend strategies. However, some combinations make more sense than others, and focus is key—chasing too many strategies at once can be as bad as having none.

HOW THE PERIODIC TABLE IS ORGANIZED VISUALLY

Let's talk about the visual layout of the Periodic Table of Business Strategy—the “anatomy” of the element cards and why this layout helps you think more clearly. If you imagine the familiar periodic table of chemical elements, it's arranged so that elements with similar properties align in columns and sections. The business strategy table works similarly: elements are grouped and color-coded so that their relationships and differences are immediately clear.

Each element card on the table is like a compact summary of a strategic element:

- **Symbol.** A one- or two-letter symbol set large in the center (for example, **Rn**). In the text I refer to elements in brackets, like [**Rn**], for quick scanning.
- **Name.** The full element name sits below the symbol (for example, “Non-Traditional Retailer”).
- **Category color.** Elements are organized by category and labeled accordingly. Color editions use orange, blue, and green backgrounds as a quick visual cue, while black-and-white editions rely on labels and shades of gray.
- **Variants.** When an element has variants, they appear around the outer border (for example, “Long Tail,” “Freemium,” “Razors & Blades,” “Subscription”). Some elements have none; others list several. Placement around the border is for compactness, not priority.
- **ASI score.** The top-left number is the AI Susceptibility Index (1–5)—a quick read on how exposed the element is to AI-driven commoditization (see Chapter 8).
- **Critical Success Factors.** Each element has 2-4 critical success factors, indicated in the bottom band of the element card, which serves as a mini Business Model Canvas (covered later in this chapter). The filled boxes highlight the factors that are the most critical when an element is part of your strategic formula.

Notation used in examples: In strategic formulas throughout the book, the *business model* and any *strategies* are joined with a plus sign “+”. *Competitive advantages* are applied as multipliers with the multiplication sign “x” to show amplification. **Operational Parity (No Advantage) [Op]** is the sole exception: it is not an amplifier, so it uses “+”. *Example:* (**Md + Lo + X**) x **Es**; or with no durable advantage: **Md + Lo + X + Op**.

Beyond individual cards, the placement of cards carries meaning:

- Business model elements are grouped into the four families (Creators, Builders, Owners, Sellers) and placed near each other. This means when you look at that section of the chart, you can

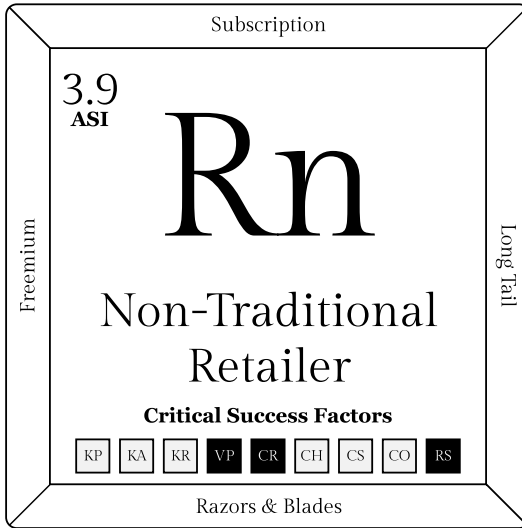


Figure 1.2 Element Card

intuitively see “Ah, these are all creator-type models together,” just like looking at a periodic table and seeing all noble gases in one column.

- Strategy elements are grouped into their families (Differentiation, Segmentation, Scale, Customer Captivity, Government). You’ll find, for example, all the differentiation strategies clustered. This way, if you know you want to differentiate, you can see all your options in one spot.
- The Competitive Advantage elements are set apart as their own small group, since there are only six.

The visual logic of this arrangement speeds insight. When you map your company’s current strategy onto the periodic table, you might mark which elements you’re using. Immediately, you’ll notice if all your chosen elements clump in one area or if you’re missing an entire category. A company might realize, “We identified our business model and a couple of differentiation strategies, but we left the competitive advantage section blank—no wonder we struggle to stand out long-term!” This mirrors how chemists used the periodic table: gaps in the table pointed them to ele-

ments that hadn't been discovered yet. In business, a gap could point to something you need to develop or an area of vulnerability.

Research backs up the idea that visual frameworks like this improve strategic thinking. Visuals help our brains in handling complexity by improving working memory and pattern recognition. In strategy work, it's easy to get lost in details and competing ideas. It expands what you can juggle mentally by laying it out spatially. You can literally see the relationships and categories, which aids recall and understanding. Instead of trying to remember 35 abstract terms, you have a map that organizes them into a picture. This taps into our brain's visual strengths: we spot patterns and groupings instantly, we recall images more easily than lists, and we can discuss concepts with clear reference points.

Another benefit of this visual logic is knowledge transfer and shared understanding. When a team looks at the same chart, it anchors their discussion. Rather than vague statements, they can point: "Let's consider adding **Network Expansion [Ne]** to our strategy," or "Our model is **Manufacturer Direct [Md]**, but maybe we should also incorporate a **Wholesaler [Wh]** element for a hybrid approach." The chart becomes a common reference. Shared visuals also speed team alignment by externalizing concepts everyone can point to and discuss.

Finally, the periodic table metaphor carries into strategy. We can think of putting together a strategic formula like forming a molecule. Just as water is H_2O (two hydrogen atoms and one oxygen atom), a simple retail business might be **Md + Co + Op**: Manufacturer Direct with no special advantage, defaulting to informal cooperation. But a more "reactive" compound might be **(Md + Lo + X) x Es**: Manufacturer Direct, with Economies of Scale as an advantage, pursuing a Low Cost strategy and expanding footprint. The possibilities are many, but not infinite—just like chemistry, you can't combine elements haphazardly if you expect a stable result. The table encourages you to deliberate in your combinations, and its structured format ensures you consider at least one from each critical category for a balanced formula.

The Periodic Table of Business Strategy is a visual cheat sheet of all the fundamental pieces that can make up a business's strategy. By categorizing and color-coding them into business model, competitive advantage, and strategy—and further grouping them by their logical families—it helps cut through the fog of business jargon. It prevents the common pitfalls of

conflating a model with a strategy or mistaking a tactic for an advantage. And perhaps most importantly, it speeds up insight: leaders can more quickly diagnose their current strategy, identify missing pieces, and communicate options for change. The visual logic does a lot of work, so your brain can focus on creative problem-solving and decision-making rather than on disentangling terminology or recalling lists.

WHAT'S MISSING?

Every periodic table sparks a little laboratory chatter, and this one is no different. Some readers will wonder whether familiar “edge cases” (i.e. ad-funded media, multi-level marketing, insurance, franchising, diversification, strategic alliances) demand extra elements. A quick stress test shows they do not; each fits cleanly into an existing slot once we understand a few labels and definitions.

For example, ad-supported businesses rent slices of audience attention. That makes them **Landlords [L]** of a virtual asset. Multi-level marketers sell retail products; their tiered commission is simply a twist on staffing, not on the **Traditional Retailer [Rt]** model. An insurer sells risk protection at a profit across a pool; that is traditional retailing [**Rt**] of a service, usually fortified by **Superior Access to Information [I]** or **Economies of Scale[Es]**. Similarly, the franchisor licenses intellectual property as a **Landlord [L]**, while each franchisee operates as a local **Traditional Retailer [Rt]**.

Next, corporate diversification and strategic alliances behave more like bonding agents than new elements. A conglomerate just holds multiple compounds (business units), each already describable within the table; we analyze the pieces, then study the portfolio’s chemistry. Alliances and joint ventures, meanwhile, are tactical reactions that help a firm pursue an existing strategy such as **Economies of Scale [Es]**, **Proprietary Technology [Ip]**, or **Network Expansion [Ne]**.

The periodic table taxonomy, with clear definitions for business models, competitive advantages, and strategies, is sufficient to describe the elements of your business. New business models and strategies are rare, and most often they are simply hybrid versions or combinations of existing elements already described in the table. The table remains self-contained,

comprehensive, and ready for whatever exotic molecules the market brews next.

Choosing elements is only half the job; performance lives or dies in execution. The bottom band of each card points to the few critical success factors that matter most for that element in your formula.

UNDERSTANDING CRITICAL SUCCESS FACTORS

In business, even a well-crafted strategy can falter without solid execution. The Periodic Table of Business Strategy is a useful taxonomy for defining a company's overall strategy by combining elements of business model, competitive advantage, and strategy, but what about when all of the elements are correct, and the company still isn't performing well? In these cases, underperformance is often tied to weaknesses in execution rather than a flawed plan.

To diagnose execution issues, we turn to the critical success factors associated with each element of your strategy. Think of critical success factors as the handful of essential ingredients (or catalysts, to continue the chemistry metaphor) that a business needs to execute well enough for a particular model, advantage, or strategy to succeed. If those factors are weak or missing, even the best-laid strategy can fizzle out.

Use of the Business Model Canvas

In later chapters, I'll outline the critical success factors for each type of business model, competitive advantage, and strategy. I'll use the terminology of the Business Model Canvas—a popular template that breaks a business model into nine key components—to describe these factors. By identifying which of these components are critical for your strategic formula, you can focus your efforts where they matter most. And if performance is lagging, these are the first places to look for execution gaps.

Alexander Osterwalder and Yves Pigneur, authors of *Business Model Generation*, developed the Business Model Canvas as “a shared language for describing, visualizing, assessing, and changing business models.” It's made up of nine building blocks that help focus attention on key attributes of a business, as shown below.



Figure 1.3 Business Model Canvas by Strategyzer AG, strategyzer.com, licensed under CC BY-SA 3.0.

Broadly speaking, a company would fill in each of the nine boxes—Key Partners, Key Activities, Key Resources, Value Propositions, Customer Relationships, Channels, Customer Segments, Cost Structure, and Revenue Streams—to identify gaps and key areas for focus. An understanding of the Business Model Canvas isn’t necessary to grasp the critical success factors of a business, but I will use some of its terminology as we evaluate elements of the periodic table. It ensures we don’t overlook any part of how the business creates and delivers value.

Defining Critical Success Factors

Each element in the Periodic Table has its own set of critical success factors. These define the execution conditions and constraints generally required for that element to perform as intended. To illustrate, here are some example critical success factors for each of the Business Model Canvas categories:

- **Key Partners (KP):** Relationships that provide essential support to your business. A smartphone maker’s critical partners might be

its component suppliers; a software platform might rely on third-party app developers or advertisers. If these partners fail or withdraw, the business could be in trouble.

- **Key Activities (KA):** The crucial actions the business must perform well. A retailer must excel at merchandising and inventory management; a manufacturer needs rigorous quality control; a negotiator or agent-based business relies on strong deal-making. If the company's primary activities are poorly executed, strategy will fall apart.
- **Key Resources (KR):** The essential assets, people, or intellectual property the business needs. A startup might need sufficient capital to fuel growth. A technology firm might depend on top engineering talent or patented technology. Without securing and nurturing these key resources, the company's growth will stall.
- **Value Proposition (VP):** The core value or benefit that attracts customers. This must resonate strongly with the target market. For example, a product might win on superior usability, risk reduction, or location convenience. If the value proposition isn't compelling, even a great product can fail to gain traction.
- **Channels (CH):** The ways the company delivers value to customers. These include distribution and sales channels like a physical storefront, an easy-to-use mobile app, or a team of sales agents. For a business that banks on being everywhere the customer wants to buy, channels are critical. If a key channel is weak, it can severely limit success.
- **Customer Relationships (CR):** How the company interacts with and supports its customers. This could be through automated self-service tools, personal assistance, or community-building. If loyal customer relationships and trust are central to the strategy, then excelling in customer service and support is a critical success factor.
- **Customer Segments (CS):** The specific group or groups of customers the business targets. Some models depend on serving a mass market efficiently, while others thrive by focusing on a niche market or even a multi-sided network. If a business's strategy hinges on a particular segment, then deeply understanding and

- reaching that segment is critical. Failure to connect with your intended customer segment means the strategy has no audience.
- **Cost Structure (CO):** The way a company manages costs and investments. Different strategies demand different cost structures—some are cost-driven, while others are value-driven. Some businesses have mostly fixed costs while others are more variable. If a company competes on low cost, keeping a tight, efficient cost structure is absolutely critical. Conversely, a company providing premium services must ensure its cost structure supports high quality. Mismanaging costs will quickly erode any competitive edge.
 - **Revenue Streams (RS):** How the company earns money. Common revenue streams include direct sales, subscription fees, transaction fees, advertising revenue, licensing, and so on. For some strategies, certain revenue streams are make-or-break. A software company might rely on recurring subscription fees; a content platform could depend on advertising income; a consultant might earn fees for service hours. If a key revenue stream falters, it jeopardizes the whole strategy.

As you can see, any of these Business Model Canvas elements can be a critical success factor, depending on your context. The art of execution is figuring out which few are the lifeblood of your chosen model, advantage, and strategy—the strategic formula as a whole—and then excelling at those.

Tailoring the Critical Success Mix

Even the best framework is only a map, not the territory, so start with the map and then study your specific terrain. Take Netflix's streaming service as a live case. On paper it combines a **Non-Traditional Retailer [Rn]** (subscription variant) business model with a **Selection & Availability [Av]** strategy and three reinforcing competitive advantages: **Economies of Scale [Es]** (cost structure advantages from volume), **Demand [D]** (customer switching costs from viewing history and recommendations), and **Superior Access to Information [I]** (proprietary data on viewing preferences). These advantages work together to support both the model's sub-

scription economics and the strategy's breadth requirements. Lay those layers on top of each other and you get a *long* list of critical-success factors: Value Proposition, Customer Relationships, Cost Structure, Revenue Streams, Key Resources, Key Activities, Channels, and Key Partners.

To turn a long list into an execution plan, rank each factor by how many elements claim it. In Netflix's case the overlap test surfaces a clear pecking order:

1. **Value Proposition** (appears in model, strategy, *and* demand advantage)
2. **Customer Relationships** (model + demand advantage)
3. **Cost Structure** (scale advantage + strategy)
4. **Revenue Streams** (model + demand advantage)
- 5-6. **Key Resources and Key Activities** (scale + information advantages)
- 7-8. **Channels and Key Partners** (strategy only)

The higher the overlap, the more likely a weakness there will ripple through multiple elements of the business. That does *not* mean the lower items are unimportant—ignore Channels or Partners for long enough and the catalog eventually shrinks—but it does tell leadership where to focus first-round investment and diagnostic effort.

Just remember that priority is a guide, not a decree. Real companies carry quirks: a suddenly scarce content genre could elevate Key Partners overnight; a regulatory change might shove Cost Structure to the top. Use these execution conditions to frame the conversation, then apply on-the-ground judgment to fine-tune what really matters for *your* situation.

Use the critical success factors as a tool for prioritization. If your company isn't hitting its goals, revisit your chosen business model and strategy elements and ask: *Are we executing well on the specific things that are most critical to this choice?*

With the taxonomy and execution map in place, the final layer is *reactivity*: how external forces—especially AI—alter the stability of your chosen elements.

TESTING YOUR STRATEGY IN THE FACE OF TECHNOLOGICAL DISRUPTION

Amid the rise of generative AI and autonomous systems, it's easy to feel as though entirely new business models or strategies are erupting. Yet my core thesis is that the 35 elements of the Periodic Table of Business Strategy are comprehensive—even in an AI-driven age. AI doesn't create new elements in the table, but it may reshuffle your strategic focus.

Every AI startup or tech-transformed incumbent can still be understood as a combination of these business models, advantages, and strategies. For example, a machine-learning platform selling algorithmic predictions might sound novel, but it likely slots into a familiar business model (perhaps as an **R&D Shop [Rd]** or a **Content Producer [Cp]**), with a known competitive advantage (maybe **Superior Access to Information [I]**), and a clear strategy element (such as **Low-Cost [Lo]** or **Customization [C]**).

This isn't academic hair-splitting. It's crucial for leaders to realize that technological change primarily alters the conditions around the elements of the periodic table, not the existence of new strategic elements themselves. AI is a powerful reagent introduced into the business environment; it can accelerate, erode, or amplify the elements, but it doesn't invent new fundamental building blocks. An autonomous taxi service, for instance, still operates a **Landlord [L]** model at heart (owning a fleet of cars and renting rides) and might pursue a **Low-Cost [Lo]** strategy or a **Network Expansion [Ne]** strategy, even if AI is doing the driving. The periodic table is as valid as ever, providing a stable system to categorize and analyze any business.

The “AI Susceptibility Index” (ASI)

How can we systematically measure how vulnerable each element is to technological disruption like AI? Enter the *AI Susceptibility Index (ASI)*. The ASI considers five key dimensions that capture different ways AI can impact a business element. Each element (whether a business model, advantage, or strategy) is then scored from 1 (low) to 5 (high) on each dimension, weighted equally, with an average that's used as the overall

You've seen the vocabulary. The rest of the book shows you how to use it.

Chapter 1 introduced the Periodic Table of Business Strategy and the problem the AI Susceptibility Index is designed to solve. What follows is the methodology behind the ASI — how each of the 35 elements is scored across five dimensions, what the scores reveal about your specific formula, and where AI pressure is structurally concentrated rather than industry-wide.

The second half of the book introduces Learning-Loop Economics: the theory that explains why some formulas compound advantage in the AI era while others stall, and the three structural conditions that determine which side you're on.

The complete system — diagnosis, stress-test, and the path toward compounding — is available now.

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Eric D. Noren is a strategist with more than 20 years of experience at the intersection of marketing, technology, and business strategy, working across small companies and Fortune 500 enterprises. He has worked in both digital leadership and operational roles, and spent more than a decade testing and refining the strategic system at the foundation of this book across industries. He is based in the Houston area.

Most leadership teams agree they have a strategy. They disagree – quietly, consequentially – on what it is.

When you ask them to write it down in a single sentence, clear enough that a new executive could read it and know exactly what the company is and isn't doing, the divergence surfaces. One leader describes a business model. Another describes a competitive advantage. A third describes the five-year plan. Similar words. Different meanings.

The Strategic Formula gives you the language to write that sentence precisely – and then stress-tests it against AI disruption.

Built on the Periodic Table of Business Strategy:

35 elements across **12** business models, **6** competitive advantages, and **17** strategies, the system shows you where your formula is coherent and where it's fragile. Not theory. A practitioner toolkit with **62** diagrams and **14** tables, ready to use immediately in offsites, board decks, and strategic planning.

Strategy is a formula you can write down. This book gives you both the vocabulary and the stress-test.

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